



Strategy for digital transactions, beyond payments

Role for banks to secure their relevance in the data economy

Bank executives need to embrace three beliefs to reap the benefits of the blue ocean opportunity in the data economy

1



Although important, **digital payments** – and related collaborations – are **not sufficient for banks to remain relevant** in a world in which everything is a digital transaction

2



Banks are ideally placed to unlock the potential of the data economy by creating a **digital trust infrastructure** and become society's everyday **data custodian**

3



In the data economy, a bank's **digital identity** and **consent management** services are key in facilitating trusted financial and non-financial digital transactions in all areas of society

Bank's trusted position as 'money custodian' in customer's daily life is at risk, due to challenging payments market dynamics



Payments increasingly Instant, Intermediated and 'Free'

- **Instant:** global move towards instant settlement of transactions
- **Intermediated:** other parties offer (niche) payment services on top of payment infrastructure to bank's customers
- **'Free':** low-margin business that requires large volumes for profitability



Regulatory forces banks to finance future of payments, with limited ROI

- **Banks obliged to make investments:**
 - Infrastructure upgrades: instant payments, APIs
 - Improved authentication & authorisation, incl. seamless UX
- **Limited ROI, as business model lacks:**
 - No charging of third party access under PSD2
 - Risk of cannibalising credit card business



Alternative payment rails could render bank infrastructure obsolete

- **Introduction of alternative payment rails is looming**
- Alternative rails are either **market driven** (e.g. Novi/Libra) or **government driven** (e.g. Central Bank Digital Currencies)

Banks not acting leads to further disintermediation in customer relation, as BigTech keep on extending their propositions



BigTechs leverage customer relations beyond payments...

...so banks must act immediately to stay relevant



**Global Retail Banking
2019: The Race for
Relevance and Scale**

OCTOBER 24, 2019

Are Banks Still Relevant?

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**Big tech firms like Amazon are
eager to eat the banking industry's
lunch**

**How Banks Can Extend
Their Digital Relevance**



Will Big Tech Firms Topple Banks?

**Google is getting into banking to take
back the business it lost to Amazon**

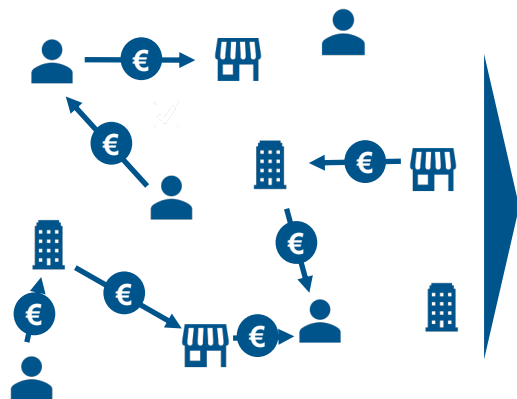
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The Uberization of Banking

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Regulation democratises data across the whole economy, payment-like interoperability is needed

From banks facilitating payments



Existing and upcoming regulation democratises access to data & data sharing



... towards banks facilitating data sharing

Banks to become custodian of customers' data



● = payment transaction facilitated by banks

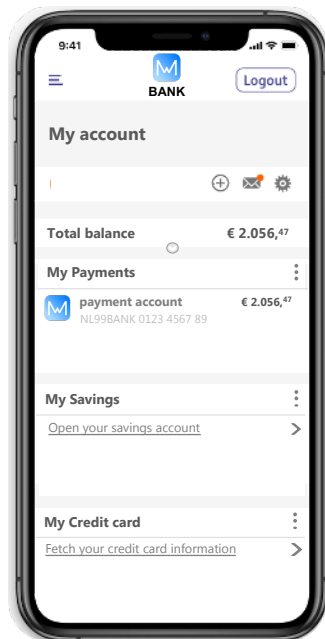
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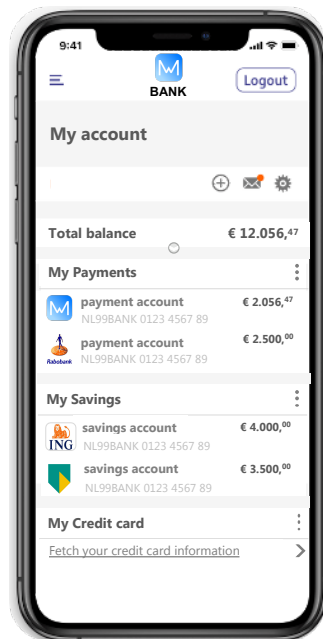
Banks are in a position to secure future relevance and customer intimacy beyond their role as our 'money custodian'

