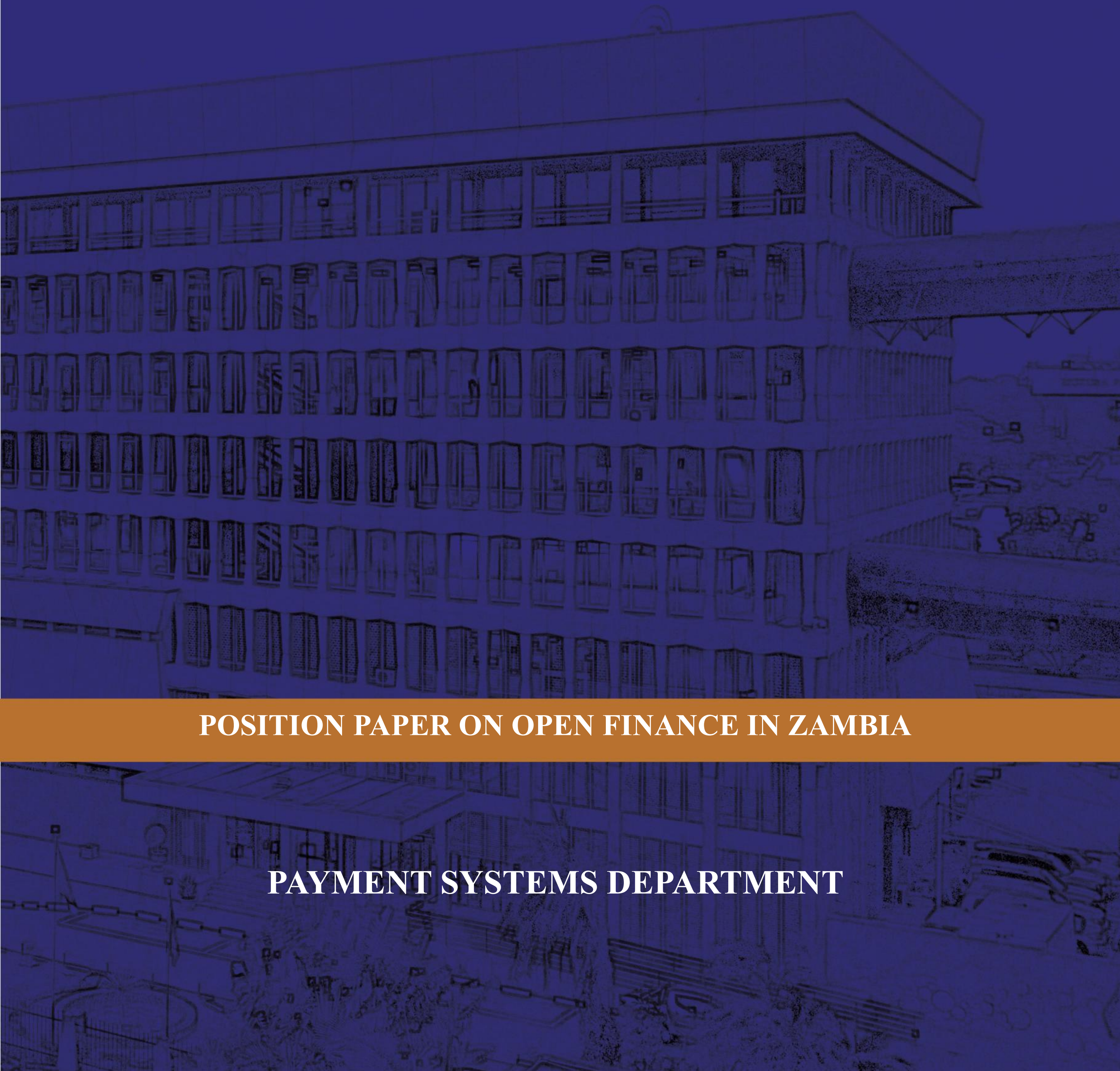
Bank *of* Zambia



POSITION PAPER ON OPEN FINANCE IN ZAMBIA

PAYMENT SYSTEMS DEPARTMENT

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Acronyms and Abbreviations

API	Application Program Interface
APIX	API Exchange
BCB	Central Bank of Brazil
BNR	National Bank of Rwanda
CCAF	Cambridge Centre for Alternative Finance
Cenfri	Centre for Financial Regulation and Inclusion
CMA	Competition and Markets Authority
CMN	National Monetary Council
eKYC	electronic Know Your Customer
FAPI	Financial-grade Application Program Interface
FCA	Financial Conduct Authority
FIC	Financial Intelligence Centre
FSP	Financial Services Provider
GDPR	General Data Protection Regulation
ICT	Information and Communication Technology
ID	Identification
ISO 20022	International Organisation for Standardisation 20022
INRIS	Integrated National Registration Information System
KYC	Know Your Customer
LGDP	General Data Protection Law
MAS	Monetary Authority of Singapore
MMOs	Mobile Money Operators
MNOs	Mobile Network Operators
MoFNP	Ministry of Finance and National Planning
MoTS	Ministry of Technology and Science
NFS	National Financial Switch
PIA	Pensions and Insurance Authority

