INSIGHTS & OUTLOOK

2023-24

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CONTENT

INSIGHTS & OUTLOOK 2023-24

Can you keep up with everything that is happening in payments? **The payments market is vibrant as never before** and yet the larger payment providers have been punished in November 2023 by investors. Adyen, Worldline, Nuvei, Nexi and also Visa and Mastercard were hit hard on the stock price. **The card networks have recovered right away,** but what we see is that recovery of the payment providers is picking up slowly. The question is whether the correction is fair and what the outlook for payments is. Fact is that **replacement of cash throughout the world is still an important growth factor, next to the growth of online shopping.**

Since the interest rates have increased and economic pressure increased, we see that **investments in Fintech have decreased significantly. Fintechs looking for extensive investments t**o further grow or to sell the business, have found themselves on a mission impossible.

With our focus on retail payments, we have worked on supporting our clients in growing their market share with their solutions and making their business more efficient. With increasing technological developments and with the introduction of more regulations, we see that our clients struggle to keep up with innovations, due to the pressure on resources that need to focus on compliance with regulations.

What to look out for in 2024

PSD3 and PSR

New regulations will come into place in the coming years, which will further standardize payments across Europe. Regulators will continue to foster consumer protection and fraud prevention through directives and regulations such as PSD3 and PSR.

And will the new regulations ensure that **innovation and competition through open banking receive a boost?** Or will open banking finally break through with the SPAA scheme? We believe that standardization and value added services on open banking are a must in order to be successful and that mandatory service levels at banks are required to guarantee quality of service.

Many banks in Europe have launched their new Debit programs in recent years, replacing Maestro and V PAY. There are still a few banks to follow this new standard, that will bring more convenience to consumers paying online and internationally. **Click to Pay will be an important driver to increase the convenience of online payments** and will be launched by issuers as part of the standard proposition to card holders.

Don't forget about cash. It will remain out there, supported by regulations on availability and accessibility. At the same time, the ECB is developing a digital variety of cash: the digital euro. Providers have been working on the proof of concept and the ECB will further determine the next steps of the digital euro. At the same time, politicians are increasingly demanding clarity about the future position and privacy sensitivity of the digital euro. There's a lot to do before we have this digital cash in our wallet.

Not to forget EPI, who successfully carried out the first transaction. Will we see a successful launch in 2024? We believe it will definitely launch and that it depends on the pressure French and German banks put on the market: on merchants for acceptance and consumers for usage. There should be a real benefit for merchants and consumers to adopt a new payment method like EPI. With the current methods in place, it's a tough road ahead where the persistence of the bank shareholders is expected to be key.

These developments are only the major European developments, while many new technologies like tokenization will change the payments landscape at a rapid pace as well.

In this magazine, we selected some of the Insights articles we shared during the past year, for you to browse through when you on the ever interesting payments industry.

We thank you for working together in 2023 and we wish you a very successful 2024.

Ronald, Eppo & team

EMBEDDED FINANCE FOR SME BUSINESSES

April 19, 2023

At a time when banks are becoming more cautious about lending to small and medium-sized businesses, opportunities are emerging for non-banks to offer banking services to these customers. Accountancy software suppliers have begun leveraging their customer data to offer financial products and payment services to their portfolio, thereby competing with traditional retail banks. Indeed, 'embedded finance', a big theme at fintech conferences last year, is disrupting the banking industry and forcing traditional banks to adapt and innovate to remain competitive. In a recent survey of the market, Adyen states that 64% of SME businesses are interested in integrated financial services. In Europe and the United States, the potential market size is estimated at €104 billion, accounting for a market share of 45% in the SME market. A study on the US market by Future Market Insights expects the number of SME loans through fintechs to increase by $32.5 billion over the next ten years.

Examples of embedded finance for SMEs

Here are a few examples of embedded finance:

- **Money bird** a Dutch SaaS company that provides invoicing, bookkeeping and other financial services to SME businesses, has recently included Adyen's lending as well as payment processing service to its suite of financial solutions. Entrepreneurs who take care of their administration via Moneybird will see a block with the available credit line in their dashboard. No credit check, no long forms, no customer survey or entering a bank account number. CEO Edwin Vlieg states he prefers this technical solution over PSD2, with its often glitchy and error-prone interface to banking APIs.

> ***"PSD2 was a process of a thousand and one frustrations. The gateways to the banks often do not work, and balances are not up-to-date"***
>
> ***Edwin Vlieg, CEO Moneybird***

- **Xero** is a cloud-based accounting software provider that has developed a suite of financial products that are aimed at small businesses. These products include Xero Payroll, which allows businesses to manage their payroll processes, and Xero Expenses, which helps businesses manage their expenses.
- **Stripe** has expanded its offerings to include financial products. Stripe Capital provides loans to businesses that use Stripe's payment processing platform. Stripe also offers Stripe Billing, which allows businesses to manage their recurring payments.
- **Quick Books** is another cloud-based accounting software provider that has expanded into the financial services space. They have developed a suite of financial products that includes QuickBooks Payments, which allows businesses to accept payments from customers, and QuickBooks Capital, which provides loans to small businesses.
- **Square** has developed a range of financial products for small businesses. These products include Square Capital, providing loans to businesses that use their payment processing businesses to manage their payroll processesplatform, and Square Payroll, which allows businesses to manage their payroll processes.

EMBEDDED FINANCE DISRUPTING TRADITIONAL BANKING ?

As said, the integration of financial services into non-financial products and services, has the potential to disrupt traditional banking. By embedding financial services within other products and services, companies can offer their customers a seamless and more convenient experience, potentially reducing their reliance on traditional banks.

While embedded finance represents a significant challenge to traditional banks, it also presents an opportunity for them to evolve and adapt to meet changing customer needs and preferences. Some ways that traditional banks can meet this challenge are:

- **Collaboration:** traditional banks can collaborate with fintechs and other non-financial companies to offer embedded finance solutions. For instance, BBVA has partnered with Uber to offer a credit card that provides cashback rewards for Uber rides and Uber Eats purchases. Another example is Mastercard's partnership with Microsoft. This collaboration resulted in an embedded finance solution that enables SME businesses to access credit directly within Microsoft Dynamics 365.
- **Innovation:** obviously banks can -and will- continue to invest in technology and innovation to create and enhance their finance solutions. By offering their customers a seamless and convenient experience, they can compete with fintechs and other companies.
- **Customer-centricity:** just like accounting software suppliers, traditional banks can focus on delivering exceptional customer experiences, leveraging their existing customer base. By understanding their customers' needs and preferences, they can develop finance solutions that meet those needs. With a solid reputation for security and reliability as extra asset.

- **Regulatory compliance:** with established regulatory frameworks in place, banks may have an advantage over fintechs when it comes to regulatory compliance. This advantage may be one of the main reasons, next to technological issues, why many open banking offerings by non-banks are still not a resounding success. Who do you entrust your money to?

