



NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

POSITION PAPER ON
OPEN FINANCE
IN RWANDA

NBR IDENTITY STATEMENT

The National Bank of Rwanda strives to be a world-class Central Bank that contributes to the country's Macroeconomic stability.



VISION

To become a
World-Class
Central Bank



MISSION

To ensure price stability and a
sound financial system
contributing to sustainable and
inclusive growth.

OUR CORE VALUES



INTEGRITY

We uphold high moral, ethical and professional standards for our people, systems and data.



COLLABORATION

We recognize that our team's collective intelligence, creativity, and efforts far exceed individual accomplishments.
(Co-ordinate efforts)



EXCELLENCE

We passionately strive to deliver quality services in a timely and cost-effective manner. We continuously seek improvement by encouraging new ideas and welcoming feedback that adds value to customer and stakeholder services.

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Introduction

In this era of digital revolution, data plays a pivotal dual role. It fuels innovation and acts as a key determinant of competitive advantage. For a government -like Rwanda- committed to fostering financial sector innovation, understanding who holds consumer financial data and how it is shared is strategically vital. Recognizing this, and in response to consumer demand, many regulators worldwide are turning their attention to open finance- a data sharing framework that has gained traction globally.

Open finance is **defined as the exchange of consumer data between Financial Service Providers (FSPs) and third-party providers (TPPs) based on consumer consent.** It involves the interaction between three core sets of actors: consumers as data owners, FSPs as data holders, and fintechs or TPPs as data users. It relies on technologies such as application programming interfaces (APIs) and adoption models vary from voluntary to mandatory. Concerns over the privacy and security of data have led to global adoption of data protection regulations. These regulations empower consumers by giving them greater control and ownership of their personal data. This empowerment aligns with a core tenet of open finance, allowing consumers to freely share their financial data with third-party providers while ensuring their privacy and security.

Balancing act for stakeholders: navigating the challenges and opportunities of open finance.

While open finance offers the scope for tailored products for consumers, larger customer bases for providers, and increased financial inclusion for policymakers—these advantages are not guaranteed. If implemented incorrectly, open finance could lead to increased risks of data breaches, unauthorized access, misuse of personal data, and heightened vulnerability to consumer fraud, potentially undermining its intended benefits.

There is a need for country specific open finance frameworks. The benefits and risks, as well as the parameters for implementation, are fundamentally shaped by the unique country context. To maximize the benefits of open finance, while minimizing the risks, countries must customize open finance to their context. Countries need to define policy objectives; define key parameters of open finance, including the participation regime; data to be shared; the open finance governance framework.

To define an open finance framework fit for Rwanda, the National Bank of Rwanda conducted the feasibility study of open finance in Rwanda. The findings of this study indicated that Rwanda has the foundational pillars of open finance, but there remain gaps to fill in-terms of guidelines, financial industry capacity building and consumer awareness and readiness.

Based on the findings of this feasibility study and multiple stakeholders' consultation; this position paper aims to define key parameters of open finance plan and road map for Rwanda. The rest of

the paper covers (1) the benefits and risks of open finance in Rwanda; (2) the key enablers of open finance in Rwanda; and (3) the design features of open finance in Rwanda.

Why Implementing open finance is important for Rwanda

For Consumers:

- **Access to tailored financial products:** Open finance unlocks the potential for tailored financial products and services. While individuals well-served by traditional banking enjoy enhanced convenience and cost savings, the underbanked stand to gain even more. Personalization of financial services significantly enhances the relevance and efficiency of offerings, providing access to services specifically tailored to their needs.
- **Greater transparency and control:** Ability for consumers to have better insights into their account usage and having the ability to decide on how that data can be used to benefit them. Enhanced clarity over terms and conditions. This facilitates the development of use cases such as account aggregation for credit.
- **Increased Competition and Lower Costs:** The entry of new players into the market leads to increased transparency in terms and pricing, and the design of more competitive offers that result in reduced costs for consumers and improved quality financial services.
- **Sharing consumer information:** consumer information gathered by one financial service provider can be shared with another and this facilitates the consumer not filing information to each and every FSP at the onboarding phase.

For Financial Service Providers and Fintechs:

- **Access to more granular data and increased customer base:** Service providers adept at leveraging data can utilize open APIs to gain deeper insights into customer behaviours, allowing them to identify unmet needs, attract new customers, and strengthen retention of existing ones.
- **Broader access efficiency and cost reduction:** Open Finance allows FSPs and fintechs to access valuable data through standardized frameworks like APIs, reducing reliance on complex bilateral agreements. This streamlines operations, lowers costs, and accelerates access to the broader financial ecosystem. With fewer barriers, fintechs can leverage data for **product development**, enabling new revenue opportunities at a **moderate cost**.

