

PSD2 – TAS Open Banking

A challenge for Banks but a huge opportunity at the same time for new services



Some highlights on PSD2 driven changes

- PSD2 introduces a new legal structure to payments in the EU, challenging the entire financial services market
- PSD2 will allow a third party to access data from a customer's payment account to help offer a better service to that customer. The customer will need to authorize the data being shared and the data can only be used to provide the agreed service.

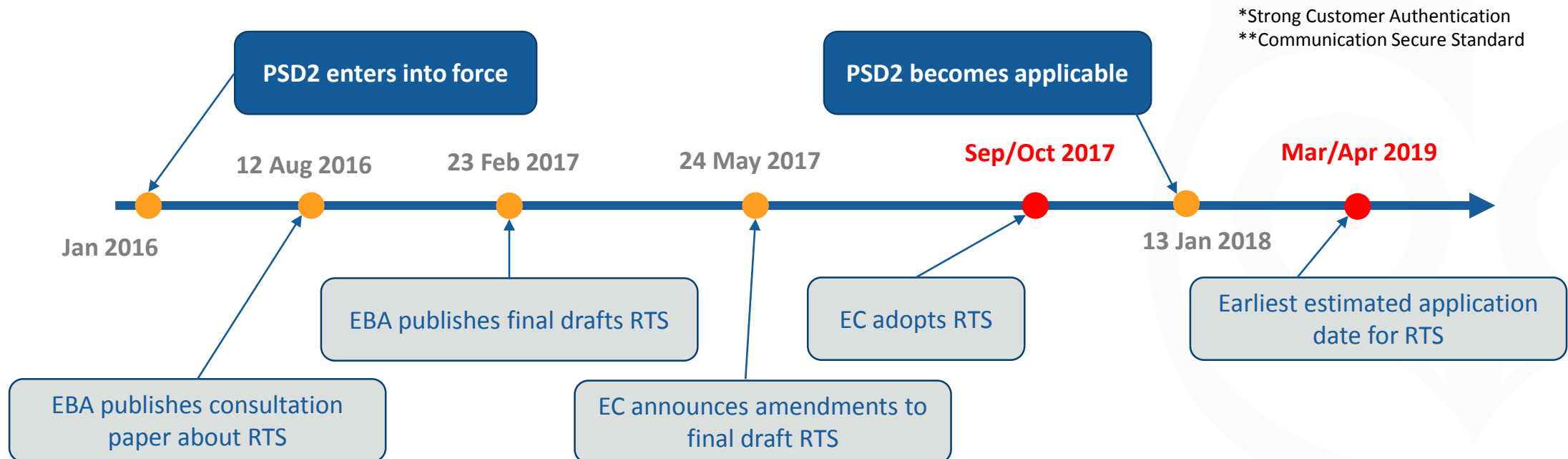
Banks are required to provide a communication interface to Third-Party Providers (TPPs) that offers 3 functions:

1. Identify TTP to bank
 2. Allow TPP to request and receive information about bank accounts and financial transactions of a certain customer
 3. Allow TPP to initiate a financial transaction or payment for a certain customer
- TPPs will need permission from EU regulators to offer these services. Regulated TPPs will not need a commercial contract with banks to use the PSD2 regulated services.