Evolution of customer interactions and intimacy

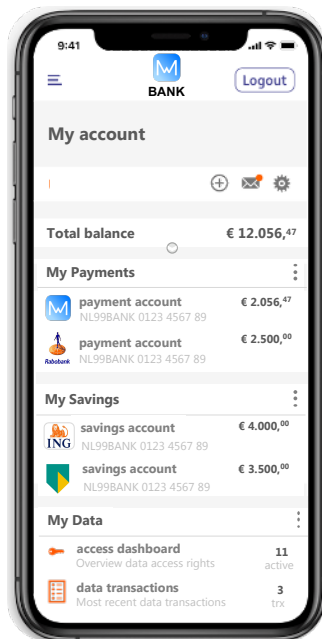
Single bank overview



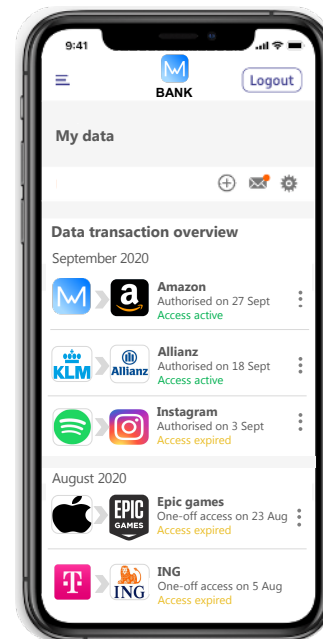
Multi-bank overview



PSD2 consent dashboard



Data custodian dashboard

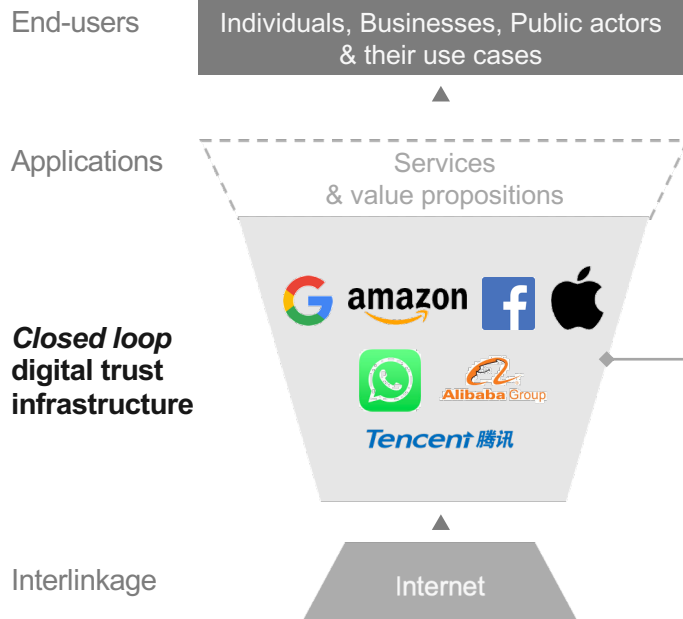


Source: Innopay analysis

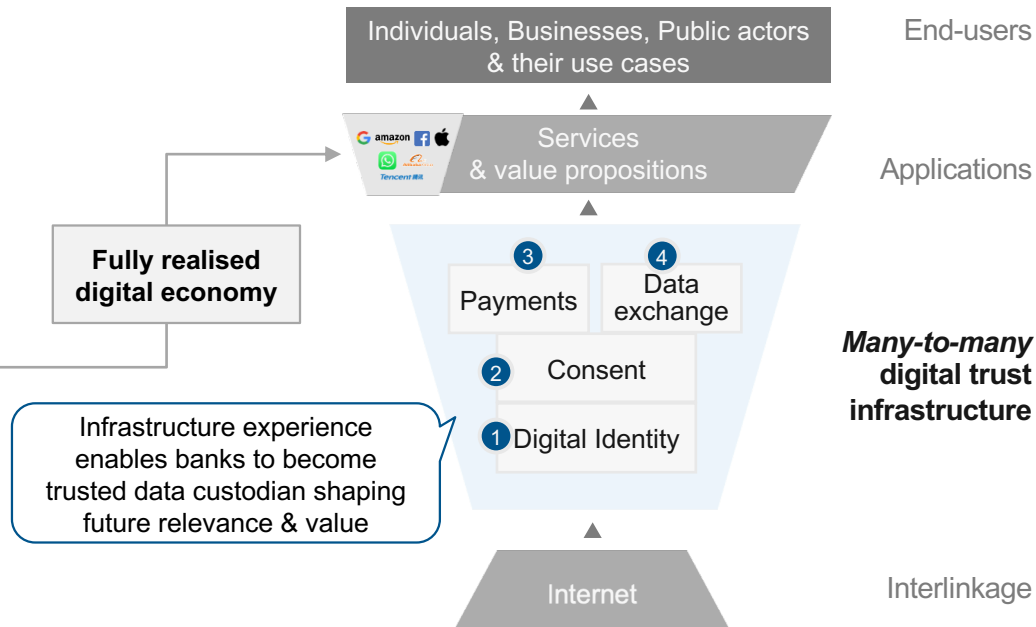
Banks can replace current closed-loop trust infrastructures with digital trust infrastructure that enables data driven ecosystems



