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Use of Open API by Financial Institutions

Bank Negara Malaysia's Exposure Draft

| by Lo Yien Peng |

On 5 September 2018, Bank Negara Malaysia (BNM) issued an Exposure Draft on Publishing Open Data using Open Application Programming Interface (Open API).^[1]

Open APIs allow third party developers to access the data of the FIs^[2] (i.e. Open Data Publishers) without needing to establish a business relationship. Access to restricted or more sensitive data through Open APIs is commonly supported by security, legal and governance frameworks necessary to protect confidentiality.^[3]

In the first quarter of 2018, BNM established several Open API Implementation Groups to identify and develop standardised Open APIs with a focus on:

- (a) enhancing access to open data published by conventional banks/Islamic banks and insurers;
- (b) product information on SME financing; and
- (c) credit card and motor insurance products.

These are to enable:

- (a) enhancement of SME's access to products and services;
- (b) promoting comparability of motor insurance products as a move towards liberalisation;
- (c) facilitating development of fintech to improve experience and provide choices to customers; and
- (d) leveraging on technology for the provision, distribution and consumption of financial services.

The key recommendations in the draft policy documents include:

API Architecture Standards

The adoption of the REST^[4] communication protocol/principles and the JSON^[5] data format.

Data Standards

When determining data standards to be adopted for publication of Open Data APIs, FIs should take into account the data standards recommended by the Implementation Groups^[6] and appropriateness in meeting the intended business function of the Open APIs. FIs are also required to publish their own data definitions online.

Security Standards

Security measures installed in respect of Open Data APIs should be proportionate to potential risks.

Third Party Governance Process

Basic registration process that does not create unnecessary barriers for the third party to access the Open Data API should be established.

Open Data API Specifications

FIs are encouraged to:

- (a) adopt Open Data API Specifications recommended by the Open API Implementation Groups for selected open data;^[7]
- (b) access potential impact to third party adoption and security arising from the differences;^[8]
- (c) publish detailed API documentation online;
- (d) define and disclose key performance metrics of the published Open Data APIs;^[9] and
- (e) ensure the published Open Data APIs are consistent with the latest version of Open Data API Specifications, within two months of its revision.

Once implemented,^[10] this policy will be applicable to all FIs intending to publish Open Data APIs.

BNM appears to be following the lead taken by the Second Payment Services Directive of the EU,^[11] which is followed by the Open Banking regulations in the UK. Similar practices have also been adopted by the Monetary Authority of Singapore.^[12]

Click [here](#) to view the Exposure Draft on Open API.

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If you have any queries regarding the draft policy document, please contact the author or her team partner [Ooi Bee Hong \(obh@lh-ag.com\)](mailto:obh@lh-ag.com).

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- [1] Publicly available application programming interface that provides developers with programmatic access to a proprietary software application or web service, as defined in <https://searchmicroservices.techtarget.com/definition/open-API>
- [2] Licensed bank, licensed Islamic bank, licensed insurer and licensed Takaful operator
- [3] Bank Negara Malaysia's Quarterly Bulletin "Open Application Programming Interface (API): A Financial Revolution", Celine Wan Shi Ann & Norariefah Mohd Iqbal
- [4] Representational State Transfer
- [5] JavaScript Object Notation
- [6] Examples include Open Financial Exchange (OFX), ACORD or XML
- [7] These specifications are provided at <https://github.com/BankNegaraMY>
- [8] In the event that FIs adopted standards or specifications of Open Data APIs which differ from those recommended by Open API Implementation Group
- [9] Such as response time, API availability/uptime, performance throughput, invocation quota/throttling limit.
- [10] This policy document will come into effect upon issuance of the final policy document
- [11] PSD 2, Directive (EU) 2015/2366
- [12] Bank Negara Malaysia's Quarterly Bulletin 'Open Application Programming Interface (API): A Financial Revolution, Celine Wan Shi Ann & Norariefah Mohd Iqbal