PIX	instant payment system
PSD2	Second Payment Services Directive
SEC	Security and Exchange Commission
SGFinDex	Singapore Financial Data Exchange
SME	Small and Medium Enterprises
TPPs	Third Party Providers
ZICTA	Zambia Information and Communication Technology Authority
ZIPSS	Zambia Interbank Payment and Settlement System

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1 INTRODUCTION

The financial services sector in Zambia continues to grow[1] owing to several factors including digitalisation and the advent of financial technology (fintech). Fintech companies are increasingly leveraging evidence-based data analysis to develop new solutions which are efficient and technology based. The financial sector has gained momentum towards developing more inclusive and interoperable systems through these technological advancements. Open finance stands as an important opportunity to expand service access while promoting competition, driving innovation and enhancing customer choice. Open finance allows consumers to securely share their financial data across institutions, enabling the development of more tailored, efficient, and responsive financial products (World Bank, 2024).

The advantages[2] are evident based on other jurisdictions that have progressed in the implementation of open finance initiatives, yet Zambia faces some challenges in its readiness. The country is establishing foundational elements which include secure application programming interface (API) usage, consumer data sharing willingness and ongoing legal and regulatory reforms. The country faces obstacles including inadequate data infrastructure, variation in oversight across different sectors and low digital maturity among some financial service providers.

This position paper examines the status of the financial sector in Zambia regarding open finance while evaluating its readiness across key dimensions including policy, legal and regulatory, infrastructural, consumer and provider readiness. Additionally, the paper outlines a strategic roadmap to overcome obstacles which will enable open finance to drive substantial financial inclusion and economic expansion.

2 STATEMENT OF THE PROBLEM

The financial sector in Zambia has made strides in digitalisation, particularly in the payments ecosystem. Despite fintech companies driving innovation, they face significant hurdles in accessing the data, ranging from transactional records, credit histories, mobile banking and mobile money data, that is needed to scale their solutions.

The current data sharing process relies on bilateral agreements primarily between commercial banks or financial institutions and mobile money operators (MMOs) or mobile network operators (MNOs). Particularly, commercial banks and MMOs maintain extensive data resources because their services span across banking, credit, merchant payments, savings and

[1] Between 2015 and 2020, mobile money uptake in Zambia increased from 14% to 58.5%, while overall financial inclusion rose from 59.3% to 69.4%. The total value of mobile money payments grew from K3.6 billion in 2016 to K486.3 billion in 2024, with active mobile money accounts increasing from 521,098 in 2016 to 12,328,755 in 2024. The number of licensed payment service providers and fintechs rose from 37 in 2016 to 84 in 2024 (*Bank of Zambia, 2020; Bank of Zambia, 2016; Bank of Zambia, 2024*).

[2] The United Kingdom's Open Banking initiative together with Brazil's Open Finance Framework and Nigeria's Open Banking Guidelines have proven to deliver quantifiable advantages for innovation, market competition and consumer choice.

bill payments while the MNOs maintain data on digital activity as well as airtime and data purchases that can be useful for credit worthiness assessments. Commercial banks and MMOs (together with their parent MNOs) maintain full control over data sharing decisions which creates fragmentation and proves unsustainable for smaller entities. The current data sharing model also limits market transparency and drives up costs. In the meantime, large volumes of data (transactional records, public datasets and consumer profiles) are underutilised, held back by institutional constraints, unclear mandates among data-processing institutions and a lack of meaningful incentive to share data.

The current process for consumers to share financial data with service providers is largely manual, time-consuming and prone to errors. Consumers need to request their current service providers for their financial records, such as bank or mobile money statements, before they can submit them to new providers mainly through insecure digital or physical means. The current system creates difficulties during onboarding procedures and raises the chance of fraud while lacking built-in verification tools for data authenticity.

The current fragmented approach may not effectively incorporate important data sources which would enhance credit scoring capabilities and stimulate innovation while expanding service accessibility. The development of scalable data-driven solutions requires clear frameworks, standard APIs and shared infrastructure including electronic Know Your Customer (eKYC) systems or a fully functional national ID. Centre for Financial Regulation and Inclusion (Cenfri, 2024), in their feasibility and readiness assessment of open finance in Zambia, noted that regulatory engagement across different agencies was still maturing and consumer protection enforcement was progressing. The feasibility and readiness study by Cenfri added that these conditions have potential to limit trust, reduce visibility and maintain uncertainty around how data is accessed and used in the financial ecosystem.

If the identified gaps remain unaddressed, there is a risk of increased market concentration, reduced competition, and inhibited innovation. Consequently, the financial sector may struggle to effectively serve the broader population. Realising the full potential of open finance requires deliberate policy and regulatory measures that enable secure data access while safeguarding consumer protection and maintaining market fairness.

