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Waiting until the eleventh hour

The state of play of the PSD2: business opportunities perspective

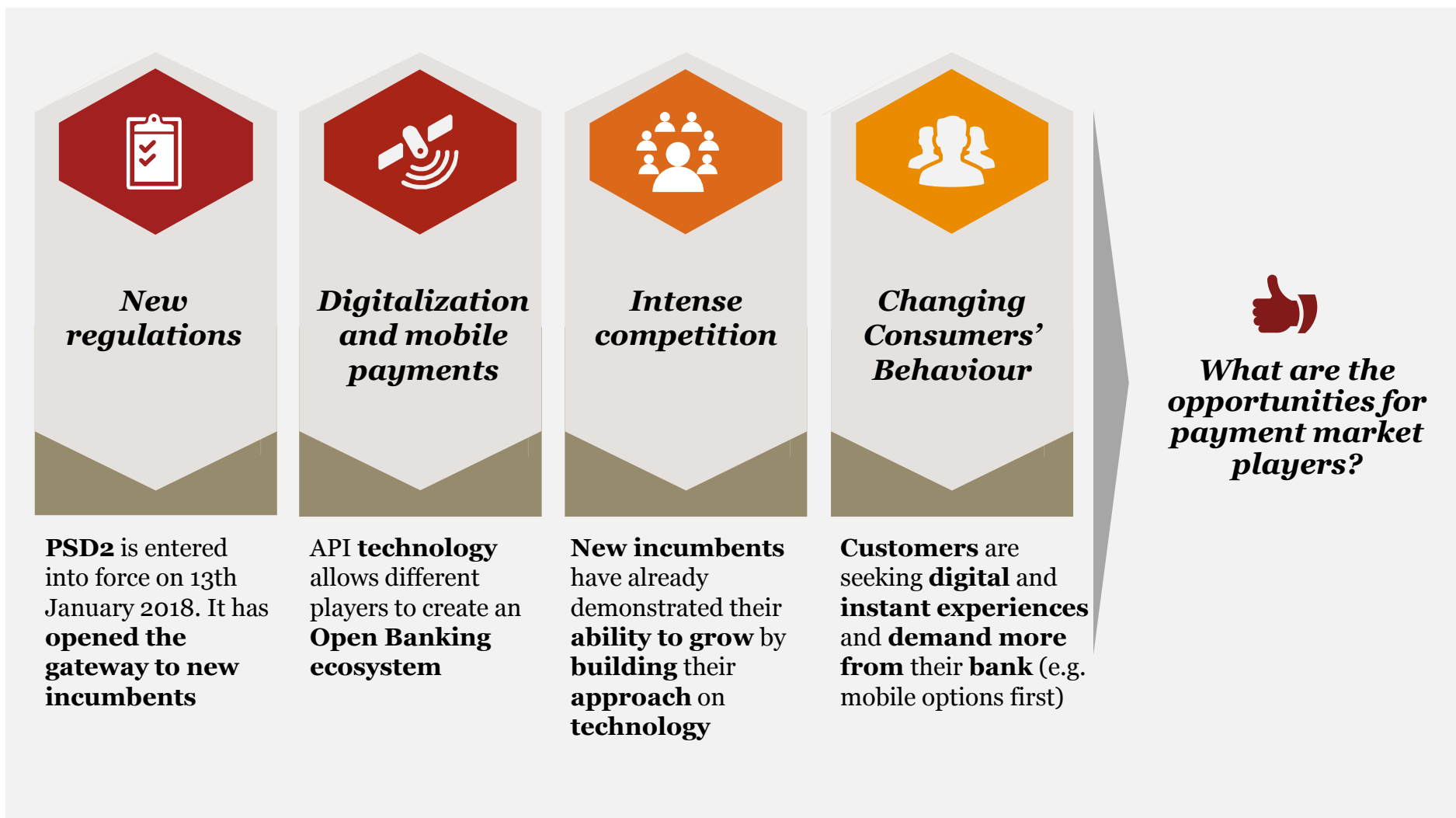
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19 March 2018



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Four forces are affecting perspective of the banking players in the market



Agenda



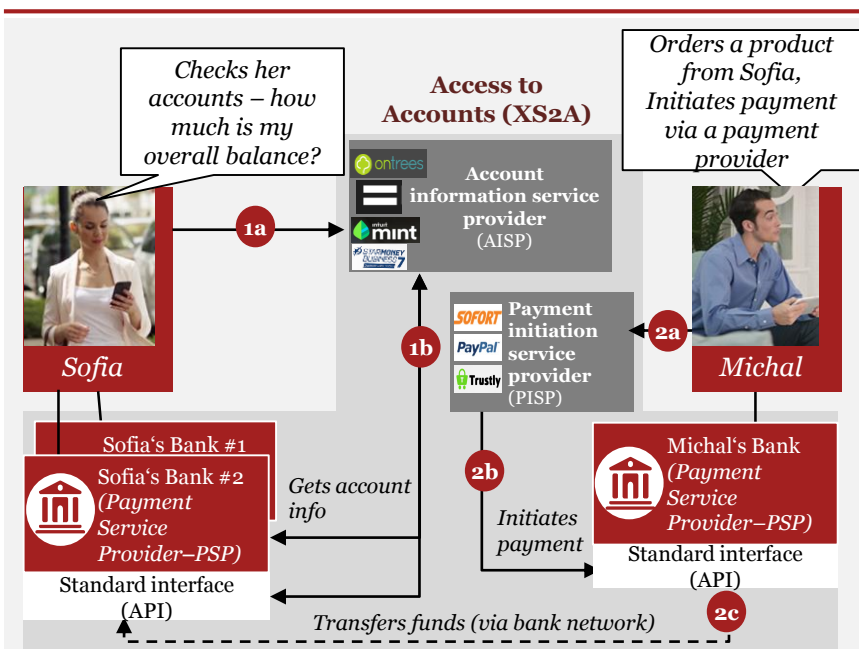
Business opportunities



Main results of «Surviving the customer experience in the PSD2 context»

