

**WHITE PAPER**

**PAYMENT SERVICES  
DIRECTIVE IS THE KEY  
TO 'OPEN' BANKING**

Reduce fraud risk and facilitate new levels of automation.

The future of financial services is being driven by Data and digital innovation. In an industry that has been seen in the past as slow to progress, there are clear signs that the traditional banking model is being evolved.

One of the most significant evolutions in the world of banking has recently come into play, the Payment Services Directive (PSD2), which will activate 'Open Banking' to help organisations to do business quicker, safer, and more consistently across the globe.

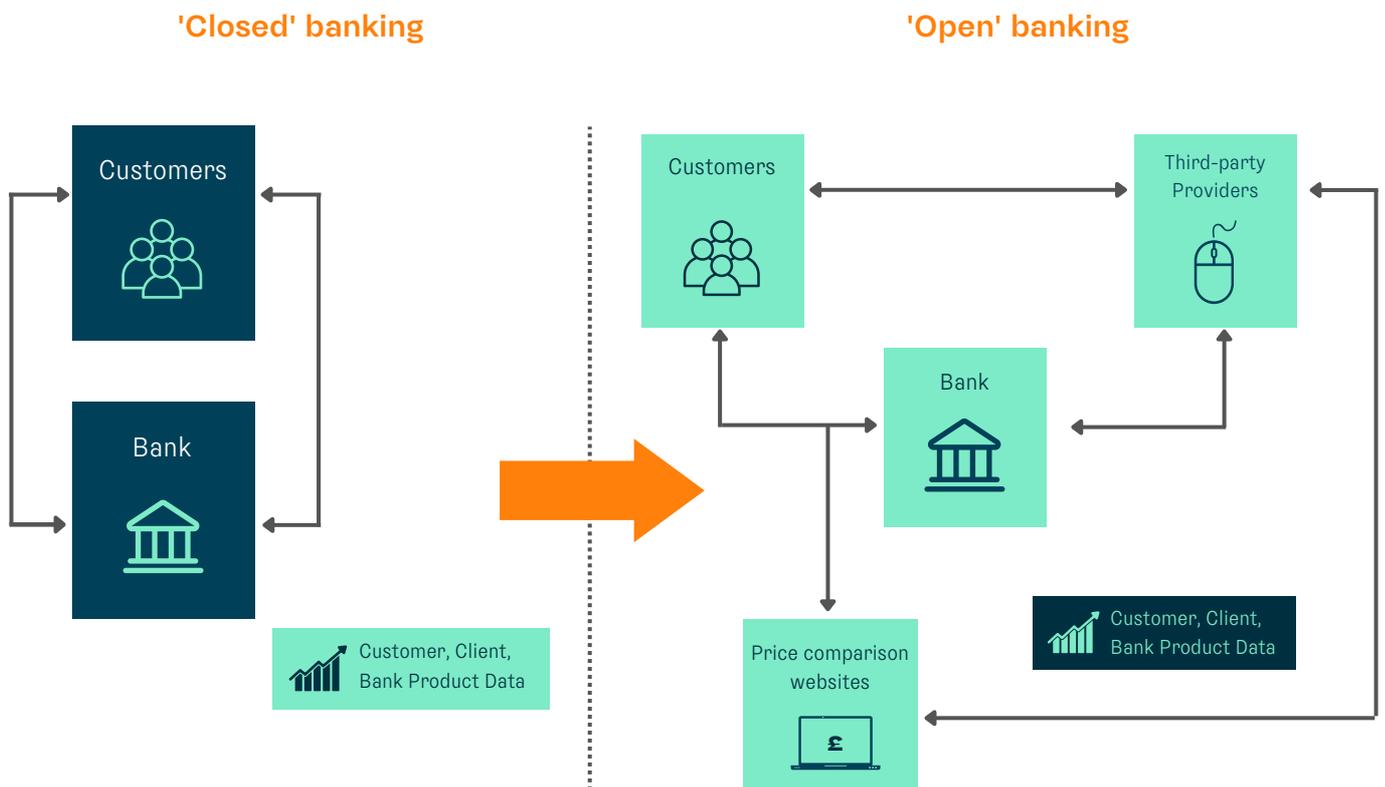
## The Background

The first Payment Services [Directive \(EU\) 2007/64/EC \(PSD1\)](#), which came into force in 2009, established common rules for certain types of electronic payments, such as credit transfers, direct debits, card payments, mobile and online payments. [Directive 2015/2366/EU on payment services \(PSD2\)](#) updates and complements the rules set out in PSD1 and takes new providers of innovative payment services into account.