3 OBJECTIVES

The general objective of this position paper is to outline the Bank of Zambia’s open finance approach while reflecting on its potential benefits, risks and overall readiness of the country.

The specific objectives are:

- To inform the public about the decision made by the Bank of Zambia (the Bank) to develop and implement open finance in the financial sector of Zambia.

- To show the benefits of open finance in driving innovation, competition, and financial inclusion while drawing lessons from global and regional experiences to inform a fit-for-purpose approach.
- To highlight some of the benefits and risks of open finance.
- To convey to the public the proposed way forward regarding the implementation of open finance in the Zambian financial sector.

4 OVERVIEW OF OPEN FINANCE

According to World Bank (2024), open finance enables consumers to securely share their financial data, stored by financial institutions, with authorised third-party providers. Consumers can make their financial data available to authorised third-party providers through their consent. The data enables authorised third-party providers to deliver customised services which fulfil both personal and business requirements. Open finance creates an innovative system which uses competitive forces to promote financial inclusion and allows consumers to track their financial activities with enhanced transparency.

4.1 Open Finance in Relation to Open Banking and Open Data

Open finance operates from the base principles of open banking which enables users to grant access to their banking data including account details and transaction records to approved entities. Open finance expands the open banking model to encompass a wider range of financial services including insurance, credit, pensions and investments. Open data expands the concept by allowing consumers to exchange personal data between healthcare, utilities and telecommunications sectors. Consumer consent stands as the fundamental requirement for data sharing in all these cases (Cenfri, 2022). Figure 1 illustrates how open finance relates to open banking and open data.

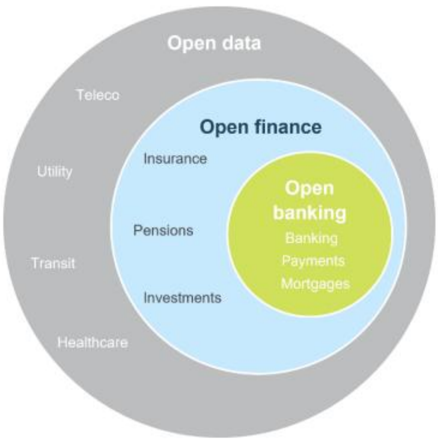

Figure 1: *Open Finance in Relation to Open Banking and Open Data*.
Note. Reprinted from *Open finance: Prerequisites and Considerations for Fit-for-context Implementation in Africa* (p. 4), by Center for Financial Regulation and Inclusion (Cenfri), 2022, https://cenfri.org/wp-content/uploads/Open-finance_Prerequisites-and-considerations-for-fit-for-context-implementation-in-Africa_Summary.pdf.
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4.2 Core Components of Open Finance

Open finance operates through secure data sharing between various stakeholders who work together to establish an inclusive financial system that functions efficiently. The four main categories of secure financial data sharing under open finance include:

(i) Generic service data which comprises product features and pricing;
(ii) Customer data which incorporates personal identification information;
(iii) Financial history data which includes transaction records or claims history; and
(iv) Account data which covers payment processing information.

In addition to the categories above, open finance consists of four essential entities:

(i) Consumers who maintain control over their data;
(ii) Data holders including banks, mobile money operators and other financial institutions;
(iii) Data users such as fintech companies and third-party providers; and
(iv) Policymakers or regulators that establish governance frameworks and technical standards to ensure safe data sharing.

4.3 Implementation approaches

Policymakers implement open finance frameworks through voluntary or mandatory regimes. The voluntary models of Singapore and Rwanda use commercial agreements and industry-led standards to drive participation. The mandatory regimes of the United Kingdom (UK), Brazil and Nigeria base their requirements on legal frameworks which require designated data holders to share data through standardised APIs. Table 1 summarises the approaches in different jurisdictions.

Table 1: *Open Finance Approaches in Other Jurisdictions*

Country Region	Approach	Regulatory Authority	Scope & Coverage	Funding Costs	Supporting Infrastructure & Standards	Legal & Regulatory Framework
United Kingdom (UK)	Mandatory	Competition and Markets Authority (CMA) and Financial Conduct Authority (FCA)	Payment accounts, SME lending; customer financial and transaction data	Costs borne by mandated banks	Digital ID, account-to-account payment platforms	CMA Order, 2017, GDPR, PSD2, consumer experience standards

