

Open Banking: The User's Guide For PSPs, a PYMNTS and TrueLayer collaboration, examines the impact of open banking on the ability of PSPs to provide new, agile payment alternatives for merchants, marketplaces and entrepreneurs. The Playbook shows how PSPs can leverage open banking as a customized payments solution for B2B clients or provide it as a white-label payment option for clients to offer customers, providing an all-in-one solution for user authentication, merchant onboarding and payments management.

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OPEN BANKING

The User's Guide For PSPs

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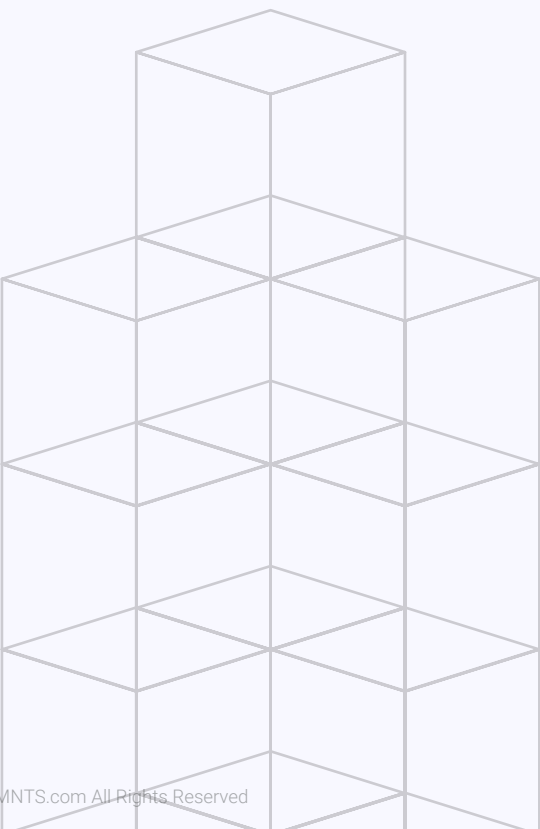
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Introduction

Today's payment service providers (PSPs) face numerous challenges in facilitating global commerce. They are required to deliver seamless, omnichannel payment experiences for eTailers while keeping their transaction management processes secure for customers and merchants alike. It is essential for PSPs to offer their clients the most updated payment methods locally and globally. That means giving them access to a secure, compliant, on-demand payment method such as open banking, a relatively new bank-to-bank communication, user authentication and payments management technology.

Open banking adoption is experiencing impressive global growth and has shown exceptional promise as a suite of tools to power fast, secure and innovative payment experiences for merchants, marketplaces and individual sellers.¹ Recent studies have shown that open banking

payments often achieve a 30 percent or greater share of checkout within a few months of introduction by merchants. As PSPs seek to improve their range of services to stay competitive, open banking presents an opportunity to provide clients with access to a secure, plug-and-play payments solution.

One way that PSPs can benefit from open banking is by utilizing it as a payment method. PSPs can then enable merchant clients to accept payments from customers via instant bank transfer. Such open banking applications are wide: PSPs can offer open banking as a plugin for mobile apps, platforms and marketplaces, and they can deliver an open banking API that allows these same companies to tailor payments options to their customers' particular needs.

There is also the matter of compliance. PSPs must enable client merchants and marketplaces to remain in compliance with know your business (KYB) and strong customer authentication (SCA) standards, regardless of where their business clients and customers interact.

Regional differences in the application of SCA and KYB standards and the complexity of cross-border, card-based payments can present operational challenges to the growing businesses that PSPs often serve. Global eCommerce brands may find that their customers encounter slow or blocked payments when making card-based purchases because of these SCA deviations.

Larger eCommerce companies suffer the most from the high costs of fraud and chargebacks due to their high sales volumes, but small to mid-sized businesses (SMBs), including emerging marketplaces, may also be impeded in managing cross-border payments efficiently and slowed down as they attempt to expand operations. Slow payments cause problems at every

point where payments are required across the retail supply chain and may manifest as shipping delays and card payment authentication bottlenecks. Emerging marketplaces and global retailers rely on PSPs to limit the frictions associated with global payments that can sabotage business growth.