FROM existing closed loop (BigTech) platforms as trust infrastructures...



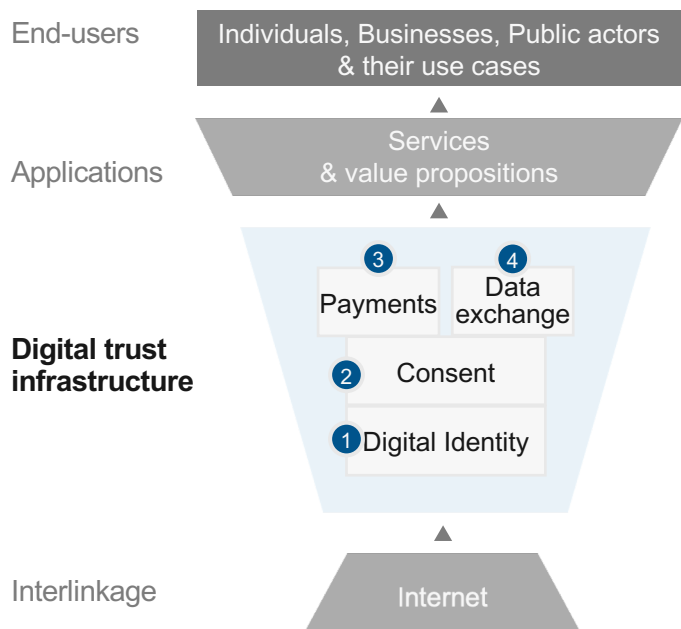
...TOWARDS digital trust infrastructure for many-to-many data sharing



Tomorrow's opportunity for banks is thus to secure their role in the data economy through a digital trust infrastructure