Brazil	Mandatory	Central Bank of Brazil (BCB) and National Monetary Council (CMN)	Credit, deposits, savings, insurance, investments	Funded proportionally by market participants	Digital ID, Instant payment system (PIX), regulatory sandbox	Open Banking Regulation, 2020, General Data Protection Law (LGPD), BCB circulars on data & cybersecurity
Singapore	Voluntary	Monetary Authority of Singapore (MAS)	Banking, insurance, payments; lending, payment initiation	Industry-led	SGFinDex, APIX platforms	Personal Data Protection Act, industry-led standards
Rwanda	Voluntary / Emerging	National Bank of Rwanda (BNR)	Focus on banking and mobile money data sharing; financial inclusion initiatives	Primarily government and donor funded; partnerships with private sector	Rwanda National Digital ID, interoperable payment platforms	Data protection laws under review; guidelines from BNR and regional bodies
Nigeria	Mandatory Approach	Central Bank of Nigeria (CBN)	Banking, credit, Payments, remittances, leasing, financial stability	Industry-led	REST and SOPA API standards, Data Standards, Information security standards	Regulatory Framework for Open Banking, Operational Guidelines for Open Banking, Nigeria Data Protection Regulation

Note. *Adapted from Open finance: Prerequisites and Considerations for Fit-for-context Implementation in Africa (p. 20-44), by Center for Financial Regulation and Inclusion (Cenfri), 2022, https://cenfri.org/wp-content/uploads/Open-finance_Prerequisites-and-considerations-for-fit-for-context-implementation-in-Africa_Summary.pdf, and Open Finance in Zambia: Feasibility and Readiness Assessment (p. 102-106) [Unpublished report], by Center for Financial Regulation and Inclusion (Cenfri), 2024.*
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The above open finance implementation approach summary shows that regulatory certainty must be balanced with market innovation. The UK, Brazil and Nigeria implement mandatory regimes which offer clear enforcement and infrastructure development alongside stakeholder coordination. The voluntary models of Singapore and Rwanda promote innovation but pose potential challenges with market fragmentation and delayed adoption alongside infrastructure development. The success of open finance depends on three essential factors which include strong data protection systems, consumer trust development procedures and digital infrastructure standards that include national IDs and payment platforms.

A phased mandatory implementation in Zambia would establish regulatory clarity while enabling industries to gradually adapt. The success of Zambia depends on early investments in standardised APIs together with strong consumer protection measures and inclusive stakeholder participation. Developing a digital national ID and centralised eKYC should be prioritised, with cost structures that are designed to avoid overburdening smaller players, thus, preventing market concentration and promoting competition.

4.4 Open Finance Benefits

Open finance generates benefits which enhance consumer welfare, financial service provider operations and regulatory oversight through improved efficiency, expanded inclusivity and financial innovation.

- **For Consumers and MSMEs:** Open finance provides financial institutions with the ability to create personalised services which address individual customer requirements. Due to the enhanced data sharing and transparency that comes with open finance, consumers and MSMEs have access to credit assessments that are more accurate, and, in most cases, this translates into reduced costs on loans, improved borrowing terms and lower transaction fees. Additionally, consumers who consolidate their financial data across platforms obtain better financial health insights which leads to improved decision-making. Open finance provides a platform for better services to underserved populations, including rural communities, women and vulnerable groups, through personalised solutions that leverage on extensive data. MSMEs can use aggregated data to analyse their cash flow which would be helpful for getting better access to credit.
- **For Service Providers:** The analysis of customer behaviour enables providers to develop better segmentation strategies and new products. Data-driven methods enhance operational efficiency in credit scoring, insurance underwriting and KYC processes which drives innovation and decreases operational costs.
- **For Policymakers and Regulators:** Open finance enables financial inclusion by fostering competition which leads to innovative solutions. The combination of better data governance and real-time financial information access enables regulators to conduct more effective oversight and compliance monitoring which leads to a more transparent and resilient financial ecosystem.

4.5 Open Finance Risks

Open Finance provides substantial opportunities, yet it may bring about risks which need proper monitoring and management throughout the entire ecosystem.

- **Data Privacy and Cybersecurity -** The exchange of personal information between different platforms may increase the risk of data breaches and cyber threats if there are insufficient security measures and weak regulatory controls. This may lead to data privacy and cybersecurity risks materialising. To mitigate this risk, it is important to enforce strong data sharing and protection standards as well as adopting international best practices and standards on cyber security.
- **Identity Fraud and Account Takeover**: Simplified access through APIs, if not secured with robust customer authentication, can make it easier for bad actors to perpetrate identity theft and account takeover scams on a large scale. To mitigate this risk, integration with the Integrated National Registration Information System (INRIS) and other know your customer platforms for validation and verification will be achieved through open finance.
- **Consumer Vulnerability -** The combination of poor financial and digital literacy, insufficient awareness and weak recourse mechanisms may create an environment where consumers become vulnerable to fraud. To reduce consumer vulnerability, it is essential to implement consumer education programs and enhanced complaint resolution mechanisms.
- **Third-Party Provider Risks -** Risks such as fraud from rogue entities and operational failure may be introduced when third party providers (TPPs) are involved in data sharing and processing. This may harm the reputation of impacted institutions and damage consumer trust. This risk can be mitigated by the development of licensing and supervision frameworks for TPPs that outline the minimum operational requirements and clear consequences of data mismanagement. Additionally, it is necessary to establish reporting standards that participants must follow to report their engagements with TPPs and to also map out conditions on how TPPs must directly submit reports to the regulator for better oversight and proper ecosystem conduct.
- **Implementation and Compliance Costs -** The high costs of implementation for providers together with low consumer participation could create disproportionate compliance requirements that may not deliver obvious positive outcomes. To mitigate this risk, the Bank is exploring a phased implementation approach of open finance with proportional compliance requirements and costing.
- **Market Exclusion and Competition -** Open Finance risks excluding individuals with limited digital access and may undermine fair competition if dominant players exploit data access or if evolving business models disadvantage smaller providers and result into unfair competition and data monopolies. This risk is mitigated by implementing clear onboarding rules, promoting interoperability and implementation of standardised access through APIs. Added to this is the importance of monitoring market practices to ensure fair competition, transparency and inclusive participation.
- **Regulatory Oversight -** The financial system stability and open finance goals face potential derailment if monitoring and regulation prove insufficient to address the risks

