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Via Email:

The Honorable Dave Uejio, Acting Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552
Email: 2020-ANPR-1033@cfpb.gov

Re: Docket No. CFPB-2020-0034 (Consumer Access to Financial Records)

Dear Acting Director Uejio:

TransferWise Inc. (“TransferWise”) appreciates the opportunity to submit comments to the Consumer Financial Protection Bureau (“Bureau”) in response to the [advance notice of proposed rulemaking \(“ANPR”\)](#) on consumer access to financial records.

We commend the Bureau for soliciting stakeholder input on how to implement the consumer data access rights detailed in section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). We look forward to sharing our perspective based on experiences in both the U.S. market and abroad, where regulatory initiatives have already commenced.

Background

TransferWise is a global financial technology company building the best way to move money around the world. Whether sending money to another country, spending money abroad, or making and receiving international business payments, TransferWise is on a mission to make life easier and save customers money.

Cofounded by Taavet Hinrikus and Kristo Käärmann, TransferWise launched in 2011. It is one of the world’s fastest growing tech firms and has raised more than \$1 billion in primary and secondary funding from investors such as Andreessen Horowitz, Sir Richard Branson, Valar Ventures and Max Levchin of PayPal.

TransferWise Inc., our U.S. entity, is a licensed money transmitter in 48 states¹ and otherwise authorized to provide such services to customers in the remaining states and territories. TransferWise has more than ten million active customers moving \$6 billion dollars worldwide every month, saving approximately \$1 billion every year compared to average bank fees. TransferWise has more than 2200 employees in 14 offices, including sizable offices in New York City and Tampa, Florida.

Comments

Consumer-authorized data access allows financial institutions to connect directly with each other through the use of application programming interfaces (API) at the direction of consumers who can more efficiently take control of their financial choices.

We believe consumers have a fundamental right to access and control their financial data. We believe that when financial data is shared securely at the direction of consumers, it can help them better manage their finances, while receiving improved and innovative products and services. We believe authorized data access improves the efficiency, utility, and stability of the financial sector by increasing competition and breaking down barriers to entry for new entrants with consumer-driven business models.

We support the Bureau's section 1033 rulemaking, which will help establish market practices that ensure the fundamental right of consumers to access their financial data.

A. Benefits and costs of consumer data access

Questions 1 (possible consumer benefits) and 2 (impact on competition and innovation) are related as a successful section 1033 rulemaking will help facilitate a future in which consumers benefit from innovation and competition in financial services as a result of authorized data access. As noted in the ANPR, authorized data access holds the potential to facilitate improved financial services and products that increase consumer control, improve consumer experiences, expand financial access and inclusion, and lower costs.

The benefits of authorized data access become overwhelmingly clear when you consider the impact of the various use cases on the day-to-day financial lives of consumers. These applications include the ability to view and better manage a full financial dashboard to improve financial health; low-cost investment options tailored to financial needs to increase savings; personalized comparison shopping when seeking a car loan or mortgage; increased

¹ TransferWise Inc. only offers its services in the states in which it is licensed or in the states that do not currently require it to be licensed, which includes all states except for Nevada. In Nevada, a partner financial institution offers a TransferWise-branded money transmission service, and TransferWise Ltd., TransferWise's U.K. parent, which is regulated by the FCA, acts as a service provider to that financial institution.

access to small business capital based on cash flow data; and improved credit scores for millions through alternative data reporting and debt consolidation programs.

More specifically, there are even numerous payments-related use cases that further demonstrate the value to consumers and small businesses:

- *Account Authentication and Verification:* Without authorized data access, consumers would typically rely on manual verification to link bank accounts when using a money transfer service. That manual process is slow and burdensome as consumers must provide bank routing and account information and wait up to three days to confirm micro-deposit amounts in their account. However, authorized data access streamlines the process by allowing consumers to log in to their banks and instantly authenticate to allow payments and transfers. The experience is significantly faster, more convenient, and a better experience for customers, who have come to expect this as the standard process of linking financial accounts. In the U.S., this instant authentication typically occurs via the services of a third party that functions as a bridge to connect financial technology companies and banks, while encrypting personal information and keeping credentials private.
- *Overdraft Protection:* Consumer-authorized data access allows periodic balance checks to make sure consumers can cover transactions originating from their primary financial institutions. While many financial technology providers are eliminating, or limiting, overdraft charges, they remain prevalent at traditional banks. Periodic balance checks by financial technology providers before authoring new transfers can help reduce the frequency of overdraft charges.
- *Deposit Switching and Consumer Choice:* For many consumers, once they open a primary bank account, they stick with that bank for a long time. They rightfully shudder at the difficulty and complexity of switching accounts even when better products and services are available elsewhere. They also don't want to lose their account history and records. As outlined in section 1033 of Dodd-Frank, financial data belongs to consumers, not financial institutions. With increased data portability, it becomes easier for consumers to switch accounts and take their information with them, offering product flexibility. This flexibility begets competition that increases innovation and improves the financial marketplace.
- *AML/Fraud Mitigation via Identity Verification:* Sophisticated criminals regularly attempt to open new bank accounts to conduct illegal activities. They'll often use stolen or synthetic identities to open accounts that can't easily be traced back to them. Customer verification and Know Your Customer (KYC) efforts can be aided by utilizing authorized data access to match information provided directly with information in linked bank accounts.

