

Open Finance Pilot Description

Philippine Open Finance Pilot

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Background to the Pilot

The Philippine Open Finance Pilot (“PH Open Finance Pilot”) is a collaborative undertaking of financial institutions, participating on a voluntary basis, to explore the use of Application Programming Interface (API) technologies in the delivery of financial products and services responsive to the needs of customers. The activities of the PH Open Finance Pilot will be governed by the provisions of BSP Circular No. 1122 on the Open Finance Framework, and monitored by the Open Finance Oversight Committee Transition Group (OFOC TG). The PH Open Finance Pilot, which will operate through the support of the International Financial Corporation (IFC), will inform the development of open finance technical and operational standards and arrangements.

The Bangko Sentral ng Pilipinas (BSP) recognizes that the PH Open Finance Pilot is an important initiative in promoting a responsive, inclusive, and responsible digital financial ecosystem that is characterized by innovation-driven use of consumer data.

Through support provided by IFC, an independent Pilot Administrator will facilitate the coordination necessary between participants to manage this process in an inclusive, transparent, and non-discriminatory manner under the guidance of the OFOC TG and as required by Circular No. 1122. The OFOC TG, which was set up in January 2022, is expected to carry out its activities for a term of no longer than two (2) years from its inception.

The PH Open Finance Pilot, for which preparations are now underway, is expected to finish by Q3 2023.

Strategic Pilot Objectives

The Pilot will be an opportunity to use Agile based “learning by doing” methods to develop the final OFOC rulebook. In doing so the Pilot aims to:

- What are the rules, standards and processes and infrastructure needed to run an Open Finance Framework?
- How are these arrangements managed and maintained?
- What kind of reporting and oversight is needed for such a framework?

There is a significant risk when writing a rulebook and governance arrangements that can take more than a year, that the rulebook produced does work or is not wanted in the real world. Other jurisdictions have introduced small mistakes that are extremely hard to fix after the event. Piloting allows a “learning by doing” approach.

Pilot Aims

Within the Pilot, there will be Rules and Standards that define the Open Finance data that is exchanged. The Pilot will allow the Pilot participants to:

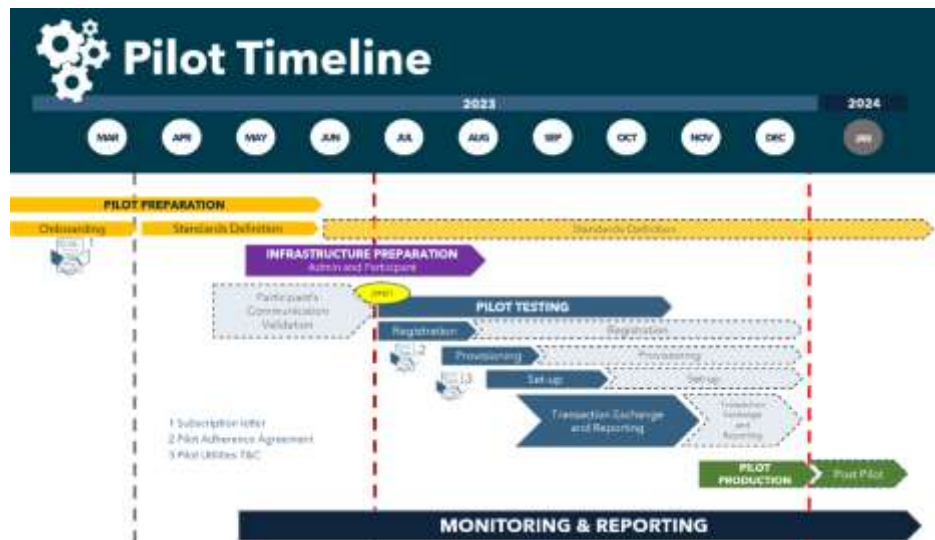
- What are the registration requirements needed between Data Providers and Data Users?
- How do Participants identify each other when they are requesting data?
- What are the architecture, security, and data standards that are required to secure exchange API Data and Payment initiation instructions between participants?
- What are the use cases that drive Open Finance?
- What are the datasets within those Use cases?

