AISP and PISPs- Open Banking- Explained

Before a financial service provider can offer Open Banking services in the United Kingdom they have to be authorised by the UK's Financial Conduct Authority (FCA) as an Account Information Service Provider (AISP), a Payment Initiation Service Provider (PISP) or both. Here's what this means and why these terms are important.

What are AISP and PISP in Open Banking?

AISPs and PISPs are key elements in the Open Banking initiative that's been driving big changes in the UK and Europe since January 2018. Open Banking is revolutionising everything from payment solutions and budgeting tools to lending applications and credit evaluations. These regulated providers build and maintain the digital pipes that allow data and payments to be securely requested from banks using Open Banking APIs.

- **Account Information Service Providers** are authorised to retrieve account data provided by banks and financial institutions.

- **Payment Initiation Service Providers** are authorised to initiate payments into or out of a user's account.

Account Information Service Providers in Open Banking Explained

Being an authorised **AISP** means that a company can access an individual's bank account data from their financial institution with their explicit consent. However, AISPs have just '**read-only'** access. Basically, they can look at bank account information, but can't touch it, which means they can't actually move a customer's money.

Payment Initiation Service Providers in Open Banking Explained

Businesses that are authorised **PISPs** can not only view consumer-permission financial data on a bank account, but they're also authorised to make payments on behalf of the customer. This has led some industry commentators to refer to PISPs as having "**read-write**" access.

What Can AISPs and PISPs Do?

The UK's nine largest banks are required by law to comply with requests from **AISPs and PISPs**. At the same time, Open Banking's framework and technical specifications enables years of transaction history to be retrieved in seconds. All of which opens up a world of financial wellness and money management applications and tools for customers.

Examples of AISP applications include:

- **Money management tools**: Some AISPs collect financial information and digest it in a way that makes it easy for people to understand their financial situation, create a budget, and monitor spending. These new personal finance tools bring together data from multiple bank accounts so a user can see all of their spending in one place.
- **Loan applications**: Some AISPs use this same capability to enable customers to quickly and securely share financial information with a lender or broker. Lenders also use derived data and metrics from account information to enhance credit and affordability decisions. This process speeds up traditional underwriting and eliminates the need for lenders to manually compile and verify bank statements. Lenders benefit from better insights, while borrowers benefit from streamlined applications.

Examples of PISP applications include:

- **Financial management tools**: Some new money management and savings apps transfer a small proportion of someone's balance each week to a savings account under a previously agreed process. Open Banking has also enabled new tools that automatically transfer a customer's money between accounts on their behalf to avoid overdraft fees.
- **Business solutions:** New tools integrate with business' back-office systems to allow companies to securely manage payments and collections, make real-time bank transfers, and have greater payment visibility.

How Do Companies Become AISP or PISP?

Financial institutions looking to become either one (or both) undergo a rigorous application process with the FCA. This authorisation includes the conduct of the managers, the scope and maturity of the offering(s), governance and risk management controls, financial stability and insurance coverage for when a customer suffers a loss or is otherwise harmed.

Core FCA Requirements for PISPs

- Authorization/Registration: PISPs must be authorized or registered by the FCA to provide services, which involves demonstrating robust business, security, and governance frameworks.
- Initial Capital: PISPs must hold at least €50,000 in initial capital, which often acts as their ongoing capital requirement.
- Professional Indemnity Insurance (PII): PISPs must hold PII or a comparable guarantee to cover liability.
- Security & Authentication: PISPs must comply with SCA-RTS (Regulatory Technical Standards) for secure communication and authenticate users.
- Operational Risk Management: Firms must have, and maintain, an adequate operational and security risk management framework, including a security policy document.
- Incident Reporting: PISPs must report major operational or security incidents to the FCA.
- Conduct of Business: PISPs must follow FCA conduct of business requirements, including providing clear, timely information to users.
- Complaints Handling: PISPs must handle customer complaints within specific, strict timelines (e.g., 15 days).

Checking AISPs and PISPs are authorised by the FCA & part of the FSCS scheme

You can check the Financial Services Register to find out if a firm is authorised or registered by the FCA.
Note: A firm must be FCA authorised or registered and have permission for the right activities. If it doesn't, you won't have access to the **Financial Services Compensation Scheme** (**FSCS**)
You can check if firms are FSCS registered by checking here

Becoming an Agent of an FAC approved PISP or AISP

Becoming an agent of an AISP, is generally a quicker, more cost-effective route to market for certain Fintech companies in the short term. Once you've completed the AISPs application process, they will apply to register you as an agent with the FCA. The FCA has up to two months to review an agent registration application and reach its decision; however, many applications get approved much faster.

Appointed Representatives and Agents for Plaid and Yodlee:

Plaid: https://register.fca.org.uk/s/firm?id=0010X000049JuDPQA0
Yodlee: - https://register.fca.org.uk/s/firm?id=0010X00004G2F4WQAV

Open Banking Regulated Third Party Provider Register

Open Banking Directory and authorised companies that are directly enrolled to provide secure open banking-enabled services. - https://www.openbanking.org.uk/regulated-providers/