Open Banking: Opportunities and Challenges – The Experience of Saudi Arabia

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Abstract:

This study examines open banking as a key outcome of digital transformation in the financial sector and analyses its opportunities and challenges, with a focus on Saudi Arabia as a practical example in the Middle East and North Africa region. The study adopts a descriptive–analytical approach by reviewing the conceptual and regulatory framework of open banking and analysing the roles of the main actors within its ecosystem. It also highlights the opportunities it offers to customers, banks, and fintech companies, as well as the challenges associated with its implementation. The findings indicate that open banking can promote financial innovation, enhance customer experience, support financial inclusion, and improve the efficiency of banking services. However, its success depends on the availability of clear regulatory frameworks, secure digital infrastructure, and an appropriate balance between data accessibility and protection. The Saudi experience shows significant progress in building a supportive ecosystem for open banking in line with Vision 2030.

Keywords: *financial technology, open banking, application programming interfaces (APIs), third parties, Saudi Arabia.*

JEL classifications: G21, G28, O33

1. INTRODUCTION

In recent years, the banking and financial sector has witnessed rapid developments, most notably the emergence of financial technology, or digital finance, as one of the most important technological transformations that has contributed to addressing many of the challenges facing banks and financial institutions by improving the speed of procedures and accuracy of execution. With increasing competition and changing market requirements,

the shift towards digital services has become an indispensable strategic option for banks, although the pace of adoption of these services was limited at the outset. However, the COVID-19 pandemic has clearly contributed to accelerating the pace of digital transformation and enhancing customer acceptance of digital financial services. In response to changing customer behaviour and expectations, with customers now demanding smoother and more personalised financial experiences, new banking models based on data sharing and open innovation have emerged, with open banking being one of the most prominent outcomes of this shift. The latter is based on enabling the sharing of customer data between banks and third parties, with the customer's consent and in a secure manner via application programming interfaces. This approach enables customers to adopt more efficient methods of managing their finances by accessing their various financial accounts through a unified platform and choosing banking products and services that best suit their needs with greater flexibility. Open banking also promotes the development of the financial ecosystem as a whole by improving the level of service personalisation, reducing operating costs, and opening up new sources of revenue, thereby supporting innovation, increasing competitiveness and efficiency, and contributing to financial inclusion.

This trend has been clearly reflected in a number of countries, particularly in the Middle East and North Africa region, which is undergoing rapid regulatory and digital transformations in the field of open banking. The Kingdom of Bahrain, the United Arab Emirates and the Kingdom of Saudi Arabia are among the leading countries in this field, thanks to their adoption of proactive regulatory frameworks based on a clear vision for the future, which seek to create an environment conducive to financial innovation through the development and gradual implementation of action plans in line with rapid technological developments. The experience of the Kingdom of Saudi Arabia stands out as one of the most recent and comprehensive examples of open banking adoption, making it a suitable case for analysis and study.

What is meant by open banking, what opportunities does it offer, and what challenges do the various actors in its ecosystem face? How is

its adoption in Saudi Arabia manifesting itself in light of the current digital and regulatory transformations?

1.1 Study methodology:

To answer the study's research question, we adopted a descriptive and analytical approach to clarify the role and nature of this new banking model and its development in Saudi Arabia in recent years.

1.2 Study objectives: This study aims to:

- Identify recent trends in the financial and banking environment by examining the fundamentals of open banking as a relatively new concept that warrants study in terms of its definition and characteristics.
- Identify the main challenges facing open banking and the opportunities it offers.
- Identify the most important financial technology business models and types of digital platforms, with a focus on the advantages of transitioning from traditional business models to digital platform-based business models for open banking in the Kingdom.
- Clarify the features and circumstances of open banking in light of the momentum of financial technological development in the world and in the MENA region in particular, drawing on the experience of the Kingdom of Saudi Arabia in this field.
- Highlight the roadmap for open banking in the Kingdom of Saudi Arabia.

1.3. Importance of the study:

The importance of the study lies in addressing the most prominent emerging trends in the global banking environment, in general, and in the Middle East and North Africa region, in particular, which has witnessed innovation at the level of many banks and financial and banking institutions working to develop areas of open innovation in service delivery through financial technology platforms, especially application programming interfaces for open banking services. We draw on the experience of the Kingdom of Saudi Arabia in the field of financial technology and open banking.

1.4. Areas of study: In order to familiarise ourselves with the subject of the research, we divided our study into three main areas:

- **Theme 1:** The theoretical framework of open banking: its concept, motivations, system, approaches, benefits, challenges, etc.
- **Theme 2:** The financial technology sector in Saudi Arabia (digital financial products and financial technology business models, etc.)
- **Theme 3**: The path to open banking in Saudi Arabia (roadmap, programme, open banking lab, etc.)

