



Embrace the changes

Views and advice on PSD2 from Worldline's CEO, Gilles Grapinet, and Worldline's internationally renowned PSD2 Programme Director, Michael Salmony.

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Leading one of the top solution providers in the European payments industry, Worldline's CEO Gilles Grapinet and the company's PSD2 Programme Director Michael Salmony are in close and ongoing contact with many of the players affected by PSD2. We met the two for a double interview to hear their insights and perspectives from an industry facing great changes.

The overall question is whether this rather radical intervention from the regulators' side will really be a good thing for Europe and the market players that it involves?

Time to revisit the strategy

Gilles Grapinet sees PSD2 as an ambitious and innovative, yet timely initiative from EU:

"Fundamentally PSD2 is a recognition of a trend that we have seen over the past two decades. Since the birth of the internet, we have seen the importance of the platform economy where you multiply the value that you bring to the entire economy by opening the systems to the creativity of other players."

Gilles Grapinet has no doubt that PSD2, despite the challenges it brings especially for the 4,000 banks in Europe, will turn out to be very beneficial going forward.

"I really believe that PSD2 as a regulation will prove to be very positive for the financial services industry – but it requires that we choose to embrace it to reveal its full potential and not only see it from a compliance standpoint as a regulatory burden. PSD2 is in essence about innovation, and if adopted proactively, it should allow banks to increase growth and bring better services to their customers by rethinking their value-chain while keeping a good level of control on the customer relationship."

The need to revisit the strategy and rethink the value-chain position does not only apply to banks. It applies to anyone who wants to play a role in the future of the European financial services landscape and therefore also Worldline itself.

"PSD2 is such a disruption to the way we traditionally have been thinking about the roles in the value-chain that I am observing that every player is reassessing their strategies around PSD2," says Gilles Grapinet.

Compliance is a huge task

Gilles Grapinet acknowledges the importance of compliance requirements



Gilles Grapinet & Michael Salmony

as part of the regulatory framework. "Banking and payments are highly regulated for good reasons – and only through regulation we can bring the level of security, standard and ultimately trust to leverage the platform economy."

Before the banks can start exploring the opportunities with Open Banking, they first must comply to a long line of requirements in the new directive, and this compliance exercise is not a simple task. Worldline's PSD2 expert Michael Salmony fully understands that the requirements of openness in PSD2 can be almost scary for banks and users as it forces banks to give third parties access to users' accounts. Michael Salmony explains:



"Complying with PSD2 is a massive effort in itself especially since a lot of banks are sitting on legacy systems. The first thing they must get to grips with is the fact that they need to comply with quite a lot of laws and regulations. This includes, of course, the

access to account API requirements and the requirements around strong customer authentication (SCA), but it is actually much broader than that. PSD2 also covers more traditional areas of payments like cards and contactless and data protection, fraud and risk management etc, so there are lots of changes across the banking and payment world because of PSD2. And for different parts of these regulations, the banks will have different compliance obligations and different deadlines."

But even though banks must invest a substantial amount of time and money, Michael Salmony emphasises that Open Banking good for all, surprisingly especially maybe for banks, since the access to account requirements give the bank account – and thereby the banks – a whole new centre stage position and

many interesting strategic options in the new digital value chain as well as new commercial options for new sources of revenue. Also merchants can save costs through free initiation of immediate, confirmed payments from any bank in Europe – and maybe even more importantly get access to much luscious transaction data from the user (provided he consents of course). Thus the scope of PSD2, although coming from the payments space, brings innovations well beyond basic bank account and opens up banking for innovations for everybody.

Significant geographical differences

Even though the deadline for PSD2 compliance is approaching very fast, the

PSD2 readiness and the level of ambitions in terms of reaching beyond compliance (where of course the biggest business opportunities reside) differ a lot depending on the type and geographical location of a bank.

