

## Consultation Conclusions on Phase III Banking Open API Standards

### Introduction

The Hong Kong Monetary Authority (“**HKMA**”) published its Open API Framework for the Hong Kong Banking Sector<sup>1</sup> on 18 July, 2018 (the “**HKMA Open API Framework**”).

The HKMA Open API Framework sets out the HKMA's policy objectives for the development of API for the Hong Kong banking industry, specifically to:

1. ensure the competitiveness and relevance of the banking sector;
2. provide a secure, controlled and convenient operating environment to allow banks and their third party service providers (“**TSPs**”) to work together and develop innovative/integrated banking services that improve customer experience; and
3. keep up with international developments in the delivery of banking services.

The HKMA has proceeded with a phased implementation of the HKMA Open API Framework:

Phase	API
I	Product and service information
II	Subscription and new applications for product/service
III	Account information
IV	Transactions

As part of the implementation of Phase III of the HKMA Open API Framework, concerning account information APIs, HKAB has developed the Phase III Banking Open API Standards, which are intended to serve as a facilitation tool to support the technical implementation of Phase III APIs for the specific use cases referenced, covering key areas of customer authentication, user experience, data handling, technical information security and operating standards.

On 14 September, 2021, HKAB commenced its public consultation on the draft Phase III Banking Open API Standards (the “**Draft Standards**”). The one month consultation period ended on 13 October, 2021. HKAB received a total of 8 submissions. The respondents included a fintech industry association, a global payments infrastructure operator, a number of banks and the HKMA. This list of respondents is set out in **Annex 1**.

This consultation conclusions paper (the “**Conclusions Paper**”) summarises the key comments on the Draft Standards received from respondents, sets out HKAB's responses to those comments and includes a revised draft of the Draft Standards taking respondents' comments into account. A summary of the key issues arising in the consultation is set out below.

### Comments and Conclusions

Respondents' comments focused on the following key areas:

1. *Scope of the Phase III Banking Open API Standards*

As a general note, the Phase III Banking Open API Standards are intended to be a practical working document managed by HKAB in relation to the Phase III API collaborations. It is not an HKMA

<sup>1</sup> <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2018/20180718e5a2.pdf>

document. While the Draft Standards provide a brief introduction on the objectives and scope of Phase III of the HKMA Open API Framework, HKAB does not consider it appropriate to incorporate the HKMA's vision, expectations or policy statements beyond what is currently drafted.

One respondent queried the scope of the Draft Standards and, in particular, whether it should apply to collaborations between TSPs and issuers of stored value facilities ("**SVF**") in addition to collaborations with banks.

We note that the HKMA, rather than HKAB, determines the scope of the HKMA Open API Framework and the mandate under which, in particular, the Draft Standards have been prepared. The HKMA has developed the HKMA Open API Framework to apply only to retail banks, not SVFs, and so the content of the Draft Standards has been prepared with this scope in mind.

## *2. Specific Technical Aspects of Phase III API Collaborations*

A number of respondents proposed to make the Draft Standards more prescriptive in respect of specific aspects of Phase III API implementations, such as by incorporating specific reference to internationally-recognised standards, specific types or benefits of technology that may be deployed, specific design elements for user interfaces and making the language more directive, for example, by changing references to situations in which banks and TSPs "could consider" particular approaches to API implementation to "should consider".

We note that the HKMA's intentions for the Phase III Banking Open API Standards are that the document serves as a facilitation tool to support the technical implementation of Phase III APIs. In other words, the document is intended to act as a high-level guideline, at the same time allowing banks and TSPs the necessary flexibility, in implementing Phase III APIs, and for this reason we consider it is important to avoid or at least minimise the use of prescriptive language and references to internationally-recognized standards and specific types of technology. By doing so, we hope that the Draft Standards provide useful examples for banks and TSPs to consider in developing their API collaborations, but at the same time leave it to banks and TSPs to agree specific technical and operational arrangements based on business considerations, risk management considerations and applicable legal and regulatory requirements that may apply. Banks and TSPs can agree specific technical and operational requirements in their bilateral agreements. Furthermore, this allows banks and TSPs to adopt the most appropriate approach in line with their own risk assessment of what might constitute a "high-risk" (or "low risk") use case.

In a number of cases HKAB is seeking to evaluate some of the internationally-recognised standards referred to (e.g. ISO 20022) and would like to engage with the industry further in this regard.

## *3. Customer Consent Management*

Many respondents had queries about customer consent management, including points such as the period of time that a consent may continue to be valid without the customer having refreshed it and concerns about whether it is the bank's or the TSP's obligation to notify the customer of the consequences of revoking his or her consent to the TSP's access to bank APIs.

HKAB considers customer consent management to be a critical area of focus for banks and TSPs with a view to ensuring that API collaborations meet customer expectations and provide customers with a safe and convenient way to interact with banks and TSPs.

However, in line with the response to the previous topic area on specific technical aspects of API collaborations, HKAB considers it important to ensure that the Phase III Banking Open API Standards are not overly prescriptive and leave flexibility for banks and TSPs to agree specific

operational aspects of API collaborations on a case-by-case basis. A reference to a 90 day period for consent refresh has been referred to in the Draft Standards as an international reference point, but banks and TSPs should consider adopting a risk-based approach to and evaluate and adjust the period based on the specific use cases in their collaboration. As to the allocation of responsibilities between banks and TSPs for customer consent management, it is clear that there is a mutual interest in ensuring that processes are clear to customers, but each party – i.e., the bank and the TSP – remains responsible for its own relationship to the customer and the services that it provides. The TSP, for example, will be the party in the position to assess the impact on the customer in respect of the TSP's services if the customer chooses to revoke his or her consent.

#### *4. Industry-led centralised portal*

A number of respondents queried whether there would be an industry-led centralised portal or entity set up so as to enhance consistency and efficiency of the implementation of the Draft Standards.

The Draft Standards do not currently envisage a central portal or entity to be established for standardised management of the implementation process. However, HKAB will keep this under review and would be open to receiving further comments or proposals in this regard.

#### **Published Phase III Banking Open API Standards**

The Phase III Banking Open API Standards were finalised on 14 December 2021 and may be accessed at HKAB's website.

**Annex 1 – List of Respondents**

1. Bank of China (Hong Kong) Limited
2. The Bank of East Asia, Limited
3. China CITIC Bank International Limited
4. Citibank (Hong Kong) Limited
5. FinTech Association of Hong Kong
6. The Hongkong and Shanghai Banking Corporation Limited
7. The Hong Kong Monetary Authority
8. SWIFT Standards