2. The first theme: The theoretical framework of open banking

2.1. The emergence of open banking

Open banking emerged amid profound changes in the global banking sector, driven by rapid technological advances, increasing reliance on digital solutions for the delivery of financial services, and growing criticism of traditional banking models characterised by the monopoly of financial data by large banks and weak competition and product innovation. The United Kingdom has emerged as the first regulatory environment to adopt this approach, where investigations conducted by the relevant authorities into the retail and SME banking market revealed a lack of competition and limited customer choice, prompting a search for new mechanisms to enable new service providers to enter the market and offer innovative solutions. In this context, the idea of open banking was proposed as a regulatory solution aimed at enabling customers to control their financial data and allow it to be shared, with their consent, with third parties. What made Britain the 'capital of fintech' was the clarity of the legislation being put in place, because clarity is the fundamental driver for the adoption of open banking. (Mohamed, 2025, pp. 773-774)

At the European level (Bajrektarevic & al., 2022, p. 179), this trend was reinforced with the adoption of the first Payment Services Directive (PSD1) in 2007, which sought to liberalise the payment services market and increase competition, followed by the Payment Services Directive 2 (PSD2) in 2015, which marked a fundamental turning point by establishing the legal framework for financial data sharing and the official recognition of account information service providers and payment initiation service providers. In 2016, the first legislation for PSD2 was established (Arner,

2022, pp. 147-172). Based on the above, it can be said that open banking originated primarily as a regulatory response to address banking market imbalances, before later evolving into a data-driven collaborative model that rebalances the relationship between banks and customers and creates an environment conducive to innovation.

2.2. The concept of open banking

Open banking is one of the most important financial innovations in the context of digital transformation and financial technology, which will change the face of the banking industry in the coming years. It is a modern financial practice that aims to enable customers to securely share their financial data with third-party service providers (TPPs) through open application programming interfaces (APIs). The primary goal of this practice is to promote innovation and competition in the financial sector, as it allows third parties to access financial information, such as account balances and transaction records, to develop innovative financial solutions that contribute to improving the customer experience and meeting their diverse needs. Open banking services are also regulated within strict legislative frameworks that aim to protect sensitive customer data and ensure privacy and security, while providing a reliable environment for making payments and financial transactions directly through third-party applications. This practice contributes to facilitating financial operations, expanding financial inclusion, and motivating banks and financial technology companies to continuously innovate, thereby enhancing operational efficiency and improving the quality of services provided to customers. (Al-Muayyad, 2018)

Giving consumers back significant control over financial services is at the heart of the open banking concept.

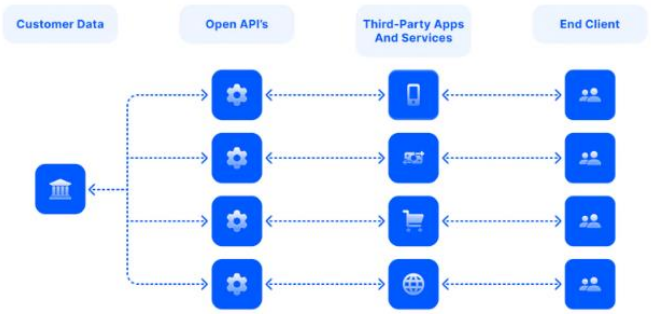
- API (Application Programming Interface) technology (Hamdouch, 2022, Page 158) is a modern technical term used in the business world and the private banking system. It is a set of electronic libraries (packages) that include ready-to-use rules, functions and data that help web developers design specialised applications and websites. These libraries are located on high-tech, high-speed servers

high-tech, high-speed servers hosted by private web platforms that allow users to design programmes and websites without having to store them locally. These interfaces are available on the internet.

- The use of API keys enhances data security, preventing any unauthorised person or entity from accessing it fraudulently.
- Open banking contributes to better interaction and cooperation in the financial services sector through the adoption of open source technologies and protocols and the use of open application programming interfaces (APIs) (Al-Khatib, 2023), allowing individuals and businesses to easily access banking services and enabling developers to build innovative applications that meet users' needs.
- The main and most important element of open banking from a technical perspective remains application programming interfaces, which represent the infrastructure of the sector and act as pipelines that transfer data smoothly and securely between the databases of the various institutions involved. This leads to innovation in financial products, such as ‘save now, pay later’ or ‘buy now, pay later’ services, crypto currency wallets, cross-sector payments, know your customer (KYC) and personal financial management tools, among many others.