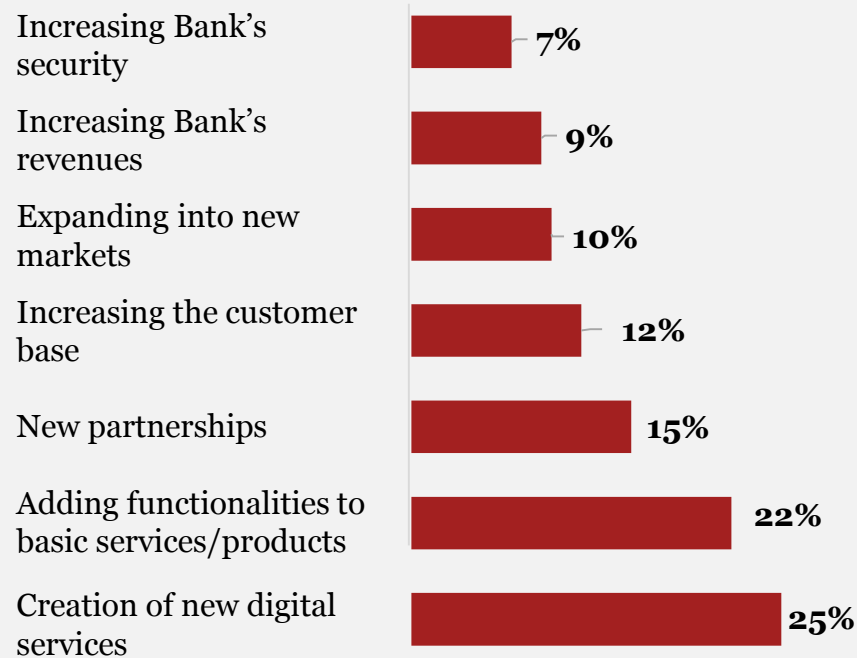
New regulations introduce new requirements and present new opportunities for banks such as PSD2

Risks



- **Banks are required to open their infrastructure to third parties**
- **Third parties** may access account data or initiate payments

Opportunities



53% of the responding Banks have indicated that they think **PSD2** offers many **new business opportunities**

