



Event Presentation

New models of Open Banking value creation for banks and non-banks

11th October 2018

Francesco Burelli
Editorial Advisory Board

Agenda

• **GlobalData Profile**

- Snapshot on Open Banking (OB) and OB Enabled Business Models
- Open Banking Definition(s) and OB Applicability Reach
- Reference Cases
- Building Blocks
- Conclusions

GlobalData's mission is to help our clients decode the future to be more successful and innovative

GLOBAL DATA PROFILE

- GlobalData is one of the **largest data and insights solution providers** in the world
- **Our data & insights help key decision makers to make better, more informed decisions:**
 - Market Intelligence
 - Market Forecasts
 - Competitive Intelligence
 - Consumer Insights
- **4,000 of the world's largest companies** make better and more timely decisions thanks to our **unique data, expert analysis and insights** delivered through a single platform



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- **Snapshot on Open Banking (OB) and OB Enabled Business Models**

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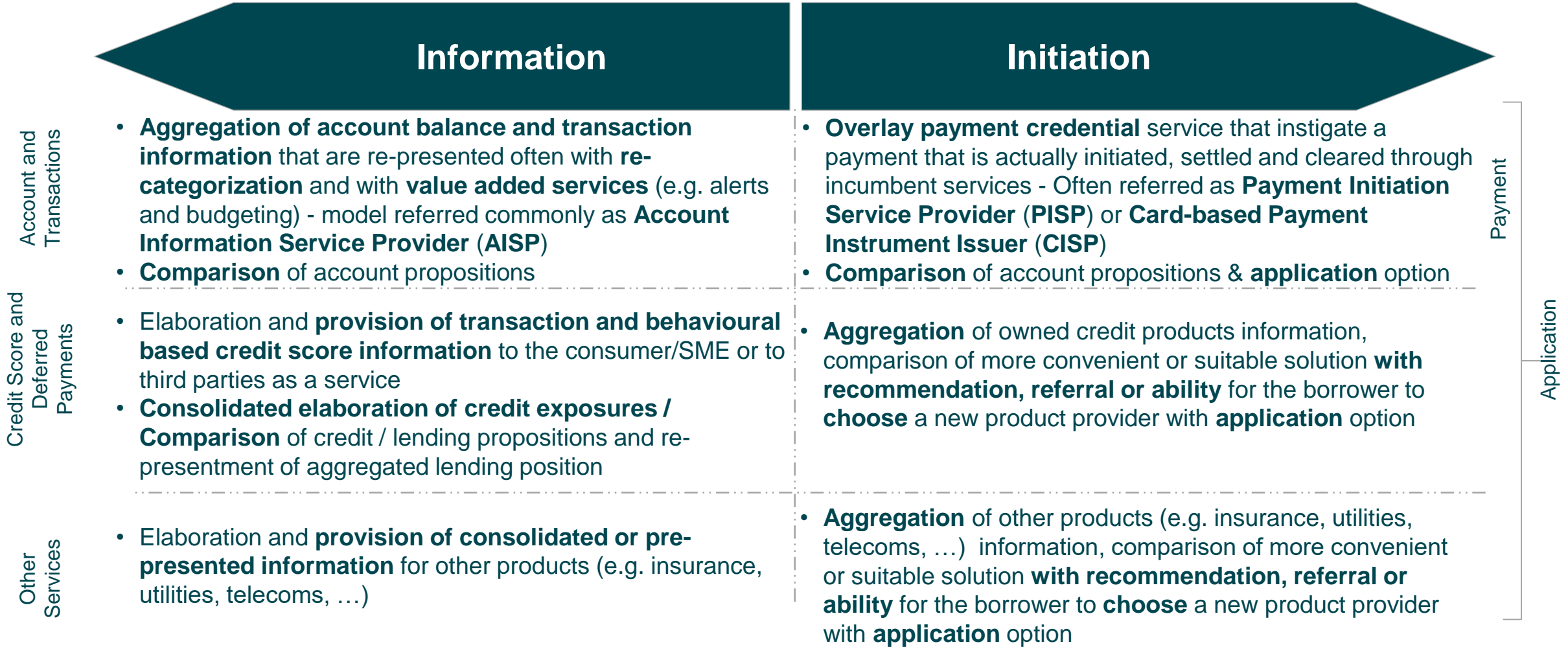
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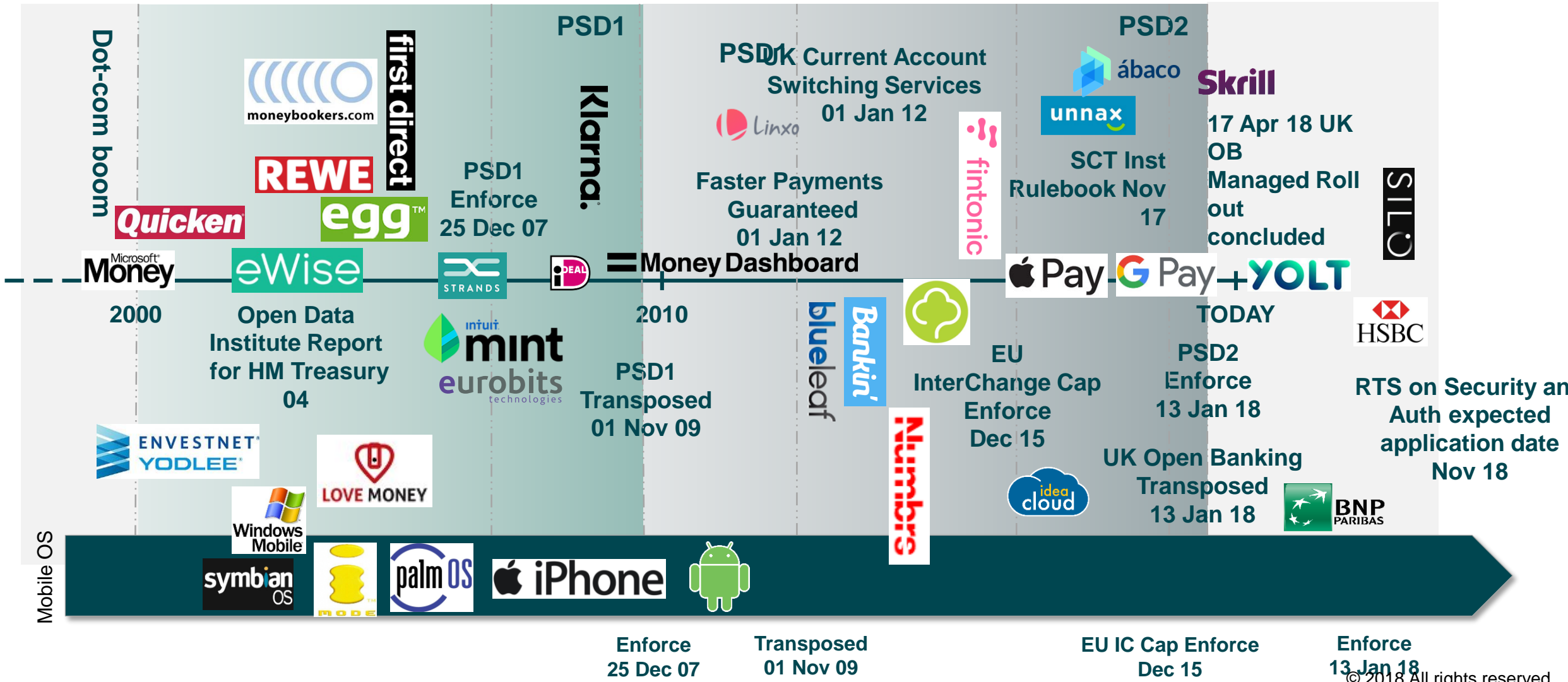
Open Banking enables a number of new business models