Some highlights on PSD2 driven changes

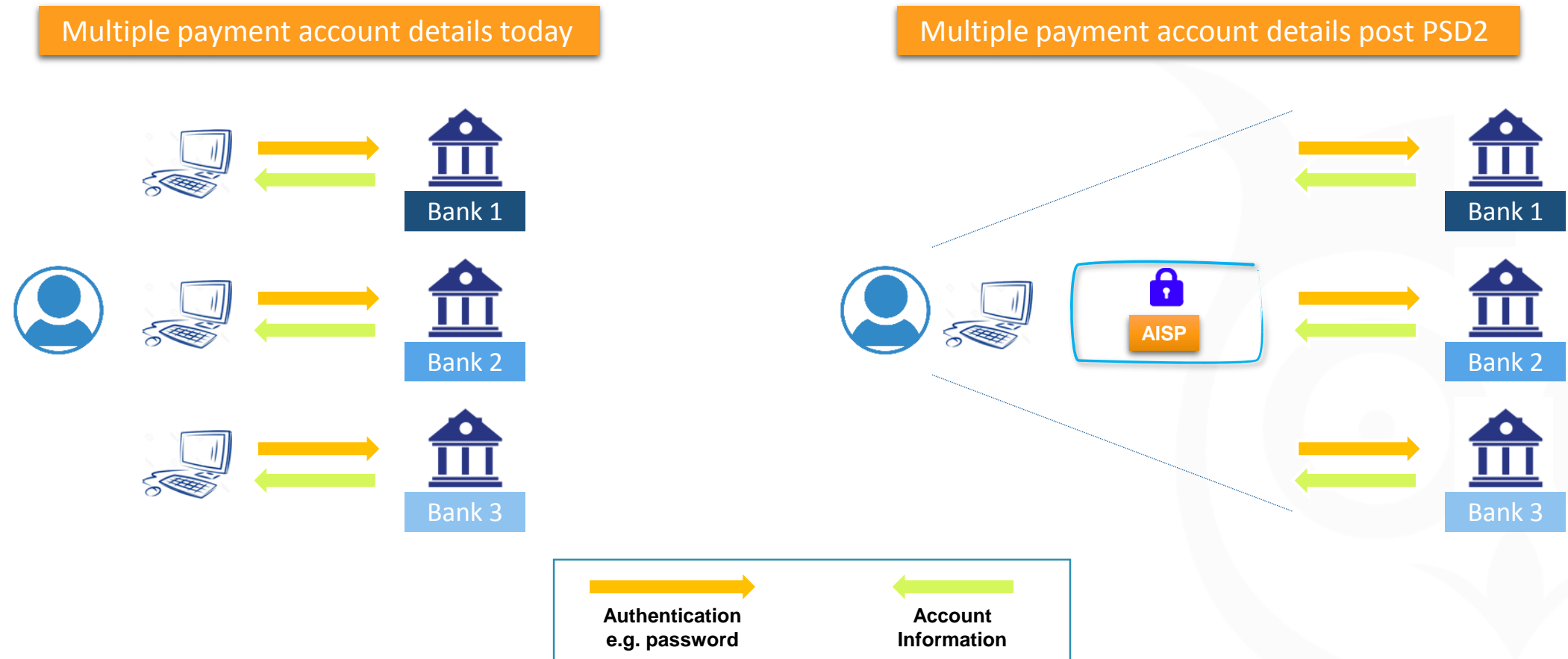
- PSD2 will enhance competition in the Payments' ecosystem as new providers will enter the market with services that address major customer frustrations. By leveraging Bank account access, those players will build new relationships with banks' customers.
- The European Banking Authority (EBA) is setting security guidelines (RTS Regulatory Technical Standards) that PISPs (Payment Initiation Service Providers) and AISPs (Account Information Service Providers) will have to comply with; each national Financial Supervisory Regulator will need to manage accreditation of applying TPPs under the PSD2 and EBA legal framework before January 2018, deadline of the National Transposition of the directive in all EU countries.

Timeline of regulatory developments- PSD2 and RTS on SCA* and CSS**



Third Party Payment Service Providers: the AISPs

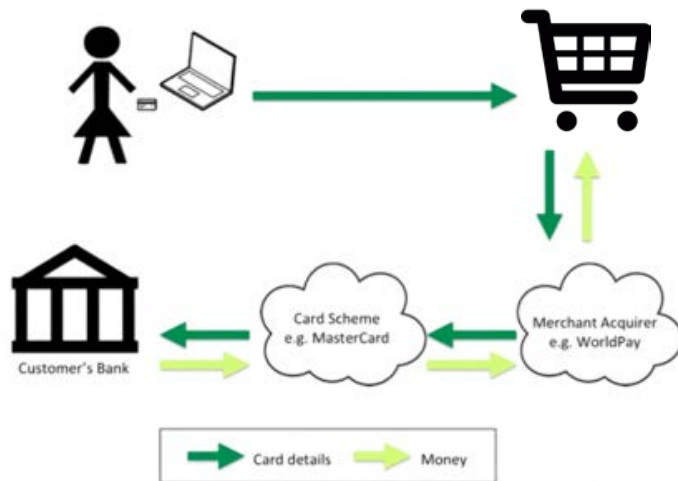
The **Account Information Service Provider**: a new player that will access multiple bank accounts authorized by the customer to retrieve and aggregate customer funds information