Source: Waiting until the eleventh hour, PwC 2017

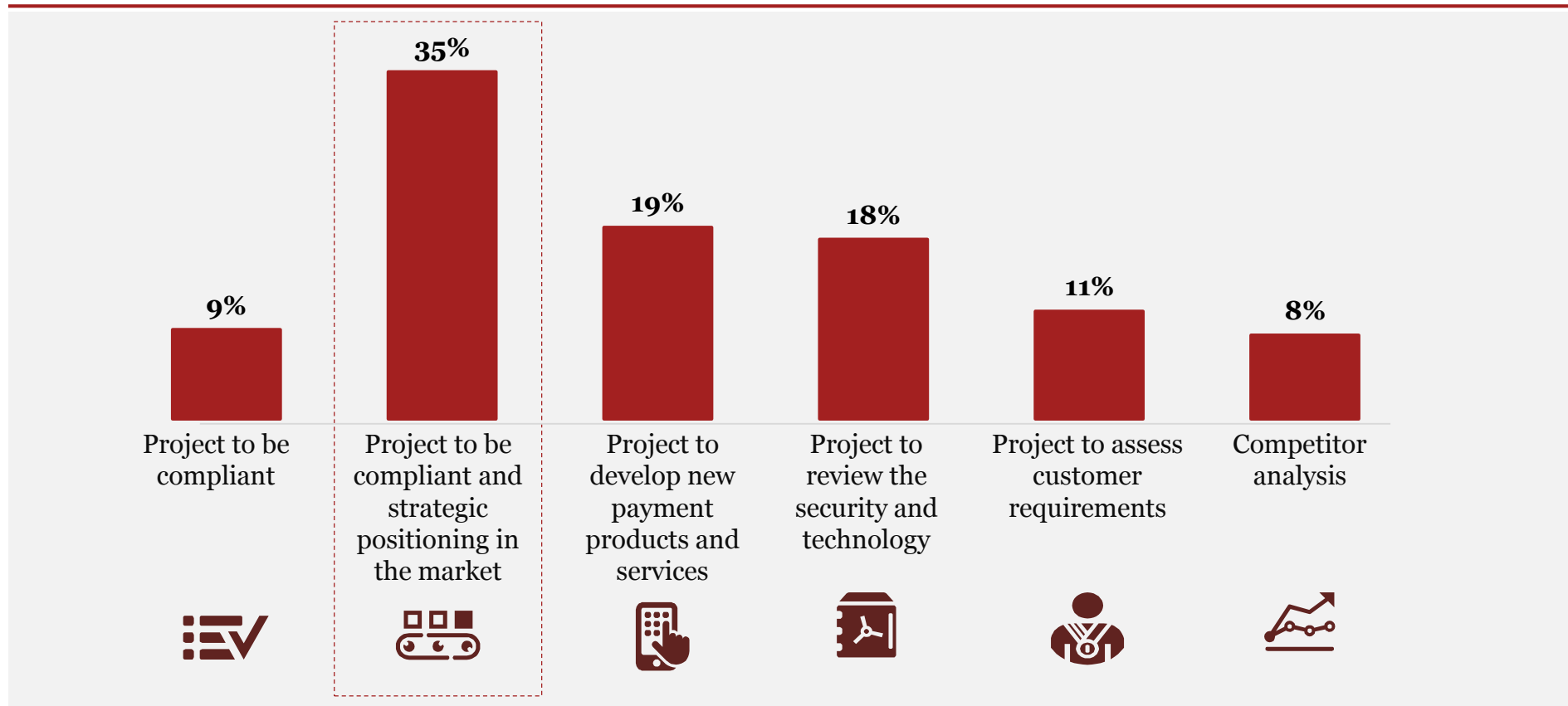


Which is the banks' point of view?

Banks want to become compliant and to choose a new market positioning

The PwC e Strategy& have conducted a survey in European markets which involved 39 Banks and 17 countries