OPEN BANKING LEVERS



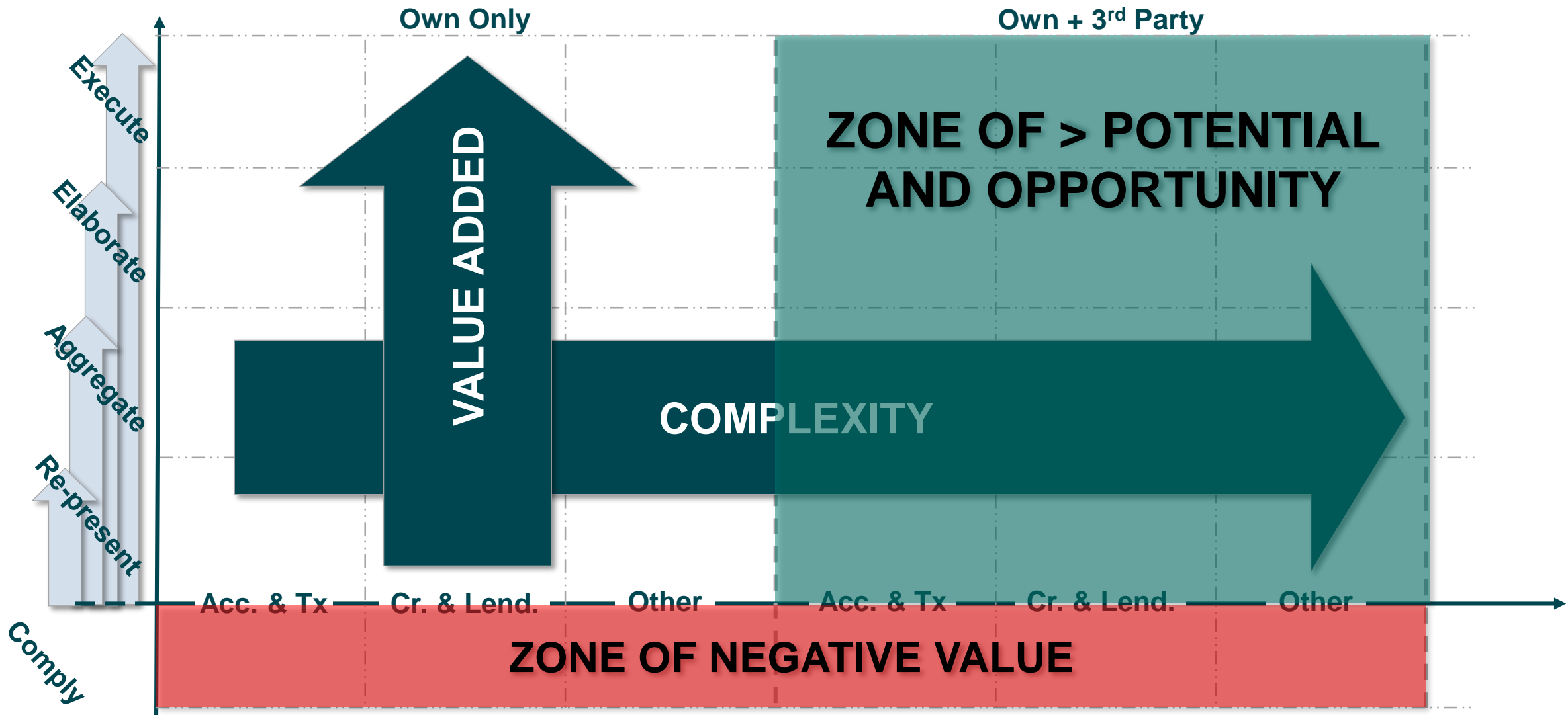
Open Banking in Europe is a step of a long trail of regulatory initiatives