Lending is complex, both for banks and non-banks

Overall, embedded finance is a potentially major risk for traditional banks because it implies a form of disintermediation. An entrepreneur who purchases credit and other banking services directly from his accounting software supplier may no longer need contact with a bank. Speed and a "seamless" customer journey when opening an account or line of credit can be big advantages. Adyen claims it facilitates the financial services speed particularly required by SMEs, who are often slowed down and under served by traditional institutions. Both SaaS platforms such as Moneybird and Fintechs with a banking license, such as Adyen, Stripe and Mollie, are looking to expand their service portfolio to become the one-stop-shop for their customers.
However, whether this development will really take off depends on many factors. The uncertain market conditions make offering credit to SMEs more complex and risky. Traditional banks have lending in their DNA, and years of experience in assessing credit risk. Some banks will not regret if SME clients turn to third parties for credit offers, given the limited benefits and high (compliance) costs.

Fintechs and accounting software companies may know a lot about their clients, but the question is whether they have all the experience and sufficiently trained algorithms to make quick and accurate risk assessments - and create new healthy and sustainable revenue streams.

OPEN BANKING BEYOND PSD2

April 19, 2023

As the European Commission is still busy evaluating the impact of the Second Payment Services Directive (PSD2), the banking community is looking beyond the Directive and preparing a new scheme for open banking, called SEPA Account Access (SPAA). Here's an update on recent developments.

A new study on the impact of PSD2

In our Insights articles, we have frequently discussed the impact of PSD2. This Directive, which was intended to open up the payments market by giving third parties access to banking data under certain conditions, has so far not led to the hoped-for tidal wave of innovations. That is why we were looking forward to the results of the review process carried out by the European Commission last year, going back to Art. 108 of the Directive. On 2 February, the European Commission finally presented a study on the performance of the Directive in terms of its relevance, effectiveness, efficiency, coherence and EU added value (1).

It was prepared for the Commission by the Centre for European Policy Studies (CEPS) and the consulting firm VVA. The study addresses the questions of whether PSD2 has achieved the objectives pursued by the European Commission and what improvements should be made to PSD2.

The Commission's proposals

The study contains a very comprehensive review of literature on market trends, in-depth legal research in selected EU Member States, and primary fieldwork through interviews and an online survey. As we expected, the main recommendations, organised in three "pillars", are largely in line with our forecast from June last year

Pillar 1 - Scope and exclusions

To avoid fragmentation of the Single Market and regulatory arbitrage, closer coordination between national supervisory authorities is necessary to avoid divergent application of the PSD2 requirements. For instance, different approaches to banning surcharges, different requirements for payments and e-money business and different policies by national antitrust authorities regarding Big Techs between member states.

The study proposes consolidating PSD2 and the Second E-Money Directive (EMD2) into one single Directive. To determine which activities fall under PSD2 and which do not, the study proposes to define payment services in an abstract way, rather than the current comprehensive list of types of payment services.

Pillar 2 - Open banking

The Commission proposes a number of improvements through more standardisation and interoperability. As for strong customer authorisation (SCA), existing barriers to account information services should be reduced by requiring SCA only once per account. This makes SCA comparable to a standing order. As long as the account holder does not revoke the "standing order", it will remain in effect.

Pillar 3

The study contains a list of proposals for data protection (which calls for more coordination between EBA and the competent data protection authorities) and customer protection.

A full blown PSD3 may still be a long way off, but since the PSD2 is due for serious maintenance, the proposals will undoubtedly find their way into European legislation.

Meanwhile, banks are defining an open banking scheme...

While the European Commission aims to address the legal, technical and operational issues of the current PSD2, the European banking community is working to professionalize open banking. The so-called SEPA Account Access (SPAA) rulebook provides a set of rules and standards for banks and third-party providers to access and use payment account information. This rulebook, which is under construction by the EPC, specifically addresses the PSD2 "access to payment data" issue described in our article. While PSD2 provides general requirements for accessing banking data, it does not entail a detailed technical and operational framework for accessing and using this information. The SPAA rulebook fills the gap, providing a more specific and detailed framework for banks and third-party providers within the SEPA area. This includes technical and operational requirements for accessing account information, such as authentication, security, privacy, and liability issues. With SPAA, it seems that Europe is finally catching up with the UK, which thanks to the OBIE has years of experience with detailed industry guidelines regarding open banking.

... and see a business case

The SPAA rulebook also provides specific standards for premium API-based services which are, for now, all optional these premium services include credit transfer, direct debit, payment certainty mechanisms, e-mandate and future-dated and dynamic recurring payments, thereby "looking beyond" PSD2. While providing access to the current account under PSD2 is a free service, banks apparently see a future revenue model in offering these new services to third party providers.
Hence the term "SPAA scheme" is used . SPAA will be based on Payment Initiation Services (PIS) via the SCT Inst rails. The opportunity for banks and third-party providers to enter the scheme as participants will open on 1 September 2023. The SPAA scheme's effective date is 30 November 2023.
In a presentation at the Future of Payments Conference, 16 March 2023 in Amsterdam, the EPC announced that starting from payments, the aim of SPAA is to move to finance beyond payments and eventually to move beyond finance.
After struggling for a long time with the market's need (and pressure from the Commission) to provide access to customer accounts and thereby enable innovation, European banks seem to have come to recognize that it is better to embrace open banking - and make money from it.

Beyond PSD2: a new pan-European payment scheme?

The market is now wondering which development will prevail in the coming months and years. Both located in Brussels, the EPI Company is paving the way for the European Payments Initiative (EPI), while the EPC is developing the SPAA scheme. Much like EPI, SPAA aspires to become the prelude to the long awaited pan-European payment system. We wonder how long the EPI founders and members will continue to spread their bets. After all, they keep investing scarce resources and money in both projects, with no clear indication that these will eventually converge.
In any case, PSD2 will enter a new phase in the near future, which is good news for new players developing innovative services based on open banking.

Note

(1) European Commission, Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Bosch Chen, I., Fina, D., Hausemer, P., et al., A study on the application and impact of Directive (EU) 2015/2366 on Payment Services (PSD2), Publications Office of the European Union, 2023.

PUBLIC TRANSPORT PAYMENT SYSTEMS - THE CONVENIENCE GAME

Public transport is an essential service in European countries, providing safe, convenient and affordable access to work, education, healthcare, and leisure activities. Anyone who travels through Europe by public transport shares the experience that it is not always clear how to pay your fare. Payment methods and schemes for public transport vary significantly across European countries, reflecting cultural, technological, and economic differences.

In the Netherlands, one of the most digitised countries in Europe, public transport adapts to the preferences of the traveler so that payment is a piece of cake for everyone. In this Insights article we discussed the Dutch OVPay project, which makes this payment convenience possible. Previously, travellers were directed to a vendor machine where they could purchase a paper train ticket, or they had to buy a dedicated "OV-chip" card, to be topped up with sufficient credit to pay for a trip. The OVPay project makes it possible to pay as you like: in addition to the old OV-chip card and the season ticket on your phone, you can now also use your contactless debit or credit card. By card or mobile device, and regardless of the bus, train, tram or metro company that provides the journey. But what about other European countries? Is there a trend towards standardisation, which would be in the interest of foreign travellers? And what trends do we distinguish?

