

Finicity Perspective

Consumer Financial Protection Bureau's Symposium on Consumer Access to Financial Records, February 26th, 2020

One of the most transformative trends in the digital age has been the availability and use of data. Organizations of all sizes are now mining and leveraging their business data to improve efficiency, gain market insight, increase profitability, and enhance customer experiences.

In the same way, individuals and families can realize the value of their own financial data in making wise financial decisions, accessing affordable credit, and enhancing their overall financial health.

Whether tracking a budget with personal financial management tools, delivering a digital bank statement when applying for credit, or transferring funds into a peer-to-peer payment platform, access to and permissioned use of personal data opens a wide range of new opportunities. Additionally, research highlights that increased financial literacy - driven by the availability of your data- positively impacts financial behaviors like saving, investing, and planning for retirement. In short, access to personal financial data changes lives.

However, advancing financial inclusion and unleashing the services potential for underserved consumers is predicated upon one core principle - the rights of the American consumer to access, control, and use their data in the way they see fit.. This core principle requires strong reinforcement by regulators and lawmakers so that it is widely embraced by the financial industry.

Since the CFPB laid out a set of principles around consumer financial data sharing in 2017, significant strides have been made across the financial data sharing ecosystem. These include industry players better understanding their roles and responsibilities, technical innovations, collaboration on industry standards and a deepening of consumer understanding. Yet, there is much work left to be done. It is imperative that industry participants, policymakers, regulators, consumer groups and other stakeholders all work together to ensure that innovation and consumer protection are aligned around this set of principles.

These stakeholders have three main obligations.

- Ensure consumers have full access to, and control of, all their data.
- Create a technical framework and set of standards that allow for the safe, secure, and simple utilization of data to benefit consumers.
- Create an industry framework that ensures this safe, secure, and simple exchange of data while safeguarding and encouraging financial innovation and competition.

A Roadmap for Empowerment and Innovation

Finicity offers a high-level overview for moving forward. The roadmap has three facets:

1. **Financial Inclusion Principles:** The financial data ecosystem must enhance consumer awareness and protection in five critical areas: control, access, transparency, traceability, and security. These issues are paramount to earning consumer trust and in fully empowering them in the data sharing process.
2. **Financial Industry Collaboration:** Time and again, industry self-regulation has proven to be more effective, more efficient, and nimbler than government intervention when it comes to standards, and best practices, and innovation. Finicity is a board member of the Financial Data Exchange (FDX) and believes this organization is best suited to provide standards, liability frameworks, collaborative industry certification and vetting services, and best practices for the consumer-permissioned financial data services industry in the areas listed above.
3. **Regulatory Clarity and Modernization:** The U.S. financial regulatory system is splintered in its authority and jurisdiction over matters concerning consumer-permissioned financial data. For this reason, and as stated above, industry collaboration is likely to lead to the best outcomes for consumers. However, in a few key areas, regulatory and statutory clarity and modernization is needed to ensure consumers have full access to the data they own and that the appropriate safeguards are in place related to privacy and secure data use.

5 Core Principles of Consumer Empowerment

Financial services centered on consumer-permissioned data have the potential to promote competition and to radically increase a consumer's financial stability, wellness, literacy and inclusion. Realizing the full potential of technology transitions has often begun when the industry develops and buys into common standards and marketplace frameworks. This will be true of consumer-permissioned data sharing. Building such standards and frameworks starts with a unifying philosophical approach. Finicity, as a data agent (aka: data aggregator) and insights provider, fully endorses the core industry principles promoted by FDX for consumer empowerment in financial data sharing. These are control, access, transparency, traceability, and security. Each of these intersect in critical ways; improvements in one area ripple across the others and result in enhanced processes and experiences across the board.

Control

Empowerment is meaningless without control. It is not enough to tell consumers that we have their best interests at heart. True empowerment rests on giving consumers control over how their data is used, who has access to their data, how frequently their data is accessed, and how long their data is retained.

Central to control is informed consent. All ecosystem participants should provide consumers with intuitive navigation experiences presented in clear language. Too many steps, too much indecipherable fine print, and too many confusing processes inhibit informed consent and make things difficult for consumers.

One cornerstone of informed consent is a standardized permissions interface hosted by financial institutions. This interface allows consumers to easily view, modify, add, and revoke permissions across their library of financial services. When permissions are buried out of reach, consumers do not have the control they deserve. Power only exists when control can be exercised and managed.

Access

When it comes to financial data, the only acceptable level of consumer access is complete access. We believe that account ownership equals data ownership. Consumers' right to access personal financial data should (1) include the right to give a third-party permission to access it on their behalf and (2) mirror

what they are able to see and access within their financial institution's web portal. This also includes having the same level of system availability and reliability when they've permissioned their data.

True accessibility means ease of use. Therefore, service providers should deliver a simple intuitive process for authentication that minimizes unnecessary steps and avoids language that might cause confusion, delays, or abandonment. Time consuming or confusing digital experiences lead to lower rates of adoption. When consumers abandon a process for accessing their data because it does not meet their expectations, they may be missing out on beneficial services.