noted above. Strengthened collaboration with other regulatory and financial intelligence bodies while leveraging on technology for enhanced monitoring of compliance are measures that can be considered to enhance regulatory oversight.

5 ZAMBIAN OPEN FINANCE LANDSCAPE

The assessment of readiness to implement open finance in Zambia is mainly based on the Centre for Financial Regulation and Inclusion (Cenfri, 2024) report titled Open Finance in Zambia: Feasibility and Readiness Assessment. The report evaluates readiness through five essential dimensions which include policy readiness, legal and regulatory readiness, infrastructure readiness, consumer readiness and provider readiness.

5.1 Policy Readiness

The policy framework of Zambia establishes a solid base for open finance operations. The country maintains laws which protect privacy and consent while its long-term plans including Vision 2030, the Eighth National Development Plan 2022-2026 and the Second National Financial Inclusion Strategy 2024-2028 demonstrate sustained dedication to financial innovation and inclusion. The National Payment Systems Vision and Strategy 2023-2027 explicitly prioritises open finance, with a regulatory framework planned by 2027. Further, the Bank of Zambia launched its “Go Cashless” campaign in 2022 to support digital financial services which establishes an environment suitable for open finance development.

5.2 Legal and Regulatory Readiness

The current legal and regulatory framework does not include an independent open finance law but existing statutes establish a clear legal basis. The Banking and Financial Services Act Number 7 of 2017 includes Section 111(a) which clearly emphasises the importance of explicit consent for data sharing. It is worth noting that the Banking and Financial Services Act Number 7 of 2017 and the National Payment Systems Act of 2007 are undergoing review with the consideration of including provisions to enable data sharing and open finance initiatives. Furthermore, the Bank of Zambia Act Number 5 of 2022 bestows the Bank with powers to extensively supervise and oversee the financial system through Section 5 of the Act. The Data Protection Act Number 3 of 2021 consists of key sections that may have an influence on the implementation of open finance. These include:

- The data localisation requirements, which promote the storage of personal data within Zambia, as stipulated in Section 70(1) of the Act.
- The written consent provisions, which emphasise the need for explicit consent from data subjects, as set out in Section 15(1) and (2) of the Act.
- The Data Protection Act also defines the scope of data collection in Section 14(3) to prevent unnecessary processing of personal information.

The provisions above provide a legal basis for data protection and privacy, and their application will be crucial in the design of open finance frameworks for Zambia.

Building on the legal foundation, the success of open finance implementation requires effective coordination between different institutions to achieve the desired outcomes. The Bank will maintain the leading role in overseeing and coordinating the development of the open finance ecosystem in collaboration with stakeholders including Ministry of Finance and National Planning (MoFNP), the Zambia Information and Communications Authority (ZICTA), the Ministry of Technology and Science (MoTS), the Data Protection Commission, the Competition and Consumer Protection Commission (CCPC) as well as the Smart Zambia Institute. MoFNP will ensure that open finance operates within national financial sector goals by promoting policy alignment and fiscal oversight. Similarly, the ZICTA will lead oversight of Information and Communication Technology (ICT) infrastructure and cybersecurity standards, which are essential for secure and interoperable open finance systems. In addition, the MoTS will guide digital transformation efforts to establish the technological framework required for open finance systems. Furthermore, the Data Protection Commission will monitor open finance data-sharing activities to ensure compliance with the Data Protection Act provisions on privacy, consent, and security. In parallel, CCPC will safeguard fair competition and consumer welfare within the open finance ecosystem, addressing risks such as anti-competitive practices and unfair market conduct. Lastly, SZI will facilitate digital government integration and data exchange frameworks that underpin open finance interoperability and efficiency.

The expanded collaborative framework will also benefit from meaningful contributions from sectoral regulators who oversee insurance, pensions and securities, namely, the Pension and Insurance Authority (PIA) and the Security Exchange Commission (SEC).