Consumer-authorized data access is already resulting in improved and innovative financial products and services that facilitate a more competitive financial ecosystem. As consumers increasingly utilize options available to them, and increasingly choose the best service,

consumer outcomes will continue to improve from better user experiences, more tailored services, more convenience, and lower costs.

Question 4 raises the prospect of potential consumer harm. We encourage the Bureau to ensure all consumers have a level playing field, no matter their financial institution or lack thereof. It is imperative that unbanked and underbanked consumers, who likely stand to benefit the most, can avail themselves of the same services and resources as high value customers as new systems and interfaces are developed.

Question 5 asks about consumer costs and benefits from regulatory experience in foreign jurisdictions. At TransferWise, we are actively working with regulators and financial institutions to design, build, and test open banking efforts in a number of countries. For example, in the United Kingdom, following the implementation of Open Banking, we decided to not only rely on third party providers, but to build direct integrations with banks via APIs. We operate as an Account Servicing Payment Service Provider (ASPSP), in which we permit API access to third parties. We also act as both an Account Information Service Provider (AISP) and Payment Initiation Service Provider (PISP), and currently estimate we are one of the largest payments initiators in the U.K.

The Open Banking initiative in the U.K. was designed primarily to stimulate competition in the financial services marketplace. While still in its infancy, TransferWise remains enthusiastic about its promise to stimulate competition and drive positive consumer outcomes. One of the initial hurdles in the U.K. has been that some financial institutions lack sufficient incentives to make their complete data available. Traditional banks have been hesitant to open up data to competitors that could facilitate comparison. Many of those same banks have further hampered the Open Banking rollout through poor user interfaces that negatively impact consumer adoption and a lack of API reliability. We've previously advocated for further intervention from the U.K. government to ensure consumer benefits are maximized with full implementation from industry. Our experience has been that unless financial institutions are required to open up consumer data and access, with a fundamental right for consumers to have direct and authorized access, many will not.

While the U.K. Open Banking regime is the most advanced, numerous other countries are advancing different legal and regulatory approaches, as summarized in the 2019 Basel Committee report on open banking and APIs². U.K. Open Banking followed the passage of the European Union's revised Payment Services Directive (PSD2), while Australia is moving forward with its expansive Consumer Data Right. Similarly, Canada is considering a Consumer-Directed Finance framework, while Singapore and Japan are facilitating market-driven approaches. In these jurisdictions and others, our perspective is the same - consumers and the marketplace will benefit from a fully developed and implemented open

² Bank for International Settlements, "[Report on open banking and application programming interfaces](#)," November 2019

finance regime and we encourage policymakers to take an active role to ensure consumers have access, control, and transparency of their financial data.

B. Competitive incentives and authorized data access

Question 7 asks “what reasons are there to believe that competitive incentives will facilitate or undermine authorized data access?” As noted above, a key lesson learned from the U.K. Open Banking implementation is that the Bureau and federal policymakers must take an active role in industry implementation to ensure total buy-in from financial institutions who may otherwise have a commercial disincentive.

When Open Banking was introduced nearly three years ago in the U.K., TransferWise was one of the first financial institutions to embrace it. In fact, we quickly gained the largest share of payments initiation transaction volume at 70%³. Unsurprisingly, our most successful integrations occurred with partner financial institutions that fully embraced and prioritized the technology. The companies that viewed open banking as a long-term investment allowed reliable payment authorization flows and stable APIs. Those institutions that lacked a commitment to integrations were the most common source of early bugs and issues.

The lessons for consumer-authorized data access in the U.S. are the same - consumers overwhelmingly embrace the technology when there’s a simple customer journey and low user friction. Many of the issues in the U.K. were often the result of financial institutions reluctant to fully implement. We hope the Bureau and U.S. policymakers will work to prevent similar issues here by doing everything possible to encourage adoption and implementation.

C. Standard-setting

The U.K. offers an example of a prescriptive approach with the government setting enforceable unified standards to require banks to make consumer data available, when consumers give informed and secure consent, to other approved financial institutions. Meanwhile, the U.S. has taken a different path and allowed an industry-led approach to take hold. There are industry bodies, such as the Financial Data Exchange (FDX), in the process of designing common API standards, while third parties are considering their own technical standards. We would caution the U.S. against sanctioning one specific industry approach over another to protect against possible incentives for banks to design standards that allow them to maintain a tighter hold on consumer data. It is essential that any standards focus on consumer rights, access, and outcomes, not the protection of competitive interests. We encourage the Bureau to establish principles and expectations for any resulting standards.

