



FINTECH ASSOCIATION  
OF HONG KONG

# **HKAB Private Consultation on the revised Common Baseline – 20<sup>th</sup> October 2021**



# CONTENTS

FOREWORD	4
THEMATIC FEEDBACK	5
ADDITIONAL DETAILED COMMENTS	9

The FinTech Association of Hong Kong (FTAHK) is a **member-driven, independent, not-for-profit, & diverse** organisation that is the voice of the FinTech community in Hong Kong. It is organised and led by the community, for the community, through a series of committees and working groups.

Our objective is to promote Advocacy, Communication and Education in the wider FinTech ecosystem.

**Build the community.**  
**Be the connector.**

## A. FOREWORD

The Hong Kong Association of Banks (HKAB) published an 'Open API Phase II Common Baseline' on 15 November 2019, with the intent "to facilitate and streamline banks' engagement with TSPs, [...] to encourage partnerships with banks with the support of the Open API technology, thus introducing more innovative banking products and services and enhancing customer experience".<sup>1</sup>

HKAB has established an Open API Taskforce to update and extend the Common Baseline to cover Phase III and Phase IV of the HKMA Open API Framework. The revised Common Baseline will be published in readiness for the 28 participating banks' implementation of HKMA timelines<sup>2</sup>; Phase IV for December 2021, followed by Phase III in March 2022 for SME customers, and June 2022 for retail customers.<sup>3</sup> The proposed amendments to the Common Baseline reflect the HKAB Open API Taskforce's intended updates to extend support for the additional scope introduced by Phase III and Phase IV of the HKMA Open API Framework.<sup>4</sup>

In September 2021, HKAB engaged the FinTech Association of Hong Kong (FTAHK) in a private consultation on the amended Common Baseline, based on a draft version dated 21 September 2021. A briefing was organised by HKAB for all interested members on 5 October 2021, conducted by HKAB's Open API Taskforce, including an introductory overview of the draft amendments from Hogan Lovells and time for questions and answers.

The Common Baseline private consultation is being conducted in parallel to the public consultation by HKAB on Phase III Banking Open API Standards<sup>5</sup>, which FTAHK responded to on behalf of the industry on 13 October 2021. FTAHK's feedback to both of these draft documents reflect the findings of FTAHK's Banking Open API Working Group which has collated voluntary inputs from across FTAHK's membership base.

The FTAHK greatly welcomes HKAB's request for third-party views and non-bank participation in the context of a private consultation. FTAHK members span both banks and TSPs so it should be noted that members will not necessarily subscribe to all feedback provided within this document. FTAHK represents a significant cross-section of Hong Kong's FinTech ecosystem and seeks to balance the views of all its members.

We offer our thanks on behalf of the FTAHK's Banking Open API Working Group, the Digital Banking & Payments committee, and the Board of Directors. The FTAHK welcomes the opportunity to discuss any of the feedback provided in future follow up sessions with HKMA, HKAB, and relevant stakeholders.

---

FTAHK Banking Open API Working Group – 20<sup>th</sup> October 2021

---

<sup>1</sup> <https://www.hkab.org.hk/DisplayArticleAction.do?sid=5&ss=22>

<sup>2</sup> <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/fintech/open-application-programming-interface-api-for-the-banking-sector/target-dates/>

<sup>3</sup> <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2021/20210513e3a1.pdf>

<sup>4</sup> <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2018/20180718e5a2.pdf>

<sup>5</sup> <https://www.hkab.org.hk/DisplayWhatsNewsAction.do?ss=10&id=6193&lang=en&key=&year=0&act=>

## B. THEMATIC FEEDBACK

### B.1 TAKING STEPS TO ENSURE ADOPTION & TANGIBLE USAGE

*Ensure a balanced focus on risk management and facilitation to ensure application of the Common Baseline does not take a conservative risk-led approach at the expense of delivering on HKMA's policy objectives*

The draft document indicates in its introduction that "The HKMA's Open API Framework for the Hong Kong Banking Sector dated 18 July 2018 (the "HKMA Open API Framework")<sup>4</sup> 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."