5.3 Infrastructural Readiness

Zambia has made significant investments in digital payment infrastructure. Payment systems such as the Zambian Interbank Payment and Settlement System (ZIPSS) and the National Financial Switch (NFS) have helped with enablement of real-time and interoperable payments. The adoption of the ISO 20022 global messaging standard has also improved secure data exchange which is vital for the roll out of open finance APIs in the country.

The payments infrastructure developments support the existing digital identity and Electronic Know Your Customer (eKYC) system advancements. The INRIS is undergoing expansion while work progresses to improve the interoperability among current KYC systems. A national eKYC platform is planned to build on current developments. The implementation of identity standards within privacy legislation will drive more organisations to adopt digital identity solutions via the open finance framework.

The Cenfri (2024) report also identifies ICT capacity as a significant focus area. The report states that, in some cases, the limited local technical capacity has led some institutions to subcontract their API development, cybersecurity and analytics work to external providers. The data localisation requirements create additional complexities because the requirements call for strong infrastructure within the Republic of Zambia and a skilled domestic workforce. The long-term success of open finance implementation in Zambia requires local capacity-building initiatives that include targeted training programs and knowledge transfer to develop sustainable homegrown technical skills (Cenfri, 2024).

5.4 Consumer Readiness

The Cenfri (2024) feasibility study revealed that Zambian consumers showed a moderate level of readiness for open finance. Survey respondents showed readiness to share their financial data when it had the potential to lead to better services including easier loan access and digital consolidation of finances. However, study subjects were hesitant to reveal personal or family-related information. Therefore, the development of trust requires clear and immediate benefits to be communicated to consumers.

The Cenfri (2024) research findings further observed that the surveyed consumers had a grasp of their data ownership rights but they displayed a total dependence on providers to protect their information. This dependence creates potential dangers in a more open financial system. The report further emphasised the necessity of running educational programs to teach shared data responsibility while explaining redress options in line with the Data Protection Act Number 3 of 2021.

According to the Cenfri (2024) report, participants in the study expressed a high degree of trust in banks, mobile money operators and regulatory bodies including the Bank of Zambia and ZICTA. In comparison, the study participants displayed greater scepticism toward newly established fintech entities. The main concerns among consumers involved fraud alongside privacy breaches and inadequate grievance procedures. The different groups that were surveyed expressed different concerns: (i) Low-income consumers were worried about financial exclusion and discrimination (ii) Higher-income individuals expressed privacy concerns and (iii) Small and medium enterprises feared exposure to tax authorities. Hence, strong safeguards together with improved public awareness need to be implemented to address these issues according to Cenfri (2024).

5.5 Provider Readiness

Mobile money operators (MMOs) function as the primary force behind digital advancement in financial sector operations. According to the Cenfri (2024) report MMOs together with their telecommunications parent companies and analytics investments provide more superior data-driven services than other financial institutions. The data sharing process was observed to be challenging for certain smaller banks, depending on their ICT capacity, motivating factors, and their perspectives on the effectiveness of using external data providers.

The Cenfri (2024) report showed that proprietary systems used by most providers generate costly integration issues and technical barriers that prevent fintech companies and smaller players from accessing the data sharing system. The adoption of ISO 20022 standards for application programming interfaces (APIs) would enhance ecosystem interoperability while reducing the complexity of the overall system.

The Cenfri (2024) study revealed that fintech companies build new financial solutions through exclusive MMO partnerships to create alternative credit scoring and customised loans for small and medium enterprises (SMEs). The current data sharing agreements between fintechs and larger providers generally consist of restricted bilateral arrangements which preserve proprietary elements but may limit opportunities to establish essential components for building an open finance framework. While the present framework enables data sharing, it does not provide sufficient support for achieving the complete openness needed for an open finance system. Furthermore, the current regulatory framework enables fintechs to become more active participants, but their policy influence remains restricted. According to Cenfri (2024) a unified industry voice would boost fintech influence on open finance policy development.

5.6 Overall Readiness and Key Gaps

In summary, the open finance ecosystem in Zambia benefits from progressive legislation, trusted regulatory institutions, expanding digital infrastructure and strong policy backing according. The Data Protection Act needs clarification regarding consent requirements, data localisation rules and third-party access permissions to achieve better legal certainty. The digital identity and electronic Know Your Customer (eKYC) systems are currently undergoing efforts to scale up and standardise their operations. The enhancement of ICT capacity for in-country data hosting continues to be a fundamental priority. Additionally, improving internet access and providing fintechs with development support are imperative factors to consider in order to enable digital innovation and open finance participation for all stakeholders.

In addition to the legislative and infrastructural landscape, there stands a good chance to achieve better coordination and collaboration for complete oversight among regulators. Furthermore, the ecosystem will become more vibrant when providers receive clear incentives and support to participate in the open finance ecosystem. Finally, consumer education initiatives focused on specific areas will create better trust and awareness among members of the public. To ensure that the open finance development matches the broader efforts for strengthening an enabling environment in Zambia, the phased implementation roadmap to be followed includes these growth areas as development priorities (Cenfri, 2024).