## The Changes

The new rules seek to:

- Reduce the 66% increase in online payment fraud (2011-2016)
- Supports the rise of the API economy (open banking)
- Provide a new open standard to bring consistency and accessibility by FinTech providers
- Facilitate new levels of automation that were not achievable before



PSD2 opens the EU payment market for companies offering consumer or business-oriented payment services based on access to the information from the payment account.

The directive requires banks to open their payments infrastructure and customer data assets to new forms of payment organisations. It mandates the opening of banks' application programming interfaces (APIs) to third parties, while ensuring enhanced security and strong customer protection.

As an example, this could allow a business to consolidate their different accounts with one or more banks and analyse, and reconcile their spending, which supports better financial forecasting and eliminates a significant amount of human effort.

In terms of automation opportunities, PSD2 presents a world of possibilities for finance departments everywhere. The ability to connect directly to bank account information and payment operations will facilitate end-to-end automation, which was not easily, if at all, achievable before.

## The Benefits

PSD2 will change the payment services landscape for established banks, new entrants, and the organisations they serve. PSD2 requires banks to provide third-party providers with access to their customers' information through open APIs (application program interface). PSD2 is a catalyst for growth and opportunity, and companies that make the most of the opportunity will gain the most benefits.

The PSD2 text outlines that customers have a right to use what are termed Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs) where the payment account is accessible online and where they have given their explicit consent.

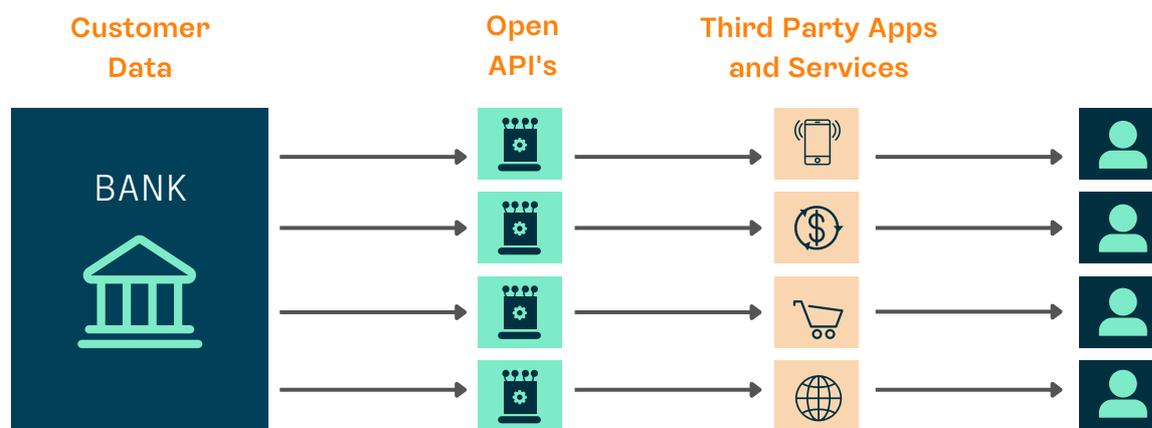
These changes reflect the market growth in e-commerce activities and the use of internet and mobile payments, as well as the rise of new technological developments and a trend towards customers having relationships with multiple account providers. This will simplify internet and mobile payments, helping businesses to manage their accounts and enabling their technology providers to provide additional levels of automation, such as:

- Statement Reconciliation
- Transaction Anomaly Detection
- Spend/Supplier Analysis and Trending
- End-to-End P2P

## The Significance

PSD2 is an important step towards a Digital Single Market. The new measures will ensure that technology standards and access to banking information are subject to supervision and appropriate rules.

There will be wide-reaching implications for a range of parties including banks, PSPs, FinTech companies, and businesses around the world. The world of banking is beginning to open up, as are the opportunities for Finance departments to gain greater efficiency.





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