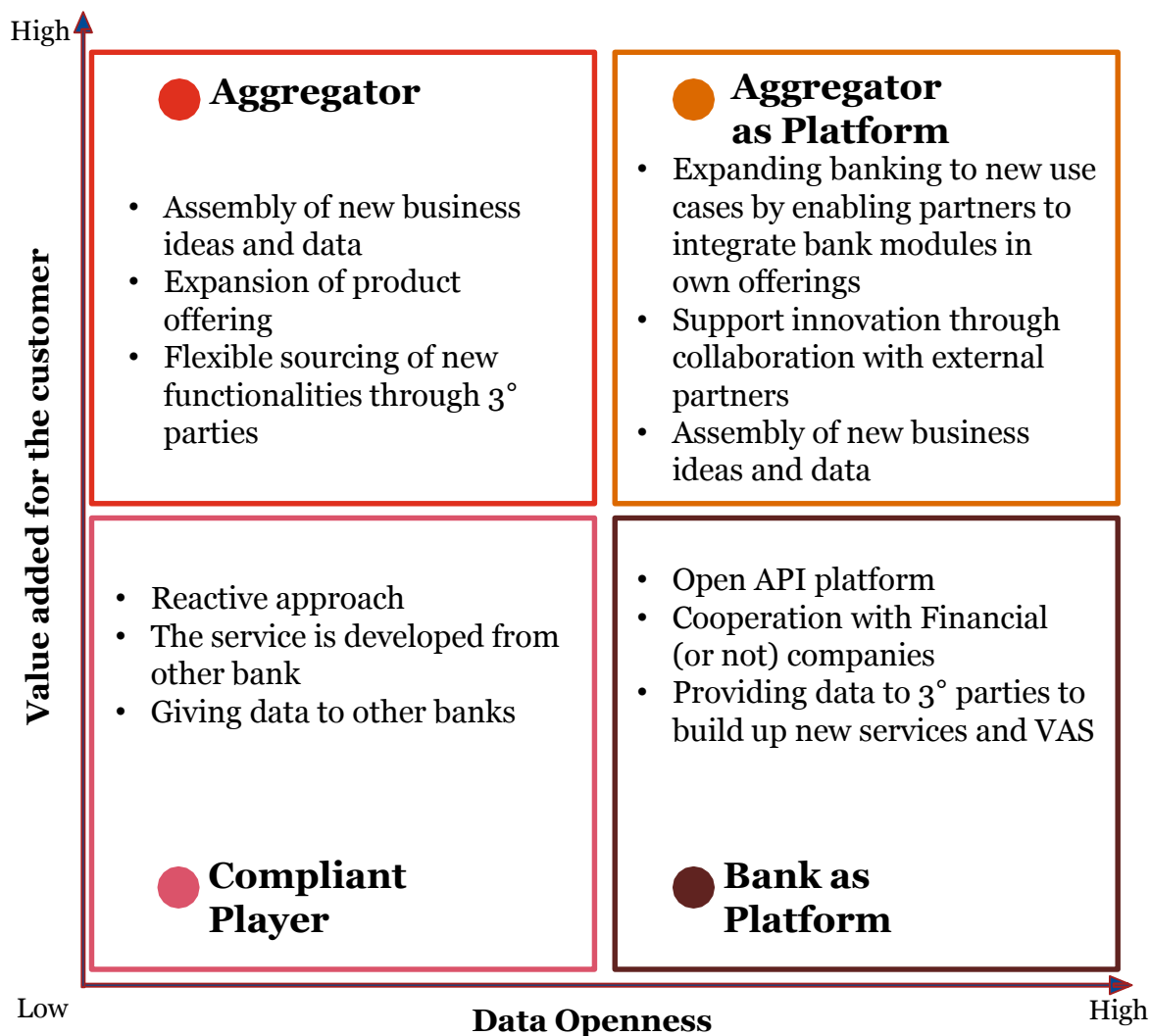
Statement of the project



Source: *Waiting until the eleventh hour*, PwC 2017

Roles that players could play

ILLUSTRATIVE



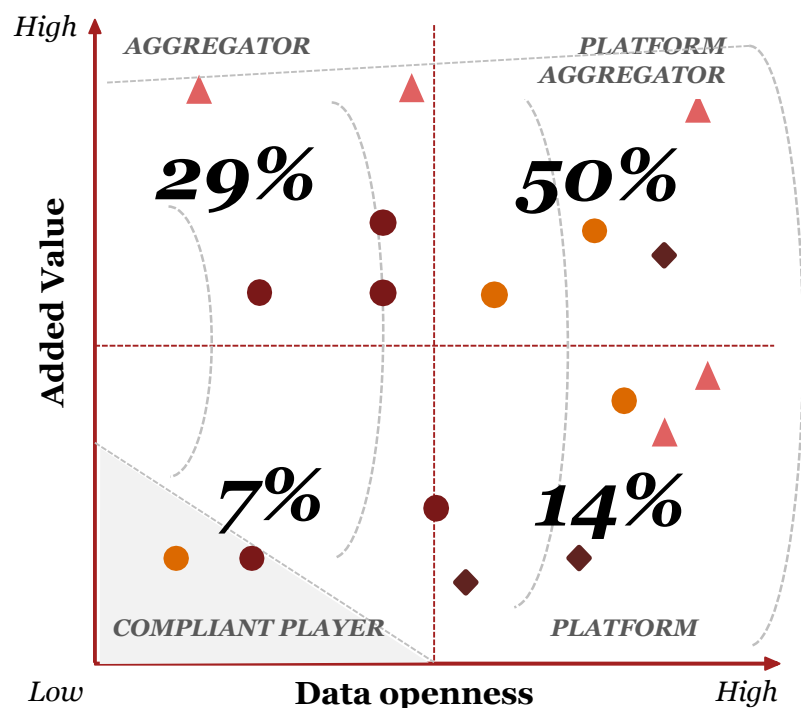
Banks should decide if to take action and implement a step-by-step approach to achieve the predetermined business goals. Therefore, banks need to evaluate if to create a partnership with third parties or if to develop new innovative technologies in-house, based on to their dimension, their customer base and their abilities to innovate

Options of strategic positioning in a long term

ILLUSTRATIVE

Possible to-be positioning of payments market players in Europe

Overview of possible positioning
























- Italian Banks/Medium Groups
- Italian Banks/Big Groups
- ◆ Other market players (e.g. payment providers)
- ▲ European Banks/Groups

	Features	Pros	Investments
Compliant player	<ul style="list-style-type: none"> Reactive approach Mandatory data sharing with third parties 	<ul style="list-style-type: none"> Regulatory Compliance 	<ul style="list-style-type: none"> Compliance investments
Aggregator	<ul style="list-style-type: none"> Aggregator of data from third parties Development of new services and functionalities through collaborations with third parties 	<ul style="list-style-type: none"> New business ideas (products) Collaborations/alliances with TPPs 	<ul style="list-style-type: none"> Compliance investments Integration with TPPs to develop new services
Platform	<ul style="list-style-type: none"> Open API platform Partnerships with Fintechs, financial and non-financial institutes for data and services providing 	<ul style="list-style-type: none"> Opening to customers who look for tech/digital providers Processing skills 	<ul style="list-style-type: none"> Compliance investments Creation of open complex platforms and introduction of new competences
Platform Aggregator	<ul style="list-style-type: none"> Aggregator of data from third parties in order to innovate and create digital environments Growth of banking activities in new unconventional ways 	<ul style="list-style-type: none"> New VAS Collaborations with TPPs in order to gain new customers and to innovate 	<ul style="list-style-type: none"> Compliance investments Creation of open complex platforms and introduction of new competences




Source: Waiting until the eleventh hour, PwC 2017

Potential Open Banking services enabled and optimized by PSD2

ILLUSTRATIVE

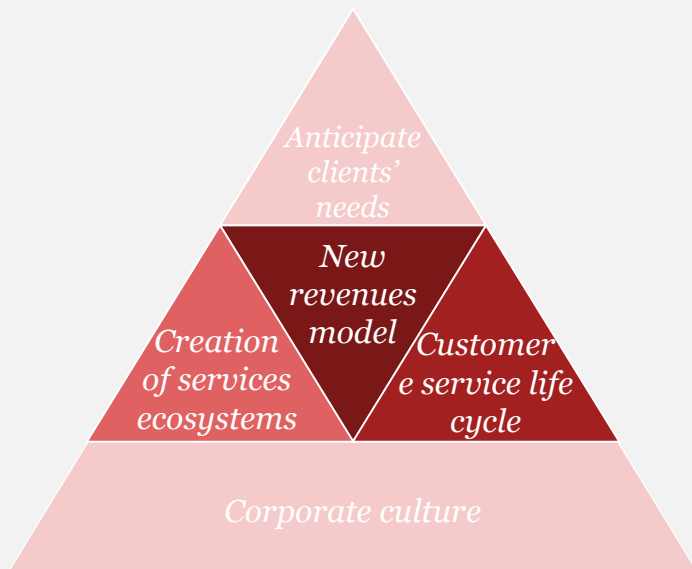
	<i>New potential services</i>	<i>Description</i>	<i>Potential target customers</i>
DATA ANALYTICS	Advanced Personal Financial Management (PFM/AISP)	Service of aggregation of financial data from different accounts, clustering them based on customer's needs. Possibility to support final customers in the management of liquidity related to spending habits	  
	Robo Advisor	Advanced automated financial advisory, that defines the best investment solutions through indicators and parameters	  
	Agreements/Coupons	Development of agreements/couponing systems for specific merchants and distributed to customers depending on the information obtained through AISP	  
	Advanced reporting	Dashboarding services customisable by final customers, both in terms of historical depth and size of information contents (e.g. information about transactions, depending on the type of customer, benchmarking)	  
	Treasury Management	Account management and balance of liquidity with potential expansion to order disposition service (potential integration of PISP)	  
PISP	Social Network payments	Social network as a new channel: from customers' engagement to access to financial information or payment service (PSP)	  
	E-commerce payments	Development of a intermediation of transactions service (PISP) for final merchants through online channel	  