Dedicated public transport cards are ubiquitous

The named Dutch OV-chip card is an example of a dedicated public transport card, one of the most common payment methods for public transport in Europe. These smart cards are typically loaded with credit or pre-paid. Passengers can pay for their fares by touching the card to a card reader or validator on the bus, tram, subway or train. As it eliminates the need for cash or paper tickets and reduces the risk of fraud and theft, the dedicated card is a convenient and secure way to pay for public transport. There are lots of these systems around. Some of them are restricted to specific regional areas, such as the Oyster card in London, the Leap Card in Dublin, the Andante Card in the Porto region, the HSL Card in the Helsinki region and the Navigo Pass in Paris and the Île-de-France region. Others work at a national level, just like the Dutch OV-chip card: MaaS (Mobility as a Service) in Finland and the Carta Viola in Italy, to name a few.

Credit and debit cards

The BahnCard won't get you very far in France or Belgium though. The vast majority of European citizens carry a credit or debit card in their pocket, co-badged with an international card scheme for cross-border payments. That is why many public transport organisations upgrade their systems so that passengers can use their contactless cards or mobile payment apps to pay for their fares directly at the ticket machine or on-board the vehicle. The advantage of using credit and debit cards is that passengers do not need to carry cash or purchase a separate ticket or the umpteenth PVC card. Furthermore, they can easily track their expenses and receive receipts. However, the downside is that some card issuers may charge foreign transaction fees or limit the amount of contactless payments. In other cases, public transport companies may force their acquiring banks to block cross-border transactions, to avoid high interchange fees. Such measures may conflict with the rules and regulations of the international card schemes, but nevertheless occur in practice. Both can lead to unexpected inconvenience for tourists and occasional users.

Subscription plans

Subscription plans are a popular way to pay for public transport in Europe, especially for frequent and regular users. Many public transport operators offer various subscription plans, such as weekly, monthly, or annual passes, that allow passengers to travel unlimitedly on the network for a fixed fee. These subscription plans can provide significant cost savings for commuters and regular travellers, as well as reduce traffic congestion and air pollution. Some payment schemes also provide additional benefits, such as loyalty points, discounts on other services, free access to cultural events and museums. Examples of subscription plans and payment schemes in Europe include the Monatskarte in Germany, the Carte Azur in the French Riviera, and the Kilometre Card in Switzerland.

What can we expect

It is difficult to predict the most probable standard for paying in public transport in the coming years, as it will likely depend on a range of factors including technological developments, regulatory frameworks, and consumer preferences. However, there are four trends that are likely to shape the future of public transport payment systems:

- **Contactless and Mobile Payments**

  The trend towards contactless and mobile payments is likely to continue, as these payment methods are convenient and popular with consumers. More and more people are using mobile devices to make payments, and transport operators are likely to continue embracing this trend by developing mobile payment options that allow passengers to purchase tickets and validate their journeys using their smartphones.

- **Open Payment Systems**

  Open payment systems are likely to become more widespread, as they allow passengers to use any contactless-enabled card or device to pay for their journeys. This standardisation eliminates the need for a separate transit card or ticket, making public transport more accessible for infrequent users and tourists.

- **Seamless Integration**

  The trend towards seamless integration of payment systems across different modes of transport is also likely to continue. As cities become more interconnected and people rely more on public transport, there will be a greater need for payment systems that allow passengers to seamlessly move between buses, trains, and other modes of transport without having to worry about purchasing separate tickets or payment methods.

- **Real-Time Payment**

  Real-time payment allows passengers to pay for their journey as they travel, rather than purchasing a ticket in advance. This can reduce the need for ticket machines or ticket offices, making the process more convenient for passengers and reducing operating costs for transport providers.

Conclusion

Overall, the most probable standard for paying in public transport in the coming years is likely to be a combination of these trends, with an emphasis on convenience, seamless integration, affordability and accessibility for all users. It is essential for public transport operators and policymakers to understand the needs and expectations of their customers and leverage technology and innovation to respond to these trends.

THE DIGITAL EURO –TURMOIL IN THE FINAL STAGE OF THE INVESTIGATION PHASE

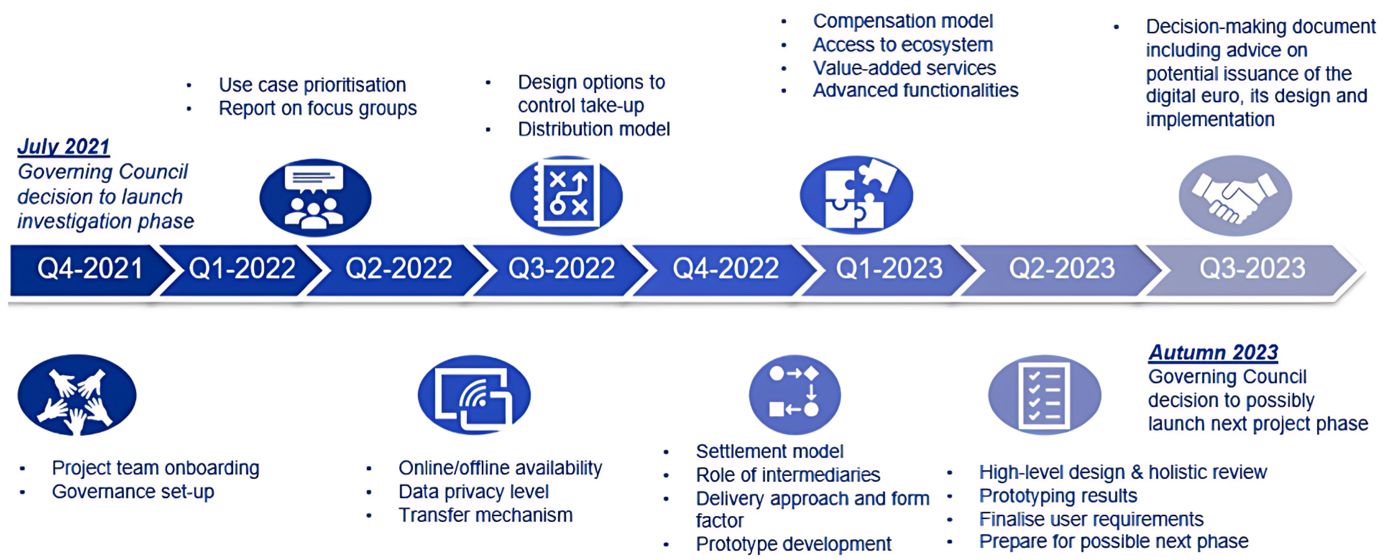
June 23, 2023

The digital euro project is entering the final stage of its investigation phase. The Governing Council will review the outcome of the investigation phase in autumn 2023 and will decide whether to move on to a subsequent project phase in which the appropriate technical solutions and business arrangements necessary to provide a digital euro could be developed and tested. At the same time, parallel to the work of the ECB, the European Council, in cooperation with the European Parliament, is working on the legislative framework for the new currency.

As the end of the investigation phase comes into view, it is noticeable that the discussion is definitely shifting from the technological to the political domain. The European Parliament is playing an increasing role in the discussion, with two papers casting doubt on the attractiveness of a digital euro. Meanwhile, the Eurosystem is trying to generate public interest in the project, including through surveys of focus groups in the various euro area countries.