Recent HKMA presentations of the "Fintech 2025" strategy indicate that Open APIs are a key component of achieving the third element of vision 'Creating next-generation data infrastructure' (see slide 6 of HKMA's 8 June 2021 Media Briefing).<sup>6</sup>

The benefits of Open Banking APIs and their key role, if appropriately implemented, in supporting FinTech strategies are being actively demonstrated internationally. For example, in the UK, Open Banking APIs in 2020 had 4.3bn API calls across 109 services, with most success in the areas of 'Improved Financial Decision Making', 'Expanded Payment Choice' and 'Better Borrowing'.<sup>7</sup>

Directionally achieving the policy objectives #1 and #3, rather than #2 alone, should be a key focus of the Common Baseline, with HKMA/HKAB encouraged to include publicly available reporting of the usage of Banking Open APIs, by bank and in aggregated, as a measure of the success of a Common Baseline that supports and encourages suitable fit-for-purpose TSPs to access retail and SME transaction data in Phase III and ability to perform transactions in Phase IV, in a similar manner to leading international markets.<sup>8</sup>

---

<sup>6</sup> <https://www.hkma.gov.hk/media/eng/doc/key-information/speeches/s20210608e1.pdf>

<sup>7</sup> <https://www.openbanking.org.uk/media-kit/>

<sup>8</sup> <https://www.openbanking.org.uk/api-performance/>



## B.2 ACHIEVING CLARITY OF MINIMUM REQUIREMENTS

*Improved clarity of requirements would facilitate achieving fit-for-purpose management of TSPs and commonality across banks*

As the Common Baseline is intended to be a high-level framework for establishing Open API relationships, it would be an advantage if the controls can be explained in a clearer way. For a TSP, more structured controls can minimise the efforts on how to meet the expectation of the banks and in turn facilitate a bank's effort in assessing how to meet the expectations of the regulator.

There are a number of well-established control frameworks that could be referenced in assessing requirements.

During the period between HKAB publishing the Phase II Common Baseline and this draft version under consultation, the Australian regulator responsible for equivalent Banking Open APIs, the ACCC, has published a series of guides including a clear checklist (in spreadsheet format) that references industry standards such as ISO27001 and PCI DSS.<sup>9</sup>

The advantage of such a clear checklist format is in enabling both the TSPs and independent assessors to reduce the ambiguity which exists during interpretation of the current Common Baseline.

As a simple example:

*TSP's Governance and General Risk Management Policies and Procedures 1(e): "it has adequate record-keeping policies and systems for maintaining accurate and sufficient records as reasonably necessary to the collaboration".*

In this example, it is only mentioned that the TSP shall own an adequate record keeping policies and systems for record keeping, but there is no specific requirement on the actual practice of record-keeping, such as the retention period.

A sample of the success criteria (e.g. period, standard) should be provided to show examples of a successful implementation of the control.

With reference to the "Australian Accreditation Controls Guidance", a control table has been established with the minimum controls mapping to the each of the control requirements. The table provides a clear reference point to the industry on complying to the high-level accreditation guideline.

## B.3 ADDRESSING REGULATORY & NON-ADOPTION RISKS

*Banks' internal concern around regulatory compliance risk is creating higher than necessary hurdles to TSP onboarding and adoption*

As a consequence of the focus on the control policy objective rather than other strategic policy objectives (referenced above in point B.1), combined with the lack of

---

<sup>9</sup> <https://www.accc.gov.au/focus-areas/consumer-data-right-cdr-0/cdr-accreditation-guidelines>

clarity in the current drafting of the Common Baseline (see B.2 above), the feedback from industry has recognised a pattern of behaviour which focuses on managing the bank's regulatory exposure, most notably by adopting higher or highest level requirements for TSPs to reduce the potential regulatory risks resulting from an issue at a TSP.

The observed and likely consequence is the restriction of access to only the largest TSPs, with hurdles deterring appropriately risk managed but less established TSPs. Given the size of the Hong Kong market and relatively low availability of mature TSP candidates, the Common Baseline should take steps to facilitate the safe growth of a nascent TSP industry.

## **B.4 CLARIFYING SUPPORT FOR NON-LOCAL TSPS**

### *Facilitation of out-of-territory TSPs, particularly addressing GBA support*

Clarification of the support envisaged for out-of-territory TSPs as part of the Common Baseline for Phase III and Phase IV, with particular reference to facilitating current or future GBA related opportunities (including Wealth Management Connect considerations) would be very beneficial.