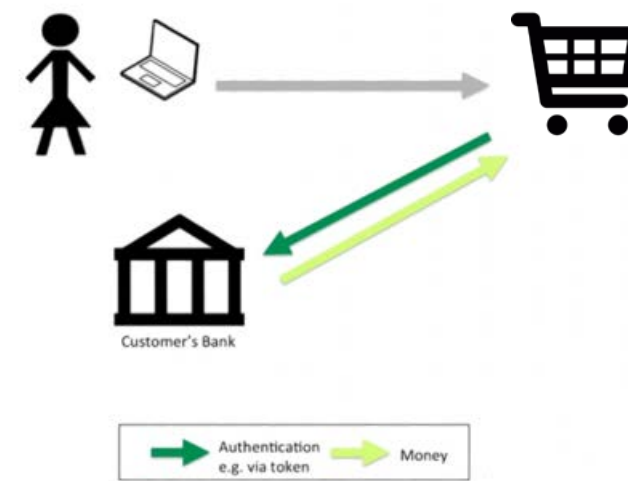
Third Party Payment Service Providers: the PISPs

The **Payment Initiation Service Provider**: a third party authorized by the customer to connect to his bank and initiate a payment on his behalf

Paying online today with debit/credit card



Paying online with PSD2



Today only banks can access a client's account, but with PSD2 new payment options will be able to transfer money from the account

Who Wins and Who Loses?

PSD2 introduces many changes in the payments value chain. All stakeholders will be impacted

Brick and Mortar and e-Merchants will have the main benefits in the introduction of PSD2:

- Reduced transaction costs compared to current card circuits interchange fees
- Stronger direct relationship with the customer (through or by becoming AISPs/PISPs)
- Banks cannot charge different rates when payments are initiated via a PISP compared to those directly initiated by the end customer

Financial institutions are generally skeptic and see PSD2 as a direct attack to their business:

- The payments ecosystem will no longer be dominated by banks
- It reduces their existing revenue streams and mandates investments

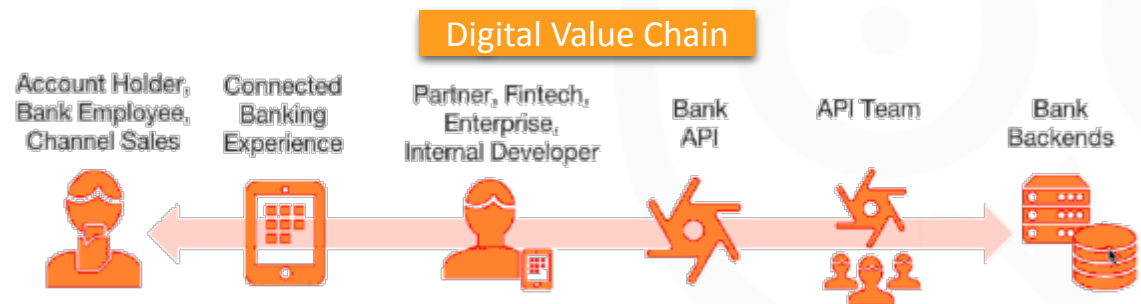
However :

- It creates new opportunities to Banks to offer services to the emerging market segment of TPPs
- It enables banks themselves to become AISPs/PISPs leveraging their trusted relationship with customers