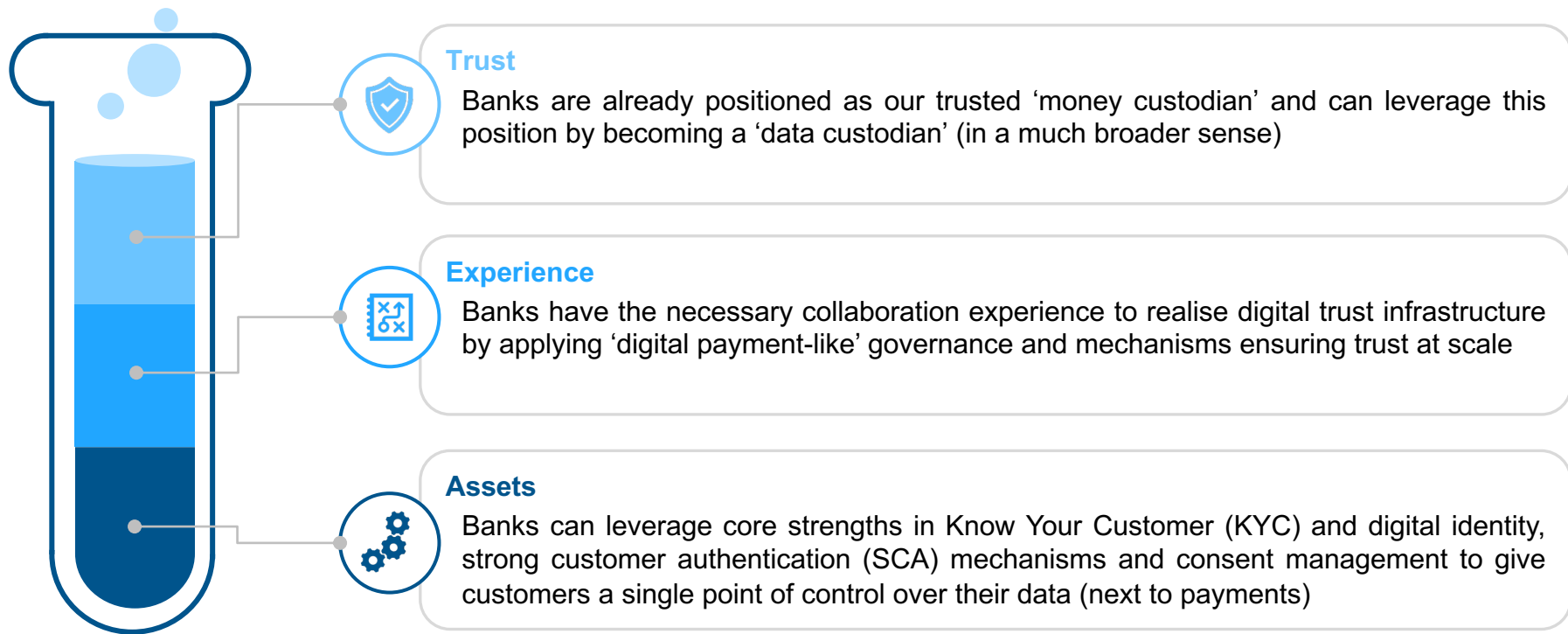
MANY-TO-MANY DIGITAL TRUST INFRASTRUCTURE



Four components of the digital trust infrastructure

- 1. Digital identity:** enables individuals, businesses and public institutions to represent themselves and others in the digital economy
 - 2. Consent:** enables end-users to control their data and money when they digitally interact and transact with their service providers of choice
 - 3. Payments:** ensures end-users can control and exchange their financial assets
 - 4. Data exchange:** enables end-users to make their data available and accessible to any service provider of choice for specific purpose and period
- Banks are perceived as trusted party to process payments as our 'money custodian' and are ideally placed to expand their role into the data domain to also facilitate other types of digital transactions

Three reasons why banks are well placed to create digital trust infrastructure to secure their future relevance in the data economy



Three must-do actions for banks to seize the blue ocean opportunity and realise relevance in the data economy



Shape your strategy & claim your role

- Understand roles and business models in the digital trust infrastructure
- Scrutinise positioning and value propositions of existing market actors
- Develop vision and strategy to inform decision making on preferred role ('where to play')



Select business opportunities & partners

- Identify disruptive growth opportunities within preferred role
- Develop more detailed value cases to prioritise opportunities for further pursuit ('how to win')
- Assess potential partnerships to enable and/or accelerate realisation



Define must-win battles & roadmap









- Assess and prioritise must-win battles and capabilities for strategy execution
- Develop roadmap outlining key activities and milestones to execute the strategy and prioritised opportunities

INNOPAY is expert in digital transactions

- Founded in 2002
- 45+ consultants
- Experts in the domain of digital transactions
- Strong track record in facilitating co-creation
- Global operations with offices in Amsterdam, Frankfurt Berlin
- EU focus with global activities (e.g. Australia, USA, SEA)
- Founding member of HollandFintech
- Strong capabilities in strategy, product development and execution
- Deep knowledge across business, technology and regulation

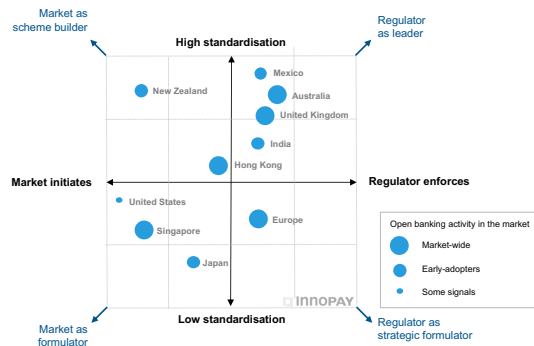


INNOPY provides tailored Open Banking, digital identity & data sharing consulting services to unlock new value creation potential