Pilot Participants will be able to learn best practices together, while building the foundations of the Open Finance in the Philippines.

Pilot Delivery Activities

The Pilot Activities are split into several phases.

1. Pilot Preparation Phase, includes onboarding, then defining the Arrangements, which include the Rules, Standards, Processes, and Infrastructure requirements.
2. Infrastructure Preparation is the period where both the Pilot Administrator and the interested parties and participants are asked to prepare their developer portals/infrastructure.
3. Pilot Testing Phase, sometimes referred to as “the Pilot”, which will include participants providing their own tools and going through stages of Registration, Provision, Set-up, and Transaction Exchange and Reporting.
4. Pilot Production Phase, which moves the testing activities on to a Production environment.



In order to develop the Philippine Open Finance Arrangements in a collaborative and inclusive way, financial institutions and FinTechs who are active in Open Finance, as described in the BSP circular 1122 are invited to participate.

This participation can either be as part of the standards consultation during the Standards Definition and Functional Testing during the Pilot Preparation phase or exchange data as part of the full pilot.

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Pilot Preparation: Standards Definition

Any Open Finance ecosystem is held together by Arrangements, i.e., the Rules, Processes, Standards, and Infrastructure. As part of the consultation on these arrangements, the Standards Consultation group will agree on terminology, use cases, technical standards, legal standards, eligibility criteria, and data formats.



The Pilot Administrator will publish draft versions of the Pilot Arrangements, i.e., the Rules, Standards, Processes, and Infrastructure Requirements and/or tools for the pilot. Participants who are part of the Standards Consultation Working Group received access to the official SCWG Confluence, which stored the documents, but also allowed for the group and their respective subject matter experts to comment and provide feedback on.

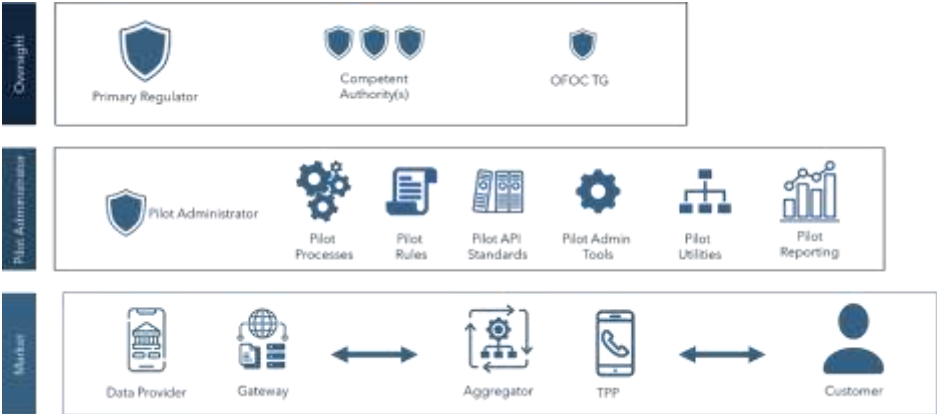
As the Pilot Administrator publish the versions of the standards, interested institutions which identify as either an API/Data Provider or API/Data User can start preparing their infrastructure. After, the Participants are registered, provisioned a unique number and credentials, and certified within a central directory, where once APIs are published, they can experiment and exchange transactions and data with each other in the Test Environment, following the Pilot Arrangements.

The Pilot

Philippine Pilot key characteristics

Area	Description
Voluntary	Participation in the Pilot is voluntary. Participants will sign up to join a pilot and at that point agree to sign up to the rules of the pilot.
Production ready	The Pilot is a pilot in a regulatory sense. After a testing phase, there can and should be real transactions with real customers within the Pilot.
Limited Duration	The Pilot will finish on defined date.
Proportionate	While the Pilot must be safe and trusted, it does not need have every feature and protection that would be appropriate for a mature national system running perpetually into the future.
Interoperable	There is one Pilot. If two Pilot participants that provide a certain type of API Tier or use case, will provide that API to the same interoperable standard. A TPP that can connect to one Participant's API should be allowed to connect to both participant's APIs using the same standard.
Specific use cases	While there is one Pilot there may be limited Use Cases within the Pilot which will be selected.
Phased Pilot	The Pilot may run in phases with different levels of functionality being added throughout the life of the pilot.