Legend

 Retail  Merchant  SME/Corporate

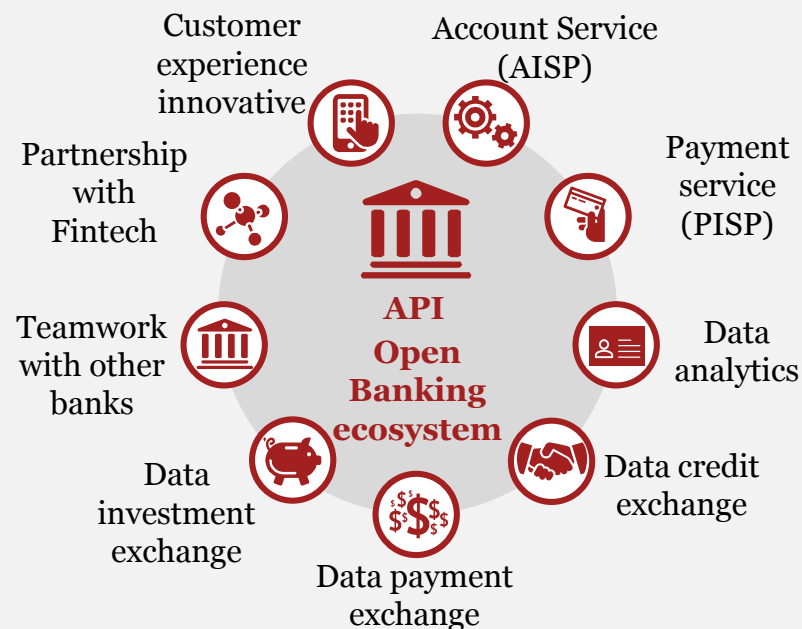
Enabling new technologies can provide a renewed experience for customers but this is not enough...

Be prepared for...



- **Banks** need to **renew** their **corporate culture** in order to be prepared and lead new challenges on the market
- Next, they have to be **create ecosystem** where **Open Banking** is the mean

...the near future



- **Sharing data** through **API technology** supports the development of **new services and products**
- **Banks** need to **identify strategic market decision** in order to **monetize all the information and data** at disposal

Some use case of innovative business

Use case

- **Moneygarden** is a **German financial platform** that offers:
 - **complete overview** of the various current accounts active in different Banks (*oversight*)
 - **vision of expenses** (*insight*)
 - **glance at the future** to understand the development and growth of funds (*foresight*)

- **Ideal** is a **Fintech** that offers an instant payment via **online transfer** from the buyer's current account to the online store's current account
- The provision is prepared by **double authentication** with the home banking access data and the password for the authorization of the instant payment

- **ING launches «Yolt»**, an app that **integrates information** held by a single user in a **single mobile dashboard**
- **PFM services:** budgeting, alerting, intelligent balance, portfolio
- Continuous updating and **expenses categorization** and improvement of **customer experience**

- **Fidor Bank** offered German customers a new mobile banking app «**O2 Banking**» branded and a customer-centric experience
- **Services:** P2P payments phonebook contacts, card and PFM
- Customers involved in a social media community that transfers money through **cloud Fidos OS Platform**