The work of open banking can be summarised in the following figure and steps:

Figure 01: How open banking works



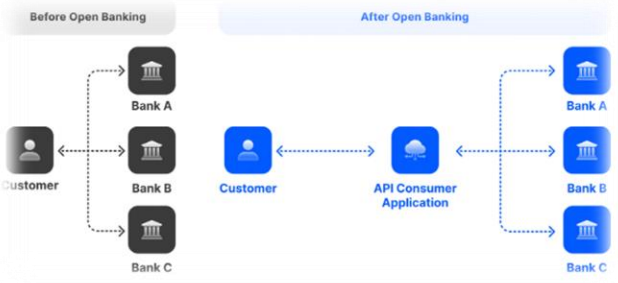
Source: (Al-Halabi, 2024)

- Customers (individuals and companies) give their consent to share their financial data stored with financial institutions with a third party.
- After the customer's consent, financial institutions can access the agreed financial data and transactions for the third party in accordance with technical standards.
- The third party must meet privacy and security standards to access the data.
- The third party develops and provides innovative, value-added financial services based on the financial data of customers and companies.

2.3. Difference between traditional banking and open banking

This model mainly aims to decentralise the traditional central banking system and move data from closed structures to an open, shared environment. Central financial institutions use private servers, which makes integration with third parties very difficult. Therefore, by decentralising these databases and using APIs, external applications can easily integrate into financial systems to interact with the data and provide the required services.

Figure 02: Workflow before and after Open Banking



Source: (Al-Halabi, 2024)

Table 01: Difference between traditional and open banking

Topic	Traditional Banking	Open Banking
Data and Access	Customer data is stored only within the bank, and access is limited to official bank channels.	Customers have the right to share their data with third parties, and banks are obligated to allow access with customer consent.
Bank-Customer Relationship	The bank is the sole service provider, and the relationship is limited to internal products only.	The bank becomes a platform enabling partnerships with third parties, providing an integrated banking experience.
Business Models	A traditional central model, with revenue from interest and banking fees only.	An open model, with revenue from additional services, innovative solutions, and partnerships with FinTech companies.
Technologies Used	Closed banking systems, limited interaction with external applications.	Open APIs, integrated digital platforms, compatibility with modern security protocols.
Financial Innovation	Limited, based solely on internal product development.	High, enabling third parties to develop innovative financial services such as app payments, digital wallets, and crowdfunding.
Financial Inclusion	Access to services is limited based on bank branches or traditional products.	Expands financial inclusion, offering services to customers not fully served by traditional banks.
Security and Data Protection	Customer data is stored internally, with limited protection from internal bank controls.	A clear regulatory framework, with strict adherence to data protection and privacy standards, requiring prior customer consent.
Customer Experience	Traditional banking experience, with processes limited to the bank's official channels.	A seamless and integrated experience, with access to multiple accounts, direct payments, and comprehensive financial management on a single platform.
Regulatory Role	Supervision focuses solely on the bank.	Supervision includes both banks and third parties, with standards to protect data and enhance competition.

Source: Prepared by the researchers based on a set of references

2.4. The open banking ecosystem and the roles of the parties operating in it:

The Open Banking ecosystem consists of four main parties: **Banks (financial entities), third parties, customers, and regulators**, where each party plays a specific role in achieving the goals of open banking, and the roles of all parties can be summarised as follows: (View, 2026)

2.4.1. Banks (financial entities):

Banks are the main pillar of the open banking system, as they play a pivotal role in providing access to customer account data to third parties, through application programming interfaces and with the prior consent of the customer, in order to achieve the main objectives of open banking. Banks are forming strategic partnerships with third parties to foster innovation and increase operational efficiency, leveraging their institutional capabilities and regulatory expertise. In addition, banks rely on modern data to develop innovative financial solutions and personalised services, which contributes to improving the customer experience and enhancing their competitiveness in a changing digital financial environment.

2.4.2. Third Parties:

Third parties **, especially FinTech companies**, are the key innovation element in the Open Banking ecosystem, leveraging their advanced technical skills to provide more efficient and flexible financial services. They contribute to improving the customer experience by providing seamless and user-friendly digital solutions. They act **as Account Information Service Providers (AISP)**by aggregating and displaying customer account data in a unified interface, or **as Payment Initiation Service Providers (PISP)** by making payments on behalf of the customer, thereby increasing the efficiency and diversity of financial services. It is worth noting that third parties are not limited to fintech companies, but any entity that **is licensed or authorised** by the regulator to access customer data or carry out financial transactions on behalf of the customer, with the customer's consent.

2.4.3. Customers:

Customers are at the centre of the open banking ecosystem, as they have the right to control their financial data and determine who is authorised to access it. Their role is to give explicit consent to third parties to access their data or use it to provide personalised financial services,

enhancing transparency and providing solutions that are tailored to their individual needs. However, this role requires customers to be increasingly financially and digitally aware, given the sensitivity of financial data and the importance of making informed decisions.

