API standardisation for APAC

EPA ASIA POC
Introduction and Overview to Open Banking

- **Definition of Open Banking** (from BIS Report, November 2019)

  "(T)he sharing and leveraging of customer-permissioned data by banks with third party developers and firms to build applications and services, including for example, those that provide real-time payments, greater financial transparency options for account holders, marketing and cross-selling opportunities."

- Emerging Payments Association Asia released its report "Open Banking APAC – New world collaboration for payments"

- We identified significant activity around Open Banking across the region but also significant diversity

- We also identified collaboration and coordination, particularly around API standardisation, as essential for Open Banking to reach its potential in the APAC region
Update on CDR in Australia

- Australia's Consumer Data Right (CDR) went live on 1 July 2020

- This first tranche enables customers of the four major banks to provide consent for the sharing of their account / transaction information with an Accredited Data Recipient.

- This version of "open banking" will be enhanced in the coming years, though the ability to grant third parties / consumers with "payment initiation" rights is still under consideration.

- The CDR is being extended to energy sector and then telecommunications.
Objective

- A blueprint for up-coming markets
- Laying down suggestions / future alignments for pioneer markets
- Ease the integration effort for regional/global players (API providers & consumers) across countries
- Avoid fragmentation and enhance interoperability with legacy / surrounding systems (e.g. clearing, settlement, buyer/supplier value chains, ...etc)
What priorities around standardisation?

- Interoperability to achieve scale
  - What is the end result?
- Technical aspects
- What (and how) does the market need? How far do we go (nice to have vs. needed)?
  - Addressing the market demands for APIs
  - Which markets are good bases?
- What is the role of sandbox?
- What are the central functions, to promote innovation?
  - Enduring consent
  - Cross-border
  - Request to pay vs. electronic bill payments (links to accounting software)
- Other areas: financial well being, what values
What to standardize and to what extent?

- Aim to look at a single example which can prove out the cross-border standardization API.
- Data Security profile standard
  - OIDC,
  - OAuth,…etc.
- Data API specification standard
  - ISO 20022 for resource data spec
  - Best practice / recommendation for Request/Respond construct?
  - Naming conventions ? (Snake cases, Camel cases, verbs to use, …etc.)
  - Alignment of the use of HTTP methods for common use cases?
The following considered as potential use cases:

- Payment initiation
- Data retrieval, analysis, credit checking
- Payments NZ (looking at existing use cases, e.g. introducing credit cards, but not payments)
- Cross-border e.g. tourist travelling and using QR code, to initiate payment from home account, offshore to onshore. Payment initiation, proxy for local resolution.
Use Case : Payments Initiation

- Cross-border example for the fund flow across the board
  - A merchant (buyer) in Aus connects with a fintech in Aus, who initiates a payment to bank in Aus, using the standardised APIs, to pay a supplier in NZ (connectivity stay local in Aus for payment init)

- Cross-border example for connection across the board
  - A merchant (buyer) in Aus connects with a fintech in NZ, who initiates a payment to bank in NZ, using the standardised APIs, to pay a supplier in NZ (funds move locally in NZ)

- The standardised APIs are those being worked on as a combination of PaymentsNZ API 2.0 and SWIFT beta corporate to bank ISO20022 messages.
Use Case: Managing consent across multiple markets

Using a FinTech platform to capture real-time consent that can be applied to multiple markets and incorporated into ISO 2022 standards as part of a pay load.

A global interface to capture a customer consent for payments – open, bilateral, unilateral.

This is ‘Instant Account Verification’, ultimately utilising Open Banking frameworks in available markets.
Use Case: Western Union & Illion

There are several user cases that support an interoperable open banking framework to deliver consistent integration that ‘speak’ to different platforms and legacy technology.

First and Last Mile Payment Solutions for Western Union

FitToPay = managing collections on behalf of multinational billers

Regional eCommerce
The following parties are involved:
- Australian merchant using the resources of a fintech
- New Zealand merchant (or subsidiary or NZ arm of Aus merchant)
- Australia fintech
- New Zealand fintech (or the same as the Aus with NZ presence)
- Australia Bank
- New Zealand Bank (or the same as the Aus with NZ presence)
- Partners: PaymentsNZ, SWIFT, DXC, EPA Asia
**Aim:** Standardized the way of connection in both A & B among three parties

Payer – Fintech - Bank

Cross-border connectivity

Cross-border payment
Process Flow

FINTECHS in diff geography expose standardised API for ALL customers for ALL kinds of underlying flow

BANKS in diff geography expose standardized API for both cross-border & domestic flow