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Opening Up may be Good for You
Making PSD2 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 themselves but provide 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 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).
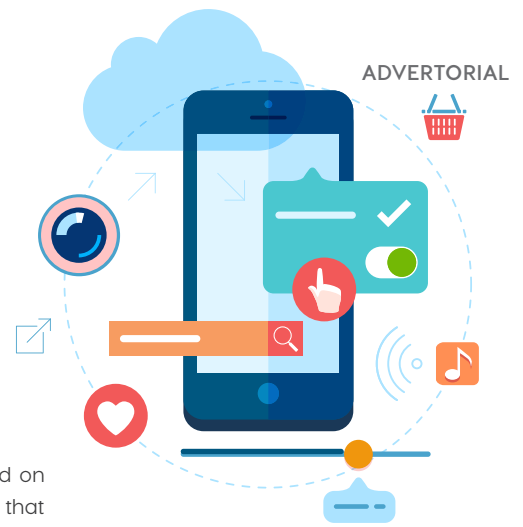
APIs are used in the billions by Twitter, Google, Facebook, eBay, Amazon, Netflix and all other digital champions. Now banks and bank service providers such as equensWorldline are also leveraging the advantages of APIs. equensWorldline has also recently started to expose selected functions in a safe 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. By making APIs available equensWorldline facilitates clients in their innovations, as clients can build on top of the API and make applications that suit their specific business needs. This is far more efficient and effective for them than building applications from scratch. APIs also demand a new way of working where equensWorldline seek new ways of client interaction and the co-creation of products and services. The reader is encouraged to visit https://developer.equensworldline.com to further explore 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.

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 stakeholders which 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 PSD2. 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. This is an idea that is currently being adopted by the ERPB under the title of "PIS Harmonisation". CAPS also proposes value-added services (such as bank-verified age/address) which will know to be much in demand by third parties and merchants and 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 bank's hotline or sending emails between merchants/third parties/users. CAPS also proposes directory services that allow parties to find each other, ensure reliable mutual identification and maybe provide some convenience (e.g. initiating a payment towards the recipient's mobile number than towards 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, we aim to make life easier for all stakeholders in PSD2. equensWorldline 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 – fully compatible with PSD2 - 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. Together we have developed 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. Collaboration between stakeholders from different industries can be a win-win for all.