

This is a preview of "PAS 201:2018". Click here to purchase the full version from the ANSI store.

## PAS 201:2018

# Supporting fintechs in engaging with financial institutions – Guide



This is a preview of "PAS 201:2018". [Click here to purchase the full version from the ANSI store.](#)

### **Publishing and copyright information**

The BSI copyright notice displayed in this document indicates when the document was last issued.

© The British Standards Institution 2018.

Published by BSI Standards Limited 2018.

**ISBN** 978 0 539 00165 5

**ICS** 03.060, 35.240.40

*No copying without BSI permission except as permitted by copyright law.*

This is a preview of "PAS 201:2018". [Click here to purchase the full version from the ANSI store.](#)

# Contents

Foreword .....	ii
Introduction .....	iii
<b>1 Scope .....</b>	<b>1</b>
<b>2 Terms and definitions .....</b>	<b>3</b>
<b>3 Qualification process .....</b>	<b>5</b>
<b>4 Qualification process overview .....</b>	<b>6</b>
<b>5 Proposition and market positioning .....</b>	<b>10</b>
<b>6 Business and team .....</b>	<b>13</b>
<b>7 Legal, regulatory and commercial .....</b>	<b>15</b>
<b>8 Information security and data protection .....</b>	<b>20</b>
<b>9 Technology .....</b>	<b>24</b>
<b>Annexes</b>	
Annex A (informative) The fintech toolkit portal .....	27
Annex B (informative) – UK regulatory support .....	28
Annex C (informative) – UK ring-fencing regulations .....	30
Annex D (informative) – What you can expect when engaging with Financial Institutions .....	31
Bibliography .....	32
<b>List of figures</b>	
Figure 1 – Illustrative innovation process – idea to delivery .....	2
Figure 2 – Qualification process .....	5
Figure C.1 – Ring-fencing .....	30
<b>List of tables</b>	
Table 1 – Qualification process overview .....	6

This is a preview of "PAS 201:2018". Click here to purchase the full version from the ANSI store.

# Foreword

This PAS is published by BSI Standards Limited, under licence from The British Standards Institution, and came into effect on 7 November 2018.

This PAS was sponsored by the Fintech Delivery Panel (FDP). Its development was facilitated by BSI Standards Limited and it was published under license from the British Standards Institution.

Acknowledgment is given to Matt James (Royal Bank of Scotland), as the Technical Author of this PAS, and the following organizations that were involved in the development of this PAS as members of the steering group:

- Barclays
- HSBC
- The ID Co.
- Innovate Finance
- IWOCA
- Lloyds Banking Group
- Market Invoice
- NatWest and the Royal Bank of Scotland
- Santander
- Tech Nation

The following funders of this PAS are also acknowledged:

- Barclays
- HSBC
- Lloyds Banking Group
- NatWest and the Royal Bank of Scotland
- Santander

Acknowledgement is also given to the members of a wider review panel who were consulted in the development of this PAS, and to the wider FDP who also supported its development.

The British Standards Institution retains ownership and copyright of this PAS. BSI Standards Limited as the publisher of the PAS reserves the right to withdraw or amend this PAS on receipt of authoritative advice that it is appropriate to do so. This PAS will be reviewed at intervals not exceeding two years, and any amendments arising from the review will be published as an amended PAS and publicized in *Update Standards*.

This PAS is not to be regarded as a British Standard. It will be withdrawn upon publication of its content in, or as, a British Standard.

The PAS process enables a guide to be rapidly developed in order to fulfil an immediate need in industry. A PAS can be considered for further development as a British Standard, or constitute part of the UK input into the development of a European or International Standard.

## Regulation and compliance

### **IMPORTANT:**

*The information contained in this document is for general guidance only. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, there may be delays, omissions or inaccuracies in information contained in this document.*

*Accordingly, the information in this document is provided with the understanding that the authors and publishers are not herein engaged in rendering legal, accounting, tax, or other professional advice and services. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers.*

Sources of UK regulatory guidance:

- HM Treasury (HMT): [www.gov.uk/government/organisations/hm-treasury](http://www.gov.uk/government/organisations/hm-treasury)
- Bank of England (BoE): [www.bankofengland.co.uk/prudential-regulation](http://www.bankofengland.co.uk/prudential-regulation)
- Prudential Regulation Authority (PRA): [www.prarulebook.co.uk](http://www.prarulebook.co.uk)
- Financial Conduct Authority (FCA): [www.fca.org.uk](http://www.fca.org.uk)
- EU General Data Protection Regulation (GDPR): [www.eugdpr.org](http://www.eugdpr.org)
- Competition & Markets Authority (CMA): <https://www.gov.uk/government/organisations/competition-and-markets-authority>
- Ring-fencing: <https://www.gov.uk/government/publications/ring-fencing-information/ring-fencing-information>
- The Computer Misuse Act (1990): <https://www.legislation.gov.uk/ukpga/1990/18/contents>

See also Annex B for further support.

