

PSD2 drives changes in the payments industry – Are you ready to seize the opportunities?



Consumers worldwide drive demand for omnichannel payment systems.

The Challenge

New ways to pay are dramatically shaping and changing the payments industry around the world. An increasing demand from consumers for choice, including e-commerce and mobile payments, are forcing banks to move to omnichannel payment systems, in order to cope with these new, consumer-centric demands in payment methods.

In Europe, the new Payment Services Directive (PSD2) will come into force in January 2018. The Directive mandates that all banks in the European Economic Area must provide direct, secure and faster access for third parties to consumers' current accounts, paving the way for more direct bank account-to-bank account payments, rather than solely card based retail payments, as at the moment.

The Opportunity

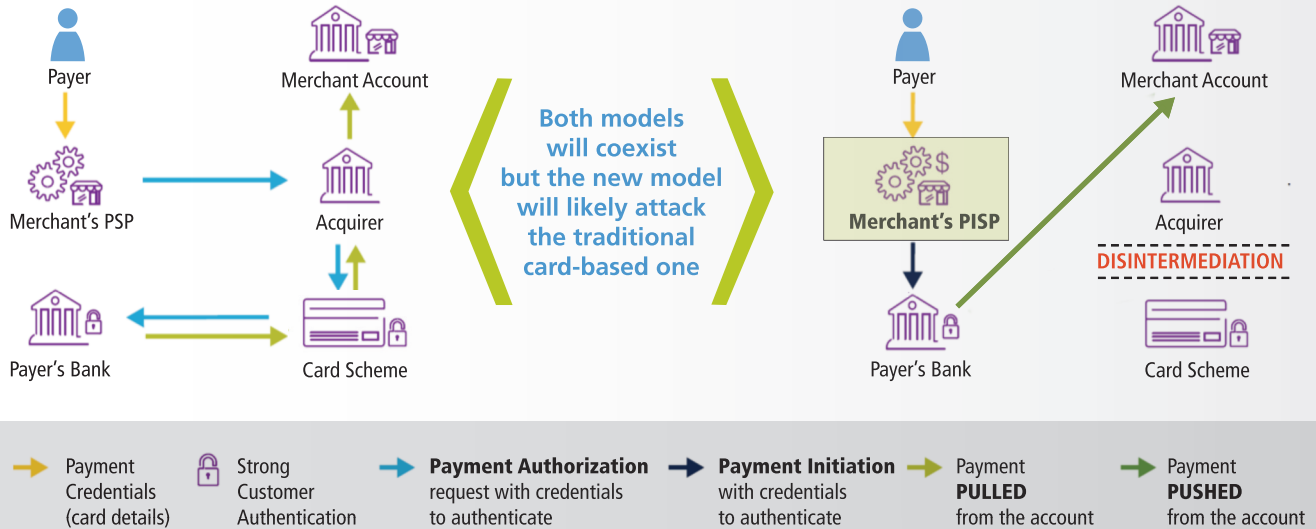
Whether in the business today as a Payment Service Provider (PSP), a new FinTech company, an acquiring bank or even as a merchant – each of them can now step up to the mark and position themselves as a Payment Initiation Service Provider (PISP) or Account Information Service Provider (AISP), in order to participate in the growing business of 'non-card' payments transactions.

In a first step, PSPs need to review their existing payment systems environment and determine whether it is up to the task. More often than not, the legacy payment infrastructure will not be able to easily cope with the new requirements and PSPs will have to deploy additional payment services to add the required functionality. With the cost effective augmentation of their existing systems using comforte's PISP enabling services, PSPs can maximise the Return on Investment (ROI) of their existing payments infrastructure whilst adding enhanced payment services to maintain their competitive edge and seize the opportunities presented by these PSD2 driven market changes.

In a second step, banks and PSPs need to build open APIs (Application Programming Interfaces) to facilitate bi- or multi-lateral relationships. APIs are the recommended technical means by which banks provide online account access to third parties as required by PSD2. As a result, PSPs will be able to provide value added services to consumers that go way beyond the minimum of needed payment services.

Today: Usual payment framework

Additional new model fostered by PSD2



Some of the key PSD2 requirements are:

- Strong authentication and secure communication**
 Strong two factor authentication is required for online access to the payments account, initiation of electronic payment transactions or actions via a remote channel that may imply a fraud risk.
- Introduction of new Payment Service Providers (PSPs)**
 Considered as new PSPs are Account Servicing Payment Service Providers (ASPSPs) who provide and maintain payment accounts, Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs) who initiate payment and aggregate customer payment account information.
- Access to payment account (XS2A)**
 All registered PISPs and AISPs and all licensed PSPs must have access to payment accounts if client has given his consent. All data needed to enable PISPs and AISPs to perform their services must be shared.

Allowing or rather establishing new players in an open payments environment significantly changes the payments landscape. This change is driving significant opportunities for already established payment service providers.

Conclusion

The ability for banks to provide third parties access to bank account data is at the centre of the revised Payment Services Directive (PSD2) in Europe.

Compliance with this new directive and competitive pressure from new players are some of the main drivers significantly reshaping the payments industry across Europe and beyond. Enhancing retail payments beyond the traditional card based payments channels becomes key to any financial services organisation.

Together with ArsBlue, a partner with 20+ years of experience in the payments industry, comforte is bringing new innovative payment solutions to the market enabling financial services organisations to strengthen their competitiveness and to improve the cost effectiveness of their payment service offerings.



Contact Us to discuss your PISP enablement requirements