DIGITAL EURO PROJECT TIMELINE

TENTATIVE - TIMING SUBJECT TO CHANGE



A solution in search of a problem

At times, skeptics have wondered what problem the digital euro is the solution to, in terms of inefficiencies or dangers to the status quo. Although the ECB has done its best to formulate answers to this (increasing digitalisation, inclusiveness of the Eurosystem, confidence in the Euro), these reasons remain rather abstract. For many citizens and businesses, the million euro question has not yet been answered satisfactorily. Most people seem hardly aware of the possible arrival of a digital euro and do not see the difference with the money that is in their account today. And on the far right and far left flanks of the political spectrum, distrust is growing about the project as a megalomaniac means of controlling citizens through data, a lot of data in the hands of the financial elite in Frankfurt. One may wonder how well-founded this public mistrust is, and several measures have already been taken in the project to protect the privacy of citizens and businesses. However, that does not change the fact that the concerns about the eventual public acceptance of a digital euro are justified. Widespread indifference in the political center, growing mistrust on the flanks: together not the ideal starting point for launching a new currency, with European parliamentarians taking the sentiments of their voters into account. One of the dilemmas facing the ECB is this: one of the main reasons citizens can think of for wanting digital euros is that they can provide a "safe haven" in times of financial turbulence.

After all, if their bank is about to collapse, they can transfer their money to their digital euro account in no time. But it is precisely this advantage that the ECB wants to limit by setting caps on balances to be held. The idea is that the risk of bank runs can thus be limited. So if that advantage is gone, what is left?

Focus groups

In any case European citizens, when asked, believe that they should be able to pay everywhere with digital euros. The new currency should be able to compete with existing digital means in terms of functionality, while at the same time respecting the anonymous characteristics of cash. A comprehensive package of requirements, therefore, and if the ECB wants to start with a "minimum viable product", there is a risk that consumers will drop out in advance, disappointed.

New elements

The skeptics in the European Parliament were well served in April, when among a flow of external papers two studies were published by the Economic Governance and EMU Scrutiny Unit (ECOV), both requested by the ECON (the European Parliament's Committee on Economic and Monetary Affairs). The first is tellingly called "The digital euro: When in doubt, abstain (but be prepared)". The author, Mr Ignazio Angeloni, concludes that the risks and imponderables of this enterprise are stronger than the arguments in favour of it. Although the ECB should continue to explore the European CBDC, it should not be launched unless "new elements" emerge. Unfortunately, the paper remains vague about what these new elements might be. The analysis does however contain a list of arguments against CBDCs in general:

- The payment system is already efficient and constantly progressing;
- There are no 'market failures' suggesting central banks should be directly involved;
- CBDCs will not succeed because central banks lack the necessary expertise to win the market;
- CBDCs may put financial stability at risk;
- CBDC would distort and discourage private investment and innovation.

Programmability

The second paper is called "Digital euro: an assessment of the first two ECB progress reports". The study argues that the envisaged design of the digital euro makes the use case for a digital euro from consumers' point of view questionable, in part because it will offer less convenience than other, commercially provided, digital means of payment. This paper identifies some of the "new elements" that would promote widespread adoption. Remarkably, "programmability" is named as one of those design features. As is well known, there is a great deal of societal opposition from the member states to a programmable digital euro, from the point of view of undesirable state interference with private life. Fabio Panetta, member of the ECB Executive Board and Chair of the Task Force on Central Bank Digital Currency, has assured in January that the ECB will never use the programmable features of a digital euro: "Central banks issue money, not vouchers". The ECB goes to great lengths to emphasize that the digital euro should resemble cash in almost everything. However, this paper argues that programmable features, to be used by consumers and merchants, would make the digital euro more appealing. A programmable digital euro would allow consumers to set limits on their expenses, making them aware of how they spend their money. In addition, such limits could be very granular (e.g., a monthly limit of €100 on cigarettes, another monthly limit of €10 on lottery tickets, etc.). Merchants and firms could program gift cards, fidelity programs, or other perks directly in the digital euro.
Lenders would also benefit by limiting the fraudulent spending of loans, thus reducing the need to monitor borrowers."
However, the question is whether it is necessary to build such programmable features into the digital euro payment scheme. After all, there are already many apps in circulation today, often based on PSD2 (and with the user's explicit consent), that achieve the same goal: just think of the wide range of budget coaching tools.

Other papers

In addition to these two rather critical studies, other papers have appeared that try to influence the debate in the European Parliament.

- In a report named "Digital euro: an assessment of the first two progress reports" Mr Christan Hoffmann makes the case for unlimited access to digital euros, as opposed to the caps on digital euro holdings, that the ECB envisages in the interest of financial stability.
- A study entitled "A legal framework for the digital euro" was published in May, examining the legal aspects of the digital euro. This paper, like the aforementioned, argues against the tight holding limits (of around €3000), remuneration schemes and limited privacy features proposed by the ECB.

In addition, the author, Seraina Grünewald, questions the underlying financial business case for banks and payment service providers, who are assigned a role by the ECB as distributors of the digital euros.

More turmoil ahead

Now that the discussion about the usefulness and necessity of a digital euro is becoming increasingly widespread, it is not hard to predict that in the near future we will increasingly see regulators like Mr Panetta stepping on the tightrope to explain why the digital euro will be an attractive new means of payment, and certainly not a threat.

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IN CONVERSATION WITH MARK BUITENHEK

June 23, 2023

With more than twenty-five years of experience in various leading positions in the Dutch and international payments industry, Mark Buitenhek can rightly be called one of the movers and shakers in Payments. Originally a marketer, he has held several management positions at Postbank and ING in the areas of product management, operations and sales. Mark initially focused on retail payments at ING and Postbank, and from 2010 on the (large) corporate side of the market at ING. His positions included Global Head Payments & Cash Management and Global Head Transaction Services. In addition, he was active as a board member or supervisor at many organizations in the field, such as equensWorldline, EPC, Mastercard Europe, Payconiq and Swift. In all these roles, Mark has managed or advised on a large number of change projects in the field of Payments. Innovations such as Instant Payments, iDeal, SEPA, EMV, mobile payments and PSD2: they were all co-created by the enthusiastic and passionate Mark Buitenhek. Now that he is leaving ING on July 1, we are curious about his vision on the current and future Payments ecosystem. And of course we look back at some highlights and lessons learned.

Paying for cappuccino with QR

On one of the first sunny days this month, we speak to Mark in a cafe on the NDSM site in Amsterdam North. A part of Amsterdam that is developing rapidly, with a wonderfully free-spirited and creative vibe. Mark has been enjoying his 'garden' leave, as he calls it, and takes all the time for our interview. Once at a table in the corner of the restaurant, we immediately see that ordering the coffee is possible by scanning a QR code, which is pasted on the table with a sticker. Paying for the order follows straight after it, in a seamless flow. Less than 2 minutes later our coffee is served. "Very smooth, this ordering and payment method," Mark remarks. "Paying with a QR code is commonplace, especially in China. We have introduced Payconiq (1) in the Netherlands, but paying with a QR code has not yet proven to be a resounding success. But you see how easy it actually is," he says. If you go for a coffee with Mark Buitenhek, you will soon be talking about Payments, his great fascination.

The cost of Payments

Mark, serious research has been done more than once into the costs of payment transactions in the Netherlands. These studies consistently show that payments are structurally loss-making for the banks. In the last 10 to 15 years, the ecosystem has also become increasingly complex: increasing regulatory pressure, PSD2, new players specializing in parts of the value chain. How can we explain that nevertheless more and more players are joining the ranks, who all think they can earn a living from Payments?

