

THE CURRENT STATUS OF OPEN BANKING IN SAUDI ARABIA

Open Banking in Saudi Arabia is a key pillar of the Kingdom's digital transformation under Vision 2030. Led by the Saudi Central Bank (SAMA), the initiative enables secure data sharing between banks and licensed third-party providers (TPPs) through standardized APIs. This framework supports innovation, enhances customer experiences, and strengthens regulatory oversight. With phased implementation, robust legal safeguards, and the launch of the Open Banking Lab, Saudi Arabia is redefining a more dynamic FinTech ecosystem.



Introduction

In recent years, open banking has redefined the future of the global financial sector, fostering innovation, competition, and customer empowerment. Through a secure Application Programming Interface (API), open banking allows customers to share their financial data with licensed third-party providers (TPPs), enabling tailored services that go beyond traditional banking.

Under the umbrella of Saudi Vision 2030, Saudi Arabia has committed to becoming a regional FinTech hub. As part of this transformation, the Saudi Central Bank (SAMA) launched the Open Banking Framework, a pivotal step in modernizing the Kingdom's financial infrastructure and ensuring that innovation and regulation evolve hand-in-hand.



In this article, we explore what open banking means for Saudi Arabia, its regulatory landscape, and the critical legal considerations that financial institutions and third-party providers must address.



What Is Open Banking?

Open Banking is a financial services model that allows Third-Party Providers (TPPs) to access consumer financial data held by banks through secure and standardized technologies called Application Programming Interfaces (APIs), but only with the consumer's explicit consent.

In traditional banking, banks are the sole providers and custodians of financial services. However, with open banking, banks serve as enablers, while TPPs deliver innovative services such as:

- **Account Information Services (AIS):**
Allowing access to consumer account details to provide consolidated financial views.
- **Payment Initiation Services (PIS):**
Allowing TPPs to initiate payments directly from the customer's bank account on their behalf.

Through APIs, TPPs communicate directly with banks to retrieve information or initiate transactions. This process streamlines user experiences, enhances competition, and fosters financial innovation. A key advantage is that TPPs do not store sensitive customer credentials, instead, banks authenticate transactions, adding a layer of security.

This shift represents a new era of collaborative finance, where FinTechs, banks, and consumers work together to create a more personalized, efficient, and data-driven financial ecosystems.

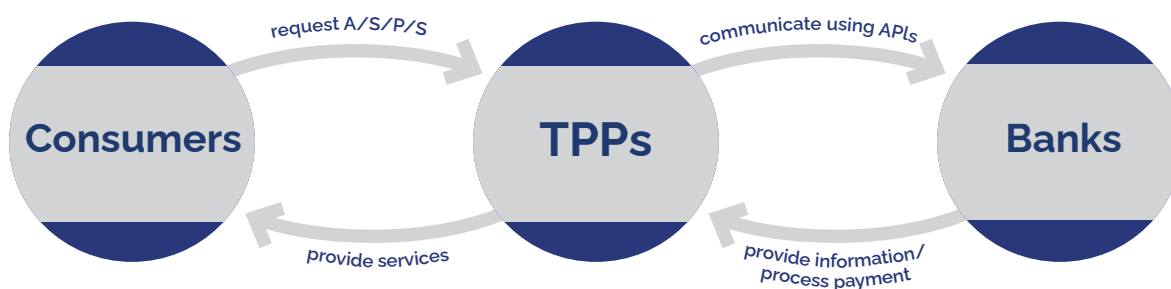


Figure 1: How does the Open Banking System operate?



Saudi Arabia's Open Banking Framework

In alignment with Saudi Vision 2030, the Saudi Central Bank (SAMA) has developed a comprehensive Open Banking Framework to modernize and regulate open banking across the Kingdom. The framework is designed to support innovation, enhance customer experience, and ensure financial stability and security within the evolving digital economy.

Phased Implementation Strategy

SAMA has adopted a three-phase roadmap to roll out open banking services in KSA:

Design Phase (First Half of 2021)	Implementation Phase (Second Half of 2021)	Launch Phase (First Half of 2022)
• Focused on building the foundation of the open banking ecosystem. • Included defining business use cases, legal frameworks, and technology standards.	• Establishing the required technical infrastructure, issuing guidelines, and preparing banks and FinTechs for participation.	• Marked the public release of open banking services, starting with Account Information Services (AIS) and progressing toward Payment Initiation Services (PIS).

