
Technology, Media and Telecommunications

Bank Negara Malaysia Issues Policy Document on Publishing Open Data Using Open API

Introduction

In this Technology, Media and Telecommunications Update, we wish to bring to your attention the Bank Negara Malaysia (“**BNM**”) Policy Document on Publishing Open Data Using Open API (Application Programming Interface) (the “**Policy Document**”), which was issued and came into effect on 2 January 2019, following a period for submission of feedback to the Exposure Draft on Publishing Open Data Using Open API (the “**Exposure Draft**”) published by BNM on 5 September 2018.

What is an Open Application Programming Interface

An Application Programming Interface (“**API**”) enables the interaction between different software applications via a specified set of protocols. This allows software applications to communicate with each other to exchange data directly or to access another software application’s functionalities, through automated access. An Open Application Programming Interface (“**Open API**”) is an API which allows third party access to the data of a software application (which may be subject to a set of protocols specified by Open API publisher), without the need to establish a business relationship with the Open API publisher.

Access to restricted or more sensitive data through Open APIs, such as customer account information, is usually supported by security, legal and governance frameworks necessary to protect customer’s confidentiality and financial institutions’ core systems.

Objectives

BNM recognises the benefits of Open API standardisation initiatives to the banking and financial industry at large, including improving third party experience in accessing Open APIs published by different providers.

In view of the above, the Policy Document was issued by BNM with the main objective of pursuing the standardisation of development or publication of Open APIs, which would enhance third party developers’ access to open data published by banks / Islamic banks and insurers / takaful operators, commencing with product information on SME financing, credit card and motor insurance / takaful products. Financial institutions are therefore encouraged to adopt the recommended Open Data API Specifications (as developed by the Open API Implementation Groups, i.e. a working group established by the BNM at industry-level, with representation from several financial technology (FinTech) companies) to ensure industry-wide publication of standardised Open Data API.

BNM states that the abovesaid open data has been identified based on the following objectives:

- (a) further enhancing SMEs’ access to financing products and services offered by financial institutions;
- (b) promoting comparability of motor insurance/takaful products in line with the move towards liberalisation;
- (c) facilitating development of fintech to allow consumers to compare a wide range of financial products and services matching their specific needs and circumstances, besides improving experience and providing choices to customers; and

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- (d) leveraging on technology for the provision, distribution and consumption of financial services.

Policy Recommendations

We have set out below, a summary of the recommendations provided in the Policy Document.

- (1) Financial institutions are encouraged to adhere to the Open Data API Standards (i.e. standards on Open Data APIs as recommended under this Policy Document for financial institutions) in developing Open APIs, which include the following standards (further details of which are provided in the Policy Document):
 - (a) API Architecture Standards;
 - (b) Data Standards; and
 - (c) Security Standards.
- (2) Financial institutions are encouraged to establish basic registration process for third parties, which may include agreements to terms of use and disclaimers when consuming the Open Data APIs.
- (3) Financial institutions are encouraged to adopt Open Data API Specifications recommended by the Open API Implementation Groups for selected open data, which can be found at <https://github.com/BankNegaraMY>

Key Changes from the Exposure Draft

In general, the Policy Document recognises the difference in level of readiness among financial institutions in terms of infrastructure, resources and business considerations in publishing Open Data APIs. In this regard, we set out below a summary of the key changes introduced / effected in the Policy Document:

(a) *Timeline for Issuance of a Discussion Paper on Open Banking implementation in Malaysia (“Discussion Paper”)*

BNM is soliciting further feedback on the development of appropriate security controls and governance measures over greater data access and portability for open banking. On this note, BNM plans to issue the Discussion Paper by the second quarter of 2019 for any proposals from the financial industry players, FinTech community as well as any interested parties on other potential use cases that would benefit from standardised Open APIs, which may be submitted to openapi@bnm.com.my.

(b) *Adherence to the Recommended Open Data API Standards in the Policy Document*

Aside from adherence to this Policy Document, BNM also allows financial institutions to refer to the API Standards developed by other independent bodies (such as Open Banking Limited in the United Kingdom) so long as such API Standards are in line with this Policy Document.

(c) *Adoption of API Architecture Standards*

Under the Exposure Draft, financial institutions are encouraged to adopt the communications protocol / principles of the Representational State Transfer (REST) and the data format of JavaScript Object Notation (JSON).

As for the Policy Document, an amendment was made to encourage financial institutions to adopt the architectural style of the REST instead. Additionally, JSON was only provided in the Policy Document as an example of data format which is recognised industry-wide where the financial institution may opt to adopt.