It is true that payment transactions have been loss-making in recent years. On the one hand, this is the result of the sharp decrease in net interest income, and on the other hand of increased risk and compliance costs. These account for a fifth of the total costs (2). In practice, banks can absorb these losses by cross-subsidising: by making a profit on other products, such as mortgages. But from a purely economic point of view, this is an undesirable situation. You would like to recoup the costs where they are incurred. That is one of the reasons why, when interest rates went negative, the ECB actually told banks that they should raise rates.

However, increasing commission income from payments is difficult in the Dutch market, given the historically low rates and social sentiment in this regard. That is why the banks are strongly committed to reducing costs. Roughly speaking, by turning three knobs: further digitization and more efficient processes, volume increase and standardization, and reduction of costly components, such as cash. And very important: in all these developments, where possible and permitted, there has been cooperation.

We have all started banking very differently.

That's right. The distribution mix in payment transactions has changed fundamentally in recent years. Because people no longer go to a bank branch for payment transactions, fewer physical offices are needed. It was a bit of a swallow for some banks, but they are now not only working together in the field of money counting centers, but also in the field of ATMs. Anyone who needs cash, and that is by the way less and less, gets it from one of those beautiful yellow Geldmaat ATMs. But the continuing trend is that more and more payments are being made electronically. Banks are really going very fast in terms of digitizing payment traffic and facilitating e-commerce. Digitization also costs a lot of money, but in the long term it should lead to a further reduction in costs.

Despite all these efficiency measures, traditional retail banks continue to make losses on retail payments.

What do you see neo-banks like Revolut doing? By working together with specialized parties to the maximum, they do not have to keep expensive legacy systems up and running. PSD2 has made it possible to request payment data from banks via APIs relatively easily and cheaply. This allows them to offer new services. The market has only gotten bigger and data is the new gold. The dream of new entrants is therefore to become an 'all finance bank'. You see what happens when new entrants enter the market: they first offer the payment account, which they use to collect a wealth of data. Based on that data, more profitable products such as a savings account, mortgage and asset products soon follow.

The importance of cooperation

Earlier we spoke with Piet Mallekoote about the importance of cooperation. Have you also experienced this importance in the course of your career?

Certainly. Consider, for example, the emergence of Paypal. The Dutch banks reacted strongly to this at the time, with the introduction of iDeal. Thanks to the intensive cooperation between the banks, iDeal was able to become such a great success. What we learned from Paypal's strong European advance was that the worse banks cooperated in a country, the larger Paypal's market share became. In the Netherlands, Paypal's market share is approximately 5%, in Germany it is already 40%. This example makes it clear that things go wrong in Payments when banks do not want to cooperate, which often means that they have to let go of their individual approach.

A second common thread in all these years has been the political pressure from Europe to break through the hegemony of Mastercard and Visa in online and point-of-sale payments in the form of a pan-European payment system. Several initiatives are currently underway for European cooperation between banks, such as EPI (with the recently announced purchase of iDeal 2.0) and SPAA. How do you see this development, is it really happening, or are Mastercard and Visa too big and too rich to let themselves be pushed off the European stage?

The Dutch banks were smart with iDeal. But Mastercard and Visa have developed relevant online innovations in a short time, that work everywhere. Tokenization is really a very well thought-out innovation, which both protects against cybercrime and makes the payment itself easier. And the European banks currently do not have a competitive product in response to Mastercard and Visa.
With the development of iDeal 2.0, an enormous step has been made. Both for the consumer and for the retailer, and both in technical terms and in terms of ease of use, what it is all about after all. An even easier way to pay with better customer journeys.
But to be relevant from a European point of view, this should actually be rolled out throughout Europe. Furthermore, preferably at the same time.

Geopolitics as driver of change

Why have financial institutions so far failed to develop a pan-European retail payment system?

Before the arrival of the euro, the European payments market was not highly regulated. Point-of-sale payments, which account for the largest volume, were highly fragmented due to all those domestic payment systems, such as the Dutch PIN.The cross-border card volume went through the international card schemes. All those different payment methods, with their own rules and infrastructures, make the payment landscape inefficient and therefore more expensive than necessary. Especially for international players such as ING. All attempts to arrive at a pan-European retail payment system, such as Monnet, eventually failed.

This was mainly due to mutual cultural differences and backgrounds. SEPA may have worked as a crowbar for the cashless part, but not for the point-of-sale world.
I think that the presidency of Donald Trump, who took a completely different course from his predecessors when it comes to cooperation, has helped the European financial sector to change course in Europe once and for all. After all, is this complete dependence on powerful American players such as Mastercard, Visa, Paypal and Apple, geopolitically speaking, still wise in the long term? And recently we see the same line of thinking emerging when it comes to dependency and cooperation with Chinese players.
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European Payment Initiative

Do you think EPI will be successful?

EPI must become a universal European solution. One that replaces the still existing patchwork of domestic payment systems. As you know, ING is one of the founding members of EPI. Rabobank and ABN AMRO are now also on board, thanks to the sale of iDeal 2.0 and Payconiq to EPI.
The success of EPI stands or falls with the collaboration. That means making hard choices, but also give and take. Look at the SEPA implementation. In 2008-2009, 27 countries (now 36) switched from a 12-digit account number to a 16-digit IBAN number. Subsequently, they introduced the various SEPA payment methods.

These new SEPA products were created in the typical European way: making compromises. The differences between the countries were so great and the fear of switching to the most extensive range of products prevented the group from making this choice. At that time, the Netherlands was already miles ahead in digitization. Nevertheless, if you want to move forward, compromise is the only way. And so we ended up in the middle and the Netherlands actually had to take a step back. For example, we wanted the consumer to sign an authorization for a direct debit electronically, but many countries insisted that this be done on paper.

That worked out better with Instant Payments. Instant Payments is an acceleration of the original payment method. The money is in the recipient's account within a few seconds. Paying and receiving 24/7 has now become the new normal in the Netherlands. As Dutch banks, we eventually saw that very sharply, in the digital age it is simply a hygiene service. The EU is currently working on new regulations that more or less enshrine this principle.
With Payconiq, the intention was to allow more and more countries and banks to join. With the aim of achieving one and the same proposition on one platform, scheme, from account to account. This soon turned out to be very complex. We had to continuously adapt to the circumstances. And this was just the Benelux. The lesson we learned was: you can't do everything well at the same time, so focus on one part and do it very well. And stay away from hardware. Skip the physical world for a while. That we ultimately succeeded in this is proven by the fact that Payconiq has become the technical supplier of iDEAL and is now being taken over by EPI.

Do you see the Instant Payments infrastructure as a logical technological basis for such a pan-European system or is it more obvious to start from blockchain technology, for instance with the digital euro as a Stablecoin?

There is something to be said for both: Instant Payments is a mature infrastructure that has not yet been rolled out in all European countries. Blockchain is a relatively newer technology, but also seems suitable in principle. Time will tell. Incidentally, it also applies to the digital euro that the choice of the technical basis is still open. Look at China: the CBDC was developed there with conventional technology, not on the basis of a blockchain.

