



Our 'open banking' journey

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This paper sets out the global context behind our industry driven work, why the focus in New Zealand was on standardising payment-related APIs, and how this work evolved into the Payments NZ API Centre™.

The open banking movement

Open banking has been a hot topic in the payments industry in recent years. Over this time, the term open banking has evolved to describe a series of initiatives which give consumers greater access to and control over their banking data. In practise, open banking can provide consumers with new, innovative and convenient ways to make use of their banking data through third party products and services.

The frameworks used to deliver open banking around the world vary between jurisdictions. Australia's [December 2017 review into open banking noted that:](#)

“There is no single model which is being consistently adopted. The approach taken in each jurisdiction reflects important features of the jurisdiction, including the structure of the jurisdiction’s data, privacy, competition and banking laws, the development of the fintech industry and the structure of the local banking industry”.

One consistent element across jurisdictions is the emphasis on APIs (application programming interfaces) as a key enabling technology to deliver open banking outcomes. This is because APIs allow disparate systems to connect, interface and to action requests with each other.

APIs are not new technology; they are used extensively behind many of the seamless user experiences enjoyed in apps and online. From a business perspective, APIs are tools that offer new ways to connect with business partners and customers.

Global approaches

Open banking is taking on many forms but the goal for greater openness in banking is driven by a desire to improve the competitive landscape, foster innovation, and streamline processes by removing friction. It aims to strengthen the voice of the consumer, and/or give effect to a specific element of a national economic strategy.

In some parts of the world, that openness has been mandated by legislation or it has required close oversight from, and detailed involvement by, regulators. In other jurisdictions, regulators have been less involved and have relied more on an industry led (or mixed) approach.

In practice there is widespread recognition that the move to deliver open banking outcomes is driven by a trifecta of consumer expectations, competition stimulation and technological advances.

The UK and EU are frequently held up as leading examples of regulated open banking. In both of those jurisdictions the move to open banking has been mandated by regulatory bodies. Australia's forthcoming open banking regime will also have legislative backing and will also require the involvement of several different regulatory bodies.

In Asia, a variety of approaches have been pursued which reflect the specific characteristics and regulatory settings in each of its markets.

In Singapore, the Monetary Authority of Singapore has taken a collaborative approach to working with the industry, particularly with the Association of Banks in Singapore, as 'co-creators' of open banking outcomes. [The Finance-as-a-Service: API Playbook](#) is one frequently reported international example of a 'co-created' outcome.

Last year the Hong Kong Monetary Authority (HKMA) launched its Open API Framework for the Hong Kong banking sector. That framework is part of seven initiatives announced by the HKMA in September 2017 to move Hong Kong into an era of "Smart Banking". Other initiatives include an enhanced Fintech Supervisory Sandbox and closer cross-border collaboration in the development of fintech. The framework is intended to be high-level in order to allow banks flexibility in how they implement open APIs. The HKMA has been clear that, for now at least, it [favours a collaborative and phased approach to greater openness in banking](#).

In mainland China, open banking outcomes have been delivered through its vibrant fintech ecosystem without a specific regulatory framework, although that could change with greater government regulation over peer-to-peer lending. China ranks highly in some reviews about the potential of open banking due, in part, to Chinese consumers having a high degree of comfort in sharing their transactional data with third parties. China's [approach to financial sector regulation has been described as pragmatic and organic](#).

In the US and here in New Zealand, the payments industry has taken a lead role in the development of common payment-related APIs that can pave the way towards open banking outcomes. In the US, the [National Automated Clearing House Association's \(NACHA\) work to advance API standardisation and adoption across](#) the financial services industry has been widely reported on.

In New Zealand, the payments industry has kept regulatory stakeholders closely briefed on their preferred approach and framework to support open banking outcomes, and why they believe this is best suited to local market conditions.

New Zealand's industry led approach

Payment-related APIs have been used in New Zealand for some time, but there was no industry-wide standardisation of these before the API Centre opened. This lack of consistency made it difficult for businesses to draw upon ready-to-use technical specifications to help accelerate and scale the development of new products and services.

In late 2017 the New Zealand industry started to work on developing common payment-related APIs, led and facilitated by Payments NZ. The industry saw common APIs as a strategic asset for delivering greater openness in banking and enabling partnerships between financial institutions, fintechs, government and the wider financial services ecosystem.

That work took place under the umbrella of the [Payments Direction programme](#) – a cornerstone strategic initiative set up by Payments NZ to help the industry understand the evolving future of payments and identify what needs to be done to prepare for that future.

The New Zealand payments industry was clear from the outset that a framework for developing, managing and governing common payment-related APIs was a core feature of the desired

payments ecosystem of the future. That view of the future ecosystem is that it will be dynamic, simple and secure to support great customer experiences for Kiwis.

