

PSD2

An IBM Point of view

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- Despite all the issues and imperfections, PSD2 (and before PSD1) has been a **clear driver for change** and for improvement in the payments industry in Europe and an example for other geographies
- As expected, we experienced **different approaches** and strategies in different Countries due to cultural differences and markets situations
- Major technical and implementation issues under-estimated by Customers:
 - Micro-service definition and implementation in the legacy environment: fit for the purpose
 - Performance and testing impact for high volume queries to core banking
 - Lack of confidence and experience on cloud-based projects; inevitable learning curve but perfect project for cloud
 - Lack of measurement strategy on the use of APIs: to refine the project but also to identify new services
- The FinTech presence and relevance created additional elements of Country differentiations in term of speed and services differentiation
- The APIs implementation for PSD2 is **affecting in a positive way** the approach to new projects and it will open the road to new delivery and application consumption models (shared utility, SaaS, cloud, ...)
- The cooperative initiative driven by CBI in Italy is definitely in the right direction but does not waive from the banks the burden to define a **future looking strategy** on open banking and platform economy

Open Banking

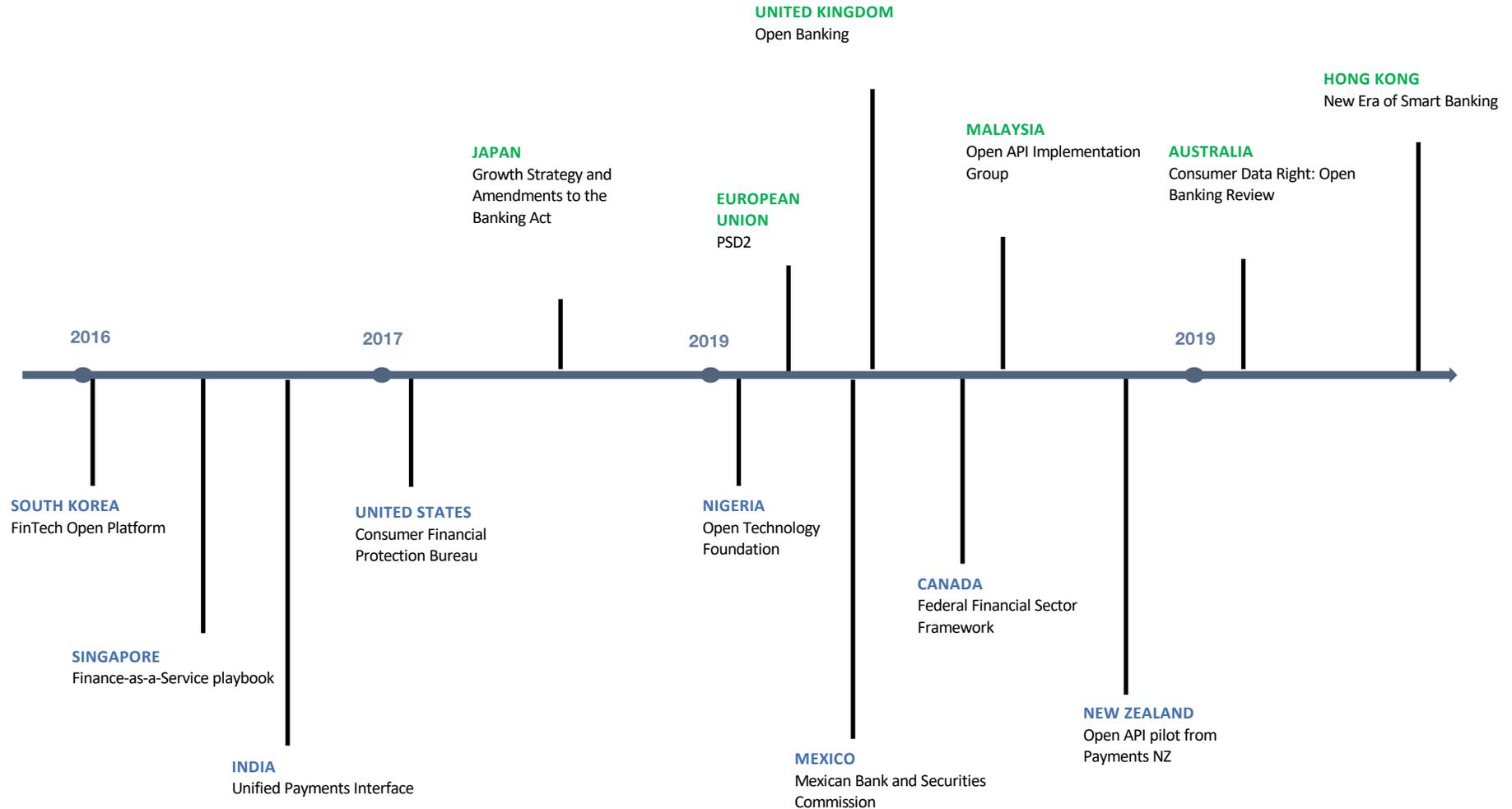
It is a global trend but with different approaches

