



Opening up may be good for you:

Making PSD II access to accounts work in practice

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There is a massive trend in many industries for co-development of solutions. Apple does not develop all apps itself but provides a platform for others. Supermarkets do not bake the bread themselves but provide shelves for others to populate. Amazon does not produce own books and electrical goods but provides the means for others to sell their wares. Now banks are looking not only to develop their own mobile apps and their own cash management solutions but also to enable third parties to do this. Third parties (for example, FinTechs) may be faster, more flexible, have better understanding of modern customer interactions and may thus offer innovative financial solutions and compete amongst each other to solve new problems and provide a better user experience.

This open ecosystem has many advantages over the previous closed world, where everybody tried to do everything themselves. The key to successful "opening up" is to provide a standard interface, such as a smart phone to a bank account, that is accessible to third parties whilst retaining the necessary control. Controls are important in order to avoid fraud and illegal third parties getting in and to avoid any phone or account being compromised or accessed against the wishes of the user. A typical standard interface is the application program interface (API).

APIs are used by the billions of Twitter, Google, Facebook, eBay, Amazon, Netflix and all other digital champions. Now banks and bank service providers such as Equens are also leveraging the advantages of APIs. Equens will expose selected functions in a safe and controlled way to developers of its current banking clients from the fourth quarter of 2016. This allows these selected

banks to develop new applications on the Equens assets and infrastructure. Some banks such as Credit Agricole, ING and BBVA have already embraced APIs and host their own app stores to allow customers more choice in how to manage their accounts using innovative apps developed by non-bank third parties.

In Europe the regulator has taken the bold step via the Payment Services Directive II (PSD II) to force all banks to open up their payment accounts to third parties by January 2018. Equens recognised the potential (and the risks) of this development very early and has formed a coalition of the willing around this topic with partners from diverse industries. The goal is to make PSD II work safely, at scale and in practice. This has led to the formation of an open Convenient Access to Payment Services (CAPS) initiative with an ever growing number of stakeholders that have come together to define an open framework for cooperation and for the benefit of all parties.

This framework proposes solutions to a number of issues raised by PSD II. For example, instead of each third party having to work out how to connect individually to each of the thousands of banks in Europe in their own local way, CAPS proposes a standard API for the payment initiation and account information services demanded by the regulator. CAPS also proposes value-added services (such as bank-verified age/address) which will be much in demand by third parties and merchants and will offer business opportunities to banks beyond compliance. CAPS also proposes how to significantly reduce the effort to manage disputes (of which initially there will likely be many) with standard procedures

rather than each user calling his or her bank's hotline or sending emails between merchants, third parties and users. CAPS also proposes directory services that allow parties to find each other, ensure reliable mutual identification and maybe provide some convenience (for example, initiating a payment towards the recipient's mobile number rather than towards his or her IBAN). Also included is a proposal for supporting fraud detection which can be done much more effectively in such a community solution across many banks and third parties than any single entity can do by itself. There is much more to CAPS (for example, the support of modern token-based authentication, toolboxes for developers etc.), and the reader is encouraged to visit www.caps-services.com to see more.

Through all these functions in CAPS, we aim to make life easier for all stakeholders in PSD II. Equens helps banks by reducing their cost of compliance to the new law whilst ensuring that third parties can only access accounts safely and under the user's full control. Also, new business models are enabled where banks and new third parties can position themselves in a new way with new sources of revenue in the new open digital world. We have many use cases showing how FinTechs, third parties and banks will be able to develop new services, new solutions for consumers and corporates and generate new revenues using data and payment based on PSD2.



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