Key Features



moneygarden
WATCH YOUR MONEY GROW

Fintech

Asset management of expenses

Future vision on funds



Fintech

100.000 Online stores

€18 billion amount

ING

In partnership with Yolt

Digital banking

54.000+ employees

35+ millions customers in the world



In partnership with Telefónica

Digital banking

35.000 customers

€ 2.5 millions Net profit

Agenda



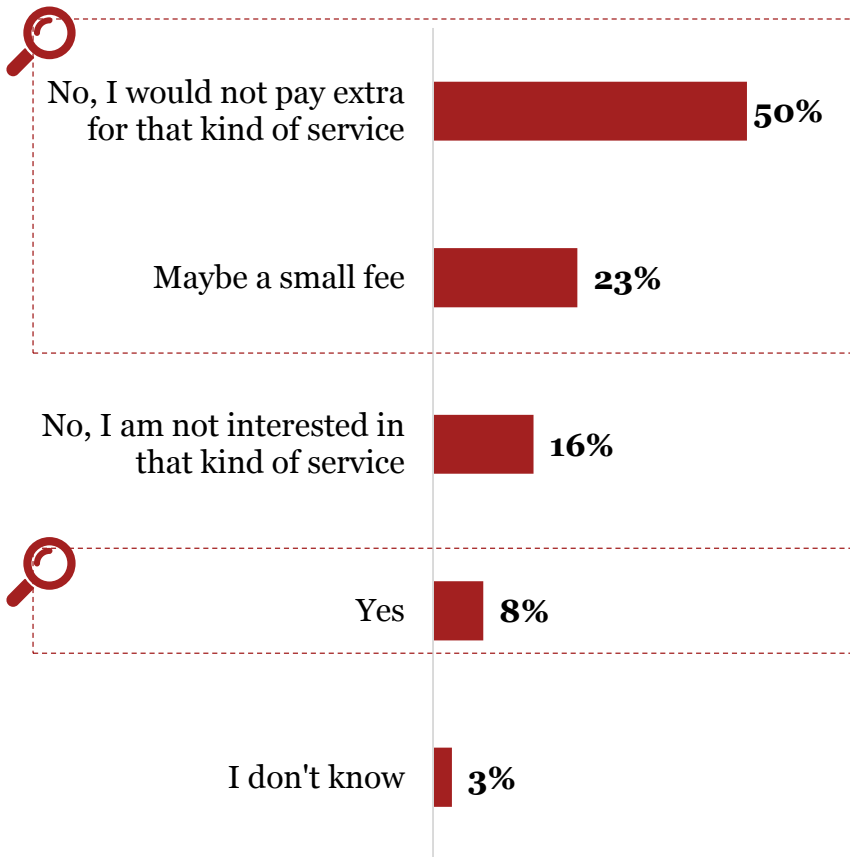
Business opportunities



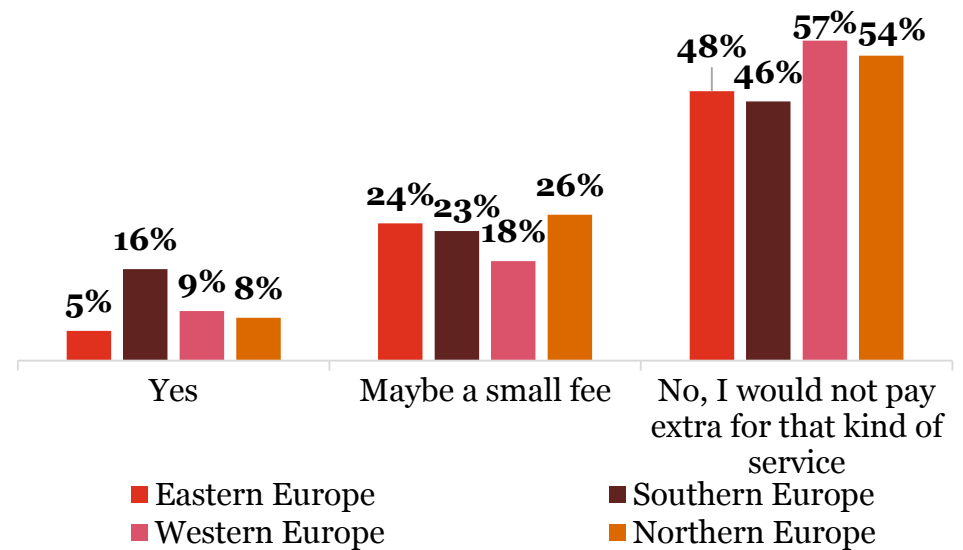
Main results of «Surviving the customer experience in the PSD2 context»

Willingness to pay to use the AISP service

Willingness to pay for the aggregation service



Comparison among countries

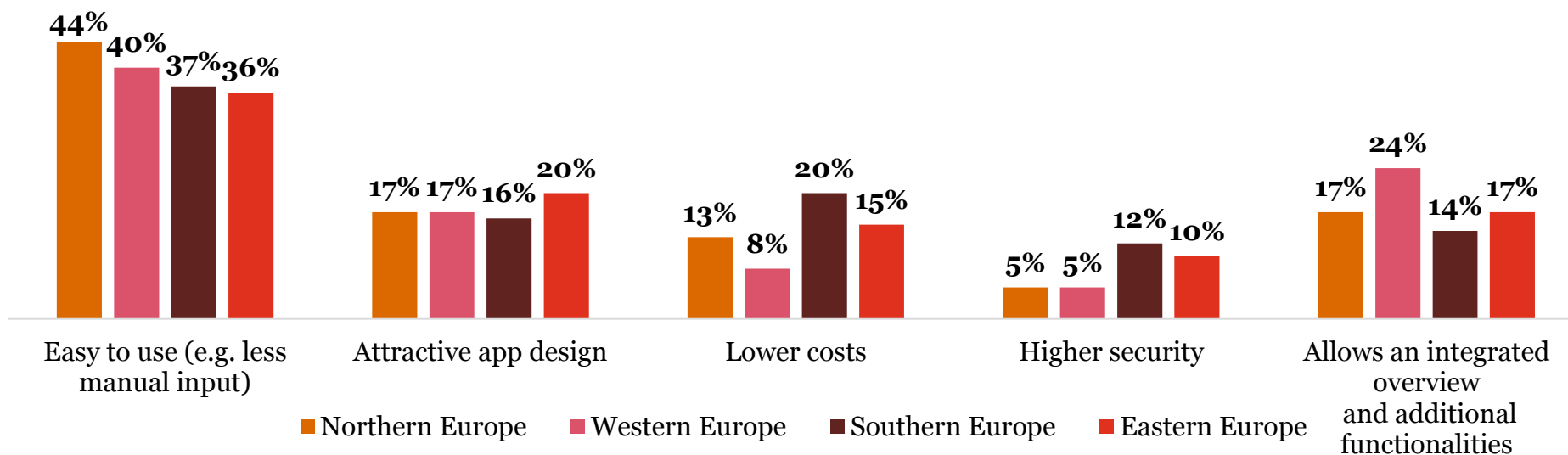


- **Over 60%** of all consumers **would not pay for** or **is not interested** in the aggregation service
- In **Southern Europe** the willingness to pay is **higher** than the European average (**16%** in Southern Europe against **5%** in Eastern Europe)
- **48%** of **Eastern Europe** respondents **would not pay** extra for the aggregation service