OPEN BANKING TIMELINE



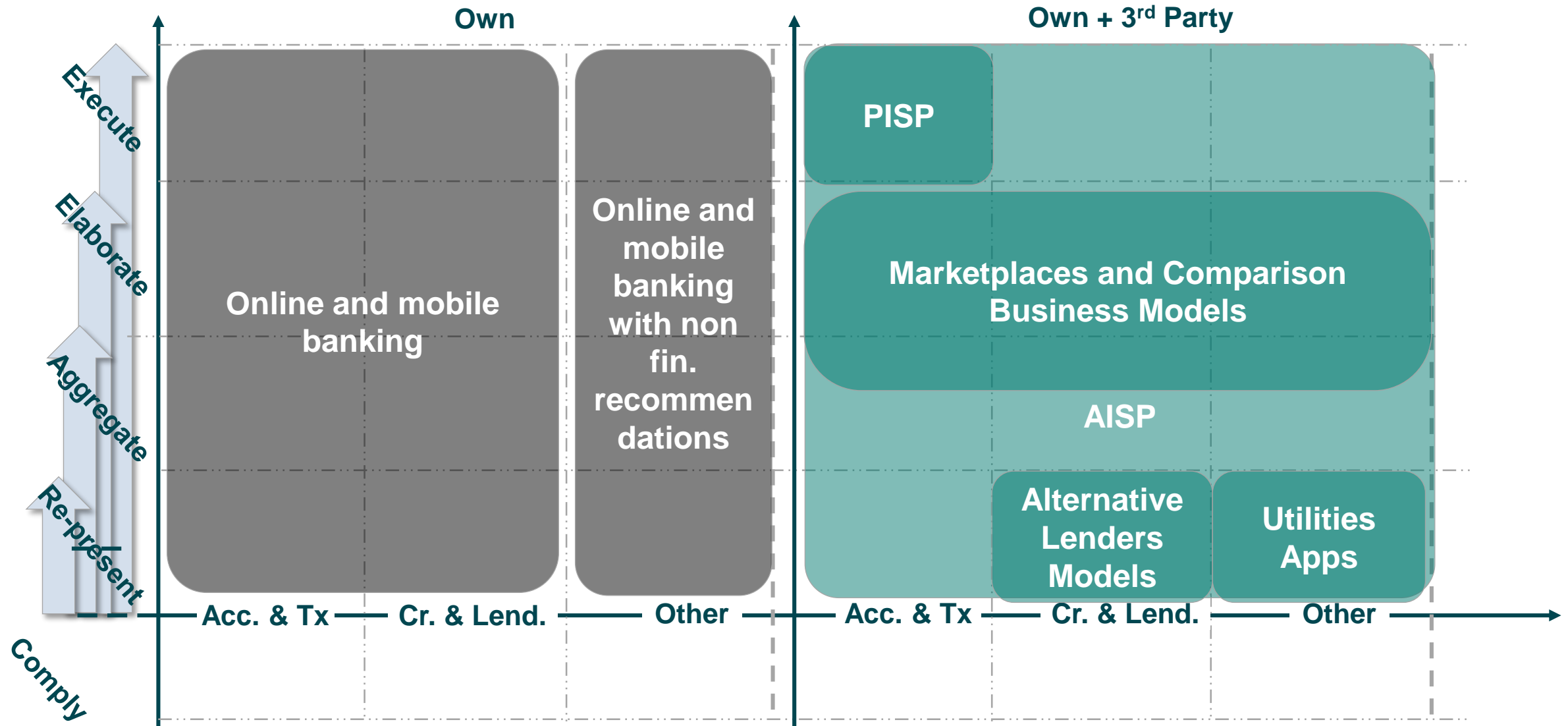
... Whereas there are different degrees of value added and complexity ...

ANATOMY OF OPEN MAPS



... That are leveraging different functionalities and providing value in different ways ...

OPEN BANKING MAPS



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What does “Open Banking” really mean?

OPEN BANKING DEFINITIONS

“Open banking is a system that **provides a user with a network of financial institutions’ data through the use of application programming interfaces (APIs)**. The Open Banking Standard defines how financial data should be created, shared and accessed....”

Investopedia

“**Open Banking opens the way to new products and services that could help customers and small to medium-sized businesses get a better deal.** It could also give a more detailed understanding of accounts, and help find new ways to make the most of money...”

Openbanking.org.uk

Open banking will mean **reliable, personalised financial advice, precisely tailored to your particular circumstances delivered securely and confidentially.** ... **Open banking uses ‘APIs’ to share information** securely, without you having to reveal passwords. ... With Open Banking, apps could use **transaction information to find the current account which suits best.** ... For a small business, apps could find the best deals for business accounts and loans. Apps could even help avoid overdraft charges by moving cash into your account when it dips into the red.”