PSPs need a global payment solution to meet the requirements of global commerce while providing the speed and ease of use that users demand. Many are thus turning to open banking, a consumer-facing solution that is both powerful and compliant with government regulations in the United Kingdom and Europe, for instant merchant verification and account-to-account payments that can also support innovative mobile app and platform-based products and services. In Open Banking: The User's Guide For PSPs, a PYMNTS and TrueLayer collaboration, we look at the reasons why PSPs might choose to use an open banking solution to facilitate payments services and explain how PSPs can leverage open banking features to scale their businesses.

¹ PYMNTS TrueLayer Report: PSPs Unlock Payments Experience With Open Architectures. PYMNTS.com. 2021. <https://www.pymnts.com/news/banking/2021/pymnts-truelayer-report-psps-unlock-payments-experience-with-open-architectures/>. Accessed August 2021.

² Simoneschi, F. Debunking a payment myth: why open banking is ready for mainstream. TrueLayer. 2021. <https://truelayer.com/blog/debunking-payment-myth>. Accessed July 2021.

How PSPs are using open banking: Five use cases in which PSPs can provide rapid, secure bank connections that deliver better client experiences

PSPs often face complex regulatory, customer experience and product performance challenges when they work with merchants and marketplaces that have customers around the globe. Many PSPs are now turning to open banking tools to remove frictions from transaction processes and offer their clients a new, high-performing payment option. Following are some examples of how PSPs' clients can benefit from open banking payments.



● iGaming

PSPs with iGaming clients can help them power new, innovative entertainment experiences. Open banking payment options enable iGaming providers' players to fund their gaming accounts for both their first purchases and any subsequent ones. These payments settle almost instantly, and they are much cheaper than cards or alternatives for the merchant. In addition, open banking payments are more secure, meaning these companies encounter less fraud. PSPs can also provide open banking application programming interface (API) access to allow iGaming platforms to instantly verify account ownership and player identity.

● Online marketplaces and eCommerce sellers

PSPs can use open banking technology to provide a new, robust payment method that offers enhanced security for online payments. PSPs with eCommerce marketplace clients can use such technology to offer instant seller authentication and vendor setup-as-a-service, enabling global vendors and marketplaces to get set up quickly and accept payments in local currencies.

● Trading and wealth management

PSPs with clients in the wealth management space can use open banking technology to authenticate users and facilitate instant funding of accounts during user onboarding and afterward.

● Property management companies

A PSP can provide a service that allows vacationers and renters to give property managers deposits in local currencies. Open banking solutions also allow landlords and managers to authenticate website users and accept scheduled rent payments from customers around the world.

● Crowdfunding platforms

Open banking technology allows PSPs to provide instant payments to peer-to-peer (P2P) crowdfunding platforms that need to authenticate users and ensure that payments can be processed instantly wherever their users are.



Case Study:

How Helcim uses open banking to remove friction from payments services



Open banking is often a viable alternative for companies looking to provide fast, reliable, secure payments solutions to their clients, according to Rob Park, chief operating officer at Helcim, a PSP that uses open banking technology to provide payments services to growing companies around the world.

Park believes that open banking's standardization of APIs and data transfer protocols allows PSPs to bring products to market faster and implement new features more easily. Open banking not only improves PSPs' ability to create and manage new payment products for their clients but also delivers valuable real-time data to PSPs, making transactions faster for their business-to-business (B2B) end users.

According to Park, open banking also provides more pathways for payments companies to explore additional product offerings, like consumer lending or business loans, as open banking improves access to the data needed to extend credit based on real-time cash flow. Park believes that pairing open banking with real-time rails could allow automated clearing house or electronic funds transfer transactions to become much more competitive.

"Real-time rails allow these transaction types to occur with the speed and feedback of card transactions [but] with a lower cost. If you tie transaction authentication to the process via open banking connections to consumer banks for authorization, transactions could be authorized in real time, removing the need for fraud

chargebacks or rejections, further reducing the risk and cost of [transactions]."

Park also explained that open banking can help PSPs grow sustainably and level the playing field between FinTechs and large banks.

"With a strong set of centralized data standards, I believe we can avoid the security concerns raised by some in the industry and improve speed to market and service quality for FinTechs. At the same time, we can offer a consistent experience that puts customers in control of their data while enhancing market offerings and improving choice and affordability."