Relationship with alternative financial apps



Major benefits using alternative financial apps

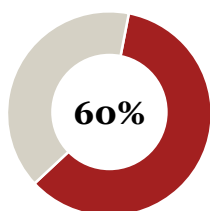


Consumers said the **major benefit** perceive while using alternative financial apps not provided by the bank is the **simplicity to use** (e.g. less manual input)

Consumers do not use any financial apps which are not provided by their bank

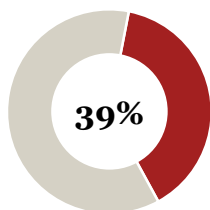
The customers trust in the Banks

Do you have current accounts in more than one bank?

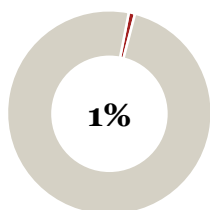


Yes

Due to different factors as highest level of internet knowledge, simplified use and costs' reduction of home banking, a large slice of the consumer has an account in more than one bank

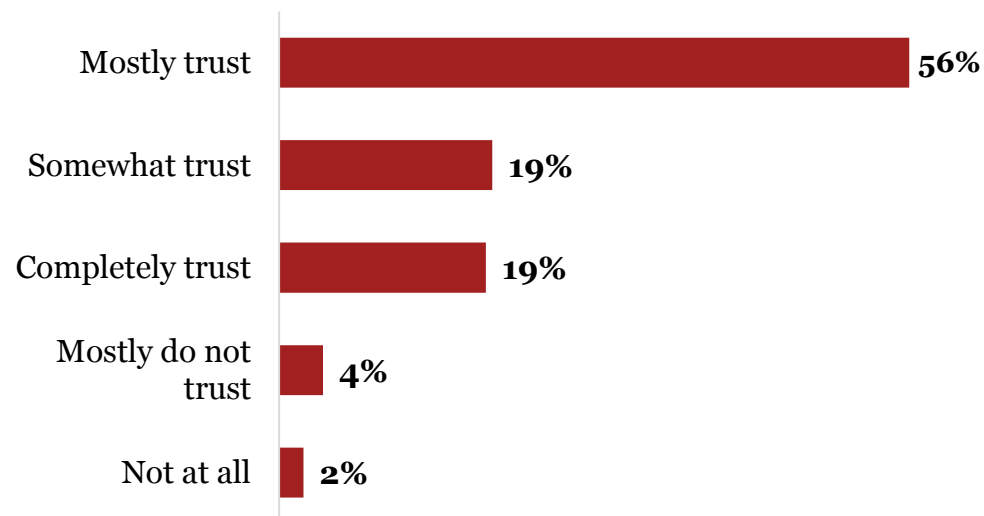


No, only one bank

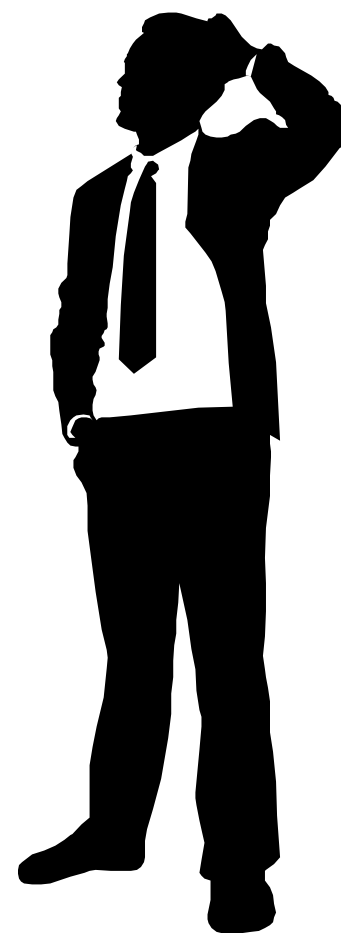


Not at all

To what extent do you trust your bank to protect your data and provide secure operations online?



Q & A

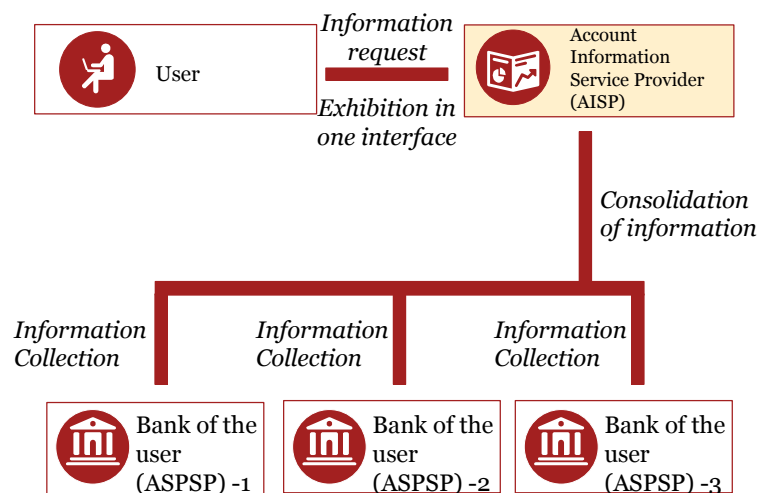


Attachments

Attachment: AISP



Overview AISP



- The AISP collect and **consolidate** into a single *dashboard* the information about **one or more** payment accounts of the consumer
- For **each request** must collect the **explicit consent** of the consumer
- They **provide** their customers with the ability to have an **overview of their financial situation**
- The **providers on the market today** offer detailed information on accounts (eg. the balance and movements of c/c and credit cards, investments, bills, etc.) and allow to analyze your spending habits and **financial needs**