³ The Fintech Times, ["TransferWise – One Year Since Final PDS2 Deadline: What Have We Learned About Open Banking?"](#) October 2020

D. Access Scope

While this rulemaking focuses on consumer access to financial data (i.e. account information), we encourage the Bureau to consider the consumer and market benefits of access to public information on rates and fees, which would better allow price comparison and competition. We also encourage the Bureau to craft a roadmap on the future of open finance that considers allowing for payments initiation, which is central to open banking efforts abroad. While open banking frameworks and approaches differ across jurisdictions, some include roadmaps to eventually facilitate a complete open finance ecosystem.

While better comparison shopping will surely be a byproduct of industry trends and a successful section 1033 rulemaking, it might not happen to the maximum extent possible, as there may be a disincentive for many financial institutions to make information on rates and fees publicly available. That has been the case in the U.K. and elsewhere. In fact, some financial institutions have changed or obfuscated their APIs in order to make it nearly impossible to pull pricing information.

We've noticed this ourselves in trying to obtain pricing information from other financial institutions to facilitate price comparison tools for consumers. This is key in international payments, as TransferWise was founded in part because of the confusing nature of sending money abroad. Pricing information is often hidden behind logins and requires complicated calculations on exchange rate margins to understand total cost. We've built a price comparison tool on our homepage, but it can be difficult to obtain pricing information from major banks and providers who actively work to block access. In a perfect world of open finance where pricing data is routinely available via API feeds, and price comparison tools are easily accessible, consumers would more easily pick the best option for themselves, which would induce more competition that lowers payment costs for everyone. We strongly encourage the Bureau to include, as within the scope of access of its section 1033 rulemaking, publicly available information on terms, rates and fees.

Additionally, while we fully understand the scope of this current rulemaking is related to authorized data access (often called "read access"), we also encourage the Bureau to consider an open finance roadmap that includes engagement on payments initiation (often called "write access"). In the U.K., where we've built direct integrations with banks via the Open Banking initiative, many of our customers now benefit from faster, lower cost payments. For companies like TransferWise, a complete open finance ecosystem that includes payments initiation has the potential to increase payment speed and lower consumer costs by allowing direct integration with banks and cutting out costly middlemen.

E. Consumer control and privacy

Consumer control and transparency should remain the central pillar of the authorized data access ecosystem. Consumers should have full transparency and control over all parties involved in data sharing, including which data is being shared and for how long. Permissions over that data sharing is essential. The Bureau can encourage this through clear guidelines.

Additionally, financial institutions should be encouraged to make consumer control and transparency central to product design decisions. The U.K. Open Banking implementation offers clear lessons that an intuitive and well designed user interface is essential to maximizing consumer outcomes. That's why financial institutions and policymakers should prioritize user testing to ensure consumers fully understand the products and services in use to ensure they deliver the desired outcomes.

While far outside the scope of a section 1033 rulemaking, this topic illustrates the need for a national data privacy framework in the U.S. The lack of a national data privacy regime in the U.S. requires adherence to a patchwork variety of state laws, many of which are only now coming into effect or being contemplated. Canada, which already has national privacy and data standards, is among the countries contemplating updating and aligning its laws as it moves towards implementing open banking regulations. U.S. policymakers should do the same and move towards a national consumer data privacy standard.

Conclusion

We believe the benefits of authorized data access are clear. Consumers benefit from increased innovation and competition. We hope this remains a continued priority for U.S. policymakers. As detailed above, based in part on our learnings from the U.K. and E.U., we recommend the Bureau takes action to:

- Ensure a consumer right to financial data access;
- Encourage data holders to fully implement and permit authorized data access;
- Support the development of standards that focus on consumers rights, access, and outcomes, not competitive interests;
- Include, as within the scope of access, public information on terms, rates, and fees;
- Consider a future open finance roadmap that includes payments initiation;
- Provide guidelines that enshrine consumer control and transparency of any data sharing; and
- Incentivize financial institutions to make consumer control and transparency central to product design decisions to maximize outcomes.

* * *

We appreciate the opportunity to provide our comments and appreciate the efforts of the Bureau to consider the impact of consumer access to financial records. Please do not hesitate to contact us if you have any questions regarding these comments or if we can be of any assistance.

Best,

Nick Catino, Head of Public Policy, TransferWise Inc.

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F. Data security

Questions 38 and 39 are related to how existing laws and market incentives help mitigate security risks and ensure consumer data is secure. Data sharing in the financial industry is already common and requires audit trails, regulatory oversight, and a risk management and liability framework. Modern digital technologies, including the encryption of customer data and private credentials, provides increased security to the process.

It is, however, important that a framework exists whereby consumers clearly understand their rights and recourse if issues arise in a timely, clear, and appropriate manner. Regulators must also consider a framework that allows multiple parties to safely share information while relying on each other's services.

BACKGROUND Documents (for reference)

TransferWise Open Banking Letters and Op-Eds:

- EU April 2020 [Link](#)
- UK March 2020 [Link](#)
- UK Jan 2020 [Link](#)
- Canada Feb 2019 [Link](#)
- Lars op-ed Sept 2020 [Link](#)