Frictionless finance: How PSPs can leverage open banking technology to make payments effortless

Open banking provides a new payment method through fast, secure payment rails that PSPs can offer their clients. This means that PSPs are not only offering their customers an affordable alternative to card-based payments but also providing them with a new way to pay that can be presented as an “own brand,” white-label payment solution. Instant bank transfers mean seamless, rapid payments and fewer delays at checkout for merchants and consumers. Because open banking is based on secure bank-to-bank communications and are thus, by definition, compliant with government regulations in the U.K. and Europe, PSPs can offer clients a touchless security infrastructure for payments and user authentication that can simply plug in to any merchant platform, app or website. This is essential for PSPs intent on helping their clients scale their businesses easily.

Traditional methods of verifying user credentials and authenticating bank account access can be slow and prone to overzealous security flagging or unrecognized genuine fraud attempts, especially when human error trips up time-sensitive data entry tests. PSPs need to provide the highest levels of security for their B2B clients through their products, but poor user experiences arising from slow

transaction processing or unnecessary security flags ultimately damage client relationships.

An open banking API can empower PSPs’ clients to instantly authenticate their B2B clients or customers through their bank accounts, enabling them to offer frictionless payment services through any platform, app or storefront. Businesses using an open banking API can also authenticate users and complete onboarding processes in seconds rather than minutes or even days. Open banking technology can enable PSPs’ clients to:

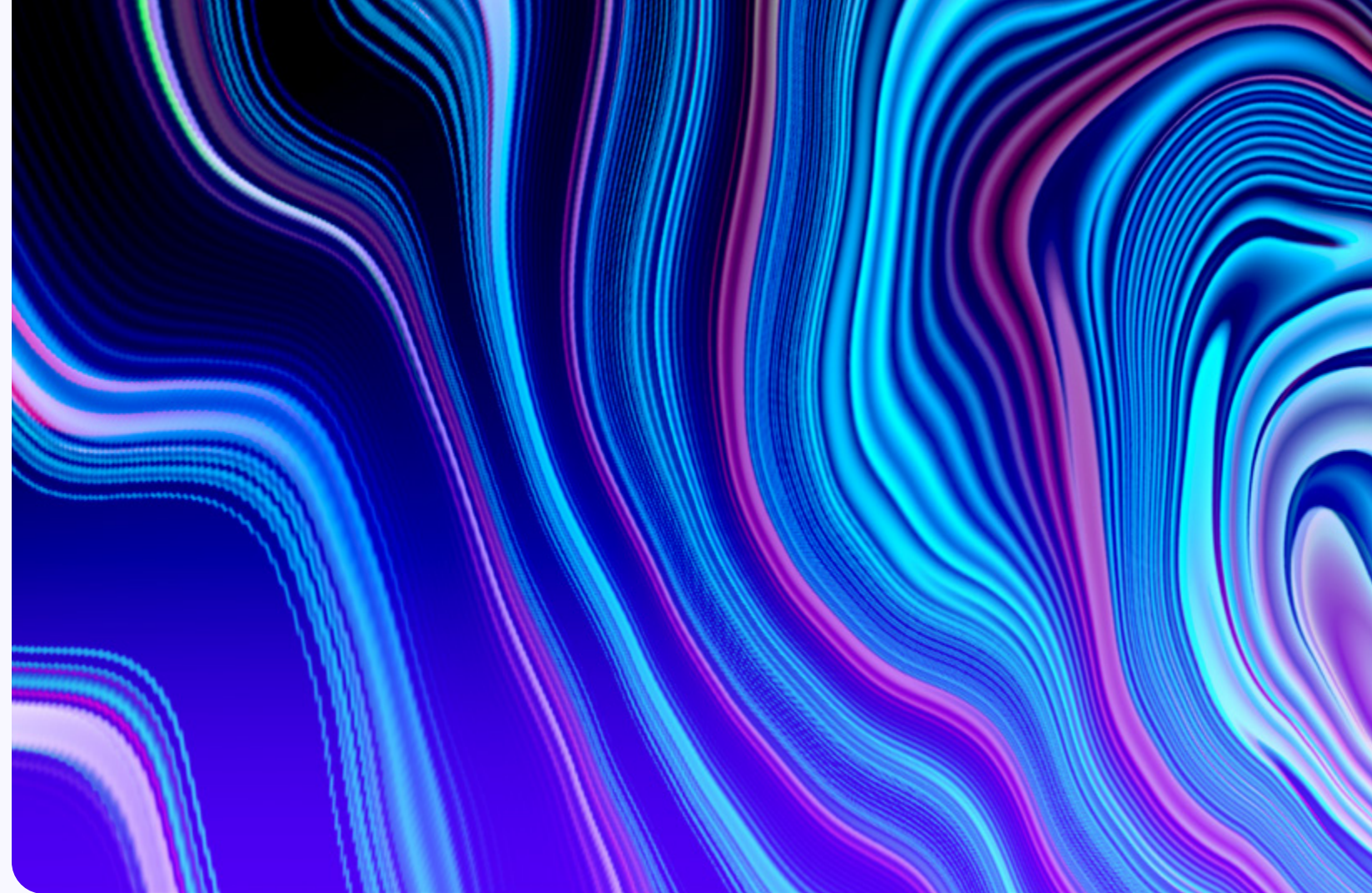
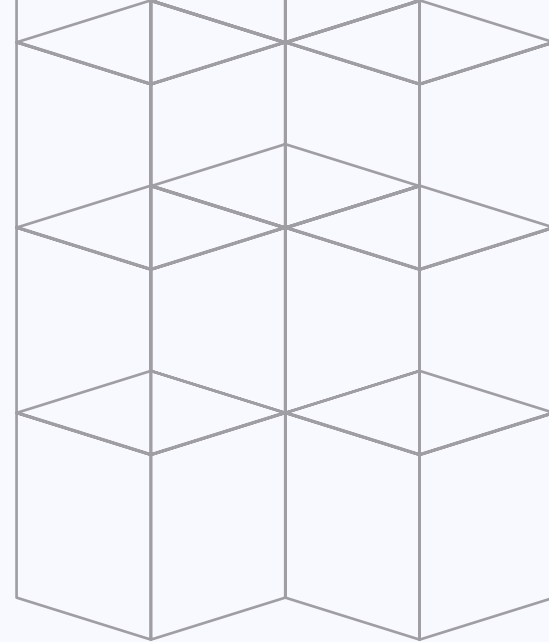
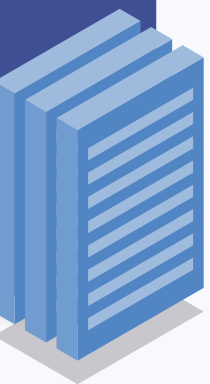
Automate user authentication through a single API call