"There is a broad

spectrum of engagement at the moment. Some banks are looking at PSD2 more as a threat and may be very conservative about it. Their ambition is just to comply and get out of this topic as quickly and cheaply as possible. That is one extreme, and the other extreme is banks who really embrace PSD2 and really want to see this as an opportunity for themselves and for the market and say: 'Okay, if we grow the market together, then we will have a much larger pie, and then we want to have a nice slice of this new and bigger pie. And we also want to find our strategic position in this new ecosystem not as defenders against attackers but aggressively shaping the market ourselves. We need to be digital players and want to exploit all the new business opportunities this affords,'" Michael Salmony explains, and continues:

I really believe that PSD2 as a regulation will prove to be very positive for the financial services industry – but it requires that we choose to embrace it to reveal its full potential and not only see it from a compliance standpoint as a regulatory burden."



“Contrary to what one might think, there is actually no great correlation between innovation and size. Some of the big banks are really innovative, but not all of them, and then there are some small ones who are leading the way. Fidor Bank, for example, is very innovative. In contrast, geography seems to be more of a differentiator with some countries and regions being more conservative, and some which are much more open. Like the UK for example, which is massively embracing this, and of course the famously innovative Nordics as well.”

The importance of choosing the right partner

For Worldline PSD2 has been high on the agenda for a long time, and the company has carefully prepared itself to assist its European clients in the best possible way. Gilles Grapinet explains that Worldline differentiates from most of its competitors because the company can deliver a full A to Z PSD2 solutions and support to banks, merchants and fintechs.

“Our vision of PSD2 is much more than just bringing an API to connect to the core banking system. PSD2 is a way to shape and create what we believe will be the platform economy of retail banking and payments. What Worldline does well is orchestrating real-time end-to-end business processes involving third parties. We cover every need and feature from transaction security including strong customer authentication to scalable fraud and dispute management systems as well as bringing strong capabilities to manage the directories of authorised TPPs,” says Gilles Grapinet and continues:

“We believe this comprehensive approach will be key to keeping the banks at the centre of the coming PSD2 ecosystem. We look at PSD2 as a way

to shape a set of interlocking business processes – properly orchestrated and connected to the existing business of the financial institution on the one hand and on the other hand offer these capabilities to the TPPs like merchants and fintechs and beyond to transport, retail, media, government and more.”

Gilles Grapinet expects that the European market will see hundreds – if not thousands in the long term – of organisations that want to benefit from the options of acting as TPPs. Only the biggest of these will have the will and the skill to operate their own infrastructure which makes the demand for ‘white label TPP services’ significant. He confirms that Worldline already sees this interest in the market.

Europe first

With Europe’s thousands of banks and now potentially hundreds of TPPs and fintechs, Worldline has plenty on its plate serving the European market in the coming years. But Gilles Grapinet already sees a global perspective and potential for the open banking services and solutions brought on by PSD2.

“Europe will pave the way. There is no similar level of sophistication anywhere else. We will create the benchmark for open APIs and open banking at scale. The rest of the world will be looking to Europe for inspiration. We will benefit from investing heavily in Europe to reach critical mass and the level of expertise that will allow us to bring the services beyond the oceans at a later stage,” concludes Gilles Grapinet.



The Silos from the water side, Copenhagen

GILLES GRAPINET ON HOW THE NORDIC COUNTRIES ARE LEADING THE WAY FOR PSD2 IMPLEMENTATION:

“The creativity of many Nordic companies – including fintech companies – is so high that we can expect the Nordics to pave the way by demonstrating what we can do with PSD2. This is also why we in Worldline are so keen to invest in the Nordics – because we know the level of adoption and innovation will lead the way for continental Europe.

When I look at the evolution of electronic payments over the decades, the Nordic countries have been leading in the race towards cashless economies, bank-based identity, innovative use of mobile and more. I therefore expect to see Nordic banks, merchants and citizens embracing PSD2 and Open Banking as quickly as they have done for all the other significant payment innovations.

The cultural dimension entrenched in this region is key when it comes to money and payments. Not only in the

way we transact, but also the reason to phase out certain legacy payment means. The preferences in the Nordics for transparency and a ‘clean economy’ are further encouraging everyone to pull in the same direction. In that way, I think the Nordic countries are shaping the world of the future to some extent – a world that is more sustainable, helps towards a fairer society and with fewer threats. One must recognise that payments have a role to play in that development – the more cash and cheques and paper invoices etc, the more risk we bring into the economies and the societies.

When I look at PSD2 from that standpoint, I am absolutely convinced that it will be a way to further improve efficiency for the greater good of our societies.” //