

The *Finicity* Perspective

The Empowered Consumer and the Future for Financial Data

Technology is transforming the financial services industry at the speed of light and “fintech” innovations are offering immense value to consumers and businesses alike. However, these rapid shifts introduce the need for new standards and safeguards that protect all constituents across the financial system, most importantly the consumer.

Industry participants, policymakers, regulators, and other stakeholders must all work together to ensure that innovation and consumer protection are aligned. No one group can determine the way forward alone.

One of the most transformative technology disruptions 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 are realizing the value of their own financial data in making wise financial decisions, accessing credit, and enhancing their overall financial health.

Fintech innovation places consumers in control of their own financial universe by providing access to personal financial data and by facilitating the permissioning of that data in a multitude of applications. However, advancing consumer empowerment and unleashing the potential of tapping into one’s own data is wholly predicated on one core principle—the right of the consumer to own, employ, and easily access their data. There is much to be done to ensure that this right to data is fully realized.

Finity stands at the intersection of the financial data ecosystem that is empowering consumers with their own data. We provide data access and insights so that individuals and businesses can harness the power of their own financial data to improve their financial health. Finity accomplishes this mission through data connections to financial institutions. These connections enable consumers to permission their data for use in third-party applications or solutions. Consumers can now access their data in personal finance management and budget applications or use it to speed up the process of getting a loan. They can verify and authenticate bank accounts for instant payments and even contribute data for a more accurate credit report and score. Finity allows consumers to leverage their own financial data in a myriad of innovative ways every day.

A Roadmap for Empowerment and Innovation

Finity believes that the market is at a critical juncture in financial services innovation. In order for consumer-centric innovation to continue, industry, policymakers, consumer groups, and other stakeholders must all collaborate to make the right decisions. With this in mind, Finity offers a high-level overview of the current marketplace and a roadmap for moving forward. The roadmap has three facets:

- 1. Guiding Core 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 in the data sharing process. They must be addressed head-on.
- 2. Financial Industry Collaboration:** Time and again, industry and self-regulation has proven to be more effective and efficient than government intervention when it comes to industry standardization and best practices. Such industry efforts preserve the pace of innovation and also provide the tools and incentives necessary to

eliminate poor business practices and bad actors from an industry. This enables market participants to focus on the consumers they serve. 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.

Market Overview

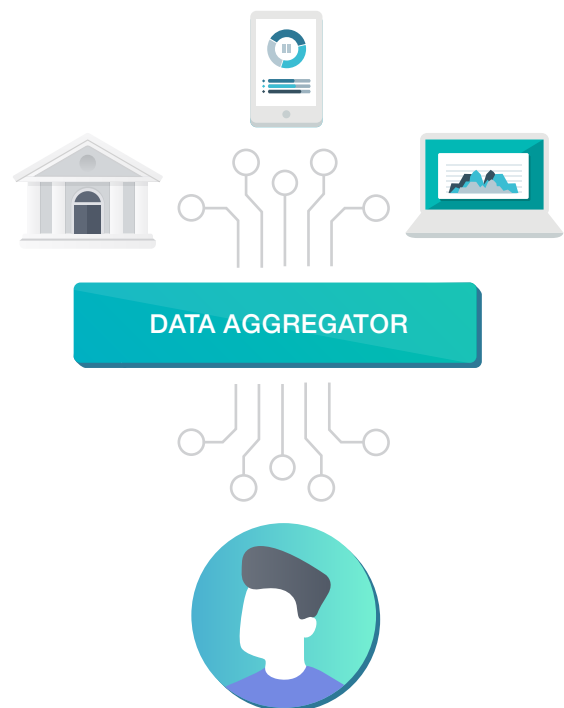
In order to fully contextualize the way consumer-permissioned financial data is transforming financial services, it is important to fully understand both the market participants as they exist today and the concept of consumer-permissioned data.

Market Participants

Participants in the financial data services industry ecosystem work together to create efficient processes and to enable fast innovation. And while roles are often distinct, as the ecosystem develops many of these roles are being fulfilled by the same organization. Therefore, it is important to develop standards and policies that are tied to use cases rather than organizations.

Key market participants include:

- **Consumers:** Creators and owners of financial data (including individuals, businesses, entrepreneurs, small business, etc.).
- **Permissioned Parties:** Those who receive the data permissioned by consumers, generally for the purpose of providing the products, services, or insights that the consumer has requested (e.g. fintechs, lenders, personal financial management, applications, etc.).
- **Data Aggregators:** Organizations that act on behalf of the consumer to collect the consumer’s data from financial institutions and provide it to Permissioned Parties.



- **Financial Institutions:** Institutions, like banks, whose primary function is to offer and provide financial services.
- **Fintechs:** Service providers that develop and utilize technology in connection with the provision of financial products, services, or insights.