Competition and Market Authority (UK)

What does “Open Banking” really mean? (Cont.ed)

OPEN BANKING DEFINITIONS

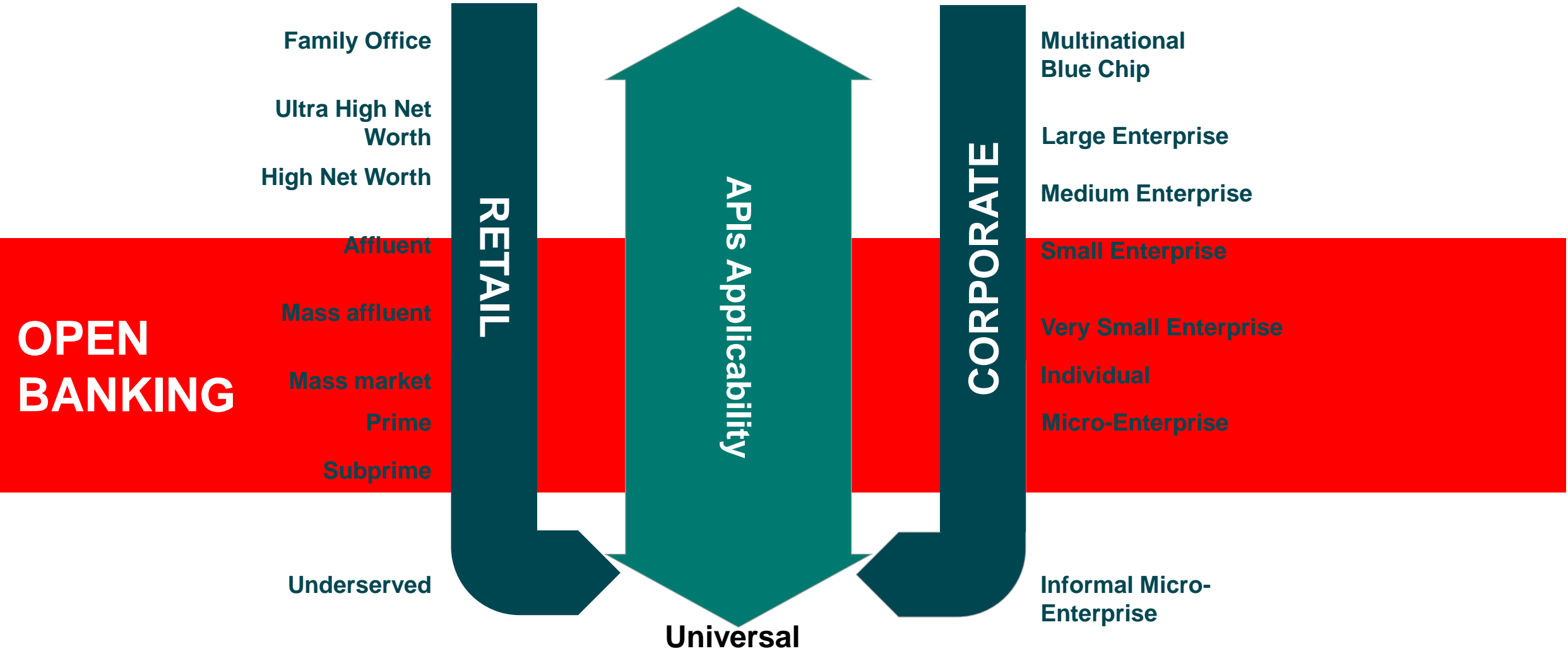
To most 'Open Banking' is the term used to describe the tag-team combination of:

- The Competition and Market Authority's (CMA) 'Open Banking Remedy' which resulted from the CMA's conclusion from its retail banking market investigation, that **older and larger banks do not have to compete hard enough for customers' business.**
- The second Directive on payment services in the internal market ((EU) 2015/2366) (PSD2), which together, according to the Financial Conduct Authority (FCA), will "**enable new and innovative ways of using the information available in customers' accounts and making payments from these accounts.**"
- Our obsession with **mobile devices and FinTech has seen a rise in popularity for the offerings of third party payment service providers (TPPs)** (these relate to payment services from providers that do not manage the account of the payment service user). These TPPs most commonly come in the form of apps which can aggregate our scattered financial data in one place providing us with insightful analysis, and allow us to initiate payments and transfers from apps not run by our banks.

