

Fintech Onboarding Guidelines. BSI PAS proposal.

July 2017

1. Background

Research commissioned by BSI in 2016¹ identified procurement and the onboarding process as areas where standards could make a positive impact on fintech's development. The research found the onboarding process can be onerous, slow (on both sides) and not consistent due in part to each bank having a different legal, risk and operational requirements and with varying levels of fintech maturity. The core onboarding process, however, does not change significantly across banks and there are substantial benefits for both fintechs and banks in adopting a common onboarding process describing the key stages. Standards could, therefore, help streamline and accelerate the process for both fintech's and banks, while providing greater confidence and trust.

A BSI workshop, with five major UK-based banks including members of the Fintech Delivery Panel, identified specific challenges for banks during onboarding where standards could help provide assurance and support for fintech's to increase communication and levels of preparedness. These included (see Fig.2);

- A common standardised process for onboarding Fintechs
- Taxonomy for Fintech
- AML/KYC requirements
- Security, penetration test, and governance requirements

It was agreed by workshop participants that a priority should be to develop an initial standardised guide to the onboarding process for fintech's with the BSI PAS a possible delivery model (see **sections 4** and **5** for more on the PAS and development processes).

2. Aim of proposed PAS – Fintech Onboarding Guidelines

To help enable better expectations management between fintech's and banks (and potentially other financial institutions), deliver simplification benefits, and to help fintech's navigate the onboarding process more effectively and efficiently. See **section 5** for a draft scope.

3. Benefits and impact of proposed PAS

The PAS may provide a number of benefits to UK consumers, fintechs and banks including:

- **Speed-up the onboarding**, adoption and scale-up of fintech solutions – via the adoption of a common approach across banks and by promoting fintech awareness of process – and reduce risks and costs on both sides
- **Simplification** – a common approach amongst banks to documentation, information requests and due diligence will create efficiency benefits (on both sides) and promote transparency and trust
- **Promote collaboration** – helping fintech's through the onboarding process by setting out common terminology, good practice and providing a framework for long-term relationships
- **Grow international trade** – BSI's relationships with global standards bodies (e.g. China/SAC) provide opportunities for the adoption of this PAS in key territories and in support of UK 'Fintech Bridges', helping promote fintech international growth and engagement. See **s.9** for more details.
- **Global Fintech leadership** – the UK has the opportunity to develop an innovative and pioneering fintech standards programme (starting with this PAS) with the potential to internationalise it later via BSI's membership of CEN and ISO (s.9). This first PAS could be part of a wider programme of standards

¹ A Roadmap for Fintech Standards, BSI and Finextra, 2016. https://www.bsigroup.com/LocalFiles/en-GB/PAS/Homepage/FIN_BSI_short_final.pdf

to support the onboarding process – see figure 2 below. This initial PAS could be adapted for other audiences such as supporting Insure-tech collaboration.

- **Fintech as a stakeholder** - via BSI's open process, consultation events and workshops with organisations such as Tech City UK, fintech' can shape this PAS through agile standards development.

4. What is a BSI PAS?

The PAS (Publicly Available Specification) is BSI's fast-track, sponsored route to standardisation and an entry point to national, European (CEN, CENELEC) and international (ISO) Standards. An outline of the PAS development process is given below, see fig 1.

A PAS offers a range of benefits:

- Impartial and trusted - independently facilitated by BSI and agreed by a Steering Group of industry stakeholders
- Consensus-based with open, consultative process involving all relevant stakeholders – this would include a mix of fintech's, banks, accelerators, legal and procurement experts, innovation teams.
- An effective means of introducing standardization rapidly, typically 9-12 months.
- Accelerating the adoption of emerging technologies and concepts; this has been demonstrated e.g. for Smart Cities and the Internet of Things with innovative PAS programmes
- Voluntary, a flexible, industry-led alternative to regulation
- Suitable to be put forward for development as International or European standard
- Can form basis of certification/assurance schemes (where required).

5. PAS Development process (Fig. 1)



6. Draft scope of initial Onboarding PAS

The proposed PAS would provide recommendations and guidance on the onboarding and due diligence process used by banks when engaging fintech businesses such as suppliers or technology partners.

Specifically, it would cover:

- a) Key terms and definitions (e.g. what is meant by fintech, onboarding, a pilot)
- b) A framework for onward collaboration and commercialisation.
- c) Definition of the onboarding process, describing the key stages
- d) Guidelines around the onboarding process including screening, risk assessment and approvals
- e) Common core penetration test requirements (possible third party certification)
- f) Considerations regarding the use of legal documentation (e.g. NDAs, proformas)
- g) Common information requested by banks for each stage, how it should be presented (e.g. business case, company profile, personnel) for due-diligence purposes
- h) Information fintechs should have access to.
- i) Data, information and security (e.g. pen testing) considerations from proof of concept to piloting and MVP

It would not cover non-banking financial services, regulatory requirements, cyber security requirements

7. Costs and deliverables

Indicative costs for the proposed PAS Guide to Fintech Onboarding are likely to be in the region of £100k to £120k. Please note these are costs for a single BSI PAS project, additional PAS projects will need to be costed separately.

A number of factors can determine the final cost of BSI delivering a PAS project including the frequency and volume of meetings and delivery options (e.g. print, digital or both). If the intention is that the PAS would be made freely available to fintech industry then a licensing fee would need to be built into the overall project cost.

The format and delivery mechanism of the PAS can be flexible to suit user requirements. BSI can also work with the sponsors to launch and promote the new PAS nationally and internationally.

8. Timescales/milestones

Assuming agreement to proceed by the final quarter of 2017 then we could aim to launch the project this year and complete a first PAS draft for public consultation by early 2018.

9. Why BSI – our credentials

As the UK's national standards body, BSI is uniquely placed to bring together industry experts as an impartial facilitator and, as the UK member of international standards organisations CEN, CENELEC and ISO, establish leadership for the UK.

- BSI is a recognised global leader in Standards development and a founding member of ISO
- BSI has successfully delivered PAS projects and innovation programmes in emerging areas to support UK interests,
 - BSI has developed a suite of standards for smart city programmes which have been used by UK cities and service providers/companies in their smart cities programmes.
 - A UK-China working group between BSI and SAC to create a common approach to smart cities standards with the aim of facilitating cooperation between UK and Chinese cities and companies.
- BSI has developed strategic bilateral relationships with other national standards bodies, including SAC (China) and SPRING (Singapore). These relationships could prove critical in internationalising UK-led, fast-track standards as well as promoting mutual adoption.
- BSI holds the secretariat of the new CEN (European Committee for Standardization) Working Group on Fintech (BT WG 220) with a mandate from the EC to investigate priorities for fintech standards. This can support UK leadership in this area.

Fig.2 - A future programme of fintech standards

Standards needs against stages of the onboarding process					
<i>Early talks (engagement)</i>	<i>Confidential dialogues</i>	<i>Proof of Concept</i>	<i>Live testing and Pilot</i>	<i>MVP to market</i>	<i>Scale product</i>
Guide on the onboarding process					
		AML/KYC			
		Pen testing	Minimum security requirements		
		Governance/BCM			
Taxonomy of fintechs / Data Interoperability (APIs)					