



Embracing PSD2 and the era of Open Banking

Comply, Compete, Innovate

June 2017

kpmg.com/uk/openbanking



The issue and impact

What? and Why?

Disruptive EU and UK regulatory changes are forcing the banking sector to allow access to their customers, creating significant opportunity and challenge for all players.

EU PSD 2 (Jan 2018)

- Enables customers to grant a third party permission to:
 - Access custom account information
 - Initiate payments on behalf of customers
- Applies to all payment transactions where one payment service provider (PSP) is in the EEA also brings new types of PSP's into scope
- Requires Secure Customer Authentication (SCA), as defined by the EBA Regulatory Technical Standards (RTS)

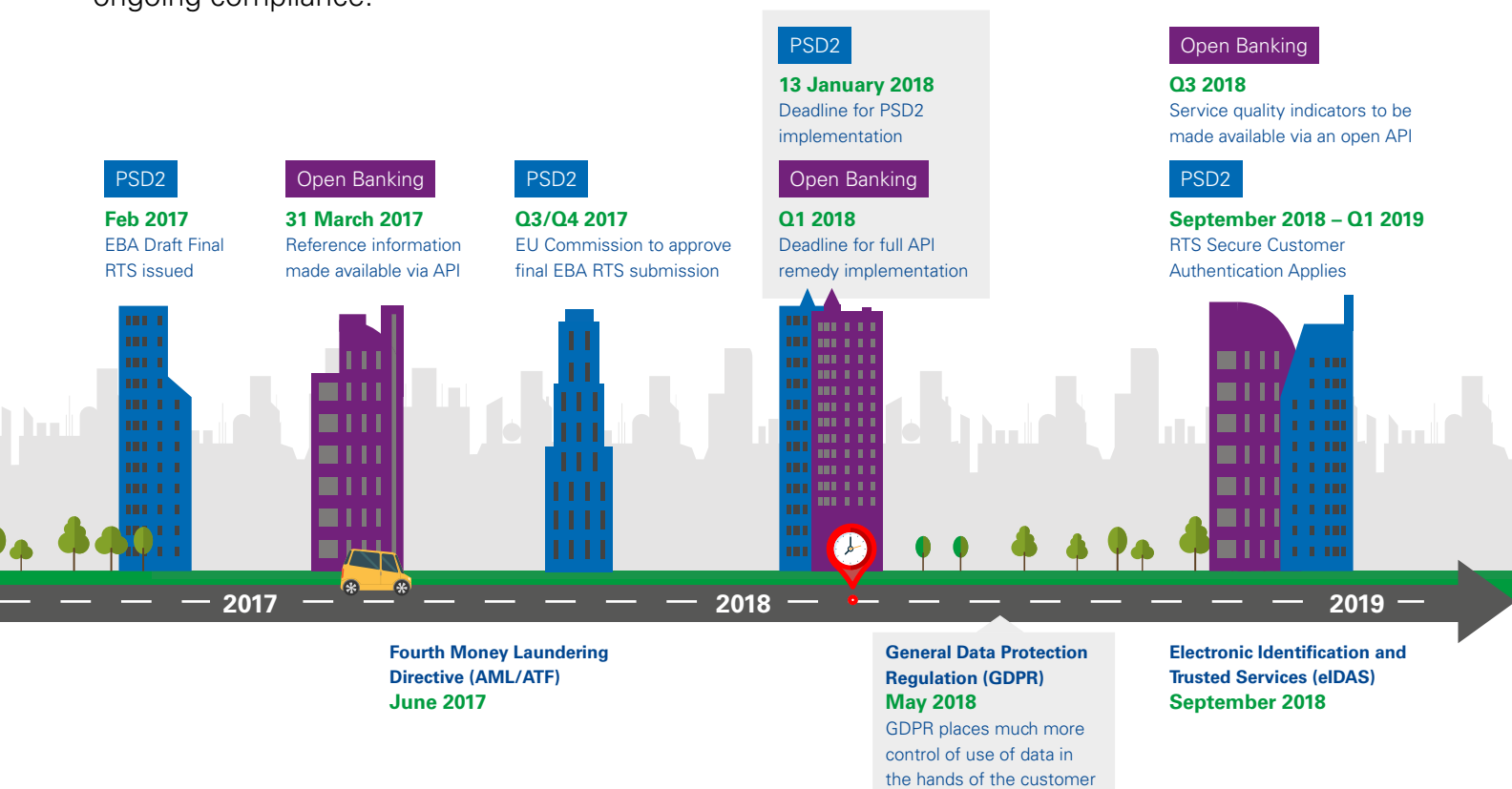
UK CMA Open Banking

- Order on nine largest banks in the UK to provide access to banking data via a standard Application Programming Interface (API)
- There are also additional provisions to improve competition for consumers and small to medium enterprises

When?

January 2018 is the critical milestone for both PSD2 and Open Banking, however there are further regulatory considerations such as EU General Data Protection Regulation (GDPR), the fourth AML directive and the EBA standard on Secure Customer Authentication (SCA).

By January 2018, organisations will have had to analyse the impact on their business, chosen a strategy, defined requirements, designed and implemented solutions and be able to demonstrate ongoing compliance.

