

Opening Up may be Good for You

Making PSD2 access to accounts work in practice to the benefit of all stakeholders



There is a massive trend in many industries for co-development of solutions. Apple does not develop all apps themselves 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, their own cash management solutions but also to enable third parties to do this.

Third parties (e.g. FinTechs) may be faster, more flexible, have better understanding of modern customer interactions and may thus offer innovative financial solutions that solve new problems and provide a better user experience. This also relieves the banks of some pressure to always provide the newest channel (online, mobile, wearable, etc) and technology trend but instead allows banks to focus on what they do best and leverage the creativity of the market to provide great user experience on their bank.

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 (e.g. to the iPhone, to the bank account) that is accessible to third parties whilst retaining the necessary control (especially 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 API (Application Program Interface).

APIs are used in the billions by Twitter, Google, Facebook, eBay, Amazon, Netflix and all other digital champions. Now banks and bank service providers such as equensWorldline are also leveraging the advantages of APIs. Some banks such as Credit Agricole, ING, 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. equensWorldline has also exposed selected functions in a safe and controlled way to developers of its current banking clients. This allows these selected banks to develop new applications on the equensWorldline assets and infrastructure. Thus forward looking actors of the banking scene have selectively already opened up.

In Europe the regulator has taken the bold step ("Payment Service Directive 2" PSD2) to force all banks to open up their payment accounts to third parties by January 2018. equensWorldline 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 PSD2 work safely, at scale and in practice. This has led to the formation of an open CAPS (Convenient Access to Payment Services) initiative with an ever growing number of significant cross-industry stakeholders which have come together to define an open framework for cooperation and for the benefit of all.

This framework proposes solutions to a number of issues raised by PSD2. Simply it allows banks to become compliant to the new law more cheaply and easily. Beyond that it addresses the important reach and connectivity issue: how the many new third parties and thousands of banks in Europe are to connect to each other easily, safely, cost-effectively and compliantly for the Payment Initiation and Account Information services demanded by the regulator. The CAPS framework also proposes a

solution of how a third party can find a user's bank and – vice versa – how a bank can verify that a third party requesting access to a user's account is really licensed to do this – in real time. These ideas and more were proposed by CAPS to the ECB and is now being explored by a new dedicated ERPB "PIS Harmonisation" Workgroup as the potential basis for a pan-European approach.

CAPS also proposes a number of further optional value-added services (such as bank-verified age and shipping address) which will know to be much in demand by third parties and merchants and offer business opportunities to banks beyond compliance. Another CAPS option allows the significant reduction of effort in the handling of disputes (of which initially there will likely be many) with standard procedures - rather than masses of users calling their banks' hotline or sending unstructured emails with banks/merchants/third parties. CAPS also proposes a developer community with sandboxes, testing, tools and standard app store to make life easier for FinTechs who definitely want more than just a basic API to provide true benefit to customers with great new services on the banks embracing this concept. The above mentioned CAPS directory services that allow parties to find each other, and ensure reliable mutual identification are also proposed to have some extra optional convenience functionality (e.g. initiating a payment towards the recipient's mobile number as an alternative to his 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 and the reader is encouraged to visit www.caps-services.com to explore this.

Through all these function in CAPS, which were developed by joined thinking, we aim to make life easier for all stakeholders in PSD2. Individual actors are of course free to embrace only those components that they find convincing and useful – but many see the value of a community and cost-sharing solution in specific areas. For banks equensWorldline aims to help reducing the 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 - fully compatible with PSD2 - are enabled where all stakeholders can position themselves in a new way with new sources of revenue in the new open digital world. Together we have developed many use cases showing how FinTechs, Third parties, Merchants, SMEs, Schemes, B2B players 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. Collaboration between stakeholders from different industries can be a win-win for all.



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About Worldline

Worldline [Euronext: WLN] is the European leader in the payments and transactional services industry. Worldline delivers new-generation services, enabling its customers to offer smooth and innovative solutions to the end consumer. Key actor for B2B2C industries, with over 40 years of experience, Worldline supports and contributes to the success of all businesses and administrative services in a perpetually evolving market. Worldline offers a unique and flexible business model built around a global and growing portfolio, thus enabling end-to-end support. Worldline activities are organized around three axes: Merchant Services & Terminals, Mobility & e-Transactional Services, Financial Processing & Software Licensing including equensWorldline. Worldline employs more than 8,600 people worldwide, with estimated revenue of circa 1.5 billion euros on a yearly basis. Worldline is an Atos company. www.worldline.com