



Position Paper on the Feasibility of Open Banking within the Namibian Financial Sector

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1. Background

- 1.1. **The Bank of Namibia's (the Bank) new strategic plan¹ commits the Bank to drive greater digital transformation, financial inclusion, and lead through innovation.** Additionally, the National Payment System (NPS) Vision 2025² identified Open Banking as one of the global payment system megatrends and an opportunity for industry to explore over the 5-year NPS Vision, with the objective of promoting innovation and transformative payment solutions. To this effect, the Bank conducted research on the feasibility of Open Banking in the Namibian financial sector with the aim of providing a regulatory position. The Bank's position on Open Banking contained herein takes into consideration the engagements held with industry, other regulators, relevant stakeholders as well as desktop research on the various approaches taken in other jurisdictions in the adoption of Open Banking.

2. Purpose

- 2.1. **The purpose of this paper is to provide the Bank's position on the feasibility and adoption of Open Banking in the Namibian financial sector.**

3. Open Banking Overview

- 3.1. **Open Banking is the sharing and leveraging of customer-permissioned data by banks with third party providers (TPPs) to build applications and services, such as those that provide real-time payments, greater financial transparency for account holders, marketing and cross-selling opportunities.³** In simple terms, Open Banking allows TPPs and other financial service providers to access customer data at banks to provide customers with other value added financial services not offered by banks. It is important to note that the consumer **must explicitly give consent** to share their information. In turn, consumers have better control over their data and more choices in a

¹ <https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/18/180611da-6e27-4c24-b4ff-03e16605a325.pdf>

² <https://www.bon.com.na/getattachment/2183fe04-8b8f-44d0-add9-4629d7ec86a5/19-02-2021-Namibia-National-Payment-System-Vision.aspx>

³ <https://www.bis.org/bcbs/publ/d486.pdf>.

competitive and innovative market of financial services. The type of data ordinarily shared within an Open Banking ecosystem includes but not limited to customer transaction data; aggregated data (which refers to sets of averaged data of balance information, customers, or open data sources); customer reference data; and open data (which refers to data that anyone can access such as product information and ATM locations). The most often use cases for Open Banking are savings and current account comparisons; the provision and uptake of financial services tailored for specific customers; instant payment solutions, personal financial management services; easier access to credit; credit score ratings; and affordability checks, among others.

- 3.2. There are various participants in an Open Banking ecosystem.** This includes customers or businesses who share their data; data providers which includes authorised banks, financial services providers, entities through whom data is stored; and TPPs such as mobile application developers, FinTechs and other entities that use data to design and offer new financial related services. Overall, Open Banking leads to a high level of interoperability among multiple financial service providers to provide consumers a seamless experience when consuming financial services. Open Banking offers numerous benefits such as providing the underbanked/underserved/unbanked with access to an array of financial services and allows for the formation of new business models that meet customer expectations. Open Banking has the potential to transform financial services (including payments), broaden financial service offerings, and improve customer convenience and experience. Additionally, Open Banking initiatives encourage competition and innovation by creating direct and indirect revenue channels for banks, TPPs and FinTechs. However, the absence of privacy, security, as well as data and consumer protection laws may lead to the loss of customer data or funds which can result in the increase of fraud. Moreover, a lack of adequate consumer education and awareness initiatives around Open Banking can lead to restricted consent by consumers to sharing of their financial data, thus limiting the success of Open Banking.
- 3.3. Open Banking is a primary approach to broader customer data sharing initiatives such as Open Finance.** Open Finance is an extension of Open Banking which allows third party data exchange to affect a broader variety of financial goods and services. Additionally, Open Finance goes beyond the scope of data and services available at banks, covering a consumer's entire financial footprint which includes the sharing of customer financial data related to pension, insurance, and asset and wealth management, among others.

4. Open Banking Enablers

- 4.1. Open Banking can be operationalised through screen-scraping or open Application Programming Interfaces (APIs).** Screen-scraping is the technology that reads and extracts data from a target website using computer software that impersonates a web browser to extract data or perform actions that consumers would usually perform manually on the website. Screen-scraping has been described to be an unsecure, unregulated,

inefficient, and unreliable method of data sharing. The United Kingdom's (UK) Open Banking Implementation Entity (OBIE)⁴ raised the following concerns regarding the use of screen-scraping:

- (i) customers share login credentials directly with the screen-scraping service which is often against a bank's terms & conditions;
- (ii) customers are uncertain about the procedure and have no recourse to their bank in the event of breaches; and
- (iii) access to host system is uncontrolled and unregulated.

4.2. In contrast, Open Banking can also be enabled through open APIs which are software tools that enable various systems and applications to interact with one another and share data. An open API is a public interface that provides access to data based on agreed upon standards. In banking, customer data or information can be shared with TPPs using APIs in a secure manner (without sharing login credentials) and with consent from the customer. Open APIs enable TPPs to obtain account information and initiate or track payments using third-party applications that connect directly into the banks' systems through secure interfaces. Open APIs are usually preferred enablers of Open Banking compared to screen-scraping as they can be configured to adopt to safety, privacy and security standards that mitigate against risks associated to the sharing of customer data.

