



On October 19, 2023, the Consumer Financial Protection Bureau (CFPB) released a proposed rule on consumer-authorized financial data sharing that will alter how such consumer financial data is managed and shared across the industry.¹ The proposed rule is centered around the consumer and their ability to control the use of their data and through their direction have the data shared securely with market competitors who may be able to offer a more favorable product or service. Banks, fintech companies, and data aggregators can comment on the proposal until December 29, 2023. A final rule is expected by the fall of next year. Once finalized, the effective date will be determined at the firm level by size, varying from six months from publication for the largest institutions to 48 months from publication for the smallest institutions.

5 insights you should know

Industry to set the standards: As described in the proposed rule, the industry will establish a standards setting body that is balanced across all levels of the market ecosystem. Marketplace institutions diversified in size and distinction (e.g., financial institutions, non-banks, public and consumer interest groups) will need to collaborate to define what quality performance and adherence looks like.

Expansive covered products and related data points: Products and services in scope for covered data will include checking accounts, savings accounts, prepaid accounts, credit cards, hybrid prepaid – credit cards, tokenized accounts, and other consumer asset accounts. The proposed covered data is expansive and includes transaction information, account balances, information to initiate payment to or from accounts, bill payment schedules, terms and conditions, and basic account information (e.g., name, address, phone number).

Security at the forefront: At the heart of the proposed rule is the protection of consumers personal financial information. Therefore, there are heightened expectations that data providers, data aggregators, and third-parties have the proper information security programs in place to safeguard the transmission and retention of consumer financial data.

Data authorization and revocation method: Third parties and other industry participants (e.g., data aggregators) will need to gain proper authorization from consumers and data providers to gain access to consumer financial data and may only do so in relation to a product and/or servicing acquired by the consumer. While authorizations only apply for up to one year, consumers reserve the right to revoke third party access and authorization at any time.

Access tools and interfaces: To deliver the data, institutions will need to establish developer and consumer interfaces (e.g., application programming interfaces or APIs) that align to the fair, impartial, open, and transparent industry standards agreed upon by the market participants. This may require a build or enhancement of existing consumer and developer interfaces as the data must be available in a readable format.

5 considerations to evaluate

1

Who is setting the standards? The proposed rule requires the industry to come together as a standard-setting body to issue qualified industry standards that enable a more open consumer banking market. Most importantly, the industry will be focused on not only achieving a suitable balance of expertise across large, small, non-banks, and consumer interest groups but also CFPB recognition.

2

Are we only talking about banks? Consumers today leverage the tools of many fintech companies and data aggregators for supplementary products and services (e.g., digital payments, budgeting apps) using their financial data. Many of these industry participants will need to increase their focus on security, use, and oversight of the consumer financial data to meet industry standards.

3

We have data security programs so no problem, right? While safeguarding and privacy rules around the collection and use of consumer financial protected data is not new, the proposed rule intersects with existing regulatory standards (e.g., Fair Credit Reporting Act, Reg E, Gramm–Leach–Bliley Act) should a breach of this data occur. Organizations will be required to enhance established data privacy programs to monitor and prevent unauthorized access.

4

How many requests should we expect? With approximately 108M fully banked US Households and another 1.4M non-banked households leveraging prepaid cards, organizations will need to be well positioned to manage the intake, fulfillment, and risk oversight of third-party requests.² Organizations should evaluate how these demands fit into the existing operating models, consumer interface(s), and data footprint and what this might mean for technology and staffing.

5

How does this impact my customer experience? Organizations will need to balance the high consumer expectations with risk mitigation requirements. The solutions developed will need to ensure consumers and their permissioned third-parties can gain authorization, securely gather the real-time data, and deliver on the products and services effortlessly.

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