The digital euro

Speaking of the digital euro. You were recently interviewed in the "Nieuwe Knikkers" podcast. As a marketer by origin, you mentioned that with innovations, you always first ask yourself which customer's problem is solved. If the answer is questionable, then such an innovation is often doomed to fail. Doesn't such a question currently arise with the digital euro? Many skeptics ask what problem it solves.

That is indeed always a good question. I often think back to the time when Chipper and Chipknip competed for customer favor. Cost: more than 1 billion euros. But that private customer was not really waiting for such a payment system. It was supposed to solve a cost problem for the retailers (relatively high telecom costs for low-value payments). But the cardholder could not see the expenditure reflected on his statement. We were so preoccupied with the competition between the two consortia that we lost sight of the real customer issues. A very expensive lesson.

If the digital euro is introduced, it will have to compete with existing, high-quality solutions that consumers and businesses are already used to. What problem does it solve? The ECB mentions, among other things, confidence in the European payment system. That would benefit from a public form of digital money. Citizens have now deposited their money with private parties. In times of financial turbulence, they will soon be able to transfer this digitally to public money, in the form of digital euros. But it is precisely this benefit for citizens that the ECB wants to limit. To reduce the risk of bank runs, there is talk of a cap of €3000 on the balance to be maintained. Suppose your bank is on the verge of collapsing, and you can only digitally secure € 3000.

That does not seem to me to be the best selling point for the digital euro. Compare that with the US: when the Silicon Valley Bank recently threatened to collapse, the government immediately restored confidence by guaranteeing all assets.

What do you think is the most important driver for the ECB?

There are, of course, macroeconomic motives, but also geopolitical ones. Many countries around us are developing their own CBDC. If the eurozone does not at least investigate whether and how it should introduce a digital euro, there is a risk of a major backlog and perhaps capital flight. That is why we also have to look very closely at countries where digital central bank money is already being issued. How do consumers and companies react to this?

What are the success factors? In autocratic countries like China it seems simpler. But there too, the use appears to be quite limited and so the large commercial players are now forced to take up distribution. The question remains whether the consumer will benefit from it. I understand that it can be interesting for retailers. The European digital euro is seen as a competitor for the existing payment methods, which puts pressure on the rates. But the core of the question remains: what concrete customer problem does it solve?

Fortunately, the digital euro project is in very capable hands with Evelien Witlox and her team at the ECB and I am confident that wise decisions will be made. And Evelien was also there when Chipknip and Chipper fought against each other, hahaha.

Open Banking: PSD2 and SPAA

PSD2 has not yet forced a breakthrough. European banks originally saw PSD2 as a threat ("man in the middle"). They had to offer the API infrastructure and access to all their payment data to certified parties free of charge. In the UK, forced by a much more active government and central bank, the banks are much more advanced in establishing technical Open Banking standards. SPAA (SEPA Account Access) could mean a turnaround in Europe. There is even talk of a new European payment scheme. How do you see that development, and how does SPAA relate to EPI?

First of all, PSD2 was the most complex project we have ever had to realize. Even more complex than SEPA and the transition to the euro. This was partly due to a lack of detailed technical standards for the API messages. But we also foresaw that PSD2 would be followed by PSD3 and Open Finance regulation. So we opted for full centralization across the entire bank. Something we had never done before.

Due to the lack of hard technical standards, however, each country in Europe more or less decided for itself what such a message should look like. Which data, on what positions, etc. At the same time, the data flow must be the same everywhere, including internationally, in order to understand each other. That made it an incredibly complex, expensive adventure for us, with our central approach.

PSD2 was also seen as a "must have" within most banks. Euphemistically speaking, the enthusiasm was not very great, because it is a free service. There was little or no room for extra investments in value added services, because the PSD2 regulations did not set any explicit requirements for this.

If the banks had been given more space, more attractive new propositions could have been developed with the help of PSD2 and Open Banking, with interesting business cases. In this context, ING devised and marketed Cobase and YOLT (3). By the way, this happened separately from the budgets for PSD2.
The European Commission and the EBA are currently evaluating PSD2. Perhaps this will lead to a PSD3. Banks must consider whether they are able and willing to play this game. There are few banks that have benefited commercially from PSD2 and have managed to market it financially. I hope that the legislator and the ECB will rectify this so that revenues can also be generated. And in any case, all players benefit from further standardization, even if this seems to limit innovation. Payments innovations cannot work without hard standardisation, especially in the initial phase.

SPAA seems to be playing a serious role in this

SPAA is certainly a serious development that aims to professionalize Open Banking in the Eurozone, while commercializing it at the same time. By comparison, many more banks participate in SPAA than in EPI. The investments are high.
I am a huge fan of Open Banking. Take a look at the Open Banking proposition that Rabobank has developed for SMEs, with distribution via bol.com. Customers can easily take out financing through this distribution channel. Entrepreneurs who sell via bol.com can benefit from short-term financing. Sales data from the seller is used as the basis for the loan. Both the turnover at bol.com and that of other sales channels, such as your own webshop or debit card turnover from a physical store, are included.

In a broader perspective, this naturally leads to a discussion about your strategic future. Will you become a BAAS (banking-as-a-service) organization and let go of your ambitions towards the end customer? How does the customer experience that a banking proposition is offered through a non-bank? Does he feel a customer of Rabobank or bol.com?

We already know this in the physical world, of course. The Geldmaat is an example. But it is also very common to take out a loan from a financier when purchasing a car from the dealer.

So it is not completely new, but the virtual world is more fluid, and dominated by the distribution provider. What do you actually want with your own channels? And your products? In short, strategic choices have to be made, because we simply cannot do everything ourselves anymore.

Buy Now, Pay Later

What do you think about Buy Now, Pay Later? Did the banks let this happen or is it a niche product, actually just buying on credit, that could only be marketed by weakly regulated players such as Klarna and Riverty?

I think BNPL is very similar to a simple credit card: a charge card with a fixed payment schedule of, for example, three months. The revenue model is smart though: the retailer pays for the service in exchange for an increase in turnover, the consumer pays nothing. But if he defaults, he pays a fine. It is a kind of consumer credit, but unregulated for the time being. Did banks ignore this? Yes, but we are a bit more careful, we also have a responsibility for our customers and we attach great importance to that. It is therefore right that we are now looking at whether and how BNPL products should be regulated. After all, consumers can get into trouble. Young people can build up large debts almost unnoticed.

Should we stop innovating then? Definitely not. Customer demands are constantly changing. Whether we are able to respond to these on time is what matters.

Mark, our time is unfortunately up. Are there topics that we have neglected that we definitely should have addressed?

Too many to mention of course! What do you for instance think of the end of the giro collection form and OVPay?

We already warned: talking to Mark Buitenhek is like leafing through an encyclopedia with in-depth knowledge of important events in the Dutch and international payment landscape. Non-experts sometimes think they see stagnant water, but there is a lot going on under the surface, which means that the payment experience today is completely different from that of 10, 20 years ago. Mark was directly involved in many of these developments. Maybe we should invite him for a follow-up interview in a while.

Okay, last question: what are you going to do now?

That is also a question for me. I've seen enough offers come by, but I want to think for a few months before I make a choice.

It probably won't be an executive role anymore. In any case, I am working on an alternative as a student at the Writers Academy. But if it's going to be something, then probably something in consultancy, and then logically in the field of Payments or areas similar to Payments.