Pilot Organization and Stakeholders



Pilot Administrator	<p>The Pilot Administrator is the entity that provides rules, standards, processes, and infrastructure that define the Pilot Ecosystem and runs those processes, reporting to the Oversight layer.</p>
Pilot Participants API Providers and API Users	<p>Pilot Participants are the entities that sign up to the rules and agreed to follow the standards, processes and infrastructure.</p> <p>There will be different levels of participation:</p> <p>Pilot: Participants will be exchanging data via APIs. Full agreement to be bound by the rules (rulebook, standards etc.).</p> <p>Pilot participants will play the role of either:</p> <ul style="list-style-type: none"> API Providers, which are financial institutions that participate in the pilot to provide data or payments services. API Users are organizations which accesses data or services delivered by API Providers and provides services to Customers.

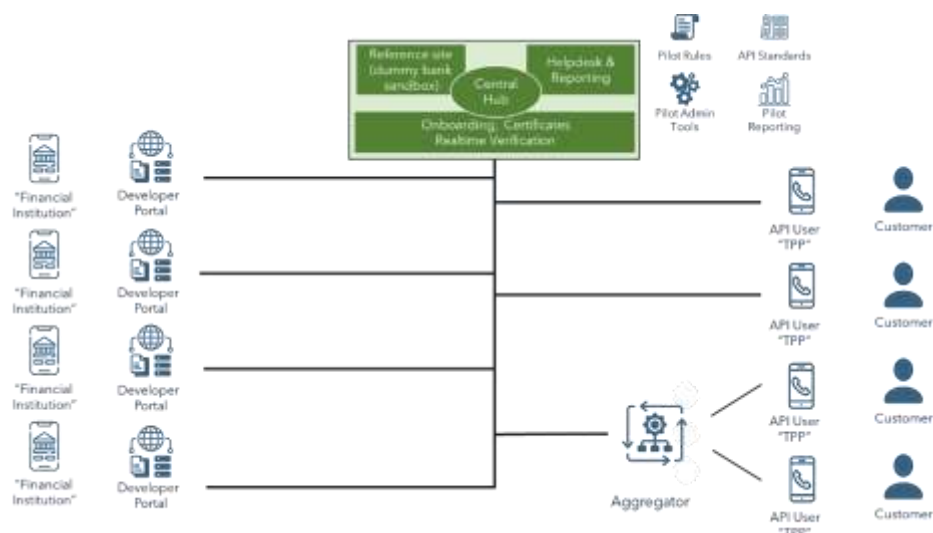
<p>Non-Participants</p> <p>Customers aggregators and other service providers</p>	<p>Non-Participants are natural or legal persons that are not directly part of the pilot, but either benefit from the pilot or help enable it.</p> <p>Customers are the natural or legal person that hold the account which is being exposed by the Data Provider and accessed by the TPP.</p> <p>Service Providers/Fourth parties are technology companies that provide components of the Open Banking Ecosystem.</p>
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The Bangko Sentral (BSP) and OFOC Transition Group (OFOC TG) shall monitor and the Philippine Open Finance Pilot.