6 PROPOSED INTERVENTIONS

A successful open finance framework depends on two critical pillars, namely meaningful participation and trust. The global evidence demonstrates that when both are intentionally developed open finance produces tangible benefits for consumers while promoting innovation and enhancing financial systems (CCAF, 2024). The main objective in Zambia will be to establish an inclusive framework which is well-regulated, reflects local realities and is structured to evolve over time.

6.1 ENSURING MEANINGFUL PARTICIPATION IN OPEN FINANCE

The meaningful participation pillar consists of three essential components which include (i) governance and regulation, (ii) a clearly defined framework and (iii) cost and incentive design. The main interventions will concentrate on enhancing these fundamental components to establish a secure open finance ecosystem that promotes inclusivity and innovation.

6.1.1 Regulation and Governance

The Bank of Zambia will lead the development and implementation of open finance in the financial sector of Zambia. The Bank will prioritise resolving regulatory gaps, particularly around licensing non-bank providers, consumer consent and data oversight. To offer clarity and build trust, the Bank will also engage relevant authorities on key areas such as consent protocols, data localisation and licensing of third-party providers. In this regard, a phased but intentional approach to regulatory alignment will be essential.

6.1.2 Defining the Parameters of the Framework

The implementation of open finance requires well-defined parameters that may facilitate account aggregation and credit scoring use cases before expanding into insurance and tax services through a phased approach. The Bank will conduct thorough stakeholder consultations with mobile money operators, commercial banks, fintech entities and other financial institutions to create a regulatory framework that supports open finance. The Bank plans to start with a limited mandatory participation before shifting to full scale mandatory inclusion after relevant systems, standards and trust have been developed. To sustain momentum and dedication, there is need for continued investment in regulator capacity, advocacy to the public and technical guidance from entities that are specialised on the different aspects of open finance.

The country has already achieved notable advancements in financial inclusion, cashless adoption and fintech development. Open finance will operate as part of the broader initiatives which aim to advance these goals with targeted use cases that will be designed for this purpose.

6.1.3 Costs and Incentives

Different cost-sharing methods exist among countries that implement open finance systems to maintain sustainability and fairness. The United Kingdom made the nine major banks responsible for costs while treating setup expenses as a single penalty to resolve historical data imbalances (Cenfri, 2024). The Brazilian cost distribution system allocates expenses to scheme participants according to their market share while data recipients are expected to pay data holders for specific API data calls (Cenfri, 2024). The Singaporean framework enables data holders to establish payment terms for individual data requests with data users through bilateral agreements while users are required to pay access fees to the APIX sandbox (Cenfri, 2024). The National Bank of Rwanda (BNR) supports the implementation entity expenses while data holders bear the costs of API development and maintenance with embedded cost considerations for infrastructure development and capacity-building (Cenfri, 2022). The different funding approaches demonstrate how market incentives, inclusion targets and regulatory oversight work together to support open finance implementation.

The implementation of open finance in Zambia requires commercial banks, financial institutions, payment service providers and fintech companies to invest in data infrastructure, compliance and overall operations enhancement costs. With appropriate consultation and collaboration, the Bank will formulate a cost-sharing system to support sustainable participation from smaller institutions by balancing market incentives with inclusion targets. The goal of this is to build an equitable system which promotes extensive participation alongside financial sustainability. The Bank will further evaluate a sustainable data access fee structure after open finance participation becomes mandatory.

6.2 MAINTAINING TRUST IN AN OPEN FINANCE ECOSYSTEM

The establishment of trust requires implementing specific standards which regulate data sharing activities, consumer interactions with financial services, liability and recourse management. The Bank will be responsible for creating detailed data sharing guidelines, establishing consumer experience standards as well as developing liability and recourse mechanisms.

6.2.1 Data Sharing Standards

The Bank will follow international best practices such as the Financial-grade API (FAPI) and ISO 20022, while adapting these to local infrastructure and regulatory realities. The Bank will also establish industry-led working groups to define APIs, data formats and sharing protocols depending on the use case. A centralised utility layer or merged trust framework will be explored once the regime reaches a mature stage.

6.2.2 Consumer Experience Standards

The Bank will endeavour to undertake educational activities to ensure consumers understand what it means to consent to sharing of their personal data as well as knowing their rights and obligations. The Bank will also set expectations for authentication, authorisation and consent withdrawal processes. Over time, the Bank will consider implementing a centralised dashboard to enhance consumer visibility and control over their data sharing preferences.

6.2.3 Liability and Recourse

The delivery of financial services requires both clear liability rules and effective recourse mechanisms because multiple parties participate in this process. The Bank plans to implement a shared responsibility model which assigns liability through fault-based assessment and traceability methods that already exist in practice. The framework requires each party to take responsibility for its actions through risk capital or insurance coverage. The framework will prioritise consumer recourse through prompt resolution processes and coordinated complaint management mechanisms. The Bank will be responsible for providing consumer education about their rights and available redress channels.

