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# Unlocking Open Banking in Malaysia

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# Overview

Open banking in Malaysia is igniting a digital revolution, transforming the everyday lives of consumers into seamless and effortless experiences. As the world embraces open banking at varying stages of adoption and maturity, a global surge of growth opportunities awaits the financial industry.

The potential is immense for open banking to transcend borders, empowering individuals with universal access to financial services. In Malaysia, the surge in e-commerce, smartphone usage, and digital adoption has created urgency for easy, fast, and secure financial solutions.

The key to unlocking groundbreaking innovation lies in prioritizing customer journeys and integrating personalized products and services into their financial experiences. We have witnessed remarkable success stories in open banking, driven by regulators and the dynamic market landscape. Open banking is truly the next step in revolutionizing how customers engage with financial solutions.

The fee-based income of banks in Malaysia has an average of **11%** to total revenue

Asian banks have between **300 to 3,000 APIs** across product and service categories

**~70%** of Malaysians are using Fintech or e-wallet services

Nearly **40%** of banks embed financial services in third party marketplaces in 2022

Embedded finance leads to **~30%** growth in new customer acquisitions

# FSI leaders are bullish on Open Banking



Partnership-led models are key to success, it leads to product innovation and reduces the cost to serve the customers.

**Dr. Sekar Jaganathan**

Chief Business Officer, Equity Broking, Kenanga Investment Bank



To effectively serve our customers, we need to build and manage robust behavioural models that make credit assessment and disbursement frictionless for the bank/Fintech and the customer

**Jeevan Victor**

Head, Digital Strategy & Business Enablement, Maybank



Cybersecurity continues to be one of the biggest factors for low adoption of open banking practices among FSI players. The right infrastructure and digital core that automates security controls for API exchange can substantially benefit the industry.

**Max Azaham**

Senior Vice President - Head of Digital Business Division, MIDF Berhad



Continuous feedback mechanisms and sandbox environments help test the effectiveness of open APIs and can help build a strong foundational layer for product development

**Haddy Rohan Zulkifli**

Chief Operating Officer at MoneyMatch

# Open Banking regulatory initiatives in Malaysia

2016

**June**

## Fintech Enabler Group

Bank Negara Malaysia designed this agency to spur innovation in financial services.

**October**

## Fintech Regulatory Sandbox Framework

This framework will help to outline the eligibility, requirements and how to connect to APIs.

2018

**March**

## Open API Implementation Group

Bank Negara Malaysia established an implementation group of banking and Fintech stakeholders. They are responsible for establishing industry standards for the API infrastructure.

2020

**December**

Bank Negara Malaysia issued an exposure draft on the **licensing framework for digital banks**.

- This framework included provisions for open APIs (application programming interfaces) as part of the licensing requirements.
- It emphasized the importance of API standards, data security, and governance to facilitate secure data sharing.

# Open Banking opportunities in Malaysia



**22.6%**

Digital economy to GDP  
contribution



**13%**

Unbanked population in  
Malaysia



**97%**

Internet penetration in  
Malaysia as of 2022



**80%**

Retail payment  
transactions are  
conducted digitally



**~56%**

Malaysians use Touch'n  
Go e-wallet



**>75%**

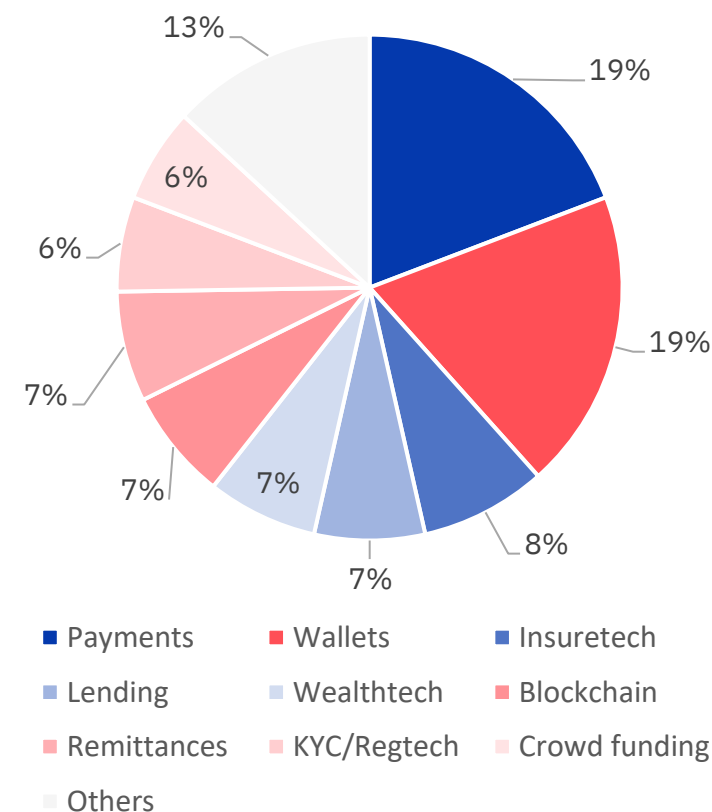
Transaction happens  
through Internet and  
mobile banking