It is important to note that “data brokers”, who are typically not authorized or permissioned by consumers to collect, share, and/or use data, are not part of the consumer-permissioned financial data ecosystem.

Consumer-Permissioned Data

At the heart of this discussion is consumer-permissioned data. Consumer-permissioned data is data created by consumer financial activity (including banking, payroll, tax, insurance, and wealth/investment) and authorized or permissioned by the consumer for use in various applications or financial services. This data marks a critical shift in the financial services landscape. Historically, financial data was largely inaccessible to consumers apart from monthly paper or PDF-based account statements or pay statements. Over the past several years, however, innovation in technology has made it possible for consumers to access and consolidate statements electronically and to better understand their financial situation through personal financial management and budgeting tools. More recent innovations are now enabling consumers to “opt-in” their financial data to streamline the loan application process, gain access to new loan types or better loan terms, and even improve their generic credit scores.

Strengthening connections between consumers and third-party financial resources results in a more inclusive financial system and improves consumer financial wellbeing. These opportunities provide individuals and families across the socioeconomic spectrum with access to financial tools once reserved for the wealthy. Whether it’s personal financial management tools, the ability to contribute data to credit scoring, or participating in peer-to-peer payment platforms, access to personal financial data changes lives.

5 Core Principles

Guidelines for Members of the Data-Sharing Ecosystem

Financial services centered on consumer-permissioned data have the potential to promote competition and to radically increase a consumer's financial stability, wellness, and inclusion. However, as with any innovation, it is imperative to build with an eye focused on goals and outcomes. Central to this building process are common standards and marketplace frameworks that certify processes and technologies. Finity, as a data access agent and insights provider, fully endorses in the core industry principles promoted by FDX: 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 true 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.

Industry Collaboration

As described above, the financial data ecosystem is a complex web of interconnected and interdependent financial institutions, data access providers, 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. The Center for Financial Services Innovation states:

“Further coordination among all of the stakeholders in [data sharing] – financial institutions, data aggregators, fintech providers, regulators and consumers themselves – will be critical to achieving a secure, inclusive and innovative financial data-sharing ecosystem that supports consumer financial health.”

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, FDX has emerged as a 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 aggregators, industry associations, and fintechs. It is actively involved in developing standards and best practices for consumer consent and permissioning. FDX is also the lead organization facilitating industry discussions that will guide security and certification standards that aim to decrease security risk within the ecosystem.

Simply put, Fincity believes that FDX's industry-led effort is best positioned to address these obligations and challenges.

Regulatory Clarity & Modernization

Industry collaboration based on the five core principles of control, access, transparency, traceability, and security will ultimately provide the framework for an enhanced consumer-centric ecosystem of consumer-permissioned financial data. However, Fincity's experience in the marketplace has revealed that key clarifications and modernizations related to regulatory oversight, as well as data ownership, privacy, and credit reporting regulations are needed. These reforms would support the five core principles and harmonize the otherwise splintered U.S. financial regulatory system in matters concerning consumer-permissioned financial data. Fincity would welcome the opportunity to discuss the following reforms in greater detail:

- Regulatory coordination with respect to financial data oversight and enforcement.
- Clarifying and/or expanding consumers' right to access their data under Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to give consumers (1) access to the full scope of their account and transaction data (i.e. access should include account owner information and routing number), and (2) the ability to authorize third parties to access and collect such data on their behalf.
- Clarifying and/or modernizing Fair Credit Reporting Act (FCRA) definitions, requirements and standards to account for the dynamics of consumer-permissioned data exchanges.

Fincity also encourages regulatory agencies to enhance efforts that empower innovation within regulatory models. In sum, industry leaders and regulators should collaborate to create a safe and secure ecosystem where market participants can bring new products and services forward without undue fear related to unclear or overly burdensome regulations. Ultimately, unleashing consumers' financial data to their benefit will profoundly impact financial literacy, planning, and peace of mind.

About Us

Fincity is a data access and insights company based in Salt Lake City, Utah. Since our founding in 2000, we have worked to provide people with financial data that enables them to better understand and improve their financial health. To further that goal, we built financial data API connections to financial institutions and payroll providers that enable consumers to permission their data for use in third-party applications or solutions. Early in our history this meant enabling consumers to access their data in personal finance management and budget applications. Today it means consumers are able to use their personal financial data to speed up the process of getting a loan, verify

and authenticate bank accounts for instant payments, manage their finances, and contribute data for a more accurate credit report and score.

Our years of experience have placed us at the forefront of the mortgage industry. We help to power the nation's largest lenders by providing the tools they need to simplify and digitize the origination process. As the only registered Consumer Reporting Agency in the data access and insights space, we uniquely empower consumers with dispute and disclosure procedures that are in compliance with the Fair Credit Reporting Act (FCRA) whenever their data is used for credit decisioning purposes.