Enable low-fraud, high-converting, instant bank transfers for clients



End time-intensive user onboarding processes involving microdeposits or document uploading



Another key advantage in PSPs offering clients open banking API solutions is having access to granular insights gained from open banking's reservoir of aggregate and data-privacy-compliant consumer data. PSPs with open banking technology are able to share meaningful insights on aggregate consumer behaviors, enabling clients to modify goods or service offerings based on up-to-date consumer preferences. PSPs armed with open banking insights have the knowledge to provide payment products that match their clients' preferences more accurately and develop new features that will delight their customers. Following are five ways that PSPs can use open banking's unique features to benefit their B2B clients.

Start with access

Every geographical region has unique barriers that limit PSP clients' ability to take full advantage of their PSPs' offerings, such as high shares of underbanked customers or difficulties in user authentication. PSPs can offer open banking payments to businesses that are trying to grow in countries in which consumers are more used to paying by bank transfer — a common occurrence throughout large parts of Europe. For eCommerce merchants, a PSP's open banking API can provide the vital service of allowing merchants without credit card access to provide instant payments to customers in local currencies.

Help B2B clients reach the “unreachable”

Developing economies are hubs of financial activity, and many consumers in these markets use remittances and other services designed to help them send and receive payments internationally. PSPs should consider the opportunities that open banking offers to create innovative products that help businesses receive payments from underbanked consumers. PSPs using open banking APIs can offer P2P crowdfunders the option of offering instant user authentication and payments for global users who may have bank accounts but not credit or debit cards.

Combine the “need for speed” with efficiency

Speed is important in payments management, yet security and compliance should always be priorities. Open banking provides speed, security and regulatory compliance by rolling user authentication and secure instant bank payments into a single solution. Speed does not have to come at the price of security in open banking. PSPs with clients that handle asset management, account funding, eCommerce, iGaming, cryptocurrency exchange services or a host of others can help them provide open banking's secure, instant, embedded bank payments to their customers.