People who know me have probably heard me say about Payments before: You can check out any time you like but you can never leave!.

NOTES

1. Earlier this year, the European Payments Initiative (EPI) confirmed the planned acquisitions of payment solution iDEAL and payment solution provider Payconiq International (PQI). EPI, iDEAL and PQI are joining forces to realize a new and uniform payment platform for Europe.

2. The Dutch payment system is characterized by high efficiency, but the total costs (€ 4,230 million) and revenues (€ 3,660 million) are not in balance. The high compliance and risk costs (21%) are striking, including the costs of checking the identity and integrity of customers. Payments are more dependent on net interest income (45%) than in other European countries, where revenues come more from tariffs and payments are cost-effective. This makes the Dutch payment system the most loss-making in Europe.

3. In 2017, ING introduced the business-to-business platform Yolt to the UK market. Yolt acted as a digital traffic controller by establishing API connections between parties active in the open banking ecosystem.

SPAA TAKES OPEN BANKING TO THE NEXT LEVEL

October 31, 2023

In an earlier article on open banking we briefly discussed SPAA, which stands for SEPA Account Access. SPAA, an initiative of the European Payment Council (EPC), is a new, voluntary payment scheme. Enrollment for banks and third-party providers has opened on 1 September 2023.
The scheme's ambition is to drive 'open payments' in Europe and to become the de facto European standard in the field of open banking. SPAA is not a payment means or a payment instrument itself, but it offers a way to transport information in relation to payment accounts and transactions via APIs. It is envisaged that the scheme will evolve further over time to support more elaborate functionalities, in line with market demand, possibly even beyond payments.
It works through Payment Initiation Services (PIS) over the SCT Inst rails. All currencies in the SEPA zone are supported, so in addition to the euro, for example, also British pounds and Danish crowns.

PSD2 needs to be improved

Many market parties experience PSD2, the European standard for open banking that has applied until now, as defective. The European Commission recently published a comprehensive review of PSD2 which shows that there were, and still are, quite a few problems with its implementation. We pointed out many of those problems in our Insights series on PSD2. As a result, the desired development of new innovative services based on (payment) data is lagging behind. In response, the European Commission wants to remove as many barriers as possible. Hence the renewed PSD3 directive, and in particular the PSR (Payment Services Regulation), which sets out stricter rules on access to payment systems and account information compared to PSD2.

Three parallel developments

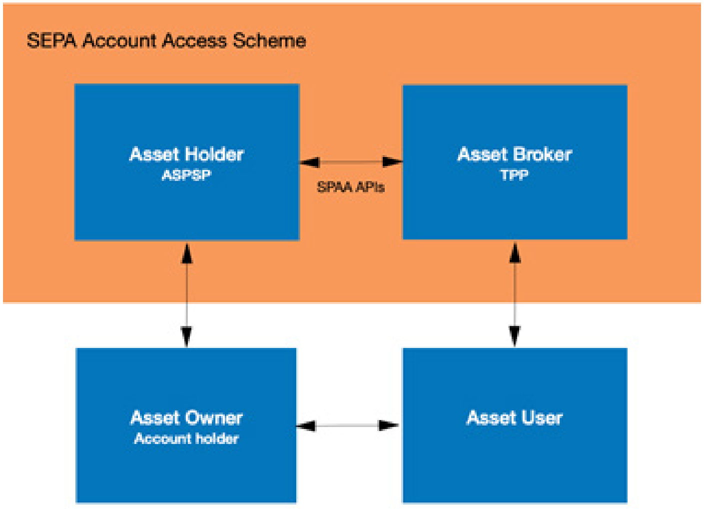
At the same time, the EPC aims to create an attractive open banking ecosystem for all participants, primarily based on cross-industry collaboration instead of (PSD) compliance. The launch of the SPAA scheme coincides with two other major developments that aim to drastically change the European payments landscape: the aforementioned PSD3/PSR and the European Payments Initiative (EPI). These three developments are currently running in parallel. The question is to what extent they compete with each other or are complementary and ultimately come together in the interest of European citizens and companies, who need simplicity and low costs.

We spoke with Gijs Boudewijn, who co-chairs the SPAA Multi-Stakeholder Group (SPAA MSG) on behalf of the banks. Gijs shares that position with Arturo González Mac Dowell on behalf of the TPPs. The SPAA MSG, which falls under the EPC Board, currently consists of 30 members, with an equal distribution of banks and TPPs.

SPAA focuses on Asset Holders and Asset Brokers

SPAA focuses in particular on the relationship between so-called Asset Holders (the party that manages the data on behalf of a private individual or organisation) and Asset Brokers (the party that requests access to the data in order to provide a service to that same private individual or organisation). [note 1]

A typical Asset Holder is a bank, or the ASPSP in PSD2 terms. A typical Asset Broker is a fintech company that does not offer (current) accounts itself. In the remainder of this article we use AH Bank (Asset Holder) and ABFinance (Asset Broker) as imaginary examples. The two roles are part of a generic 4-corner model that is reminiscent of the well known model used in the cards ecosystem to distinguish between issuing and acquiring roles.



SPAA will launch on November 30

The EPC is serious about SPAA: the scheme should, subject to decision by the EPC Board, come into effect on November 30, after years of preparation. Asset Holders such as AH Bank and Asset Brokers such as ABFinance can register from September 1. Participation is on a voluntary basis.

On June 26, a new version (1.1) of the SPAA scheme rulebook was published, defining the Asset Holder and Asset Broker roles that scheme participants can choose to play.

- **"Basic"** services are the same services that today fall within the scope of PSD2 and that ASPSPs like banks are required to offer free of charge. The SPAA scheme rulebook provides more specific and detailed technical and operational guidelines for accessing and using payment data than PSD2. Areas include authentication, privacy, security and liability.
- **"Premium"** services are outside the scope of PSD2 and are optional. In the field of payments, this concerns, for example, multiple payments, payment certainty mechanisms, pre-authorizations and e-mandates. In the future, dynamic recurring payments will also be possible. Then, for example, an app can automatically transfer the remaining balance on the account to a savings account at the end of the month. Or automatically cancel the negative balance on one account with a transfer from another account.
- SPAA also explicitly positions itself as an enabler of open finance. The intention is that eventually all data that is entrusted by a private individual or organisation to a financial institution such as a bank can be accessed via the SPAA APIs. Consider, for example, mortgage data, identity services or accounting services.

Gijs Boudewijn, General Manager at Dutch Payments Association and co-chair of the SPAA MSG

A Minimum Viable Product (MVP) has been established, with which the scheme will start on November 30.

Default remuneration model

For all participants in SPAA, an annual scheme fee to the EPC of (currently) € 222 applies. In addition, the Asset Broker pays a fee to the Asset Holder for each API call.