DRIVER: GOVERNMENTS AND REGULATORS

While the UK is still the only country with defined standards in place, governments in Australia and Hong Kong are following Europe's lead

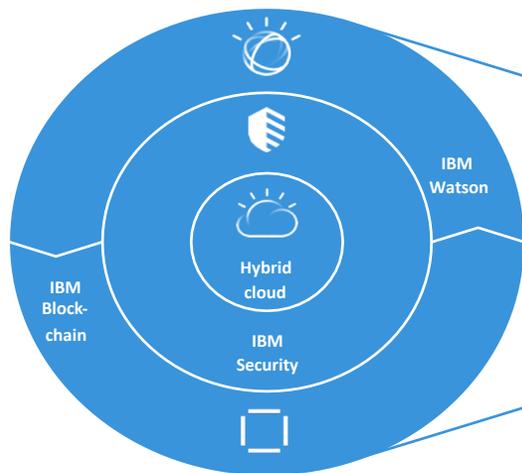
DRIVER: FINANCIAL SERVICES INDUSTRY COLLABORATING TO PROMOTE OPEN BANKING

Regulators in other countries have been **less prescriptive, preferring a non-mandatory approach**. Many have created standards or frameworks without binding regulations

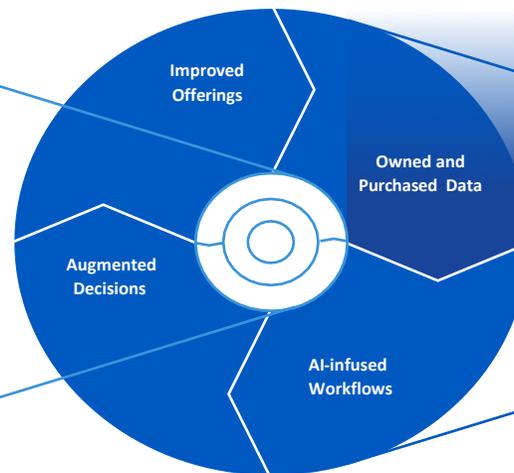


Source: Forrester, "Europe Lays The Foundations Of Open Banking", July 27, 2019

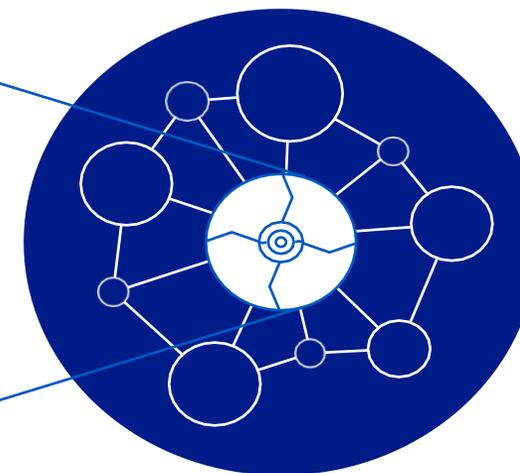
- A couple of years ago everybody was looking at Europe and PSD2 as examples and front runners and this is still be true for the payments evolution in mature markets
- Outside Europe the approach has been more **business oriented** and banking driven compared to the regulatory and political path we followed with PSD2
- A lot of good ideas were derived from PSD2 and UK Open Banking and included in other similar but less regulated initiatives
- API Economy or, better, **Platform Economy** is now considered by many innovative banks the main business opportunity for future growth (see our recent research paper available at our booth)



Technology Platforms enable users to access secure infrastructure, share in the benefits of technological scale and focus resources more on what makes them unique



Process Platforms enable industry peers to unlock the value of data and reinvent back-office workflows by recomposing their organization with AI-infused redesigns of key processes



Market Platforms enable trusted exchange between diverse partners on a global scale, bringing security and transparency to the fundamentals of the global economy

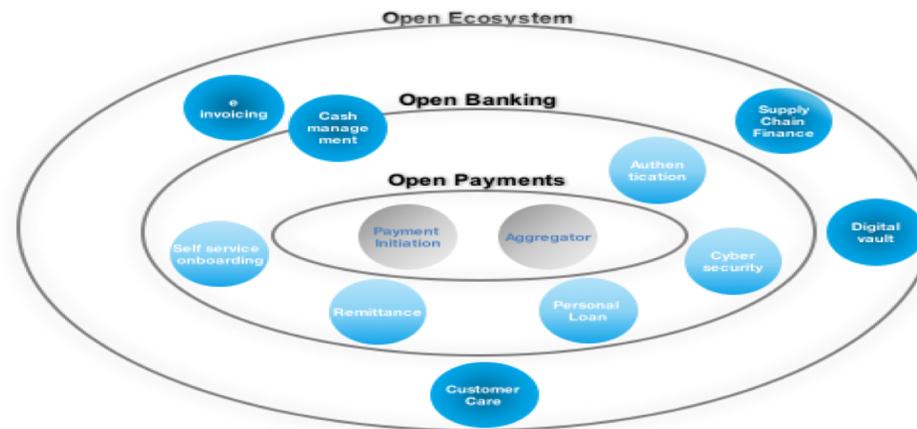
DBS - Singapore

- A **platform** approach (sharing of services with common standards) used internally and externally to the bank as major strategy going forward
