Regulatory uncertainty fails to cripple open banking adoption in Asia

With the Monetary Authority of Singapore, in partnership with the Association of Banks in Singapore, publishing a comprehensive API playbook to serve as a guide for financial institutions aiming to share their data, it comes as no surprise that the Lion City has outpaced Australia and even financial hub Hong Kong in readiness for adopting open banking in the Asia Pacific. However, this is not necessarily the case for all countries in the region.

Clear guidelines provide banks with a greater sense of confidence to open up their data, said Anuj Agrawal, senior research manager at IDC Financial Insights, adding that it is arguably one of the most important parameters to measure open banking readiness. Open banking allows the use of APIs (Application Programming Interfaces) to share banks' data with third party players such as fintechs, either for a bank to monetise from its data, expand network, or reduce costs through partnerships amongst other purposes.

Proponents of open banking argue that making data available could significantly boost the efficiency of the financial system and enhance customer choices. Furthermore, instead of building technology from scratch, banks need to only forge partnerships with fintechs or external partners who already have the expertise to provide a product or service offering from the data that is otherwise gathering dust.

Australia trails just behind Singapore as banks enjoy strong support from its de-facto central bank but remain hesitant to experiment as the country still has to roll out clear API guidelines, a sentiment echoed by Tanawat Ruenbanterng, analyst from Maybank Kim Eng. "Policy makers normally strengthen banks' balance sheet, encourage M&A, to make them ready for higher competition from global players," he noted. "Unless there is clear framework, it is hard for the private sector to develop and invest in the service."

Key to open banking readiness

Countries such as India, China, and Hong Kong, on the other hand, have been forging similar third-party and fintech partnerships as they try to meet customer needs and innovate their product and service offerings, even without rules governing APIs use in place, Agrawal observed.

Alibaba's Alipay and Tencent's WeChatPay have become an indispensable part of Chinese life as consumers use the app for their shopping and money transfer needs. Hong Kong and India's thriving fintech ecosystem are also powering through the global rankings, disrupting various banking functions from lending, money transfer and retail payments.

"So if tomorrow say regulators of India, China and Hong Kong decide to come out with firm guidelines around open banking, it will definitely boost the adoption and we'll see probably these countries will give strong competition to Singapore in the future on readiness for open banking," said Agrawal.

There is even room to argue that the growth drivers of open banking in the region respond more accurately to the banking needs of their customers as opposed to a blanket approach compelling banks to toe the line like Europe's PSD2 initiative.

Even MAS chief data officer David Hardoon refuses to mimic the approach of Europe by forcing lenders to share data to accelerate open banking adoption. "The point being, we are heading there in an organic fashion," he said in an interview.

Who's ready for open banking?

Rank	Country	Reasons
1	Singapore	MAS-endorsed guidelines, Moderate External/Public API adoption, High Banking Digitisation, Vibrant Fintech/TPP ecosystem
2	Australia	ASIC-endorsed guidelines, Moderate API adoption, High Banking Digitisation, Supportive Fintech/FTT ecosystem
3	China	No open banking regulatory framework, Moderate External/Public API adoption, Vibrant Fintech/TPP ecosystem
3	Hong Kong	HKMA initiated discussion, no guidelines, Moderate External/Public API adoption, Supportive Fintech/FTT ecosystem
3	India	Full regulator support, no guidelines, High External/Public API adoption, Supportive Fintech/FTT ecosystem

Source: Data from IDC Financial Services

SINGAPORE

Banks are leading Singapore's upskilling charge

With UOB launching its own professional conversion programme to strengthen the digital capabilities of its staff and OCBC Bank rolling out a $20m upskilling programme, the hiring model is fast losing currency as a go-to solution to address the city state's chronic employment problems. Tightening foreigner hiring policies and a lack of qualified manpower in people-short Singapore is making hiring less attractive, with over 98% of finance bosses admitting to having trouble finding the adequate professional from the available talent pool, according to Matthieu Imbert-Bouchard, managing director of Robert Half Singapore.

"With skill cycles becoming shorter than ever due to digitalisation, hiring talents as you need is no longer feasible as it is not cost-efficient in the long run. Employers have to shift from being consumers of work to builders of talent," said Linda Teo, country manager of ManpowerGroup Singapore. Local banks are thus stepping up to the challenge and leading Singapore's upskilling charge.

Not to be left behind, foreign lenders have also been strengthening their human resource practices, with Maybank launching its digital upskilling programme across its Singapore, Malaysia, and Philippine offices in line with an HR tripartite advisory urging banks to keep up pace with the impact of technology on the workforce. Citi, meanwhile, also launched the Core Consumer Banking Skills training wherein 1,600 employees from frontline to managerial levels can avail of skills-based training in Process/UX design feedback and cybersecurity, according to Jorge Osorio, chief human resources officer at Citi Singapore.

Upskilling initiatives are borne out of necessity, according to Nilay Khandelwal, regional director of Michael Page Singapore, as banks increasingly offshore BAU- or SLA-driven jobs into countries more suitable for shared services. "To ensure that the whole organisation is digital-ready, banking institutions have to implement upskilling programmes to transition the roles of employees such that humans and technology can complement each other," said Teo.

The need and the will to reskill banking talent

Source: 2017 MIT Sloan Management Review and Deloitte Digital's global study; Deloitte Center for Financial Service analysis

OCBC's $20m Future Smart Programme