Prepare clients to go global

Open banking APIs offer reliable “plug-and-play” payments for global businesses, allowing them to develop mobile apps, new platforms or eCommerce merchants without having to create custom payments solutions for specific regions. PSPs can provide an instant, scalable payments architecture for clients who want to fast-track innovative products by offering access to an open banking API that manages complex aspects for them. This may include global property management platforms handling short-term rentals. Property management organizations with high volumes of payments for deposits from customers in multiple regions may find it challenging to authenticate new users, accept payments and track deposits while staying in compliance with KYC regulations, but PSPs can use open banking technology to enable global property management platforms to create instant, secure payments from any device using an open banking API.

Get back to the data

PSPs have access to unique aggregate data sets on their customers' preferences when they glean insights from open banking products. These data insights can help PSPs identify opportunities to develop payment products tailored to their clients' needs, including user-friendly customer authentication processes and simplified payments processing in local currencies.

Case Study:

Payoneer on how open banking powers payments access



Open banking technology can answer a basic question for many PSPs: How can payments be made more accessible for global businesses? Offering better access to payments involves much more than amplifying transaction speed, after all.

“Access goes even further than just access to rails. In some developing parts of the world, it’s actually [access] to bank accounts themselves,” said Charles Rosenblatt, chief strategy officer at [Payoneer](#), a global PSP.

PSPs must find ways to provide services to businesses that want access to these customers, as many do not have access to traditional bank accounts.

According to Rosenblatt, as new companies expand their global online reach and enter into contracts with overseas suppliers, swift, reliable payments become even more crucial to businesses’ growth in developing economies. PSPs interested in reaching B2B clients such as emerging marketplaces in these developing nations and the American companies interested in doing business with such entities must deal with the question of how to standardize payments and user authentication. PSPs facilitating these connections must have access to technologies like open banking that provide reliability and speed to global payments.

“One could argue that the fastest way to get money from the [United States] to the U.K. would be to take the money, hop on a plane,

carry it in a suitcase and bring it there. There’s a reliance on the traditional banking infrastructure, which is great in some ways — it’s built, it’s foundational. There are some places where it’s quick. But sometimes it doesn’t help people move things quickly, and the cost tends to sometimes be higher.”

Open banking, according to Rosenblatt, can provide the kind of access that growing businesses need to connect with clients in new markets. When PSPs innovate using secure, standardized, bank-to-bank communications, they can facilitate cross-border payments in exciting ways.

“I think you’re going to see a proliferation of new uses. It’s my belief overall that this will allow [PSPs] to do quicker transaction payments, and for platforms like Payoneer, where we do a lot of collections of funds on platforms, there will be a whole new way for us to do off-platform

collection, which is really exciting,” he said. “I think this will grow, I think there’s going to be a lot of unique use cases.”

Rosenblatt also believes that the consumer insights PSPs can offer their clients when they use open payments technology can help businesses understand their customers better.

“Inherently, the ability for small companies to sort of leverage this data and be able to have access to data that they’ve never had before creates a whole lot of opportunities. I couldn’t have imagined 10 years ago people having open access to bank accounts in the same way we do today and having the ability to see across all the data like you can with [the General Data Protection Regulation] in Europe, so I think I’d be foolish if I were to prognosticate what is going to happen next, but I think there is excitement ahead of us.”

Case Study:

How Paysafe Powers iGaming With Open Banking's Frictionless Payments



Leading specialized payments platform [Paysafe](#) is leveraging open banking to provide seamless payment options to its clients. The company, which has been in the online payments space for more than 20 years, prides itself on simplifying the payments management process for innovative global enterprises. According to Sara Rita, vice president of Paysafe's Rapid Transfer, a revised Payment Services Directive-licensed instant bank transfer solution, the company is bullish on powering firms that want to provide payment experiences that are frictionless and tailored to their audiences' specific needs.

"We have a variety of proprietary payment solutions that are very unique to us, and we have a big network of solutions that vary from digital wallets to eVouchers. We offer

localized solutions in over 100 countries, and we [serve] a variety of industries, from travel to gaming to eSports to education and wellness," said Rita.

Rita explained that the digital shift has made it more important than ever that companies meet consumer demand for payment experiences that are secure, effortless and contextually relevant.

"There has been a big shift from the traditional brick-and-mortar [experience] to the online. The challenge has been to offer solutions that are embracing that change and that new user base. [We must] make them feel safe and provide safe solutions while [they are] completing the purchase while leveraging a payment experience that is very easy and very smooth."