- Agile development with strong cooperation with a very active FinTech market to build new added value service with initial focus on small and medium enterprises
- Now DBS is considered one of the **best digital** banks in the region and is leading the pack in building new services based on open banking, API economy and ecosystem business model

Large Canadian Bank

- The **payments landscape** in Canada is going to change quite deeply in the next few years (new RTGS, new ACH, immediate payments) and Toronto is becoming one of the most active and vibrant FinTech location in North America
- The bank is already a Customer of IBM in the payments space and we have been working with them to implement the API environment to offer on the market a **platform approach** to local start-ups and other Corporate
- They are leveraging our experience in PSD2 and Open Banking projects in Europe to replicate some interesting ideas and also some of the regulatory requirements to implement a robust and secure cooperation environment
- The Bank is strongly convinced that this will be the right if not the only approach that will allow them **to take full advantage** of the new payment schemas and railways

- The banking industry should always try to be in the **driving seat** to avoid regulatory and technical gaps; it has to be more innovative and open to avoid lack of trust from regulators
- Fintech are competitors not enemies and definitely they can become interesting partners to accelerate innovation and satisfy very specific customer needs
- The real competition is with other big players; banks should leverage their **core capabilities**: trust, security, compliance and Customer reach. Commercial focus is also relevant!
- A bit less regulation is necessary to promote a **positive competition** for the added value services



Strict minimum openness for PSD2 compliance