For Policymakers and Regulators:

- **Financial Inclusion:** As open finance allows financial institutions to serve formerly excluded groups because they access a wider range of data beyond credit history hence allows higher levels of Financial Inclusion in the formal ecosystem.
- **Boost competition:** in the same manner Open Finance reduces barriers to serving new customers, it also enables new FIs, including Fintechs bringing new forms of products to the market. The new entries boost competition hence fostering market transparency and lower costs.
- **Data Driven Policy Making:** Open Finance provides access to vast amounts of financial data, which can be used to develop evidence-based policies as well as assess the impact of existing policies and adjust as needed.

Key enablers of open finance in Rwanda

High levels of financial inclusion, variety of financial institutions and increasing uptake of digital financial services indicate that the Rwanda is ripe for open finance. Rwanda's financial sector is characterized by a variety of institutions including 9 commercial banks and 1 development bank and 1 cooperative bank. 16 private insurance companies and 2 public insurers including two major mobile money operators (MMOs), 20 Deposit taking Microfinance companies institutions, 437 savings and credit cooperatives and other non-deposit taking financial services providers. Rwanda has 95.9% mobile phone penetration and up to 86% mobile money penetration.

The country has achieved a substantial level of financial inclusion with 92% of the population formally included, while over 68% of adults use more than one financial service product. Moreover, with 73% of payments in Rwanda being conducted digitally, there is a substantial foundation of electronic transaction data. The uptick in the use of digital financial services like mobile money underscores a growing consumer familiarity and reliance on technology-driven financial solutions and the variety of financial products held by individuals points to a fragmentation of consumer data across multiple providers. This scenario presents a unique opportunity for a structured approach to data sharing to allow FSPs to obtain a holistic view of consumers' financial behaviors

Open finance is aligned to the Government of Rwanda policy objectives and key foundational legal frameworks are in place. First, open finance is aligned with 3 Government policy objectives of (1) establishing Rwanda as a fintech hub for innovation and growth, (2) advancing financial inclusion, and (3) spearheading a National Data Revolution focused on improving data infrastructure and practices, data privacy and security, and leveraging data for policymaking. Open finance will support these objectives by enabling fintech expansion, democratizing financial sector access, enhancing product and service quality, and facilitating informed decision-making. Second, Rwanda has already put in place the key regulatory pillars crucial for open finance, including the

data protection and privacy law; the cyber security regulation and consumer protection legal framework. The existence of these foundational regulations will smoothen the roll-out of open finance as it will only require some adjustment of these regulations to support open finance.

Objectives of open finance in Rwanda

Rwanda will roll-out open finance to achieve 3 main policy objectives: (1) Establishing Rwanda as a fintech hub, earmarked for financial technology innovation, development, and growth; (2) championing the cause of financial inclusion; and (3) Pioneering a National Data Revolution. By aligning the open finance regime with these national directives, Rwanda can ensure that the framework not only supports the country's economic and technological advancement but also resonates with its broader developmental goals. Building on these high-level objectives, open finance in Rwanda will also focus on achieving the following six specific objectives:

1. Enabling consumer data sharing for alternative credit scoring and lending options to MSMEs and other underserved segments of the populations
2. Enable consumer data sharing to improve the efficiency of convenience of financial service delivery
3. Increasing Rwanda's Fintech competitive advantage on data-sharing for innovative financial product experimentation on the African continent
4. Enabling account aggregation, which offers a comprehensive view of financial standing, assists with budgeting and managing the cash flow of businesses.
5. Align Rwanda's financial ecosystem with global best practices to position the country as a fintech hub
6. Support national development goals, including achieving a cashless economy and enhancing Rwanda's position as a fintech launchpad.

Design features of open finance in Rwanda

The feasibility study undertaken by National Bank of Rwanda (NBR) showed that financial institutions are at different levels of readiness to implement open finance in-terms of infrastructure; internal policies and capacity to effectively share data. Large banks and Mobile money companies are relatively ready than small banks and deposit taking micro-finance institutions. Although the foundational legal and regulatory pillars of open finance are in place, other specific guidelines on data sharing including API standards; consent framework; liability and recourse mechanisms are missing and require implementation to guide and support mandatory data sharing. The demand side- businesses and individuals also need capacity building and awareness to understand the benefits of open finance, and their roles and responsibilities in open finance as the ecosystem matures. Given the complexity of open finance, risks and infrastructure needs to share data; low knowledge of open finance, NBR decided to implement open finance in phased approach elaborated below:

- Phase 1 (2024-2026):** In this initial phase, the focus will be on building capacity for open-finance ecosystem players including financial institutions and policy makers on the benefits and risks of open finance and understanding their roles and responsibilities in an open finance framework. During this phase key open finance governance structures with a key responsibility to spearhead open finance will be established involving relevant stakeholders in the public and private sector. During this time NBR will enhance its capacity to supervise and oversee open finance. Lastly, key open finance guidelines like **data sharing guidelines; API standard guidelines; consumer consent guidelines in collaboration with other relevant government institutions** as well as **liability and recourse frameworks** will be established in this phase. NBR aims to consult and involve market participants in designing these standards. During this phase NBR will continue to encourage data sharing on a voluntary basis but encourage compliance with the guidelines once put in place.
- Phase 2 (2026-2028):** Following enabling interventions implemented in the first phase, and the deliberation of the first phase success, the NBR may opt to progressively moving into a mandatory regime with tier 1 banks and Mobile Money Operators. This will entail a highly consultative approach. Alternatively, NBR may opt to keep the voluntary regime with active Government involvement. This will mean that participation is optional, but the regulator establishes standards. In case NBR decides to progressively move into a mandatory regime by implementing a mandatory-consultative data sharing structure with Tier 1 banks and Mobile Money Operators, these institutions will be mandated to share data with third parties and comply with the data sharing guidelines. This decision will be based on the fact that Tier 1 Banks and Mobile Money Operators hold high volumes of data, and relatively have operational readiness as revealed by the feasibility study. During this phase data users will be licensed institutions and Third-Party Providers (TPP) with a data controller or data processor certificate issued by the National Cyber Security Authority (NCSA). NBR will emphasize the principle of reciprocity; meaning that whilst the larger FSPs would be the primary data providers, these FSPs will also be data receivers. Furthermore, under a principle of reciprocity, any fintechs or other providers that register as data users would also share data. Capacity building of the financial industry a, as well as open finance oversight capacity of NBR staff will cut across all phases.
- Phase 3 (2028-2029):** In this phase, the approach to data sharing, whether voluntary with active government involvement or mandatory—will be determined based on the deliberations and outcomes from Phase 2. The chosen regime will reflect the maturity of the open finance ecosystem. During this period, data sharing will be extended to include all regulated financial institutions. This encompasses all banks, insurance companies, as well as both deposit-taking and non-deposit-taking financial institutions. The scope of data

users will also broaden to include all regulated financial institutions and Third-Party Providers (TPPs) that hold a data processor or controller certificate from the National Cyber Security Authority (NCSA).

If a mandatory regime is adopted, all regulated institutions will be required to share data in accordance with established regulatory standards. Alternatively, if the voluntary regime is maintained, participation will remain optional but will be guided by robust standards and active government oversight. Throughout this phase, the National Bank of Rwanda (NBR) will continue to strengthen its oversight capacity. In addition, as the open finance ecosystem matures, public education initiatives will be embedded to support greater understanding.

- **Phase 4 (2029/2030):** Establish a Third-Party Provider (TPP) license and supervisory framework. As more non-regulated TPP data users increase, it is important that NBR develops a license or a registration framework for these users of financial data. This license or registration and supervisory framework will be benchmarked on the best international practice. While regulating these TPPs, the Bank will ensure that benefits of innovation; data protection and consumer protection are well balanced. During this phase BNR will partner with other Government institutions to establish a central API platform to facilitate data sharing across the financial eco-system (solving the challenge of multiple bilateral data requests). In delivering such infrastructure or system, NBR is open to partnering with a private tech firm to deliver this infrastructure. NBR will continue working with MINICT on the Digital Public Infrastructure being developed to assess if it can be designed to enable data sharing with open finance frameworks.

Scope of data

Through the phases, the open finance regime will allow for progression from low-sensitivity/ generic data to highly sensitive data. Such data entail data other than customer data and which is already relatively made public by Financial Institutions such as product information and customer service channels. This type of data is useful for use cases such as product and pricing comparison. Progressively, highly sensitive data including customer account usage data will be shared, such data which is very useful for Customer Due Diligence (CDD), product development and financial inclusion.

Governance of open finance

The NBR will lead the implementation of open finance in Rwanda, co-chaired by Capital Market Authority (CMA) and MinICT. This is based in the fact that BNR is a consolidated supervisor of the largest segment of the financial sector (including banks; Insurance companies; MFIs; Pension funds; and Mobile money companies). These institutions are the largest holders of financial sector

data which suits NBR as the right institution to drive open finance. Its role will involve establishing regulatory standards and guidelines, building capacity and awareness of open finance to different stakeholders and conducting oversight to ensure compliance.



An Open Finance Forum will be formed and composed of two key committees: **the Steering Committee (SteerCo) and the Technical Committee**, ensuring a balanced approach in the implementation of Open Finance framework. The Steering Committee will consist of CEOs or MDs from member institutions and will provide strategic oversight and decision-making for the Forum. While the Technical Committee will consist of Head of IT and/or a designated technical staff from member institutions and will focus on the technical and operational aspects of Open Finance. The structure and Terms of Reference of these committees will be established and communicated to relevant stakeholders.



Conclusion

The National Bank of Rwanda has assessed the feasibility of an Open Finance Framework in Rwanda and found compelling policy, consumer and supply side enablers. As a result, the Bank is adopting a progressive approach to establishing and implementing an open finance framework, starting with establishing key guidelines: data sharing guidelines, API standards, and recourse and liability guidelines. The Bank will either enforce a progressively mandated framework or adopt active government involvement where participation is optional, but the regulator establishes standards that will lead to a full implementation and supervision of the implementation of Open Finance. To spearhead the process an Open Finance Forum will be activated to lead on all strategic and technical requirements for an operational framework.



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