Lexology

Open Banking applies differently to ≠ parts of the market with various value propositions for each segment ...

FINANCIAL SERVICES LANDSCAPE



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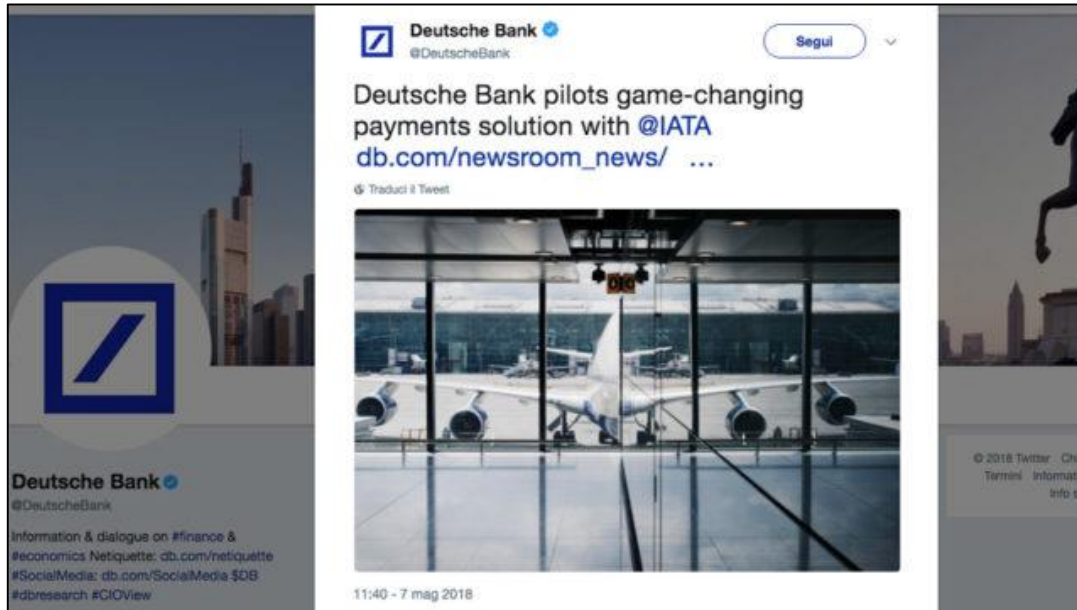
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IATA and DEUTSCHE BANK

CORPORATE PARTNERSHIP



Solution type:	Payment Initiation Service Provider
Launched in:	end of 2018 (expected)
Country:	Potentially global
Customers:	N/A
Availability:	IATA ticketing network

- The International Air Transport Association (IATA) and Deutsche Bank are developing a “new direct payment system” between airlines and their customers as an alternative to credit card payments
 - In addition to improved speed, security, transparency, the initiative aims to the reduction of the US\$8 Billion that IATA members (airlines) incur annually from credit card processing costs
 - Initiative may also improve working capital position for airlines with immediate availability of funds