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(d) Removal of Examples of Data Standards

Examples of Data Standards which were previously provided in the Exposure Draft, such as Open Financial Exchange (OFX), ACORD or XML, have been removed in the Policy Document. The Policy Document currently provides that financial institutions may adopt data standards as long as such standards are recommended by the Open API Implementation Groups.

(e) Further Examples on Third Party Governance Process

The Policy Document has provided examples of third-party governance processes which may be implemented by financial institutions, such as providing for agreements to set out terms of use and disclaimers when consuming Open Data APIs.

(f) Timeline for Compliance of the Open Data API Specifications Developed by the Open API Implementation Groups.

Under the Exposure Draft, the timeline for financial institutions to revise and ensure that published Open Data APIs are consistent with the latest version of Open Data API Specifications was two (2) months.

As for the Policy Document, BNM has prescribed different timelines depending on the types of revision. In this regard, minor revisions must be made within one (1) month, whereas significant revisions must be made within six (6) months.

For your ease of reference, we provide below the link to the Policy Document:

<http://www.bnm.gov.my/index.php?ch=57&pg=137&ac=773&bb=file>

We trust that the above provides you with a quick analysis in relation to the above.

Should you require any assistance or clarification in respect of the above or in relation to any other aspect of technology, media and telecommunications or personal data protection, please feel free to get in touch with us at your convenience.

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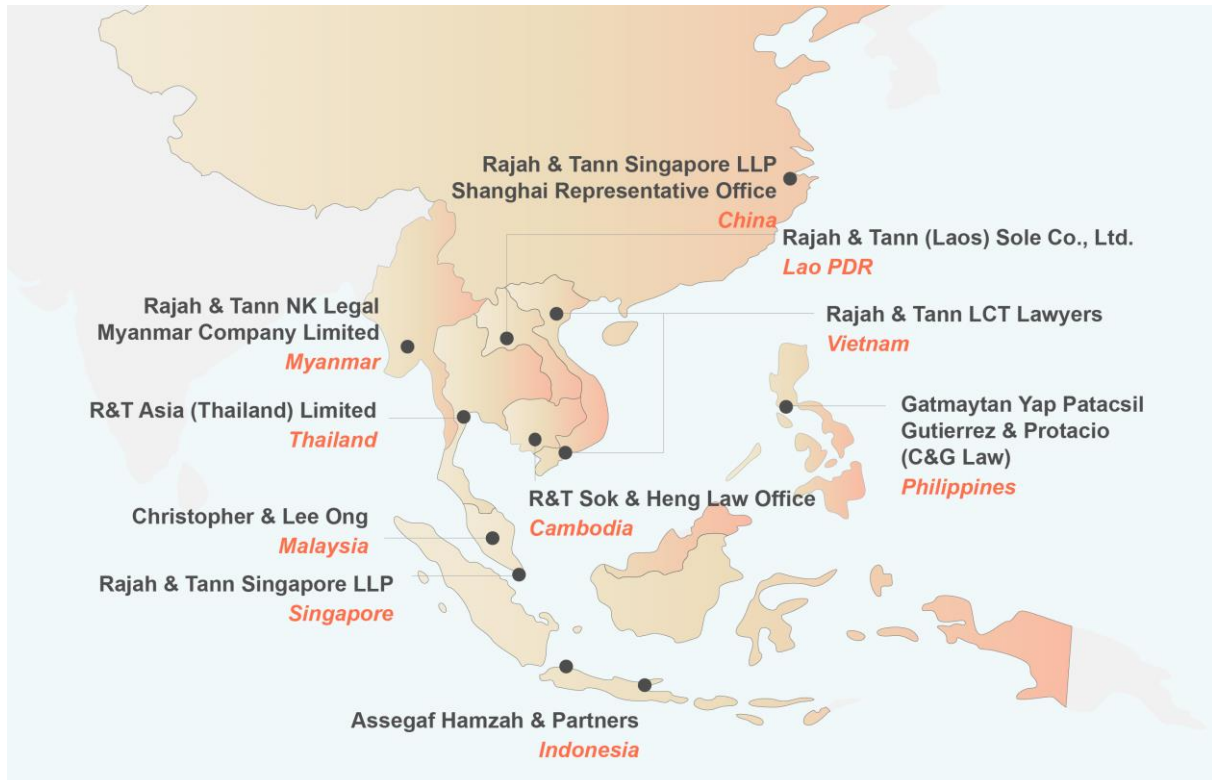
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