2025 EBA Policy Research Workshop

Discussion of "Data as Collateral: Open Banking for small business lending" by Tong Yu

Cyril Pouvelle

Autorité de Contrôle Prudentiel et de Résolution

18 November 2025

Outline

The issue and the paper

- Research question: what is the causal effect of open banking and data sharing policy on loan collateralization for UK SMEs?
- Important contributions of this paper:
  - Use of the institutional features of the UK's open banking policy (Commercial Credit Data Sharing (CCDS) scheme, introduced in 2017) and regression discontinuity for identification: quasi-random assignment that determines whether a business can share its bank financial data, based on the size of its annual revenue (up to GBP 25 million);
  - Use of loan-level data from different databases
  - Simple theoretical model of bank lending under collateral constraints to illustrate the role of open banking.

Main findings

- Main findings:
  - Open banking eases the pledge of assets like accounts receivable and inventory ("digital collateral"): this effect improves the access of firms eligible to share data to credit;
  - Effects more pronounced for firms facing greater information asymmetry and those with greater information available to share;
  - Findings highlighting the role of open banking in reducing collateral constraints by mitigating information asymmetry.

Additional References

- Additional References (on French data):
  - Beaumont, Tang and Vansteenberghe (RFS, 2025) on the role of FinTech lenders and collateral in the loan market to SMEs in France;
  - Nicolas and Weill (ACPR, 2025) on the role of relationship lending and mutual banks in the French corporate loan market.

The role of open banking

- Interesting theoretical model nicely illustrating the impact of collateral on reducing market inefficiency;
- However, the link to open banking is introduced abruptly and a bit artificially, currently through its lowering impact on the bank's optimal cutoff related to the rating of the borrower z^*. More thought should be devoted to the modelling of the impact of open banking.

Empirical estimation

- For identification objectives, would be nice to have loan rejection rates, as in Beaumont et al. (2025): could the author have access to this data?
- Nice to distinguish impact of open banking on intensive/extensive margin of new loans. Currently, the dependent variable denotes the use of floating liens to secure new loans, making the results subject to substitution effects between different forms of collateral;
- What about the introduction of firm control variables directly into the baseline regression, such as firm age, capital ratio, liquidity ratio, level of financial fragility: does open banking favor zombie lending...?

Policy implications

- Main supervisory or regulatory implication from the model:
  - Potential of open banking to promote financial inclusion and spur innovation in lending markets.
- Need to elaborate on the supervisory implications:
  - What impact of open banking on financial regulation and supervision: what effect on credit risk pricing and internal models for credit risk? Case for macroprudential policy covering non-banks? What optimal level of competition in the corporate loan market?

Conclusion

- Solid and interesting paper relying on a rigorous identification strategy and nice databases;
- Policy conclusions could be expanded to encompass the wider implications of open banking in terms of financial regulation and supervision, systemic risks and macroprudential policy.