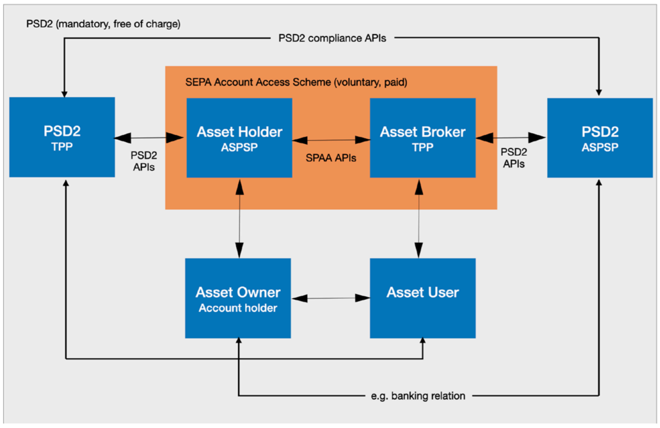
There will be fees for both basic and premium services. The SPAA scheme is preparing a "default remuneration model" for this purpose, which will be published in November. Thereafter, this model will be actively calibrated to make participation in SPAA as attractive as possible for all parties. Because fees will expectedly be passed on to the "Asset Users", they too will have to experience the benefits of SPAA. For Gijs Boudewijn, this will be the most exciting step in the development process: after all, the banks have an interest in relatively high fees, and the TPPs in relatively low fees. Somewhere in between there is an optimum, which is set with the cooperation of PwC and in strict compliance with EU competition rules. "The model is based on a carefully crafted and objective cost calculation model which is being developed by an external economic consultant", says Gijs Boudewijn. "To a large extent, we are navigating through yet uncharted waters here, and only by taking SPAA to the market we will be able to find out if the remuneration model is fit for purpose, i.e. if it allows for competitive pricing in the market."
An automated Operational Scheme Manager will eventually be responsible for the settlement of access and functionality fees. For the time being, this is not yet available and initially the settlements will be maintained manually by the EPC.

By the way, the word "default" says it all: ABFinance and AH Bank can deviate from the default fees by agreeing bilaterally on lower rates. However, it is questionable whether parties will enter into such costly negotiations at this early stage.

PSD2 vs SPAA: risk of a fragmented ecosystem

Our Asset Broker ABFinance will soon be able to choose. Does it extract the desired payment data from the freely available but limited and troublesome PSD2 APIs? Or does it opt for the "industrial-quality" APIs via SPAA, with a better customer journey, in exchange for what the SPAA MSG calls a "small fee"? And what if not all banks relevant to ABFinance's market participate in SPAA?
So that ABFinance has to continue to support the PSD2 APIs in addition to the SPAA APIs? Something similar will soon apply to AH Bank: it remains obliged to offer the PSD2 compliance APIs, but as a SPAA Asset Holder, it will also offer a similar basic service that functions better in practice.The question is to what extent Asset Holders such as AH Bank will choose to put the PSD2 compliance APIs on the same technical footing as the basic SPAA APIs, in order to save IT development and maintenance costs. "That remains to be seen and will differ per bank", says Gijs Boudewijn.

Open Banking ecosystem with PSD2 and SPAA



Network efficiencies

In any case, for the sake of "network efficiencies", the participants in the SPAA scheme have an interest in having as many Asset Holders and Asset Brokers as possible join. The more participants, the less fragmented the open banking ecosystem, the higher the benefits and the lower the operational costs. In that sense, SPAA and PSD2 are competing solutions to the issue of how payment service providers can gain access to payment data.
"At Rabobank we see SPAA as a positive development. A value-driven approach means that open banking and open finance are stimulated from the market. Compared to PSD2, all parties involved will benefit, which is better than the current compliance-based approach. The broader focus on value added, premium services is also positive", says Edwin Sanders, Lead Strategy Payments at Rabobank. "At the same time, we still have to determine how, and how quickly, we want to participate. Besides the fact that not all specifications and prices are known yet, the number of participants is an uncertain factor in the decision. That decision might have been simpler if SPAA had been adopted five years ago as a market-driven implementation of open banking in Europe. Now PSD2 will continue to exist alongside SPAA, which complicates the decision for the banks."

Regulator support

The SPAA Scheme can count on support from the ECB and the European Commission, because harmonization, interoperability and access for third-party providers are taken to a higher level. The regulators welcome SPAA as a market initiative to fill in part of the Payment Service Regulation (PSR). Moreover, they see SPAA as an important enabler for the European vision in the field of open finance and open data. "Both the ECB and the European Commission (who are observers in the SPAA MSG) openly expressed their unequivocal support for SPAA as a truly European solution. For us, as co-chairs, those expectations were a strong motivation to move SPAA across the finish line against all odds", says Gijs Boudewijn.

EPI vs SPAA: complementary developments

Together with its member banks, the European Payments Initiative (EPI) is building a new payments solution based on account-to-account payments. At the same time, those banks must provide free PSD2 access to their payment accounts to third parties (usually through APIs), who provide account information and payment initiation services.

Therefore, the two schemes regard each other as complementary. If our imaginary AH Bank decides to adopt EPI as its payment engine, there is nothing to stop it from using the SPAA scheme to give ABFinance and other PSPs access to the payment data it holds for its customers.

How can organisations participate in SPAA?

Interested parties must be able to provide appropriate documents proving that they meet the necessary requirements for offering (Asset Holder) or using (Asset Broker) the planned SPAA scheme services. This could, for example, be a corresponding PSD2 license in a SEPA country. Any interested party who meets the eligibility criteria set out in the rulebook can apply to become a participant in the SPAA scheme. The EPC secretariat must receive a signed version of the Adherence Agreement and Schedule Information accompanying the Adherence Agreement. [note 2] By signing the entry agreement, the participants agree to respect the rules described in the rule book.

The EPC Secretariat will objectively determine whether the applicant can meet the eligibility criteria and make a decision on the application.
Joining the SPAA scheme could be an interesting option for both banks and payment service providers. Open banking and open finance are the future, and SPAA is a serious effort to bring these to the next level. PSPs can benefit from higher clarity and availability, and a broader range of financial data. For instance, while PSD2 is limited to checking account data such as income and expenses, access to savings account data through SPAA enriches the analysis of a customer's financial situation.

Banks can benefit for the same reasons, as well as the revenue from providing SPAA services. However, assessing the 119 pages of rules in the SPAA Scheme rulebook can be complex. Our consultants are ready to support you in the various phases of a SPAA project. First of all, to make the strategic considerations regarding possible participation, the selection of relevant premium services and the determination of the legal, functional, operational and technical requirements to prepare your organization for entry.

We would be happy to discuss this with you. Send an email to connect@connectivepayments.com or call Ronald te Velde / Eppo Heemstra on 06-57343406. Let's talk!

NOTES

1. SPAA focuses mainly on the relationship between so-called Asset Holders and Asset Brokers. The definitions of these roles are similar but more generic than the ASPSP and TPP roles in PSD2 respectively.

The aim is that they can be used more broadly than just for payment data, with a view on future access to financial data.
With payment data as an example: a bank that makes payment data available is an ASPSP (PSD2) or an Asset Holder (SPAA). A company that wants to use that payment data is a TPP (PSD2) or an Asset Broker (SPAA). The owner of the data, the Asset Owner, a private individual or organization, has a business relationship with the Asset Holder. A so-called Asset User can, for example, be a merchant who uses the data requested by an Asset Broker. All this subject to permission from the Asset Owner.

2. Both documents are included in Annex I of version 1.1 of the rule book 1.1.

Many thanks to Gijs Boudewijn and Edwin Sanders for their valuable contribution to this article.

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All articles were written by Connective Payments team members, based on team discussions, interviews and open sources and co-edited by Hans Croon and Lissy Kemena