Simply referring to existing banking laws, rather than clarifying though illustrative example, was problematic for Phase II.

## **B.5 IMPROVING TSP REPRESENTATION**

### *Encouragement of a TSP Representative Entity, as a counterpart to HKAB*

Given the strategic importance of the adoption of Open Banking APIs by TSPs (see B.2 above) and the commencement of Phases III and IV, it may be appropriate to look at formally encouraging the establishment of a TSP Representative Entity.

Precedence is seen in adjacent sectors of the unregulated financial services industry, which has been able to develop standards, rules and operating regulations ahead of more formal oversight. For example, retail payment systems, thanks to the encouragement of the HKMA, developed a voluntary Code of Practice for Payment Scheme Operators from 2007, prior to the introduction of the Payment Systems and Stored Value Facilities Ordinance ("the Ordinance") on 13 November 2015.<sup>10</sup>

## **B.6 OPTIMISING THE CURRENT BILATERAL APPROACH**

### *Improve on the Bank-TSP bilateral approach by taking pragmatic steps to centralisation where feasible*

Based on the experiences of other markets, in particular the UK, it is worth considering the possible creation of a banking industry-led centralised entity. This could be modelled on the similar role that HKICL provides for Faster Payment System (FPS), particularly as FPS is noted to be the first implementation of Phase IV.

---

<sup>10</sup> [https://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/Payment\\_card.pdf](https://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/Payment_card.pdf)

A suggested alternative or nearer-term enhancement is the provision of a series of successful reference cases that can serve as a template for equivalent TSP services at all the participating banks.

An extension of this enhancement would be to centrally recognise the independent assessment of a TSP and its services utilising Banking Open APIs, for mutual recognition by other participating banks (with support from the HKMA).

## B.7 PROVIDING WORKED EXAMPLES

*The additional scope of Phases III and IV enable a significantly wider range of use cases, therefore expanded examples - potentially adopting the format proposed in B.1 - will become increasingly important*

The worked examples in the Common Baseline Phase II facilitated appropriate fit-for-purpose application of the Common Baseline. Equivalent worked examples for Phases III and IV would be beneficial as these would facilitate the TSPs and banks to interpret and apply the Common Baseline in practice.

Noting that the Common Baseline is intended as a 'living' document and considering there are far more future use cases enabled by Phase III and IV, it would be clearer if formally agreed worked examples or use cases were made available via the Common Baseline, as a reference for both TSPs and banks. These would not be exhaustive but would serve as directional examples to help remove ambiguity and demonstrate collectively agreed interpretations of the Common Baseline.

## B.8 CLARIFYING APPLICABLE FPS REQUIREMENTS

*Provide reference to the existing FPS payment facilitator requirements*

Phase IV will, in line with the published timetable of target dates for participating banks, be launched prior to Phase III<sup>2</sup>.

Existing FPS Payment Facilitator Requirements could be usefully adapted for the risks of the payment service that the TSP is offering, as these appear to provide an industry standardised reference that is already mature and in operation.

The existing Code of Practice of Payment Card Scheme Operators<sup>11</sup> could be adapted as FPS has been for the replacement of a 'Card' with an alternative token.

If these FPS Payment Facilitator Requirements were to form the basis of Phase IV detailed Common Baseline Checklist, a commensurate reduction to these requirements for the lower risk read-only services in Phase III may form an efficient and effective approach to rapidly developing an acceptable approach across the participating banks.

---

<sup>11</sup> [https://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/Payment\\_card.pdf](https://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/Payment_card.pdf)



## C. ADDITIONAL DETAILED COMMENTS

### C.1 PAGE 4 SECTION: *'APPLICATION OF THE COMMON BASELINE'*

Detail on the minimum common requirement for Banks to assess TSPs on an “on-going basis” would be beneficial. For example, should this be an annual process?

### C.2 PAGE 4 SECTION: *'PHASE III OPEN API STANDARDS'*

The draft Common Baseline remarks that “In assessing and applying the CB Requirements under the Common Baseline, banks may refer to standards identified or referred to in the Phase III Open API Standards”.

