

## Emerging Payments Association Asia brings together global financial institutions to develop Proof of Concept for API standardisation to enhance Open Banking

### Rationale:

Across APAC, there is a large-scale effort to support open banking through the standardisation of APIs. Regulators across the region have launched initiatives and taken steps to promote the adoption of open banking. There remains a need to raise awareness and to create a better understanding of interoperability and open banking and their benefits in the region.

### EPA Asia approach:

Between March - Aug 2020, Emerging Payments Association Asia worked along with financial institutions and key industry stakeholders in the region to create and present a proof of concept on Standardisation of APIs for open banking to the APEC Business Advisory Council (ABAC), in collaboration with the Asia-Pacific Financial Forum (APFF). The Proof of Concept was created with an end-to-end chain of events involving Split Payments, SWIFT and Payments NZ.

The aim was to initiate a payment from Australia to be deposited in New Zealand.

The following parties are to be involved:

- ▶ Australian merchant using the resources of a fintech
- ▶ New Zealand merchant (or subsidiary or NZ arm of Australian merchant)
- ▶ Australian fintech
- ▶ New Zealand fintech (or the same as the Australian with NZ presence)
- ▶ Australian Bank
- ▶ New Zealand Bank (or the same as the Australian with NZ presence)

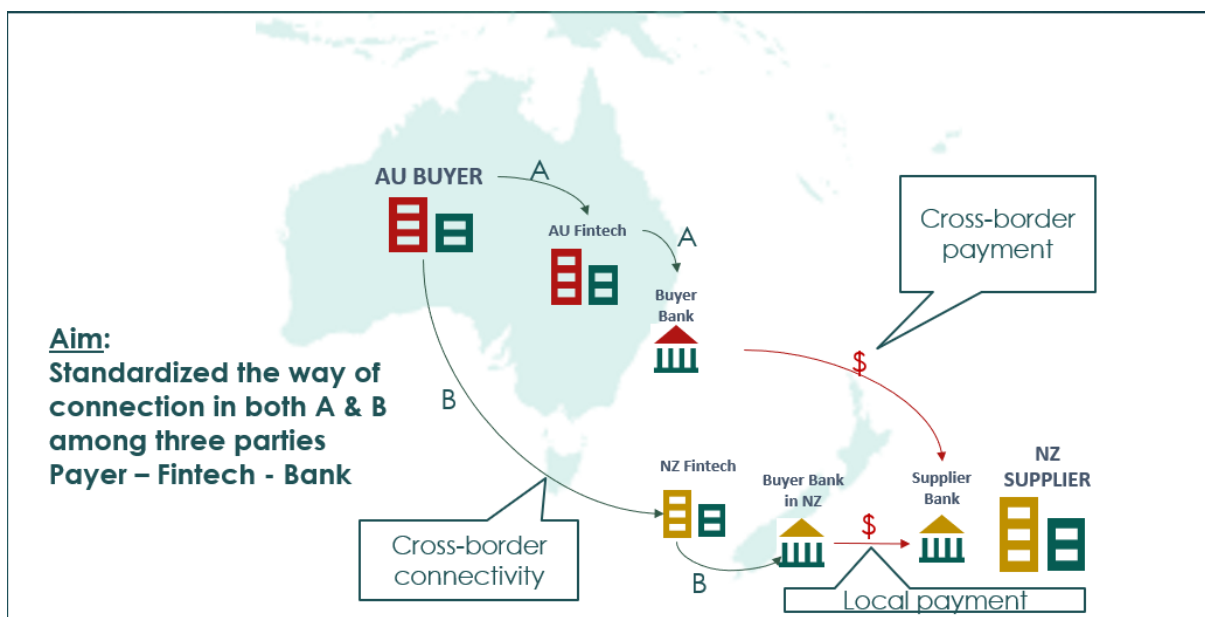


Figure 1 : Process flow from Australian-initiated payment to New Zealand

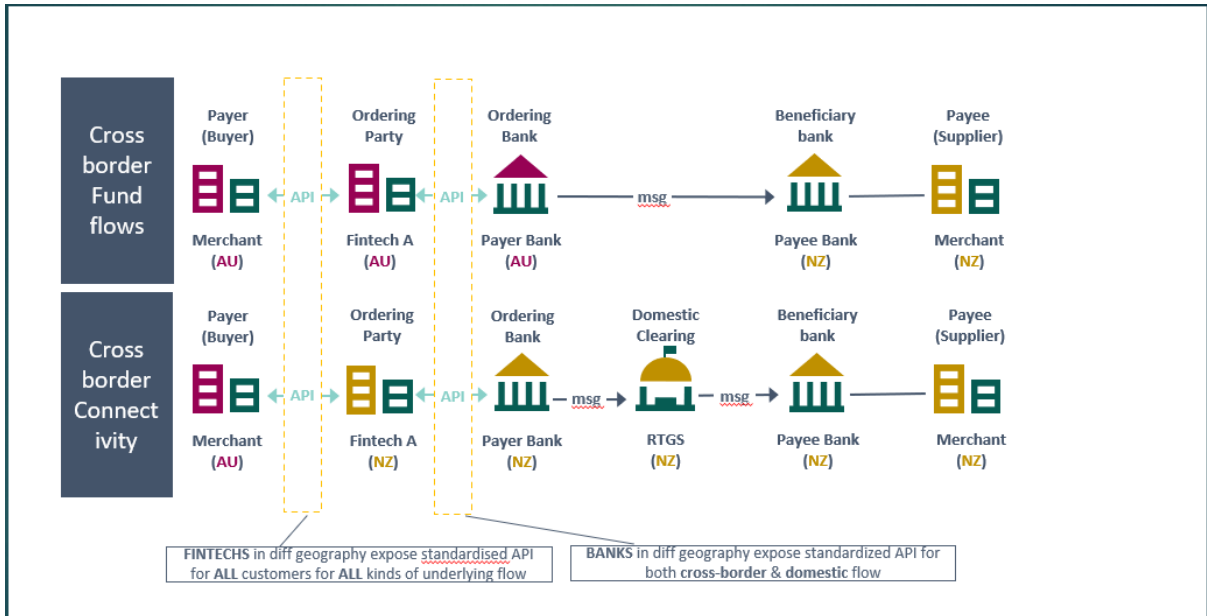
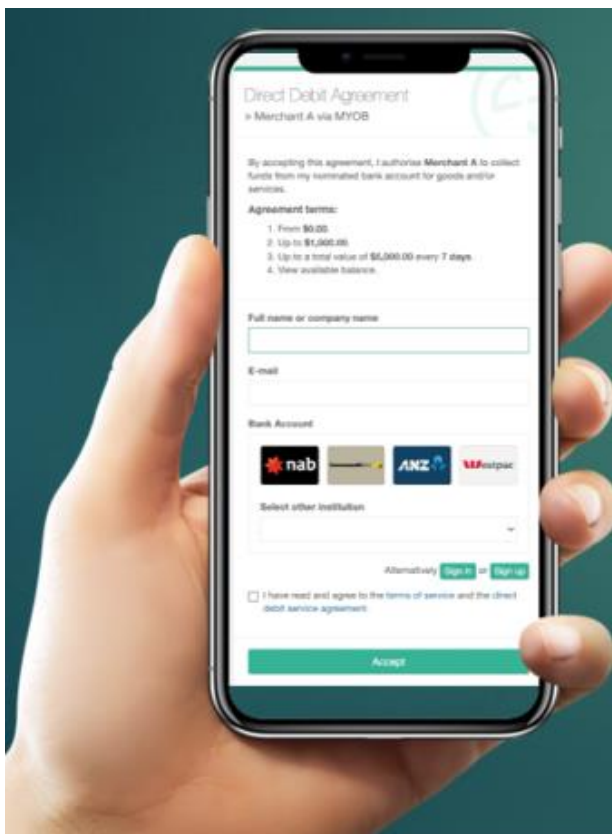


Figure 2 Interactions with the parties in the payment flow

To showcase the feasibility in a real-life scenario, Split Payments initiated a payment from Australia to a fintech in New Zealand, through a standardised API call. Payments NZ is the local payment network that facilitated the payment with its standardised APIs and payment gateway while the technology was designed by Split Payments.

### Learnings:



This initiative has helped to:

- Collaborate and network with other financial institutions to achieve the outcomes
- Raise awareness of the benefit of Open Banking APIs
- Give better understanding on Interoperability to ABAC

The Proof of Concept will help policy makers and regulators to better understand the real-world application and implications of open banking and APIs, including its impact on financial inclusion, data access, data movement. The POC will also help financial sector to adopt technologies to facilitate open banking.

EPA Asia strongly believes that open banking cannot succeed without standardisation of APIs. There are now various competing API standards. Even though there are ongoing talks in the region of the importance of standard APIs for Open Banking, many banks and fintechs remain unaware of how this work and how its resolution can benefit their business.

It has become critical to implement these ideas around standard APIs for Open Banking to a real scenario. This will help the banking industry understand how standardisation in APIs enables innovation in Banking and

- Enhance service offerings
- Improve customer engagement
- Help build new digital revenue channels

To showcase the feasibility in a real-life scenario, Split Payments initiated a payment to a fintech in Australia, through the SWIFT platform. Payments NZ is the local payment network that facilitated the payment with its standardised APIs and payment gateway while the technology was designed by Split Payments using the recognised ISO 2020 standard.

The development of this Proof of Concept was an initiative following the publication of Open Banking APAC in February 2020 which talked about the innovations and developments in Open Banking in Asia-Pacific.

This POC on standardisation of APIs is aimed at supporting ABAC's recommendations to promote inter-operability to facilitate Open Banking across APAC, which ABAC is currently working on. ABAC members will be discussing this during their upcoming dialogue with APEC Finance Ministers.

### **Working Group**

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