



## **PSD II and XS2A – New possibilities in marketing**

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January 13<sup>th</sup> 2018 is approaching rapidly. Then the national implementing legislation for the Second Payment Services Directive (PSD II) will come into force. However, it is not yet certain when the regulatory technical standards for strong customer authentication will be adopted by the EU Commission and consequently become effective 18 months later. But one thing is certain – the account servicing banks must allow Third Party Providers (TPPs) access to customer accounts (XS2A = Access to Account).

The aim is to open the market towards more innovation and competition, privacy improvement as well as transparency and the freedom of choice for end users and merchants. Technical access is going to be provided via an API. For that, two new roles will be appointed:

- (1) **Account Information Service Provider (AISP):** Account information services aggregate data from different banks and provide users with it.
- (2) **Payment Initiation Service Provider (PISP):** Payment initiation services initiate payments, at users' request, directly from their account at the account-keeping institute.

The chances and risks for banks are constantly being questioned and analysed. However, PSD II offers completely new potential and possible applications of XS2A.

With the new API, users can grant TPPs access to their accounts. In return, customers receive services such as an aggregated account overview. However, this will soon be the new market standard. Intelligent, customized data analysis allows the creation of further added values: from consultancy services or product comparison based on customer data, to discounts or other incentives within loyalty programs. The users' account and transaction history both represent an invaluable improvement of the data base. As a consequence, customized offers that increase the added value for customers while increasing the success rates can be created.

Apart from that, merchants will be able to offer payment initiation services to their customers, utilizing white label solutions. A resulting opportunity for merchants would be to position themselves as solution providers in connection with further added value for both end users and merchants.

In order to comply with both the PSD II regulations as well as the data privacy principles applicable as of May 25<sup>th</sup> 2018, customers must explicitly agree to the access and use of their data (opt-in). The obtained data can either be self-used or passed on to other financial service providers or partners not associated with the financial sector. In order to obtain the customer's opt-in as the basic requirement for access, not only must the data protection regulations be met, but the added value for the customer should also be as attractive as possible to set yourself apart from what competitors offer.

Established market participants should not see the regulatory changes as an obligatory act, but should evaluate existing resources e.g. a license as a payment or e-money institution and to use it accordingly as an advantage over new competitors.