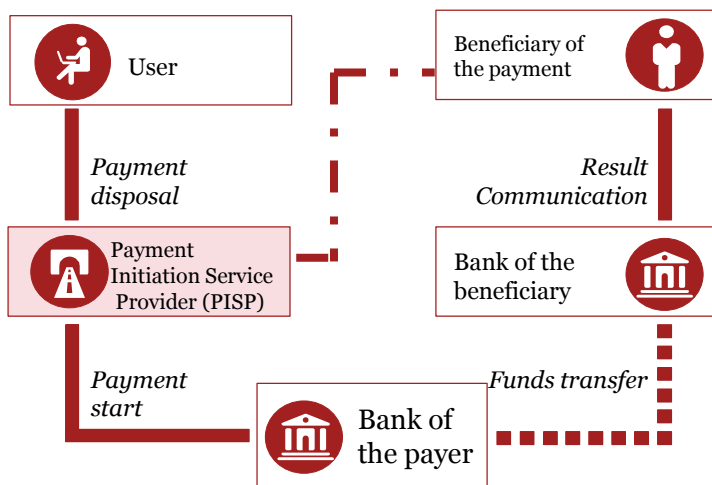
The image displays six smartphone screens illustrating various financial dashboard features:

- Aggregator:** Shows a summary of accounts with balances and logos for Visa and Mastercard.
- Transaction categorization:** Shows a list of transactions categorized by type, such as Entertainment & Nightlife, Groceries, and Transportation.
- Budget and financial planning:** Shows a progress gauge for a goal of 187,500 and a list of challenges.
- Cash flow analysis and projections:** Shows a bar chart for July 2016 with columns for TO PAY (€14,300), FUND (€7,000), and INCOME (€30,100).
- Personalized offers:** Shows a personalized activity feed with recommendations like 'Things are looking up!', 'You're looking for a good time to set up a rainy day fund', and 'You're looking for a good time to set up a rainy day fund'.
- Portfolio Analysis:** Shows a line chart representing investment performance over time.

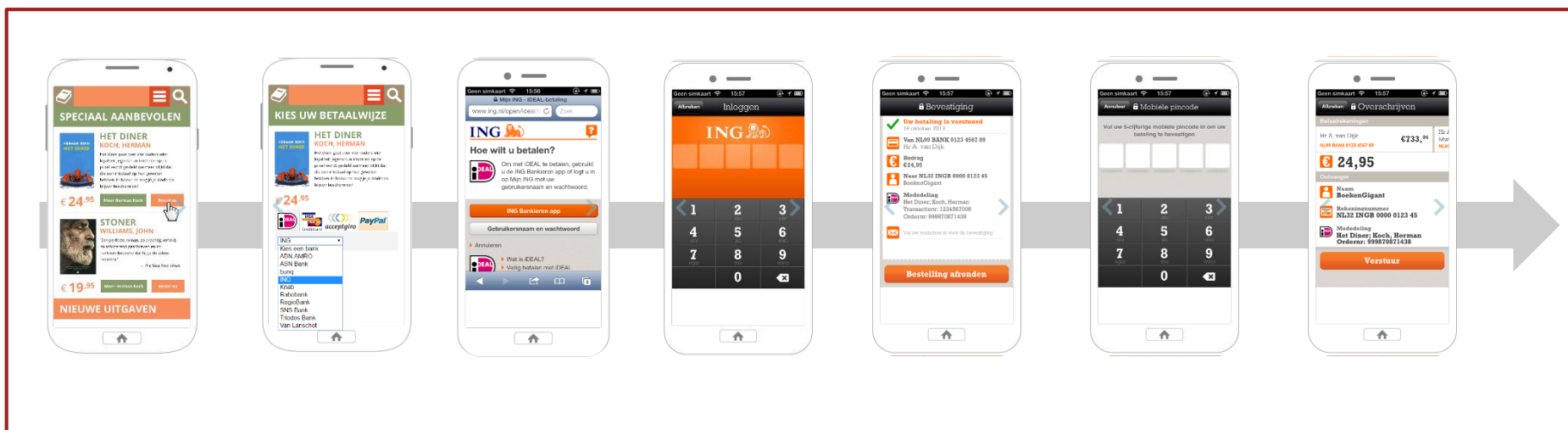
Attachment: PISP



Overview PISP



- The PISP act as **link** between the payment service user and the supplier of routing account services and it **initiates the transaction** on the user's behalf
- For each request, PISP must collect the express consent of the consumer; they can rely on **authentication procedures** previously prepared by the Account routing PSP to access the account
- PISP are required to make available to the payer and the recipient all the **information** related to the operation



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