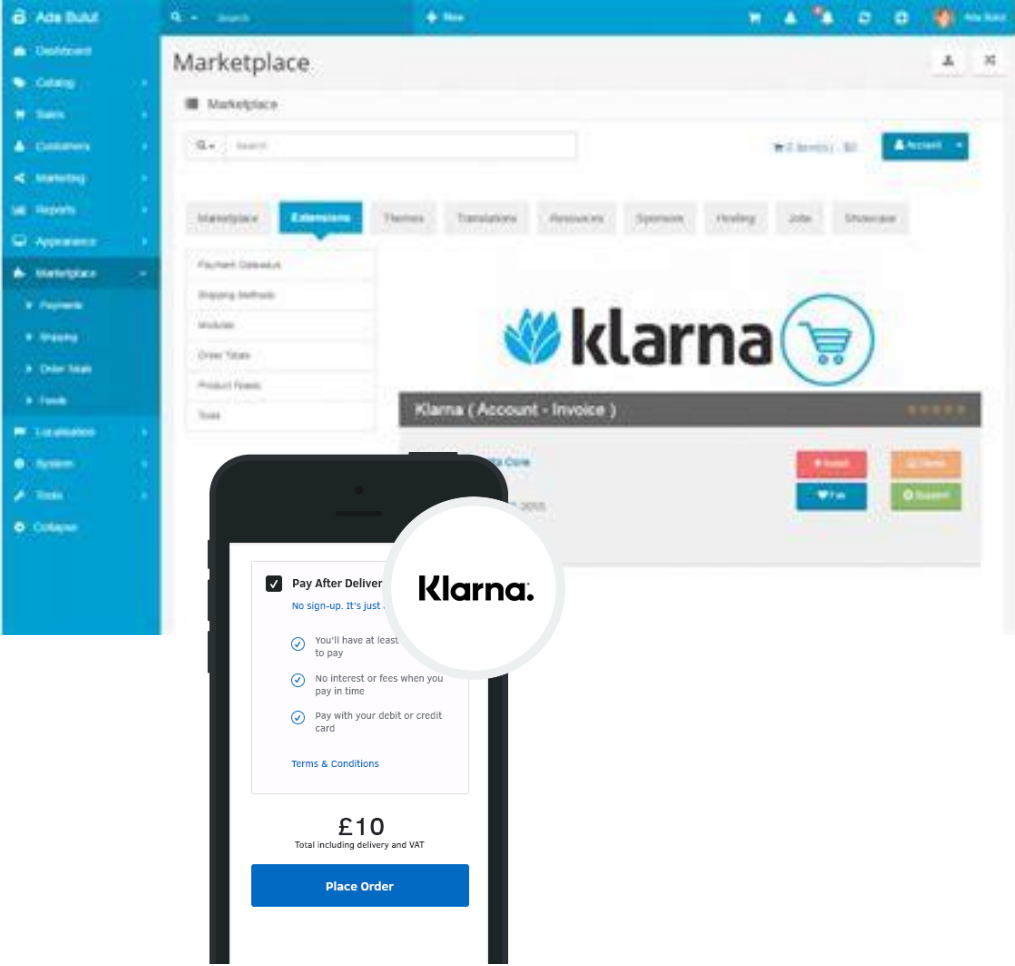
RETAIL AND MERCHANT VALUE PROPOSITION



Solution type: Online payments + credit provider
Launched in: 1998
Country: Most of Europe + US
Customers: N/A
Availability: consumers and an electronic payment instrument

- Initially developed as a security software for handheld devices, developed into a online payment services. Initially operating as an account interface for P2P and e-commerce, had expanded to POS payments and provision of credit to consumers and merchants.
- Subsidiaries include: Braintree, Paydiant, Venmo, PayPal Credit, Xoom Corporation, TIO Networks, card.io, iZettle and Tradera
- Partnership with Baidoo in China

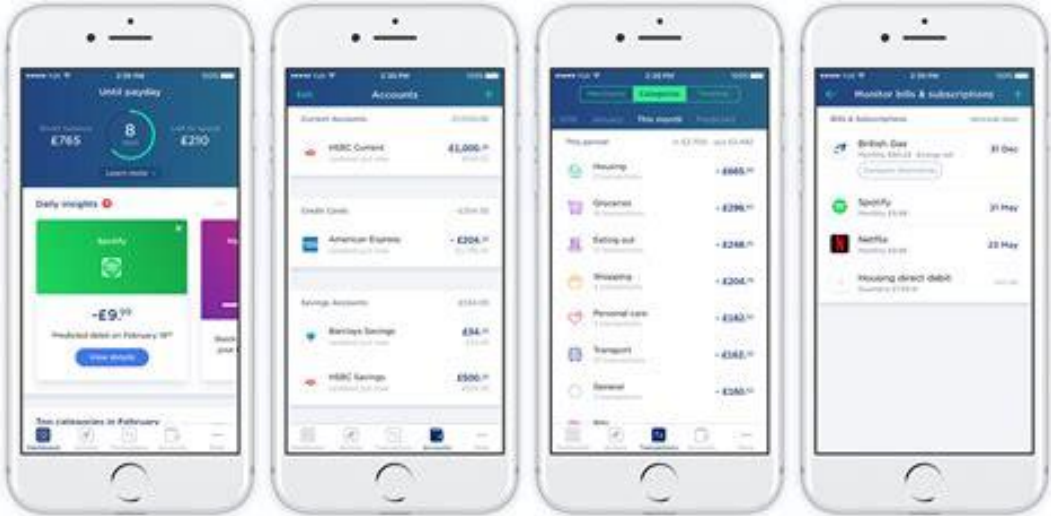
RETAIL AND MERCHANT VALUE PROPOSITION



Solution type: Deferred payments provider
Launched in: 2005
Country: Most of Europe + US
Customers: 60m consumer, >90k online merchants
Availability: banked consumers and merchants in countries of operation

