

Summary of Consultation on Open API Framework

Overview

The Hong Kong Monetary Authority (HKMA) conducted a public consultation on a draft Open Application Programming Interface (API) framework from 11 January to 15 March 2018.

During the consultation, the HKMA received 41 written comments from different parties, including banks, technology/fintech firms, industry associations, consulting firms, payment card scheme operators, individuals and other organisations. All respondents were supportive of the HKMA's policy direction in developing an Open API framework. Some respondents have sought clarification or requested more details on the framework particularly on the engagement with Third Party Service Providers (TSPs).

As the framework is intended to be high level and flexible, the HKMA does not plan to prescribe how banks should adopt Open API down to specific details. However, the HKMA wishes to see banks implement Open API in the prescribed timeframe in order to help promote the development of the market.

Key comments and the HKMA's responses

The phased approach and the timeline (paragraphs 58–59 of the consultation document)

1. The vast majority of the respondents supported the phased approach and the six-month deployment timeline for Phase I. The majority of respondents were receptive to the Phase II timeline with several respondents suggesting longer implementation time based on various reasons including competing infrastructural projects in the near future. A few banks suggested that banks should be given the flexibility to determine their own timelines.

The HKMA's response: The HKMA is pleased to see the support on the phased approach and the Phase I timeline. The HKMA maintains the view that an industry-wide timeline of deployment helps the wide and structured adoption of Open API in the banking sector. Given some concerns about the Phase II timeline, the HKMA proposes to change the Phase II deployment timeline to 12 – 15 months.

However, individual banks are welcome to advance their own programme provided that commensurate level of protections and governance arrangements are in place.

The proposed Open API functions (paragraphs 69–70)

2. The majority of respondents generally supported and are receptive to the high-level scope of Open API functions suggested by the HKMA. Among them, a few respondents suggested excluding Investments and Insurance products. Several suggested that banks could decide which API functions to implement. A few also sought clarification on how to achieve remote onboarding of clients in Phase II.

The HKMA's response: Based on the comments received, the current proposal to recommend high-level business functions for Open API is believed to be the best fit among time-to-market, flexibility and compatibility.

For a more effective and focused deployment of Open API functions, the HKMA has specified the core-banking functions as covering Deposits, Loans and Other banking services. These functions are expected to be provided by banks according to the proposed timelines. Banks should provide the HKMA with their road maps and explanations on (i) how to implement the core-banking functions within the proposed timelines, and (ii) whether/how to implement the remaining functions. The HKMA has also decided to publish a summary of the road maps for transparency and convenience so that the industry can better plan for service offerings.

The architecture, security and data standards (paragraphs 76–77)

3. The majority of respondents supported the proposed architecture and security standards. At the same time, while many respondents would like to see data standardisation for interoperability, there is no consensus on how this could be achieved.

The HKMA's response: The proposed architecture and security standards are believed to be appropriate in the circumstance and therefore will remain. The HKMA takes this opportunity to clarify that banks are allowed to use their own data definitions. Banks are, however, required to publish details of such definitions using industry practice such as OpenAPI Specification for transparency.

The TSP governance (paragraph 84)

4. Among the respondents who expressed their views on TSP engagement approach, a few supported the “bilateral” model for engaging TSPs, while the majority of them preferred “bilateral agreement with common baseline”. A few also supported “central entity”. A number of respondents requested further information and clarification on details on TSP management, and on what banks should observe when engaging with TSPs.

The HKMA’s response: Based on the views and concerns expressed by respondents on the preferred engagement model, the HKMA has provided a more detailed TSP governance model in the Open API framework covering the expectations on how banks should engage TSPs, what the common baseline should cover as a minimum and how it may be developed by the industry. Details can be found in the Open API framework.

Facilitation and ongoing development of Open API (paragraphs 85–88)

5. Those who responded to the facilitation and ongoing development aspects were receptive to the suggestions in the consultation paper. A few respondents expressed that public education would be an important part to ensure the successful deployment of Open API and acceptance by the public. The Hong Kong Association of Banks responded favourably and expressed full support of the seven Smart Banking Initiatives, of which Open API is one of them. It expressed the willingness to work with the HKMA on facilitating the development of Open API. Some respondents commented that TSPs and other stakeholders should be part of the community that facilitates and maintains the development of Open API.

The HKMA’s response: The HKMA highlighted in the framework the importance of public education and involvement of non-bank stakeholders in the development of Open API. The HKMA will closely monitor the Open API adoption progress with the industry and further consider the need for additional measures if necessary.

The Hong Kong Monetary Authority
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