2.4.4. Regulators:

Regulators play an important role in supporting and promoting open banking initiatives, as they seek to ensure the standardisation of financial practices, protect customers from potential risks associated with data sharing, and ensure financial security and compliance with laws.

It is also worth noting that the relationship between these parties is not limited to co-operation, and potential conflicts of interest can arise. For example, banks may seek to protect their market share, while the third party wants to expand its services as quickly as possible, and regulators need to intervene to resolve these conflicts and balance innovation and customer protection. The importance of regulatory frameworks that define the powers of each party and ensure that interests overlap in a balanced manner within the ecosystem.

2.5. Approaches to Open Banking:

Countries are adopting different approaches to implementing Open Banking to maximise the benefits of their Open Banking initiatives: (Tarabut, 2024).

2.5.1. Market-based approach:

- Does not have any explicit rules or guidelines requiring or prohibiting data sharing that is authorised by the customer.
- There are no restrictions on data and services but adoption may be limited to a small number of parties.

2.5.2. Facilitated Approach:

- Provides guidance and recommended standards along with open API standards and technical specifications.
- This approach requires all three parties to register with a specific regulatory or supervisory authority in some cases.
- Adoption depends on market readiness.

2.5.3. Indicative approach: This is the approach adopted by the Kingdom of Saudi Arabia

- Legislative authorities issue a legislative and regulatory framework for open banking.
- Banks are directed to share customer data based on their consent.
- This approach requires the third party to register with a specific regulatory or supervisory authority.
- Encourages adoption and enhances data protection.

2.6. Opportunities offered by Open Banking

Open banking is one of the strategic pillars of the transformation of the financial sector, as it provides multiple opportunities that affect the various actors in the banking system, primarily customers, banks, and fintech companies, in addition to its positive effects on the efficiency of the financial market as a whole, including: (Publishing, 2023, pp. 5-6)

2.6.1. Customer-oriented opportunities

Open banking enables customers to better **manage their financial resources** by providing a comprehensive and integrated view of their various bank accounts, especially if they have multiple accounts with different financial institutions. It also contributes to **achieving a higher level of transparency of financial data**, which helps customers form a more accurate picture of their financial situation and the level of risk associated with it before incurring debt, and helps them make borrowing or consumption decisions.

These services also provide **easy access to financial data and services**, supporting the development of personal financial management tools and improving the user experience, as well as **promoting financial inclusion** (The New, 2022) by designing customised financial products and services based on the analysis of financial behaviour and actual customer needs.

2.6.2. Opportunities for banks

Open banking represents a strategic opportunity for banks to reshape **their** traditional business models by **diversifying their revenue streams** and utilising banking data to offer targeted financial products that were previously unavailable. It also allows banks to **deepen their relationship**

with customers by moving from a transactional role to a partner in supporting financial planning and optimising resource management.

Open banking also contributes to **enhancing the credibility of banks** in a data-driven digital economy, improving **their ability to manage risks**, as well as pushing them to invest in modern technologies **to keep up with the increasing competition** with digital banks and fintech companies, which reflects positively on the quality and efficiency of the services provided. (Rashida, 2023, page 352)

2.6.3. Opportunities for fintech companies

Open banking is a catalyst for the growth of fintech companies, as it allows them to **access banking APIs** and utilise financial data to develop and test innovative products and services in multiple areas, such as payments, lending, and financial management. It also opens up opportunities for fintech companies to expand and grow by building strategic partnerships with traditional banks and entering new markets.

This integration and collaboration between banks and fintech companies contributes to **fostering innovation within the financial sector**, creating a dynamic competitive environment that supports digital transformation and contributes to building a more efficient and open financial system. (Moaz S., 2022)

2.7. Challenges to Open Banking Adoption

Open banking holds promising opportunities, but at the same time it is surrounded by significant challenges that may hinder all the benefits if open banking is not properly adopted. Some of these challenges include: (Lomd, 2022, p. 18)

2.7.1. Challenges facing customers

Customers face several difficulties when using open banking services, most notably:

- The **number of available options**: This may lead to a sense of confusion or frustration, and to stick with their current provider even if there are better options. Some services are not tailored to the needs of each individual customer, creating a challenge for what is known as**one-size-fits-all**.

- **Complexity of managing multiple accounts**: Many customers have more than one bank account with different organisations, resulting in multiple applications and fragmented data.
- **Risk awareness and knowledge**: This is a key challenge, as customers need to have a thorough understanding of how their data will be used and what it will be used for before authorisation is granted, to avoid potential risks associated with errors or misuse.

