

PSD2 AS A DISRUPTIVE CATALYST FOR PAYMENTS INNOVATION

A Workshop for Bank, FI and Corporate Treasury Executives

on the Radically Changing Environment for Retail and Corporate Payments
with the Introduction of PSD2 and Its Effect on Competitiveness

This comprehensive workshop provides guidance to senior executives, managers and professionals involved in innovating payment services at banks, other financial institutions (FIs) and corporate treasuries. The EC introduction of *Payment Services Directive (PSD2)* has heightened competition among the banks to non-banking challengers and fostered vigorous innovation across the financial sector.

The PSD2 legal framework mandates EU banks to provide *Access to the Account (XS2A)* to the trusted Third Party Payment Service Providers (TPPs) via Application Programming Interfaces (APIs); and prohibits banks from blocking such access other than for 'objectively justifiable reasons'. PSD2 payment costs could be lower compared to cards or other payment methods. With XS2A effectively supporting payment initiation and account information services, PSD2 in effect compels all FIs to redefine their competitive business and profitability models.

For smaller banks and non-banking FIs, the new regulatory framework opens a unique chance to compete on an equal footing with the established international banks. Alternatively, without them using innovative analytical methods to ensure transactional profits, low margin commodity payment services are unlikely to achieve sustainability in such a highly competitive environment.

A corporate treasury could now insist on using direct PSD2 access to their bank's core system to establish efficient and cost effective account information services and cash management and for instigating high margin value-add services, such as international payments and Supply Chain Finance (SCF). Leading payments technology vendors are also busy – advancing the architecture of their transactional platforms, defining requirements for a PSD2 bank access module, obtaining regulatory approvals for their compliance, security and privacy solutions, and evaluating exciting new opportunities for online digital offerings.

The new PSD2 ground-breaking rules also include instant confirmation, no chargeback, liability allocation, transparency requirements and customer authentication measures. The European Banking Authority (EBA) has been tasked with drafting and publishing related technical standards for online payments and enhanced security. Hence, the PSD2 role as a disruptive catalyst for payments innovation is expected to intensify in the next several years.

To survive and prosper, EU banks must find the new ways to monetise their value-add payment services, restructure back office operations, revolutionize marketing, and radically improve their messaging, analytical and reporting tools. Using standardized APIs, trusted TPPs and real time payment hubs could rapidly develop sophisticated services for the account holders, which, due to PSD2, banks could no longer effectively prevent or even control. To ensure the profitability of their digital services and retain their best customers, EU banks must learn to compete and cooperate with the agile and aggressive external players.



In the new highly competitive environment, a change from closed and inflexible legacy banking or from insular corporate treasury to the open, global reach networking system could be quite challenging, especially taking into account heightened security, Know Your Customer (KYC)/Anti-Money Laundering (AML) compliance and privacy requirements. The resulting business and technological change inevitably imposes wide-ranging organizational restructuring, in turn affecting a bank's back office operations, choice of technology platform and partnership strategy. For corporate treasuries, the culture shock of being registered as a PSD institution, with the consequent requirements of regulatory approval and ongoing compliance monitoring, could be overwhelming.

The ensuing payment interactivity management issues – such as the development of API strategy; impact of the API framework on transactional profitability and banks' sustainability; use of intelligent automation for exception management, reconciliation, repudiation or audit processes; establishing payers' identities or providing mutual escrows – have to be substantially advanced. This could only be done by determining transactional profitability and the potential for generating new value add revenues in the rapidly changing economic and competitive environment.

In PSD implementation, conventional low-value high-volume retail B2C banking (i.e., retail or mobile payments) presents substantially different challenges and opportunities, as compared to high-value low-volume B2B banking (such as international payments or SCF). Moreover, PSD2-enabled data transparency requirements, as well as the newly feasible direct and rapid access to the transactional payment history by the law enforcement agencies, often based on evidence anonymously triggered by a second party, could have unexpected and severe implications for the bank's Board and executives alike.

With the help of our workshop, executives from banks, new FIs, corporate treasuries and leading payments technology vendors can pivot the introduction of PSD2 as a rare opportunity for refocusing innovation investments on a selected set of banking services that can deliver better profit margins.

This workshop builds on our original financial and technical research and innovation. It is founded on proven, innovative analytical methods for organising and performing transaction banking and payment operations, in Europe/Middle East, North America and South East Asia. With the opportunities presented by the new regulatory framework for payments, it is possible to achieve new growth, with the banks' profit and cost centres prioritising the restructuring and enhancement of their payments programs, introducing new payment concepts, and learning about their customers' rapidly changing payments needs and expectations.

Our original data-driven models put heavy emphasis on all the existing and new services' demands, costs and potential profitability. **We outline how banking decision makers can successfully address tough challenges triggered by PSD2 – by helping workshop participants to review their existing and potential new services (both profit-oriented and support/overhead), enable strategic profitability analysis, and facilitate the ranking of different service alternatives.**

BelPay interactive virtual workshops and brainstorming sessions are exclusive events for a limited number of executives, managers and professionals of banks, financial institutions and corporate treasuries. The presenters include leading experts from Belgium, Canada and the US who specialise in introducing and monetizing innovative payment services, reengineering the payment operations of banks and corporate treasuries, and the related regulatory/compliance issues.



A virtual workshop with follow-up individual discussions

This is a unique opportunity to participate at this interactive workshop for executives, finance directors, managers and professionals of banks, financial institutions and corporate treasuries. It deals exclusively with the present-day strategies of monetising new profitable payment services triggered by the introduction of PSD2. It helps decision makers to use this unique opportunity to explore new and re-engineered banking services that can deliver increased profit margins.

During and after the workshop, the participants will have an opportunity to engage in discussions with the presenters and their colleagues, raising and clarifying individual issues and corporate concerns. The event's agenda includes exciting online social networking activities for the participants. For more information, see <http://www.BelPay.be/events>.

This interactive event will be hosted by BELPAY. BELPAY'S (www.belpay.be/) primary goal is to help monetising international business transactions. Our headquarters are located in Brugge, Belgium. Our advanced financial analytical and technical research facilities are located in Canada and other countries.

Customer testimonials from previous workshops

- *"You have my attention for really innovative and exciting opportunities!"* – senior payments expert, Dutch international bank
- *"Let me say that the content was very interesting! All the speakers were also very interesting and innovating"* – senior payments consultant
- *"[The workshop] gave me so much self-confidence, that I am now willing to accept the idea that I could [...] truly design the 'ideal bank' from scratch."* – banking executive participant