# Outlook on Malaysian Fintech Economy

- The Malaysia Fintech ecosystem is developing faster each year, with more companies and incumbents seeking new opportunities to collaborate, connect and co-create.
- Fintech companies generated a **gross revenue of USD 5 billion** in the current year and is anticipated to register a **CAGR of more than 10%** for the forecast period.
- Fintech companies in Malaysia also raised a record **USD 117 million in funding**, surpassing 2020's total of USD 77 million by 52%.
- Digital payments and wallets are leading services in the Malaysian Fintech economy.
- Over 400,000 new firms registered for QR code payment processing, a 164% increase from FY22.

Source: twimbit analysis, Fintech news Malaysia

Fig 1: Distribution of Fintech companies by percentage



# 7 Use Cases of Open Banking



# Account Aggregation

## Use Case:

Banks can offer customers the ability to aggregate their financial information from multiple accounts across different institutions into a single platform or app.

## Key Features:

- Provides open APIs to customers for **secure access and account data retrieval**
- Enables customers to **view all their financial information in one place**
- Enhances the customer experience, helping **banks become a central finance hub**



- The API-based account aggregation services provided by PhonePe offer users a consolidated and convenient banking experience.
- Manage finances, track transactions, transfer funds, and make payments seamlessly within the PhonePe app.
- PhonePe recorded 5 billion monthly transactions and has 460 million users.

# Streamlined Payments and Transfers

## Use Case:

Open banking simplifies payment processes and facilitates faster and more secure transfers. Banks can offer customers the ability to initiate payments directly from their accounts using open banking APIs. This eliminates the need for traditional payment methods and reduces transaction costs.

## Key Features:

- Enable customers to **authorize payments through third-party apps or platforms**
- Provide seamless and convenient payment experiences
- Reduce friction in the payment process



- Paytm leverages open banking APIs for faster and real-time transactions, improving payment and transfer speed for users.
- Easy integration allows users to make seamless and instant payments directly from their bank accounts, eliminating the need for credit or debit cards.
- Paytm experienced a 49% year-on-year increase in average Monthly Transacting Users (MTU), reaching 74.8 million during Q1 2023. Their merchant base also expanded to 28.3 million.

# Lending and Credit Scoring

## Use Case:

Banks can leverage open banking to enhance their lending processes by utilizing customer financial data for accurate credit assessments and personalized loan products.

## Key Features:

- Enable **secure access to customer financial information**
- Allow lenders to **assess creditworthiness more effectively**
- Helps banks **streamline loan applications**
- Reduce processing times
- Offer tailored loan options to customers



- MYbank uses open APIs and collaborations with other financial institutions to gain access to consumer financial information. This enables them to accurately assess the creditworthiness of borrowers.
- MYbank makes more informed credit judgements for lending and mortgage applications by using alternative data sources, such as e-commerce transaction data and digital footprints of customer.
- MyBank was able to shorten its lending process by up to 50% while loan approval rate increased by 10% and the total loan portfolio grew by 20% to reach USD 125.8 billion in 2022.

# Identity Verification

## Use Case:

Open banking simplifies the account verification and KYC processes for banks. By accessing customer financial data through open banking APIs, banks can verify customers' identities more efficiently and securely.

## Key Features:

- Enable **secure sharing of customer data** for identity verification purposes
- Simplify the onboarding process
- Reduce manual document submission
- Enhance security through **reliable identity verification methods**



- CIMB Bank Philippines leveraged AI-powered end-to-end identity verification and authentication solution offered by Junio.
- This partnership offers a streamlined, user-friendly, and convenient digital onboarding solution for the Filipino market.
- CIMB Bank Philippines achieved a 219% CAGR, growing its user base from 2 million in 2020 to 6.5 million in 2022.