2.7.2. Challenges Facing Banks

Banks face significant challenges related to:

-**Balancing accessibility and security**: Risks increase when data is shared with third parties who may contract with fourth parties without the knowledge or consent of the bank or the customer, which may lead to privacy violations or unlawful use of data.

-**Reputational and liability risks**: In many cases, it is difficult to determine who is responsible for any data loss or breach, even if third parties are at fault, which imposes a large role on banks as custodians of customer data and increases complexity in resolving legal disputes and dealing with applicable laws.

-**Integration with third parties**: Third parties may not be authorised or bound by clear contracts, limiting banks' ability to fully supervise data and ensure compliance with legislation.

2.7.3. Challenges facing fintech companies

Fintech companies suffer from:

- **Lack of full access to banking APIs**: This hinders their ability to offer innovative services and expand their business.
- **Technical constraints** , such as poor coverage or lack of some basic functions in online payment services, are an impediment to full adoption of open banking platforms.

2.7.4. Regulatory and Security Challenges

Security and privacy risks pose one of the biggest challenges, as the likelihood of cyber-attacks, illegal use of data, or errors resulting from the granting of payment authorisations increases, and this adds a legislative dimension, as there are multiple regulatory bodies overseeing data integrity, but they may face difficulty in monitoring third or unauthorised parties,

especially in light of the speed of innovation compared to the slow pace of legislation and regulation.

This creates challenges in terms of enforcing regulations and ensuring compliance, as well as the need to develop clear frameworks to determine liability and protect the reputation of banks and financial institutions, ensuring a balance between innovation and protecting customer rights.

3. The second theme: Saudi Arabia's Fintech Sector

The fintech market in Saudi Arabia is in a constant state of evolution, attracting an increasing number of investments for fintech companies in the local market. The Kingdom's financial sector is governed by two main regulators: The Central Bank of Saudi Arabia and the Capital Market Authority (CMA), both of which have a range of financial services regulated by them.

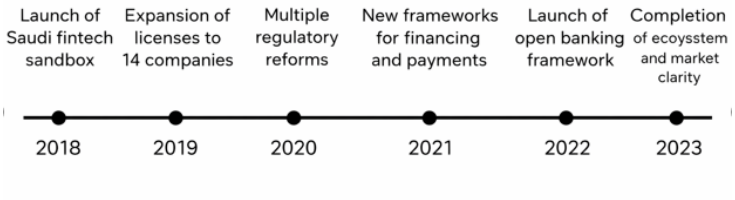
SAMA 's experimental environment is a key driver of fintech innovation, enabling fintech startups to test their new digital solutions.

During 2022, the Saudi Central Bank (SAMA) continued its efforts to support the Financial Sector Development Programme (FSDP) and enhance its contribution to economic growth by working with FSDP partners to implement a number of initiatives, the most important of which was the launch of the FinTech Strategy after its approval by the Cabinet, which aims to make the Kingdom a home and a global hub for FinTech (Al Siyari, 2022, page 10) and adopt a strategic approach to enable the financial sector and improve its services. Innovation in financial technology contributes to creating a new concept for innovative business models that enable customers to manage their money in a seamless manner and facilitate the investment process. (Al-Siyari, 2022, page 04)

3.1. Enabling the FinTech sector in Saudi Arabia

The Central Bank of Saudi Arabia has made significant progress in building a pioneering fintech ecosystem since 2018, and the most important of these developments are illustrated in the following figure: (Al-Saudi, 2022)

Figure 03: Evolution of the fintech ecosystem in Saudi Arabia (2018-2023



Source: (Central Bank of Saudi Arabia , 2025)

2018: Launch of the **Saudi Fintech** initiative to foster innovation and collaboration between startups, investors, and other players in the **fintech** ecosystem.

- Establishing a framework for a regulatory pilot environment, so that financial institutions and fintech companies can test and launch their products and services in an innovative and secure environment.
- 7 fintech companies were authorised to operate under the Regulatory Pilot as part of the 2018 cohort

2019: 14 fintech companies were authorised to operate under the Regulatory Pilot as part of the 2019 batch.

- The number of companies authorised by the Saudi Central Bank reached 14

2020: 11 fintech companies were authorised to operate under the legislative pilot environment as part of the 2020 batch.

- The Saudi Central Bank implemented a number of regulatory reforms:
- Regulation of Payment Service Providers
- Regulation of consumer microfinance companies
- Executive Regulations of the Finance Companies Monitoring System
- Executive Regulations for Electronic Insurance Brokerage Businesses
- Digital Banking Guidelines

2021: 17 fintech companies licensed

- Launch of a set of legislative regulatory frameworks:
- Debt crowdfunding rules
- Guidelines for applying for a licence
- Postpaid (buy now, pay later)

2022: 30 fintech companies licensed, launch of the Open Banking regulatory framework.