The industry's work was guided by the following five strategic objectives:

Simplification and consistency of delivery. A common API framework which allows for consistent and usable specifications to access, develop and deliver API-based offerings and applications.

Increased speed to market. Agreed open standards and specifications which result in faster and more efficient consumption of data and information in the market.

Enhanced services. The provision of enhanced levels of payments innovation and service, resulting in better outcomes for customers.

Simplified partnering. Making it easier for banks and third parties to partner. New API-based technology will be extendable, evolving over time and have simplified integration.

Optimal governance framework. The provision of clear and efficient governance while allowing for bank controls to remain in place for access to customer data.

We worked closely with the industry to help them arrive at the decision that collaborative action should focus on a common industry framework and specifications for a range of payment APIs. The industry was very clear that our collective efforts to achieve greater openness in banking should leverage what was already available internationally, especially in relation to the use of common payment-related API standards. As a result, this industry work used standards published by the UK's [Open Banking Implementation Entity \(OBIE\)](#) as the starting point.

Drawing on the development efforts of the OBIE, a pilot was run by the industry to develop two common payment-related API standards: Account Information and Payment Initiation. These two initial standards were chosen for the pilot as they could ease the process of digital transactions for the benefit of Kiwi consumers, businesses and service providers.

The pilot provided the opportunity for the standards to be built collectively by a cross-section of organisations which included banks, technology and payment services providers. They were able to leverage the expertise of payments professionals within the industry working groups to tailor the standards for the local market.

Alongside the pilot, the industry also progressed the management and governance framework that would operate and oversee the use of the standards in market. Payments NZ was asked to play the role of the 'standards body' due to our considerable experience in standards development, industry facilitation and governance. This body would provide a central co-ordinating function for the framework.

In March 2019, a year after the launch of the industry pilot, [we released to the market our first common payment-related API standards](#) for Account Information and Payment Initiation.

From API framework to API Centre

The supporting management framework developed by the New Zealand payments industry is a set of rules and specifications set to govern the ongoing access, use and contribution to the

development of common API standards, and any other standardised APIs developed by the industry in future.

This supporting framework was envisioned as an API standards service which would take on a range of functions within the local payments and financial services ecosystem.

In March 2019, alongside the release of the pilot standards, we also announced the launch of an upcoming API standards service. This service, called the [Payments NZ API Centre](#), was launched on 23 May 2019 at a special event in Auckland.

As an industry driven solution, the API Centre combines central coordination of a pipeline of common standards and the use of digital tool sets, with balanced and open governance so a wide range of voices from across the ecosystem have the opportunity to be heard. It lets banks and third parties decide on the specific delivery models and commercial arrangements required to provide consumers with more convenient ways to make and receive payments.

The centre facilitates organisations that join as registered API Standards Users in entering into bilateral partnerships to use the common APIs. Standards Users remain responsible for API development, implementation and management, documentation, compliance and support. Widespread API ecosystem participation is also encouraged through a Community Contributor registration level for individuals.

The API Centre paves the way for API-enabled innovation by allowing networks of commercial and business relationships to grow within a structured, safe and secure environment. The [five foundations of the centre's service model](#) includes:

1. Taking an **innovation first** approach.
2. Being **market driven**.
3. **Industry led**.
4. **Inclusive and open**.
5. Allowing for **distributed delivery**.

This uniquely New Zealand approach is part of [an overarching Payments NZ strategy](#), endorsed by industry, to collaborate on the common elements and capabilities to deliver a modern and innovative payments system.

The journey continues

Our world is now connected in more ways than anyone could ever have imagined even just a decade ago. Information can be shared instantly across geographies, time zones, communities and businesses. Globally, there is rapidly growing demand for more secure, interconnected, and intelligent digital financial services. APIs have become key building blocks in meeting these demands. Common APIs are at the forefront of open banking and have been instrumental in opening up data and services, allowing businesses to develop new products and services, forge new partnerships and better serve their customers.

While implementations of open banking around the world vary, reflecting local market conditions and government policy objectives, in the end open banking initiatives are all designed to produce better outcomes for consumers.

Like the rest of the world, Kiwis too are increasingly expecting more and better ways to pay and use their financial data. The New Zealand approach to delivering greater openness in banking is part of an overarching strategy endorsed by the payments industry to leverage standards-based technology in the form of APIs, with industry coming together to pave the way for payments innovation.

The future view of the New Zealand payments system is one that addresses innovation while leveraging the reputation of Kiwis as being tech-savvy and ready to embrace change. It also speaks to an innovative and progressive payments network which can deliver wider benefits to New Zealand as a whole.

With the establishment of the Payments NZ API Centre, the industry has come a step closer towards achieving that vision and continuing to ensure payments are kept simple and secure for Kiwis.



To find out more about the API Centre,
visit apicentre.paymentsnz.co.nz