- Klarna Bank AB, commonly referred to as Klarna, is a Swedish bank that provides online financial services such as payment solutions for online storefronts, debt collection, credit payments
- Consumers have the option to pay at checkout, deferred payment at delivery, provision of a credit line to fund the payment. Short term credit is based on the analysis of customer payment behaviour
- Merchants are provided with payment guarantee and fast, simplified checkout

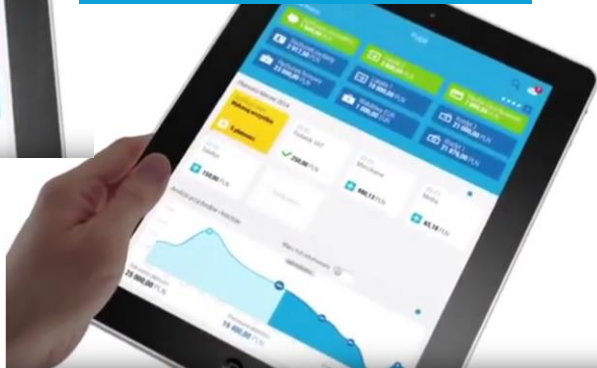
RETAIL VALUE PROPOSITION



Solution type: Personal Financial Management
 Launched in: 2017
 Country: UK (and now Italy too)
 Customers: >500k estimate
 Availability: any UK current account holder

- Yolt is a ING Bank N.V. initiative and it is presented as providing the reliability and security of a bank owned proposition with the agility and innovative drive of a fintech
- Functionalities include:
 - Account aggregation
 - Spending categorization
 - Alerts
 - Virtual budgets
 - Third party recommendations
- Currently extending the to PISP and further expanding internationally

CORPORATE/SME VALUE PROPOSITION



Solution type: Business Financial Management
Launched in: 2015
Country: Poland
Customers: ~1.4m (estimate)
Availability: IdeaBank customers

- Multiplatform cloud based solution targeted to SMEs
- Single application to
 - Administer multiple bank accounts (AISP)
 - Initiate payments (PISP)
 - Compile and store and send accounting documents – e.g. invoices manage clients' and suppliers' data
 - Invoice reconciliation
 - Manage company accounts
 - Manage company correspondence
 - Calculate and present cash flow projections including smart liquidity forecasting
 - Embedded application option to fund projected shortfalls
- Fully integrates banking activity with accounting, invoicing and tax processes
- Partnership with Tax Care (Largest accounting firm in Poland - owned by Idea Bank Group)

Adoption drivers combine a mix of convenience and value to users together with positioning and good timing for roll-out

POTENTIAL LESSONS FROM THE MARKET

There are a number of factors that are driving users interest and adoption. Based on experience and on the analysis of global cases these can be summarised as:



Speed To Market

In a market where there is a limit to differentiation, being able to go to market and achieve critical mass enables to attract attention and set a baseline standard



New And Unmet Needs

Ability to spot and address latent needs where as a new value proposition addresses an issue or a potential new requirement alike



Provision Of Value

Service designed in a way to provide tangible, differentiating value compared to anything else available to the customer up to that point in time




































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The prevailing approach is to source & partner where as providers can also be on the market on their own

PREVAILING GO TO MARKET APPROACH

There is a prevailing “source&partner vs. build” approach that appears to be common throughout the market:

Supplier enabling the value proposition of:
	    
	     
	   
	      
	    
	   

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CONCLUSIONS

- ✓ Inaction is not a viable option
- ✓ High number of opportunities and permutations require upfront evaluation and planning
- ✓ There is no need to reinvent the wheel
- ✓ There is no time like today (or yesterday) to get action going

THANK YOU FOR YOUR ATTENTION!

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