Key Components of the SAMA Open Banking framework

SAMA's framework includes:

- **Regulatory Guidelines:**
Legislation and supervisory requirements for banks and Third-Party Providers (TPPs).
- **API Specifications:**
Standardized technical protocols to ensure safe and seamless data exchange.
- **Operational Guidelines:**
Best practices for system reliability, security, and customer support.
- **Customer Experience Guidelines:**
Requirements to ensure transparency, simplicity, and informed consent in user interactions.
- **Use Cases & Business Rules:**
Predefined scenarios that support financial innovation while maintaining regulatory control.

Open Banking Lab

To complement the framework, SAMA launched the Open Banking Lab in 2023, a secure testing environment that allows banks and FinTech companies to:

- Develop and test open banking services using mock data.
- Validate APIs through conformance testing suites.
- Simulate real-world banking environments to ensure operational readiness before market entry.

Regulatory Releases

SAMA has published two official releases within the framework:

- **First Release:**
Focused on Account Information Services (AIS) APIs.
- **Second Release (Feb 2024):**
Focused on Payment Initiation Services (PIS) APIs, aiming to enhance the efficiency and security of digital payments.



Market Impact and Consumer Benefits

The introduction of open banking in Saudi Arabia is not only transforming how financial services are delivered but also redefining the roles of banks, consumers, and third-party providers (TPPs). By fostering innovation, enhancing transparency, and promoting competition, open banking has significant implications for the financial sector and consumers across the Kingdom.

Consumer Empowerment and Data Ownership

Open banking gives customers control over their financial data, allowing them to securely share information with authorized TPPs. This consent-based model enables consumers to access tailored financial products, such as budgeting tools, investment platforms, and real-time account aggregation, leading to a more personalized and efficient banking experience.

Financial Aggregation and Transparency

Through Account Information Services (AIS), consumers can view data from multiple accounts in one consolidated platform. This provides users with a comprehensive view of their personal and business finances, supporting better decision-making, improved financial planning, and enhanced visibility of their spending habits.

Seamless and Secure Payments

With the development of Payment Initiation Services (PIS), consumers can initiate payments directly through third-party apps without manually inputting sensitive banking details. These transactions are typically confirmed using biometrics (such as fingerprint or Face ID), increasing convenience while maintaining security and reducing fraud risk.

Improved Credit Assessment and Financial Access

Open banking facilitates more accurate credit assessments by providing lenders with comprehensive access to verified transaction histories and income data. This benefits both consumers by offering more competitive lending options and financial institutions by improving risk evaluation and reducing defaults.

Enabling Innovative Services

FinTech startups in Saudi Arabia are increasingly leveraging open banking to build innovative services such as:

- Buy Now, Pay Later (BNPL) models.
- Automated savings tools.
- Custom lending and insurance platforms.

This innovation fosters a dynamic financial ecosystem that offers consumers more choices and encourages traditional banks to modernize their offerings.

Alignment with Vision 2030 Goals

Open banking directly supports the goals of Saudi Vision 2030, particularly those related to:

- Increasing financial inclusion.
- Promoting cashless payments.
- Enhancing digital transformation in the financial sector.

By empowering consumers and supporting the growth of local FinTechs, open banking contributes to a more diversified and resilient economy.



Legal and Regulatory Considerations

The implementation of open banking in Saudi Arabia introduces several legal and regulatory challenges that require careful attention from banks, FinTech companies, and Third-Party Providers (TPPs). To ensure a secure, compliant, and transparent financial ecosystem, the Saudi Central Bank (SAMA) and other regulatory bodies have developed comprehensive guidelines governing the use and protection of financial data.

Open Banking & Data Security

At the heart of open banking is the principle of consumer control over personal data. In Saudi Arabia, this is governed by the Personal Data Protection Law (PDPL), which came into effect in 2023. Key legal obligations include:

- Obtaining a clear and informed consent from consumers before sharing their data.
- Ensuring that consent is voluntary, specific, and revocable at any time.
- Providing consumers with access to view, modify, or delete their personal data.

Non-compliance with data protection obligations may result in regulatory penalties, reputational damage, and civil liability.