2023: Work with programme partners to implement the FinTech Strategy initiatives to build a diversified, inclusive and innovative financial sector and attract leading FinTech players to reach 150 companies in the Kingdom by 2023. Also, complete the development of the open banking system in the Kingdom to enable banks and fintech companies to launch their services to beneficiaries by 2023, which will contribute to the development of new and innovative products and increase the competitiveness of the financial sector.

3.2. National Fintech Strategy within the framework of Vision 2030

As part of Saudi Arabia's Vision 2030, the Financial Sector Development Programme (FSDP , 2026) was launched as one of the main executive programmes, which aims to enable financial institutions to support private sector growth, ensure the development of an advanced financial market, and promote a culture of financial planning. In this context, the Saudi Central Bank launched the Saudi Fintech Initiative (Saudi Arabia, 2020) as part of the first pillar of the programme, with the aim of supporting the FinTech ecosystem and promoting innovation in the financial sector.

The executive plan of the National FinTech Strategy has been adopted, which seeks to make the Kingdom a home and a global centre for FinTech by attracting leading players in this field and establishing innovation based on modern technologies as a basis for the development of financial services. The strategy aims to increase the percentage of cashless transactions to 70%by 2025, and increase the number of fintech companies operating in the Kingdom to 230 by 2025and 525 by 2030.

On the investment front, the strategy aspires to raise the cumulative value of venture capital investments in fintech companies to about SAR 2.6 billion by 2025, contributing to boosting local investment, attracting foreign investment, and supporting the growth of fintech companies. The strategy also aims for the fintech sector to make a direct contribution to GDP estimated at SAR 4.5 billion by 2025, in support of the Kingdom's drive to diversify sources of income. In addition, the strategy seeks to build national

competencies specialised in the sector and create approximately 6,000 direct jobs by 2025.

3.3. Digital financial products and fintech business models in Saudi Arabia

Table 02: Digital Financial Products in Saudi Arabia

Sector	Examples of Digital Financial Products	Impact
Lending and Financing	- Loan Preparation - Credit Scoring - Peer-to-Peer Lending/ Crowdfunding - Deferred Payments - Debt Crowdfunding - Microconsumer Financing - Digital Financing Brokerage - Electronic Savings Associations	- Lower borrowing costs - Better returns for lenders - More accurate credit assessments - Reduced loan management costs - Enables lending to low-income/high-risk individuals.
Payments and Currency Exchange	- E-wallets - Payment Services - Payment Gateways and Management - Peer-to-Peer Payments - Hosting and accepting transactions via POS devices - QR code payments	- Reduced payment operation costs - Faster payments - Enables small businesses to accept digital payments - Supports and develops a cashless society.
Personal Finance/Treasury Management	- Customer Account Aggregation Networks - Smart Cash Management - Savings Solutions	- Enables individuals to better manage their total cash balance - Individuals and businesses can manage their funds more effectively and achieve better returns on their investments - Increased overall savings levels - More affordable investment options.
Banks and Their Infrastructure	- Competitive Banks - API Providers - Bank Operational Improvements	- Increased bank efficiency - Providing more cost-effective options for customers - Offering customized solutions for clients - Increased collaboration between FinTech companies and banks.

Business Solutions and Information Provision	- Business Operating Tools - Cybersecurity - Data Management - Market Aggregation Networks - Research Providers	- Reduced cost of doing business - Increased customer protection - More options for customers - Providing customized recommendations.
Private Fundraising	- Equity Crowdfunding - Reward-based Crowdfunding - Crypto-Asset Backing	- Provides individuals with access to investment opportunities they previously couldn't access - Enables businesses to raise small amounts of funding - Reduces fundraising costs - Speeds up the fundraising process - Supports innovation and entrepreneurship.
Regulation and Risk Management	- Client Risk Management - Customer Experience - Technical Regulation - Technical Supervision	- Facilitates compliance with regulations for financial institutions - Eases the process of regulatory supervision of financial companies - Enhances customer experience - Improves client risk management.