# Seamless Cross-Border Payments

## Use Case:

Banks can leverage open banking to provide customers with seamless and cost-effective cross-border payment services, improving efficiency and reducing transaction costs.

## Key Features:

- Enable customers to **initiate cross-border payments directly** from their bank accounts
- Ensure **secure and compliant cross-border transactions**
- Simplify the process for customers and **provides competitive foreign exchange rates**

## Revolut

- Revolut leverages open banking to provide seamless cross-border payments, offering real-time transfers, competitive exchange rates, and cost-effective solutions.
- Users can link their bank accounts, enjoy instant transactions, and benefit from enhanced security and convenience.
- Revolut has more than 20 million registered users who use the app for currency conversion and banking.
- Revolut has aggregated over USD 128 billion in value worth of transactions in 2022.

# Open Marketplace for Financial Services

## Use Case:

Banks can create an open marketplace where customers can access a wide range of financial services and products from both the bank and third-party providers.

## Key Features:

- Allow **third-party providers to integrate their services** into the bank's platform
- Expands the offerings available to customers
- Fosters **collaboration with Fintech partners**
- Creates a comprehensive financial marketplace



- DBS marketplace allows consumers to buy or rent property, book flights or hotels, switch their electricity supplier, and buy or sell a car.
- DBS launched its first fully digital Fixed Income Execution marketplace. It has executed over 80 trades, amounting to USD 11.93 billion in 2022.
- Non-interest income grew by 11% to USD 1.84 billion in 2022.

# Real-Time Fraud Prevention

## Use Case:

Open banking APIs enable banks to enhance their fraud prevention capabilities. By analyzing customer financial data in real-time, banks can detect suspicious transactions or patterns and take proactive measures to prevent fraud.

## Key Features:

- Facilitate **real-time access to customer transaction data**
- Allows banks to **analyze transactions in real-time**
- Detect suspicious patterns or anomalies and **take proactive measures to prevent fraud**



## Commonwealth Bank

- CommBank has a fraud detection engine, driven by AI which is equipped with real-time decline and hold intervention capabilities.
- Behavioral Security is also being added to the existing security features to help detect irregularities and protect customers.
- Commbank prevented or recovered more than USD 100 million in scams targeted at customers in 2021.

# Best practices of Open Banking in Malaysia



- Launched its open banking platform called CIMB Developer Portal.
- The portal provides developers with access to CIMB's APIs, allowing them to create innovative financial solutions and services that leverage CIMB's banking capabilities.
- CIMB fee income contributes to around 10.5% to total revenue, generating USD 665 million in FY22.



- Launched its Maybank Sandbox, a developer portal that offers access to Maybank's APIs.
- It enables developers to build and test their applications using Maybank's banking data and services.
- Maybank generated USD 866.41 million from fee-based income in FY22, where 46% of it is contributed by service charges and fees.



- Launched its RHB Fintech & Innovation Lab, collaborating with Fintechs and startups to develop new digital solutions and services.
- This initiative includes exploring opportunities in open banking and fostering partnerships with third-party providers.
- RHB fee-based income stood at USD 230 million in FY22.

# What makes open banking projects successful?

**1**

## **Nurture partnership and set them for success**

Nurture partners through strategic collaborations, focusing on high-impact initiatives for mass market convenience and a commitment to drive collaborative innovation.

Empower partners with secure data access and tailored solutions ensures success. Transparent communication and mutual celebration of milestones strengthen the collaborations.

**2**

## **Build robust developer friendly API platforms**

Build a developer-friendly API platform, enabling secure data sharing and integration for developers, where easy access to APIs and developer tools encourages third-party developers to create innovative financial solutions.

It also attracts talent and collaboration, leading to enhanced customer experiences and revenue growth for banks.

**3**

## **Maintain regulatory compliance and data security**

Recognize the importance of strict regulatory compliance and data security in open banking. Implement robust security measures and ensured compliance with data protection regulations to maintain customer trust and protect sensitive financial information.

This helps to gain customers' trust and develop favorable environment for cooperative competition.

**4**

## **Create transparent data empowerment**

Prioritize transparency, empowering customers with full data control. Banks must uphold transparency by providing clear visibility into data-sharing practices and seek explicit customer consent before sharing data with third-party providers.

This approach emphasizes ethical data practices and customer empowerment.



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