7 THE WAY FORWARD

The Bank has developed a step-by-step implementation plan based on Section 6 proposed intervention areas to carve a pathway for Zambia to shift from limited mandatory data sharing to a full-scale mandatory data sharing regime. The roadmap supports the National Payment Systems Vision and Strategy (2023-2027) by focusing on essential governance foundations, technical standards, consumer protection and collaborative oversight for building a secure open finance ecosystem. The implementation process will occur through four distinct phases which are outlined in Table 2 below.

Table 2: *Open Finance Implementation Plan for Zambia*

Phase	Key Action	Responsibility	Support	Priority	Timeline
Phase 0	Establishing the governance structure.	Bank of Zambia	SEC, PIA, CCPC, FIC, ZICTA, Smart Zambia Institute, MoTS	High	2025-2026
	Consider budget implications for current and future phases	Bank of Zambia		Medium	2025-2026
	Preparing guidance and proactively engaging with the market.	Bank of Zambia		Medium	2025-2026
	Support and enable the data sharing ecosystem.	Bank of Zambia		High	2026-2027
	Establish the open finance regulatory framework.	Bank of Zambia		High	2026-2027
	Conduct a detailed evaluation of phase 0	Bank of Zambia		High	2026

Phase 1	Confirm and incentivise participation in the pilot.	Bank of Zambia	SEC, PIA, CCPC, FIC, ZICTA, Smart Zambia Institute, MoTS	Medium	2027-2028
	Pilot the system architecture.	Bank of Zambia		Low	2028-2029
	Assess the supervisory structure of Open finance	Bank of Zambia		Medium	2029
	Perform an evaluation of Phase 1	Bank of Zambia		Medium	2029
Phase 2	Implement the lessons from the pilot.	Bank of Zambia	SEC, PIA, CCPC, FIC, ZICTA, Smart Zambia Institute, MoTS	Low	2029-2030
	Perform an evaluation of Phase 2	Bank of Zambia		Low	2030
Phase 3	Broaden the engagement with other FSPs.	Bank of Zambia	SEC, PIA, CCPC, FIC, ZICTA, Smart Zambia Institute, MoTS	Low	2030-2031
	Continuous evaluation and improvements	Bank of Zambia		Low	2031

A brief description of each phase of the implementation plan is given below:

- **Phase 0 (2025 to 2027):** The first phase will concentrate on governance structures establishment, resource mobilisation and key stakeholder engagement. The key actions will include updating the Digital Financial Services Collaborative Framework to include open finance, setting up technical working groups, enhancing regulatory capacity, starting budget planning for future phases and drafting initial standards and guidelines for data sharing, consumer experience and liability. It will be important to engage with other regulators and start early public awareness initiatives to build momentum. These actions will be key for the establishment of the open finance regulatory framework during phase 0.
- **Phase 1 (2027 to 2028):** This phase will involve testing mandatory data sharing with a small group of major providers and testing a fit-for-purpose system architecture. The Bank will also explore possibilities of including Government-held data sets in the open finance regime.
- **Phase 2 (2028 to 2030):** Building on phase 1, this phase will expand open finance requirements to all banks and payment service providers. The regulatory framework will be enhanced to allow more participants, and supervisory oversight will be strengthened. At this stage, open data sharing will be the standard practice for regulated entities, which will enhance competition and consumer choice.
- **Phase 3 (2030 and beyond):** The last stage will extend open finance to include insurers and pension providers and microfinance institutions and savings and credit cooperatives

and investment firms while working with relevant regulators. The rollout will occur based on the readiness of the incumbent institution. The expanded scope of financial data in the ecosystem will lead to greater utility and enable the complete realisation of open finance advantages which include wider financial inclusion and better innovation.

For effective implementation, the Bank will consult the industry and members of the public throughout the implementation process.

8 Conclusion

The Bank of Zambia identifies open finance as a strategic tool to enhance financial inclusion while promoting innovation and strengthening the digital financial ecosystem. Open Finance offers an opportunity to drive innovation and promote inclusive access to financial services while enhancing competition and leveraging on the solid mobile payments systems, ongoing regulatory changes and the active Zambian fintech industry. With open finance comes risks which will be closely tracked and managed to ensure a safe and efficient payments ecosystem as highlighted in this paper. The Bank will lead the open finance transformation through collaborative efforts with relevant stakeholders to create substantial value for consumers while supporting long-term financial sector growth in accordance with the detailed phased approach that has been highlighted in the open finance implementation plan.

Open finance is of key strategic importance because it supports Vision 2030 through its efforts to build a digital economy while driving financial innovation and expanding access to financial services for all citizens, thereby achieving sustainable development. It contributes directly to the objectives of the Eight National Development Plan by enabling efficient, inclusive and accessible financial services, and complements the Second National Financial Inclusion Plan by expanding access to diverse financial products and services for underserved populations. Through technological advancements and regulatory progress, open finance will enable the country to achieve its national development and digital transformation objectives.

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