

# The Dawn of the Open Era: Open Banking in Asia-Pacific

Asia-Pacific region economies are often spoken of in terms of their rapid adoption of mobile communications and the run-away success of e-commerce platforms and mobile payments. It is no wonder then that lawmakers in the region have turned to evaluate “open” initiatives in financial services, whereby data will flow freely through an ecosystem of financial institutions, FinTechs and other players seeking to leverage technology to provide innovative new services.

UK Open Banking is often held up as the template for these initiatives, a regime that forces an opening of payment account data by leading financial institutions, primarily as a competition law and Payment Services Regulatory remedy directed at enabling consumers freer choice in financial services and an “unbundling” of the universal banking model. Banking under the UK model aims to be “open” in the sense of creating a fully interoperable environment, with standardized application program interfaces (“APIs”) that support the release of payment account information and enable the communication of consumers’ payment instructions to institutions through FinTechs.

In the APAC region, Australia has seen a similar movement, with the Australian Competition and Consumer Commission set to implement a Consumer Data Right that seeks to enable frictionless consumer choice to move their data from service provider to service provider across a wide range of sectors, with financial services being the first implementation. Notably, Australia’s open initiative is focused only on data, with no corresponding move to require institutions to accept transaction instructions delivered through FinTechs and other non-bank players. Like the UK, however, Australia’s focus is on improving competition and so amounts to a “forced opening” of institutional data.

Other jurisdictions in the region are more focused on encouraging technological innovation and FinTech investment than on directly addressing competition-related concerns about market

inefficiencies. Hong Kong stands as a leading example on this score, with a contractual approach under its Open API Framework. The Hong Kong Monetary Authority (the “HKMA”) has not mandated API standards directed at achieving a fully interoperable ecosystem, and the regulator will not have general oversight of the collaboration space given that FinTechs are not generally regulated by the HKMA. Instead, financial institutions serve as gatekeepers carrying out due diligence on collaboration partners and entering into contracts that reflect institutions’ regulatory requirements in areas such as data protection, technology risk management and customer care. The HKMA has directed the banking industry to develop a set of minimum requirements for assessing and onboarding FinTechs, but decisions by institutions to collaborate will generally be left to risk-based assessments.

Singapore has taken an even less prescriptive approach, publishing an API Playbook that institutions may consult when evaluating API collaborations. There is no specific requirement that institutions open their data to non-bank competitors or collaboration partners. As is the case with the HKMA, Singapore’s Monetary Authority does not regulate the full range of FinTechs and so will not have general oversight of the environment.

Other jurisdictions in the region are evaluating open banking initiatives and so we can expect further variations in the approach to regulation to emerge.

The “Open Era” is just dawning in financial services. We can expect to see lawmakers and regulators in the Asia-Pacific region continue to experiment with new approaches to regulation and refine approaches once they gain experience.

Whether implemented as part of a “forced opening” of institutional data or under a voluntary approach, API collaborations will succeed or fail on the strength of the underlying business model and the confidence consumers have in trusting their data to non-bank players. Getting the right balance will be key. This is an exciting new area for collaboration and competition between financial institutions and tech companies and offers bank customers new ways of engaging with their accounts and account information. Protecting consumer interests and preserving the stability and integrity of the financial system are critical interests. But a careful risk-weighting is needed in order to create space for innovation.



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