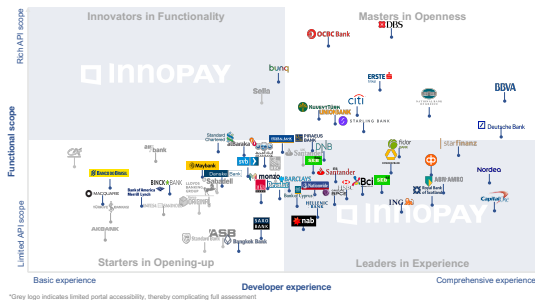
INNOPY consulting service	Description
 1. Visioning & Scenario planning	Visioning workshops and scenario planning on the future of Open Banking, digital identity and data sharing and how it will impact business and operating models to compete and collaborate in the data economy, while ensuring compliance with regulatory requirements
 2. Digital ecosystem data mapping & business case	Tooling and service to identify and plan the business, legal, technical, organisational, functional and technical relationships needed to deliver on a digital partnership or ecosystem. This service can be used to bring different stakeholders together to understand the flow of value (incl. business case) through data ecosystems
 3. Global benchmark assessment	Benchmarking study across industry players offering propositions in Open Banking (Open Banking Monitor provides insights across 50+ developer platform capabilities, incl. peer analysis), digital identity and data sharing. Results provide insights in best practices to help shape and prioritise digital roadmaps
 4. Use case development	Design, create and realise open banking, digital identity and data sharing use cases to showcase and capture the value of a partnership or digital ecosystem
 5. Strategy & new business model design	Definition of open banking, digital identity and data sharing strategy and commercial propositions to shape new business models
 6. Business transformation & operating model design	Definition of end-to-end digital partnership interaction requirements, consent management and onboarding & risk framework, including holistic impact assessment on operating model required to set-up business for Open Banking, digital identity and sharing sharing
 7. INNOPY Academy	Tailored training and coaching on key topics in the transactional world of open banking, digital identity, data sharing, ecosystems and payments
 8. INNOPY Experience lab	Create a proof of concept to understand the impact of open banking, digital identity and data sharing proposition design choices and support your innovation efforts

INNOPY developed three Open Banking benchmarks to understand market dynamics and support its consulting services

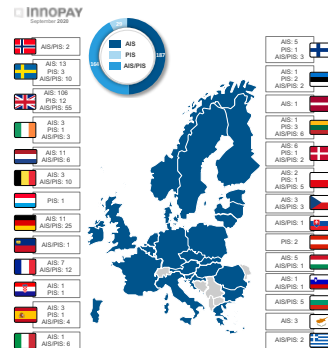
Open Banking Frameworks Ecosystem development



Open Banking Monitor Banks exposing APIs



TPP Radar Various providers consuming APIs



INNOPY tracks Open Banking frameworks across the globe, driven by market players or regulators

INNOPY tracks developments of banks globally offering API services

INNOPY keeps track of innovative fintechs building Open Banking propositions

INNOPY gained expertise and experience from world's leading open banking, digital identity and data sharing projects

Global bank

PSD2 & Open Banking platform strategy and business transformation

Global financial technology firm

Design, development, go-to-market strategy and roll-out of global, reusable digital identity solution

Large US Bank

Global Open Banking benchmark, strategy & business model, API platform roadmap and operating model design considerations

Leading UK Payment Infrastructure Provider

Global Digital identity market assessment and strategy

Large French Payment Infrastructure Provider

Digital identity and consent management strategy and roadmap

Dutch Payments Regulator

PSD2, Open Banking and data sharing vision, risk assessment and policy recommendations

Leading German bank

Global Open Banking benchmark and API platform / portal roadmap

National Payments network & infrastructure

Digital transaction vision, strategy and roadmap to drive adoption of Payments, Digital identity and data sharing

National Payments Network

Global Open Banking vision, scenario analysis and member guide

National Payments Council

Co-creation (design and development) of national digital identity scheme

Leading Belgian bank

PSD2 / Open Banking strategy, partner onboarding and consent process model and architecture design

Leading Swiss bank

Digital identity strategy, solution design, business case and roadmap

Leading Greek bank

Global Open Banking benchmark and API platform / portal roadmap

For more information see selected case descriptions on our [website](#). More details on INNOPY projects are available upon request.

Source: INNOPY experience



Mounaim Cortet

Senior Manager & Lead Strategy

Mounaim.Cortet@innopay.com

+31 6 41 76 86 51



Maarten Bakker

Director & Lead Data Sharing

Maarten.Bakker@innopay.com

+31 6 10 98 14 31