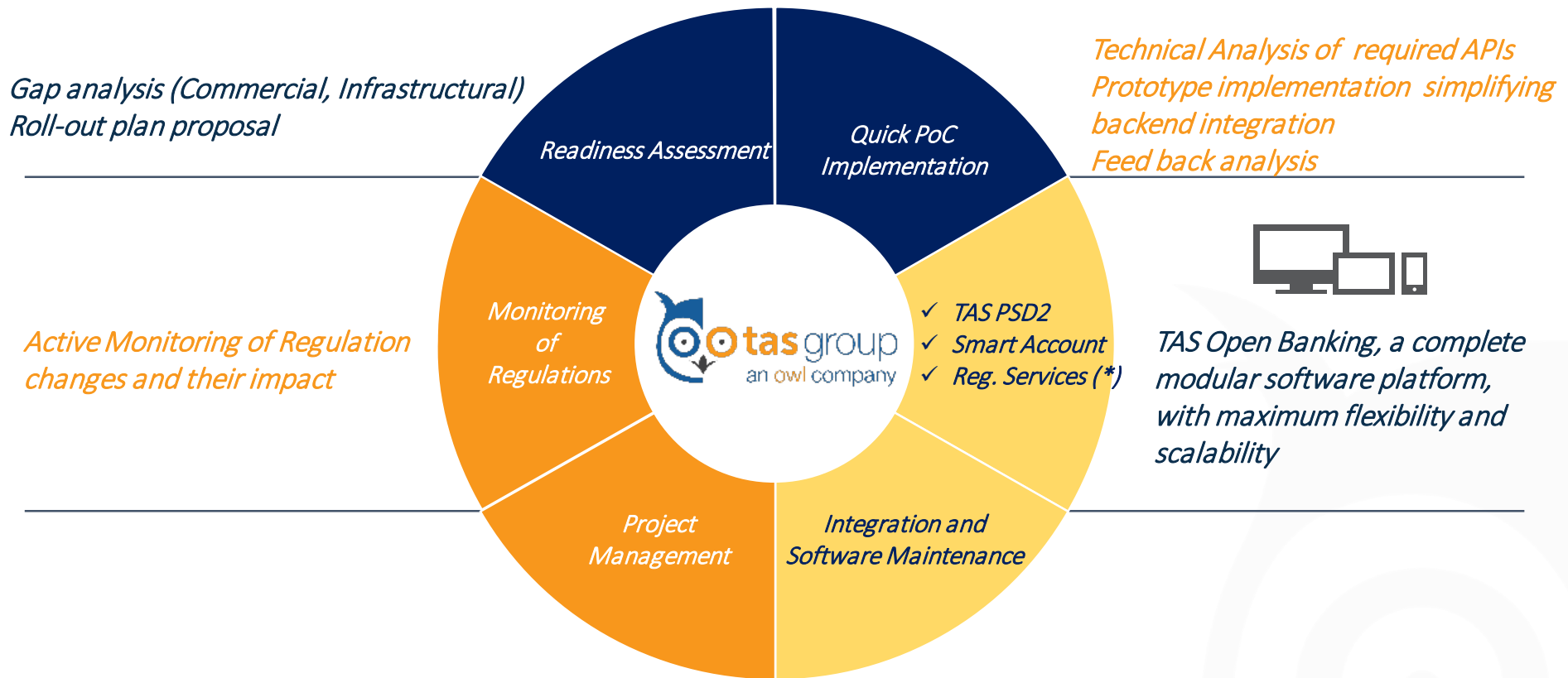
Three Strategies between Passive and Disruptive approaches



- Provider of PSD2 compliant frameworks to third parties (other financial institutions as well as TPPs)
- Aggregator of PSD2 compliant solutions with multi-tenancy and multi-banking solutions
- Competitive services in the TPP field
- Renewal of own products according to PSD2
- New multichannel offering for retail, corporate, e-commerce markets, etc.
- Compliance with PSD2 regulations
- Implementation of the required services and API distribution



What we can offer



(*) On the basis of the current regulation, the **Regulated Services** are:

- ✓ Consent and withdrawal of consent
- ✓ Confirmation on the availability of funds
- ✓ Payment Initiation
- ✓ Account Information
- ✓ Limits of the use of the payment instrument
- ✓ Notification and rectification of unauthorized or incorrectly executed payment transactions
- ✓ Refunds for payment transactions



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