Source: (Sama, Annual financial technology report, 2022)

Figure 04: Local Digital Fintech Business Models

PayTabs	•Founded in 2014, the company is a provider of profitable and secure payment solutions for B2B and B2C transactions, enabling businesses to receive online payments using its cutting-edge technology.
Tamara	•Tamara is a Saudi fintech startup founded in 2020 with a mission to empower customers to shop and pay through reliable, transparent and comprehensive financial solutions. Tamara offers customers the option to buy now and pay later with no fees, with the ability to defer payments up to 30 days or through 3 easy payments.
Tamam	•A fintech company founded in 2019 in Saudi Arabia that offers instant microloans without the need to submit complex documents or visit banks to consumers in the Kingdom, with loan amounts up to SAR 25,000.
ASEEL	•It is a financial technology company authorised by the Capital Market Authority (CMA), working on the crowdfunding methodology in real estate assets, and aims to achieve appropriate returns for investors by investing in real estate opportunities.
Lendo	•It allows SMEs to develop by providing short-term financing at competitive Murabaha rates and gives investors the opportunity to contribute to the development of the Kingdom's economy.
HAKBAH	•The first co-operative savings platform in the Kingdom, offering a complete solution for the financial society or what is known as the financial periodical for individuals with ease and ease.
Qoyod	•Business accounting software that allows you to track orders, purchase orders and quotations, convert them into invoices, perform accounting operations automatically and view reports according to the customer's needs.

Source:. (General Authority for Small and Medium Entreprises, 2022)

4. Theme Three: The Path of Open Banking in Saudi Arabia

The convergence of technological development, increasing customer demand, and regulatory clarity has accelerated the spread of open banking,

which explains the rapid growth of the fintech sector in the MENA region, where the number of fintech start-ups reached about 800 companies with a total value of about $15.5 billion in 2022. Widespread internet and Smartphone penetration in the region, with internet penetration reaching 93 per cent, with Smartphone penetration expected to reach 80 per cent by 2025 and more than 90 per cent in the GCC, has created a favourable environment for open banking adoption. In this context, Saudi Arabia's commitments under Vision 2030, along with the advanced regulatory frameworks in the UAE and Bahrain, and regional regulatory testing programmes, are supportive factors in promoting open banking, paving the way for the presentation of Saudi Arabia's experience in this area.

4.1. Open Banking in Saudi Arabia

In recent years, open banking in Saudi Arabia has been characterised by rapid progress in terms of its ecosystem and regulatory innovation. By following the UK's experience in open banking and drawing lessons from it, the Saudi Central Bank (SAMA) has taken bold steps, starting with enacting extensive and comprehensive regulatory legislation, orienting its financial services towards innovation, and is expected to establish a licensing body for account information services **(**AIS) and payment initiation services **(**PIS) (Almoayyed, 2018)

One of the key features of SAMA's regulatory pilot environment is that it is open to local and international fintech applicants through an “always open” approach rather than a cluster-based approach, the Saudi Central Bank has designed a framework to be implemented within the Saudi Vision 2030 blueprint, and with the launch of the Saudi Fintech initiative, a robust platform has been created to support the Kingdom's fintech entrepreneurial community, and the number of fintech startups in Saudi Arabia has increased to 147 by 2023.

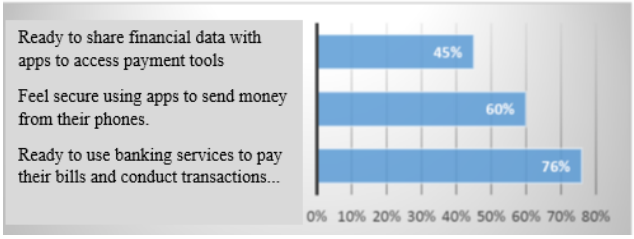
The Kingdom has announced its intention to replace 70% of all financial transactions with cash by 2030. Open Banking applications can help achieve this by enabling instant and direct bank-to-bank payments, and the Saudi Central Bank recently revealed that for the first time in Saudi Arabia, the number of electronic payments has surpassed the number of

cash payments, testifying to the rapid progress Saudi Arabia is making in its move towards financial digitisation.

Open Banking has changed the rules for promoting financial inclusion. According to a recent study, 40 per cent of unbanked individuals in Saudi Arabia were able to access financial services through open banking platforms. (Firas, 2025)

The following table represents the evolution of open banking users in Saudi Arabia in 2022.

Figure 05: Evolution of Open Banking users in Saudi Arabia in 2022



Source: (Ben Salem & Al-Adjaj, 2024)

4.2. Map of the implementation of open banking in Saudi Arabia:

The stages can be summarised as follows: (Saudi Arabia, 2022).

4.2.1. The design phase:

Open Banking in the Kingdom started in April 2020 in its strategic phase aimed at understanding Open Banking and setting the strategic framework for its implementation, and the result of this phase after its completion at the end of 2020 was the issuance of the Open Banking Policy in January 2021 by the Central Bank, which defined the general framework for the implementation of Open Banking in the Kingdom.

After that, the Open Banking design phase began, aimed at identifying the entities operating in the open market in the Kingdom, building legislative policies for Open Banking and developing the implementation plan and launch approach for Open Banking, and the design phase ended in the fourth quarter of 2021.