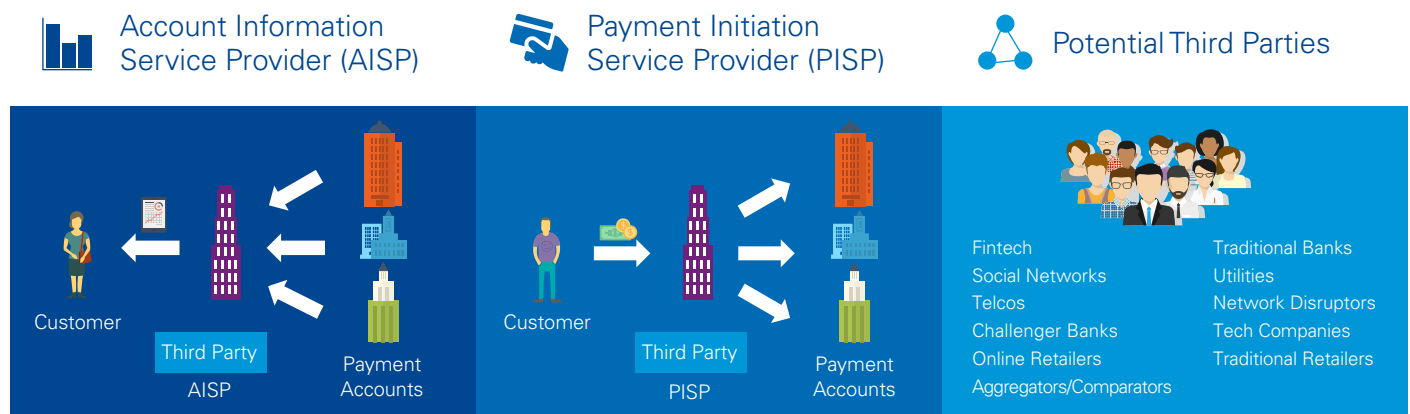


The competitive response

How? and Who?

The HM Treasury PSD2 impact assessment highlights that over 1599 institutions may fall into the scope of a Payment Service Provider (PSP) under PSD2.

All PSPs will be required to provide access to third parties. These third parties may use customer account information to provide value add services, or use payment initiation to give customers a seamless payment experience. This presents a real risk of disintermediating banks from their customers.

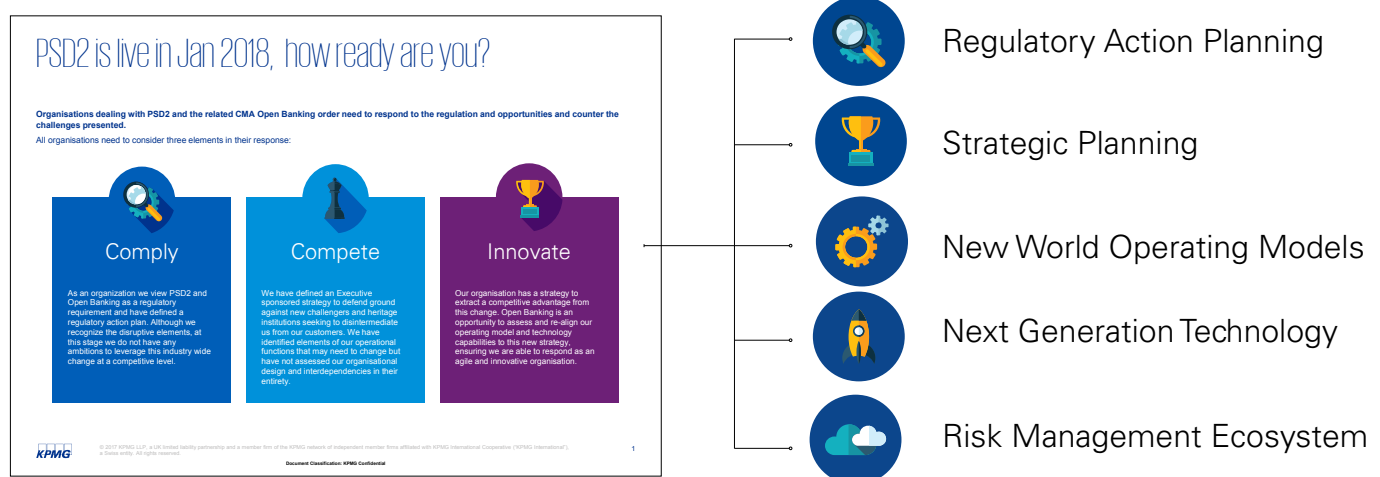


Assessing your position - Comply, compete or innovate?

All banking and payment institutions need to be cognisant of the opportunities but also tackle the challenges presented.

KPMG has developed a readiness diagnostic tool to help you look across your different organisational competencies and assess how you're competing.

We assess across the key strategic dimensions and also against a framework that considers compliance, competition and innovation strategies.



This diagnostic is targeted at Executive teams to give them a rapid view of their competitive positioning.
If you would like to hear more please contact us using details overleaf.

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