Rita also stated that open banking has been a valuable tool for Paysafe, as it provides payments services to its global client base.

"Open banking helped on that front. It has delivered a framework where companies like ourselves and other PSPs can connect in an easy and secure way to the banking network so that this exchange of data can deliver more personalized solutions to the user, making the payments experience faster, safer and smoother for them."

According to Rita, Europe's and other regions' recent embrace of open banking technology has to do with the unique functionalities that the option provides. Paysafe offers its own open banking solution, she stated, because it opens up new payments possibilities for its clients.

"For us, that meant obviously opening up new functionalities for our merchants and their customers and making our payments and our payment journeys faster and safer as well as making sure that we can cover as many markets as possible so that our merchants can easily scale and internationalize their businesses."

The ability to customize payment choices is essential for growing international businesses, Rita added, and Paysafe helps its clients leverage new payment options to provide better customer experiences.

"We had a recent customer of ours [that has been with us] for some time and they were [operating] in the U.K. very successfully. They were looking at expanding their operations across Europe, [but] they lacked experience and the resources to really set up operations and payment operations for cross-border markets."



Rita said that the merchant was faced with a daunting challenge in planning for growth while ensuring scalability. Paysafe was able to leverage its Rapid Transfer solution, developed in conjunction with partners such as TrueLayer, to support the client.

“[A merchant] came to us and asked us for support in that area, and through Rapid Transfer, our bank transfer solution that leverages open banking, we were able to give this merchant access to 18 markets with one connection, leveraging mobile banking, and avoiding the need of setting up accounts across Europe. So we created all of that infrastructure for them through the connections that we have built.”

Rita stated that one sector, iGaming, faces particular challenges in making frictionless payments work across borders.

The iGaming industry might need to coordinate payments and purchasing options for customers in one region and those in another — all while ensuring that payments are swift, secure and authentic.

“For example, a payment that may feel safe and easy for one consumer is not necessarily the same [payment] experience for a customer from the Netherlands, so a gaming operator oftentimes needs to deliver solutions for different markets at once. [iGaming operators] also want to [be able to] differentiate and diversify their offerings and spread them across different markets because regulations change all the time.”

Speed is also essential for iGaming companies seeking to make consumers’ payments experiences as frictionless as possible and consistent across multiple regions.

“They need to be fast to adapt to the changes [when moving] into different markets, so they need a payment provider that reacts fast to those changes. We’ve done that through open banking. We worked together with one large iGaming company. [It] needed the solution that we already offered in terms of instant transfers powered by open banking for a few new geographical regions. Leveraging open banking, we expanded [its] service into these new markets. That was a fantastic experience: Consumers had an instant bank transfer solution that was very safe, leveraging the banks’ security systems, and it was very easy to use.”

Another of Paysafe’s alternative payments solutions is paysafecard, which permits payments via the Microsoft Store or in-game payments through the Xbox across Europe. Paysafecard is currently available in over 50 countries.

Rita noted that Paysafe will continue to create innovative payment options for its merchants using its own unique solutions and open banking technology. She also explained that Paysafe’s extensive experience in the iGaming sector allows it to optimize the value of its open banking solution to support growing iGaming companies.

Conclusion

There is no denying that PSPs provide essential services to the global economy, yet one of the biggest challenges facing PSPs is how to deliver robust payments solutions reliably to B2B clients around the globe. Navigating a hodgepodge of regulations and potential user authentication bottlenecks requires a single agile payments option. Open banking is not just an enabler of better processes and an element of better payments products, it is a new payment option that PSPs can offer their merchants, and that their merchants can offer directly to consumers. The demand for open banking is growing because it provides a low-cost, highly secure payment option that can fit seamlessly into any app, platform or marketplace. As PSPs create payments products to meet the needs of their clients, open banking can provide a seamless way to speed up innovation around the globe.



About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



TrueLayer is the leading technology company providing secure, global access to financial infrastructure. Developers use our APIs to build best-in-class products that securely access data and initiate payments in real time. Founded in 2016, TrueLayer is connected to major banks across the world, backed by leading venture capital and trusted by some of the biggest names in FinTech, including Freetrade, Nutmeg, Revolut and Trading 212. By making the power of open banking accessible through our platform, TrueLayer enables developers across any industry — from startups to enterprises — to reinvent financial services. TrueLayer is available in Australia, Europe and the U.K.

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