As part of the FTAHK response to the associated public consultation (copy attached) a number of key areas of feedback were expressed, in particular the following extracts:

#### DOCUMENT TITLE & INTENT (B.1)

Rename as ‘Phase III Banking Open API Guidelines’ rather than ‘Standards’

#### SUPERFLUOUS EXAMPLES (B.6)

Remove examples of approaches that would be in excess of a ‘fit-for-purpose’ risk-based approach requirement for TSPs handling ‘low-risk’ transactions

#### CONSENT REFRESH (B.7)

Reassess the examples of Refresh Consent as a standard 90 days

### C.3 PAGE 4 SECTION: *'WORKED EXAMPLES FOR PHASE II API COLLABORATIONS'*

As noted in the thematic comment B.7 above, expanding the worked examples provided for Phase II to Phases III and IV would be beneficial.

### C.4 PAGE 5 SECTION: *'ONGOING COMPLIANCE AND MONITORING'*

As noted in thematic comment B.1 above, the strategic success of major HKMA policy initiatives is dependent on the successful adoption by TSPs of the Banking Open APIs.

To facilitate better balanced bilateral arrangements, we would like to see the Common Baseline include obligations of Banks to fulfil standard operating requirements for APIs with similar monitoring, timely reporting, notification of significant incidents and provide for the consequences of the Banks not fulfilling their requirements.

### C.5 PAGE 5 SECTION: 'PUBLICATION...'

As noted in thematic comment B.1 above, we repeat the following extract:

Directionally achieving the policy objectives #1 and #3, rather than #2 alone, should be a key focus of the Common Baseline, with HKMA/HKAB encouraged to include publicly available reporting of the usage of Banking Open APIs, by bank and in aggregated, as a measure of the success of a Common Baseline that supports and encourages suitable fit-for-purpose TSPs to access retail and SME transaction data in Phase III and ability to perform transactions in Phase IV, in a similar manner to leading international markets<sup>8</sup>.

### C.6 PAGE 8 SECTION: 3 - 4 (G)

This section appears out of place given the level of detail. It may be more appropriate in the companion Banking Open API document that formed part of the public consultation from HKAB on 14 September 2021.

### C.7 PAGE 9 SECTION: 4 - 2 (D) & 4 - 2 (E)

To align on an approach of appropriate measure commensurate with the risk, it would be helpful to clarify the text by replacing “ensure the TSP maintains effective” with “ensure the TSP maintains fit-for-risk management purposes”.

### C.8 PAGE 10 SECTION: 4 - 2 (H)

To align on an approach of appropriate measure commensurate with the risk, it would be helpful to clarify the text by replacing:

- “comply with any specific requirements” with “comply with any specific reasonable requirements”; and
- “in respect of data usage and data sharing” with “in respect of data usage and data sharing without undermining the overall intent of HKMA’s Open API Framework”

### C.9 PAGE 11 SECTION: 5 - 2 (F)

TSPs may be able to approve, within an appropriate risk management approach, on the experiences offered by the banks and they should not be restricted to only “equivalent” experiences.

Clarify by replacing section with:

“in relation to Phase III and IV API collaborations, ensuring the TSP’s customer journey design, as it relates to the collaboration, enables informed decision-making and simple and easy navigation with processes to provide fit-for-risk management purposes authentication of the customer at an equivalent or improved experience encountered based on an equivalent or improved fit-

for-purpose risk management approach for the customer when they interact with the bank”

#### **C.10 PAGE 11 SECTION: 5 - 2 (G)**

This section appears out of place given the level of detail. It may be more appropriate in the companion Banking Open API document that formed part of the public consultation from HKAB on 14 September 2021.

It is also unusually notable that this is the only reference to ‘meet the needs of customers with disabilities’, which should be a requirement across all the services of the banks and the TSPs.

#### **C.11 PAGE 11 SECTION: 5 - 3**

This section with its reference to “liability and settlement” does not appear to be sufficiently comprehensive considering it is establishing practices of managing payment transactions in Phase IV.

In line with thematic comment B.8 above, this section would benefit from reference to accepted practices, for instance handling customer refunds which are a normal course of business for certain types of payments.

---

FTAHK Banking Open API Working Group

20<sup>th</sup> October 2021

<https://ftahk.org>

[admin@ftahk.org](mailto:admin@ftahk.org)