5. Readiness of Open Banking in Namibia

5.1 Successful adoption of Open Banking in Namibia is heavily dependent on 3 critical factors:

- a) an enabling legal environment subject to a licensing/authorization framework or technical and security standards, at the very least.
- b) effective collaboration within the Namibian financial sector.
- c) consumer education to ensure that individuals understand their roles and are capable of making informed decisions.

5.2 Given the aforesaid, it is evident from the research conducted and stakeholder engagements that Namibia currently does not have a comprehensive national legal framework that covers aspects of consumer protection, data protection and cybersecurity, which are important to Open Banking. While efforts are ongoing to promulgate the relevant Bills, sector-based regulations will be used to ensure that these aspects are covered from an Open Banking perspective. In terms of effective collaboration, stakeholder engagements have revealed that the Open Banking initiative is supported, however, further engagements are required given the complexities of creating an Open Banking ecosystem. Moreover, the financial sector is at the desired maturity level for Open Banking, considering that APIs are already being used between banks and service providers to facilitate access to payment systems and process

⁴ <https://standards.openbanking.org.uk/>

transactions efficiency securely. Regarding consumer education, specific effort will have to be made towards consumer initiatives both by the Bank and the financial sector to ensure consumer buy-in given their critical role in the adoption of Open Banking. These targeted initiatives should further educate consumers on their rights and responsibilities in an Open Banking ecosystem.

6. The Bank's Position on the Adoption of Open Banking in Namibia

Given the overview of Open Banking provided above as well as the industry consultations and learnings obtained from other jurisdictions, the Bank's regulatory position on the feasibility and adoption of Open Banking in Namibia is as follows:

- 6.1. Open Banking in Namibia should be adopted through a regulatory-led approach. To this effect, the Bank intends to issue standards to ensure that Open Banking is adopted in a safe environment that promotes innovation, competition, and fairness, among others.
- 6.2. Given the decision to adopt Open Banking through a regulatory-led approach, the Bank intends to mandate Open Banking after a period of 18 months from the issuance date of this position paper. This period will allow for further consultations, regulatory reform, and alignments to the Bank's strategy. The financial sector and the public are hereby informed to be ready to participate in Open Banking initiatives by **March 2024**.
- 6.3. A comprehensive legal framework will be developed for the adoption of Open Banking. In this regard, the Bank's regulation after the aforesaid 18 months will include key components of consumer protection, data protection and cybersecurity requirements and conditions for participants within the Open Banking initiative. Additionally, the Bank intends to strongly support and advocate for the promulgation of relevant national laws on consumer protection, data protection and cybersecurity which are necessary to further strengthen the legal framework for Open Banking in Namibia.
- 6.4. The Bank supports the adoption of Open Banking in the financial sector using open APIs and strongly discourages the practice of screen-scraping. Open Banking based on open APIs should be based on common standards that adhere to principles of openness, reusability, interoperability, transparency, safety, and security. Furthermore, the Bank will define risk-based data access levels and service categorizations towards effective management of risks in the operation of Open APIs. In this regard the Open Banking Standard in Namibia will be based on the following standards:⁵
 - 6.4.1. **Data Standards:** rules by which data are described and recorded, potentially including, among other characteristics, agreements on representation, format, definition, and structure.
 - 6.4.2. **Open API Standards:** there will be specifications that inform the design, development, API management and maintenance of an API. This will include

⁵ <http://theodi.org/wp-content/uploads/2020/03/298569302-The-Open-Banking-Standard-1.pdf>

guidelines pertaining to architectural design, resource formats, documentation, and versioning.

- 6.4.3. Security Standards:** this refers to the security aspects of the API specification, a common standard on the underlying data and the mechanism for access will reduce frictions associated with data-sharing and support materially higher customer and third-party adoption versus a non-standardized environment based on multiple bilateral relationships.
- 6.5.** The Payments Association of Namibia must establish an Open Banking Forum for industry and other stakeholders as may be necessary to discuss issues of mutual interest pertaining to Open Banking and facilitate consultations on the Bank's position paper. Additionally, the Forum should be tasked with formulating consumer education and awareness initiatives to sensitize on the benefits of Open Banking and the role of industry, FinTechs and the public. This should include the applicable dispute resolution process and the relevant consumer rights and obligations thereunder.
- 6.6.** Industry is further encouraged to innovate and develop use cases that will leverage customer data to broaden the scope of financial services and deepen financial inclusion using Open Banking. This can further lead to the introduction of new payment methods such as interoperable QR codes and USSD based payments, etc.
- 6.7.** In an Open Banking ecosystem, custodians of customer data i.e., banks and other financial institutions may be vulnerable to greater risk exposure when interfacing with TPPs that are not authorised. In this regard, the Bank's anticipated regulation on Open Banking will ensure that TPPs are authorised and assigned roles and responsibilities to ensure that those sharing data and their customers are not exposed to risks and that the open APIs used are always safe and secure.
- 6.8.** The Bank will not support, nor will it endorse exclusive agreements between participants for the sharing of customer data in an Open Banking ecosystem.
- 7.** The banking industry and the entire financial sector is encouraged to act in accordance with this position.
- 8.** The Bank may amend this position from time-to-time.
- 9.** All enquiries related to this position paper should be forwarded to:

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