4.2.2. Implementation phase:

The first version of the Kingdom's technical standards was launched in Q3 2022, public data and account services were launched in Q4 2022, and payment origination services were launched in Q2 2023.

4.2.3. Launch phase:

The launch phase of an open banking ecosystem in the Kingdom began with a phased approach to support and enhance customer awareness and ensure continuous improvement in infrastructure development.

4.3. Open Banking Programme in Saudi Arabia

The Open Banking Programme is one of the initiatives of the National Fintech Strategy, which aims to implement and activate the practice of Open Banking in the Kingdom. The Saudi Central Bank (SCB) has embarked on the Open Banking journey, together with ecosystem participants such as banks and fintech companies, with the aim of achieving the desired results.

The Saudi Central Bank adopted a regulatory approach and a decentralised technical model in the implementation of Open Banking, developing regulations, guidelines and technical standards (Application Programming Standards, Operational Guidelines, User Experience Guidelines) to enable the open banking ecosystem in the Kingdom, thereby enhancing trust between banks, fintechs and customers. He also issued the executive regulations for Open Banking within the executive regulations of the Payments and Services System, which were issued in the third quarter of 2023.

4.3.1. The Saudi Central Bank's Journey to Open Banking

He issued the regulatory framework for Open Banking (Account Information Service) Q4 2022, then launched the Open Banking Lab Q4 2022, then activated the Open Banking System (Account Information Service) in the legislative pilot environment Q1 2023, and finally issued the regulatory framework for Open Banking (Payment Origination Service) Q4 2023, which we will see in detail below: (Saudi A., 2025)

- **Open Banking Regulatory Framework**

The Open Banking Regulatory Framework includes a set of regulations, business rules and technical standards that have been developed in accordance with international best practices to enable banks and Fintech

companies to offer Open Banking services in the Kingdom. The Central Bank issued the Open Banking Regulatory Framework in Q4 2022 to enable the Account Information Service (AIS) Account Information Service (AIS) allows fintechs to obtain customer account data from multiple financial institutions with customer consent. By aggregating this data, fintechs can offer a variety of use cases to customers (individuals and corporates), enabling customers to manage their financial data more effectively. Through this, customers will have access to innovative applications and platforms, enabling them to manage their financial data in ways that are more tailored to their specific needs.

- **Open Banking Lab**

The Saudi Central Bank launched the Open Banking Lab at the end of the fourth quarter of 2022 to accelerate the development of open banking services in the Kingdom. The Open Banking Lab aims to ensure that participants in the Open Banking ecosystem, including banks and fintech companies, are compliant with the Open Banking regulatory framework by enabling them to develop, test and authorise Open Banking products and services in a test environment with automated and seamless procedures.

- **The Open Banking ecosystem within the legislative pilot environment**

The Saudi Central Bank is currently working on authorising fintech companies to provide open banking services within the Central Bank's legislative pilot environment to enable these companies to offer and test their innovative services and products in the operating environment: 11 fintech companies have been authorised to provide open banking services, and 8 fintech companies have received initial approval.

- **Payment Initiation Service**

Payment Initiation Services (PIS) are essentially core services under the Open Banking regulatory framework, allowing fintechs to create payments with the consent of customers (individuals and corporates) directly from customers' bank accounts to beneficiary accounts.

The introduction of the Payment Initiation Service in the Kingdom marks an important milestone in the journey towards a more open and inclusive financial ecosystem, as it will play a pivotal role in shaping the

future of financial services in the Kingdom by enabling new and innovative ways of making payments. By enabling direct payments between accounts, payment origination services will bring benefits such as:

– Improve cash flow management and accelerate reconciliations
– Reduce the cost of operations
– Improving customer experience and enabling customers to manage their accounts through a single platform.

5. CONCLUSION

Open banking represents a radical shift in the financial industry, offering multiple benefits to individuals, banks, and fintech companies, and the platform for connecting banks and innovative financial applications has become a focal point for promoting transparency, innovation, and expanding financial inclusion. However, the ecosystem faces challenges related to privacy, security, and regulatory compliance, making its long-term success dependent on strong regulation, technological advancements, and the willingness of all stakeholders to embrace change to ensure this positive development is sustainable and beneficial to all participants.

Open Banking is expected to expand to more MENA countries, as we have seen with the experience of Saudi Arabia, which is a promising model in the region, given the institutional and organisational support for Open Banking under Vision 2030, and the environment for financial innovation. This model allows for future studies to measure the actual impact of this system on banking performance and financial inclusion, especially in such emerging economies that are witnessing accelerated digital and regulatory transformations.

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