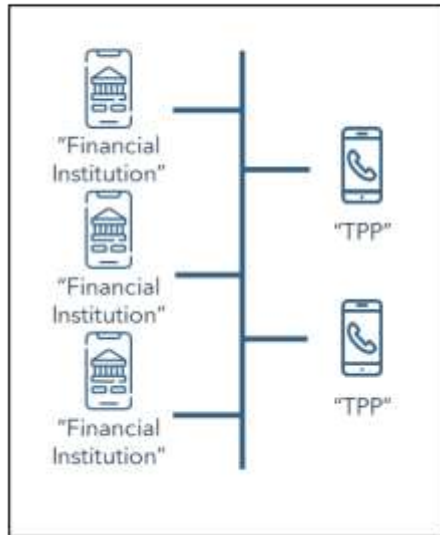
The Pilot Administrator shall	The Pilot Participants shall
<ul style="list-style-type: none"> • Define Membership rules • Define functions, roles and responsibilities • Adopt standards, agreements, policies, and guidelines on topics such as consent, data, security and API architecture. • Provide communication to the market. Report to the BSP and OFOC Transition Group 	<ul style="list-style-type: none"> • Agree to follow Pilot rules • Adopt Pilot standards for Pilot Open Finance transactions • Follow legal and risk management practices • Report to the Pilot Administrator

Pilot Testing Participation

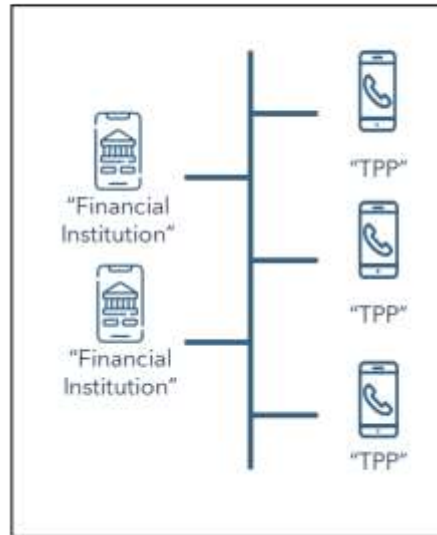
The Pilot administrator will orchestrate testing and traffic between the Pilot Participants.



Use case 1



Use case 2



Eligibility of Pilot Participants

Participants must be either a Bank, an Electronic Money Institution (EMI), or an Operator of Payment Systems (OPS). The categories of Bank, EMI, and OPS have been chosen as:

1. They are generally similar to BSFIs and are both relevant and trusted.
2. They are the industry sectors that have been selected for the OFOC TG.

#	Criteria	Commentary
1	Main eligibility criteria	Participants must be Banks, EMIs or OPS
2	Confirmation of eligibility criteria will be through official BSP lists.	<p>The following lists are relevant:</p> <ul style="list-style-type: none"> Banks must be in the BSP Bank Directory under the category of "Banks". EMIs must be listed here: List of EMIs (BSP) OPS must be listed here: List of OPS' (BSP) <p>OR institutions must send a copy of their supervisory certificate if lists are incomplete.</p>

Pilot Scope and Use Cases

Scope of customers and accounts

The Pilot scope will start with Consumer accounts for simplicity but will not exclude corporate customers, if there is demand.

The pilot scope will start with payments and savings accounts for simplicity. The pilot will include card accounts, if there is demand and it does not add (too much) additional complexity. The pilot will not cover insurance accounts, pension accounts.

API Use cases and Open Finance Market Use Cases

The BSP Circular defines five Tiers. These are equivalent to Use Cases or services.

The first use case or use cases will be selected and included in the Pilot before the start of the pilot.

	Tier Name
Tier 1	Public data
Tier 2	Subscription and account opening
Tier 3	Account Information (AIS)
Tier 4	Transactions (Payment Initiation Services)
Tier 5	Other

From a consumer perspective, the Market use cases should not be confused with the API Use Cases.

The Pilot will define the data and services (API Use Cases) that can be provided by the Data providers, but will NOT define the purpose or product that is offered to the end customer. Market Facing Use Cases.

API Use cases	Market Use Case
Payment Initiation PesoNet InstaPay Intrabank transfers	Bill payments Ecommerce payments Wallet top ups (Loan) Repayments Domestic remittances Payments to friends, family, colleagues Corporate payments Payroll payments Invoice payments Dispersements Sari-sari shop payments
Account information Get balance Get transaction details Get personal information	Credit Scoring Know your customer Personal Finance Management Verify Income (for house rental) Verify age (for gambling authorization) Car Financing Sweeping Automated budgeting and alerts Automated sweeping.