Transparency

As the owners of their financial data, consumers have a right to know exactly who will be accessing it and how it will be used. These important details can often get lost or skipped over due to overly complicated authentication processes. Market participants can increase transparency by using plain language and highlighting consumers' rights. Terms must also describe consumer options and the consequences of any available choices. We encourage businesses to find creative ways to incorporate these terms across the onboarding experience rather than reserving all terms and conditions for a lengthy document at the end of the consumer registration process.

Traceability

Traceability means that both consumers and permissioned parties should be able to map out the routes data takes along the data-sharing network. Each step, each transfer, each service provider should be clearly delineated. This mapping of the data-sharing flow also ensures that security breaches can be quickly and efficiently managed. In the event of a breach, all parties involved with the data in question should be automatically notified so that they can enact proper security protocols. A final facet of traceability is the right to be forgotten. This refers to an individual's right to require the deletion of all data that is not required to be held by law.

Security

Any discussion of industry standards and frameworks would be incomplete without careful consideration of security. All parties must have security policies and practices in place that a consumer would reasonably expect from a custodian of their sensitive data. This means constantly adjusting security measures to include advances in encryption and tokenization technologies. Security measures exist to protect consumers and should never be used as an impediment to consumers' ability to access their data.

Consumers are demanding the highest levels of data security. The number one reason customers abandon a transaction or interaction is because of a lack of visible security. Consumers need to be able to rely on market participants to provide clarity related to data definitions, usage, and privacy in order to make informed decisions related to the handling and privacy of their data. Investing in superior security measures drives every participant in the financial data ecosystem to deliver their very best and provides consumers the privacy and security they deserve.

Current State of Consumer-permissioned Data Sharing Technologies

By way of background, data agents access consumer financial data from multiple sources, such as banks, broker-dealers, and utilities, among others (collectively, "financial data providers"), in all cases with the consumer's permission. Data agents use one of two methods to access consumer financial data:

- Credential-based Access (often incorrectly combined with the term screen scraping – which is actually a method of data gathering not access), in which the data agent uses

the consumer's login credentials to access the consumer's information held by a financial data provider; or

- An application programming interface ("API"), which is a dedicated data connection providing access through tokenized authentication. In this case, a consumer does not share credentials with the data agent. Instead, they login with the data provider, permission access to the appropriate data, and the data provider issues a token to the data agent. This token is used for access. The appropriate data also flows through the API connection.

The use of credential-based access and screen scraping has been the predominant method by which consumers have permissioned access and use of their data. It has led to deep innovation in the industry and has provided significant consumer empowerment in how they understand and manage their finances. However, this method poses obvious and unavoidable risks for consumers and for the security of their financial data. The time has come to move from this legacy technology to the next generation of access and data collection, which are APIs. This will remove the use of credentials in the market, leaving it with the data providers (financial institutions), thus enhancing data security while also increasing the opportunity for data quality.

However, with APIs there is also the opportunity to increasingly limit the data elements which are currently available to the consumer. Regulators must continue to provide oversight to ensure that financial companies embrace the core principle of consumer control over access to their data. It is critical that next gen technology further empowers consumers and is not used to selectively withhold data.

Industry Collaboration

Positively, the industry is rallying around this transition to next gen technology and the use of APIs. Regulatory oversight is encouraging and facilitating this transition but it is not clear that a more rigid regulatory intervention, which could impede innovation, is warranted at this time.

The financial data ecosystem is a complex web of interconnected and interdependent financial institutions, data agents, fintechs, and users of consumer-permissioned data. All of these organizations must meet consumer demand and drive consumer-centric innovation if they want to succeed in today's marketplace.

It is exactly this complexity and connectedness that gives industry-led efforts the opportunity to promote standards and best practices that are as nimble and innovative as the industry they support.

In the financial data sharing ecosystem, the Financial Data Exchange ("FDX") has emerged as the leader in standardizing financial data sharing, defining best practices, and driving industry adoption of the five core principles listed above.

FDX is a nonprofit collaboration of stakeholders dedicated to unifying the financial industry around a common, interoperable, royalty-free standard (the FDX API) and operating framework for the secure access of consumer-permissioned financial data. FDX aims to become a Bluetooth-like standards body for financial data so that consumers can securely access and share their data without needing to share or store their login credentials with third parties.

FDX is governed by a diverse Board of financial institutions, data agents, industry associations, consumer groups and fintechs. It is this broad representation that positions it to best address the complexities of

consumer-permissioned data sharing while continuing to engage in a robust and productive with regulators about advancing the goals and fulfilling the vast potential of consumer-permissioned access to financial data.

Role of the CFPB

The CFPB's Consumer Access to Financial Records Symposium is the right approach at the right time. It is essential that the CFPB maintains its central role in ensuring consumer protection and empowerment as consumer-permissioned data sharing continues to evolve, while also working with the other appropriate regulatory agencies.

As noted above, we believe an industry-led approach will be the most efficient and effective means to reach the desired outcomes. However, vigilance on the part of the bureau to be aware of industry efforts, monitoring progress and ensuring both its principles issued in 2017 and those published by FDX are met will be critical. It should also play a role in encouraging the industry to move as quickly as possible - considering all technical and business challenges - to a state of a fully empowered consumer.