**NOTE** *Some financial institutions will operate in a variety of countries and as such the regulatory requirements of those jurisdictions will also become relevant.*



This is a preview of "PAS 201:2018". [Click here to purchase the full version from the ANSI store.](#)

# Introduction

Financial services is in the midst of fundamental change, driven and enabled by technology advances that will transform the industry, place control in the hands of customers, and radically change the nature of the competition the established institutions face.

The business of banking will look completely different, delivered through digital technology that customers, conditioned to expect speed and innovation from all suppliers, regard as a basic hygiene factor. Banking is becoming more connected; with business models that digitally link customers and other providers of products and services.

New competitors, unencumbered with expensive and inflexible legacy architectures are entering the market. Open Banking will reduce barriers to entry. Banking services may simply become a commodity component of wider value chains. The environment is challenging. The changes are significant. The industry is moving from the traditional models to one where small can now compete effectively with larger suppliers.

Most established financial institutions are recognising the need to position themselves to address these threats and embrace the opportunities. The positive approach by established providers demonstrates a widespread awareness of how fintech will benefit all: the start-ups, the financial institutions and, most importantly, the consumers.

The UK has long recognised that embracing innovation is central to ensuring long-term success and the development of new financial technologies is the latest pivotal shift. It is a testament to the UK's competitiveness that its financial services sector, with support from the wider ecosystem, has positioned itself at the forefront of the fintech revolution.

As we move beyond the initial hype it has become clear that the benefits of this high-growth area can best be secured through a collaborative, joined-up approach. The Financial institutions have longer established customer relationships, larger scale, more funding, and developed regulatory and legal knowledge; whilst start-ups often have more innovative ideas, more specialised technological expertise, and the ability to be agile and move fast. The combination of these factors can help the UK continue to grow as a world leading fintech hub.

Yet, too many fintechs and financial institutions are still uncomfortable allies. Financial institutions often risk being perceived by start-ups as inflexible and bureaucratic, while fintechs may be perceived as lacking understanding of the regulatory challenges and demands of servicing customers at scale faced by established financial institutions.

Any great engagement is underpinned by open communication and mutual understanding. The purpose of this PAS is to lay out guidance for fintechs that will help them understand, prepare for and more easily navigate the path to forming successful engagement with large financial institutions. In addition it can provide a foundation document around which fintechs, financial institutions and regulators alike can discuss ways to improve and streamline the process to enhance the UK's position and importantly benefit customers.

The FDP was formed in 2017 at the request of HM Treasury to help sustain and accelerate the growth of the fintech sector in the UK. The FDP is facilitated by Tech Nation and brings together the leading fintechs and established financial institutions from across the UK.

This PAS has been produced in response to an FDP commitment to drive collaboration between fintechs and financial institutions. It is believed that introducing voluntary standards is crucial to achieving more collaboration to make piloting products and services easier.

This is a preview of "PAS 201:2018". [Click here to purchase the full version from the ANSI store.](#)

*This page is deliberately left blank.*

This is a preview of "PAS 201:2018". [Click here to purchase the full version from the ANSI store.](#)

## 1 Scope

This PAS provides a guide to fintechs on the terms and approach used by many financial institutions for collaboration and commercialisation of new fintech propositions. It forms part of a wider body of work, referred to within the HM Treasury, Fintech Sector Strategy (March 2018), to develop a set of industry standards that will support fintech firms by providing them with a consistent understanding of what financial institutions will need from them before entering into partnership arrangements.

Its intention is to provide a framework that will allow fintechs to better prepare for and confirm that they are ready to engage with a large financial institution. It provides an explanation of both the commercial considerations and the necessary checks and controls that need to be satisfied to meet business and regulatory demands.

**NOTE** *Many of the processes and policies within this PAS are similar to those used for any supplier engagement and are not unique to engagement with fintechs.*

Specifically it provides:

- key terms and definitions;
- a framework of the categories information, checks and controls necessary to establish a commercial engagement;
- guidance on the preparation, data gathering and steps that a fintech can undertake to facilitate and speed-up the due diligence, commercial and contractual processes; and
- data protection and information security considerations.

It should be noted that each financial institution will have a different risk appetite, dependent upon their business strategy, the customer segments they support, markets they serve and geographies in which they operate. It will also depend on whether the fintech is to be engaged directly with customers or internally within the financial institution. As such it would not be possible to provide a definitive single guide and process.

This PAS is not intended, therefore, to be a definition of the engagement process as this could vary considerably from institution to institution. However, to aid understanding, Figure 1 provides a generic view of the broad stages in taking a new fintech solution from idea to implementation at scale. Whilst many fintechs are experienced in engaging with financial institutions and the on-boarding requirements, this PAS has been written from the perspective of helping early stage fintechs who may have little or no understanding of the process.