Licensing and Supervision of TPPs

Only licensed and regulated TPPs are permitted to operate within the open banking ecosystem. To access customer data or initiate payments, TPPs must:

- Register and obtain approval from SAMA as per the Open Banking Framework.
- Comply with cybersecurity protocols, API standards, and operational risk management practices.
- Undergo ongoing monitoring and audits to ensure adherence to SAMA's regulatory requirements.

This framework is designed to maintain trust, protect financial institutions, and ensure a level playing field for both traditional banks and emerging FinTech providers.

Liability and Dispute Resolution

A critical legal consideration in open banking is determining liability in the event of unauthorized transactions, data breaches, or service failures. The Open Banking Framework requires:

- Clear contractual arrangements between banks and TPPs outlining roles, responsibilities, and risk-sharing mechanisms.
- Dispute resolution clauses that define procedures for addressing customer complaints or system failures.
- Consumer protection mechanisms that ensure accountability and access to redress in case of financial harm.

Effective contract drafting and risk mitigation strategies are essential to avoid legal exposure.

Cybersecurity and Compliance Obligations

The integration of third-party systems introduces new cybersecurity risks, including unauthorized access, fraud, and system manipulation. SAMA's Open Banking Framework imposes strict standards for:

- API security and encryption protocols.
- Authentication and authorization procedures.
- Incident response planning and mandatory breach reporting.

Financial institutions must conduct regular audits, penetration tests, and third-party risk assessments, cybersecurity risk assessments to ensure the resilience of their systems and protect consumer data.

Regulatory Coordination and Future Amendments

As open banking continues to evolve, legal frameworks must adapt to emerging technologies and business models. Legal advisors must stay informed of:

- New SAMA releases and updates related to open banking services.
- Any amendments to the PDPL and other related laws.
- International legal developments that may influence regulatory practices in the Kingdom.



Challenges in Implementation

While the transition to open banking presents numerous opportunities for innovation and financial inclusion, it also introduces a range of implementation challenges. These challenges span across technology, regulation, consumer readiness, and institutional infrastructure. Addressing them is essential to ensuring a secure and sustainable open banking ecosystem in Saudi Arabia.

Cybersecurity and Data Protection Risks

As open banking requires banks to share sensitive financial data with third-party providers, the risk of cyberattacks and data breaches increases significantly. Without robust cybersecurity measures, unauthorized access or misuse of consumer data could lead to legal liabilities and loss of consumer trust. Ensuring compliance with SAMA's API security protocols and the Personal Data Protection Law (PDPL) is critical.

Consumer Awareness and Trust

Many consumers in Saudi Arabia remain unfamiliar with the concept of open banking. Concerns over data sharing, privacy, and the legitimacy of third-party providers can hinder adoption. Educating the public on the benefits and safety of open banking is necessary to build confidence and encourage usage.

Technical Infrastructure Gaps

Not all banks and TPPs are equally prepared to meet the technical demands of open banking. Some institutions face challenges in upgrading legacy systems, integrating APIs, or maintaining service reliability at scale. These technical gaps can lead to inconsistent service delivery and delays in adoption.

Regulatory Complexity

While SAMA has established a clear framework, coordinating compliance across a growing number of banks and FinTechs remains challenging. Regulatory updates must be communicated effectively, and institutions must have the internal capacity to adapt quickly to evolving requirements.

Liability and Risk Allocation

Open banking introduces shared responsibility among multiple parties (banks, TPPs, and consumers). Without well-defined legal agreements, issues related to dispute resolution, unauthorized transactions, or service outages can become complex and difficult to manage.

Onboarding and Certification Delays

The requirement for TPPs to undergo conformance testing and certification can create bottlenecks, especially if testing environments are limited or approval processes are delayed. These delays affect the pace at which innovative services can be introduced to the market.

Conclusion

Open Banking in Saudi Arabia is a giant leap in the Kingdom's digital financial and banking transformation. By enabling secure data sharing, fostering the growth of Fintech in Saudi Arabia, and empowering consumers, the Kingdom is setting a strong foundation for a dynamic and inclusive financial future.

As the landscape evolves, collaboration between regulators, banks, and TPPs will be essential to building trust, driving adoption, and unlocking the full potential of open banking under Vision 2030.