INNOPAY approach and PSD2 services around licensing

Information deck

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Table of content

Content

1. Indicative CLIENT PSD2 roadmap
2. Overview INNOPAY licensing approach and services
3. Appendix: introduction INNOPAY and selected references

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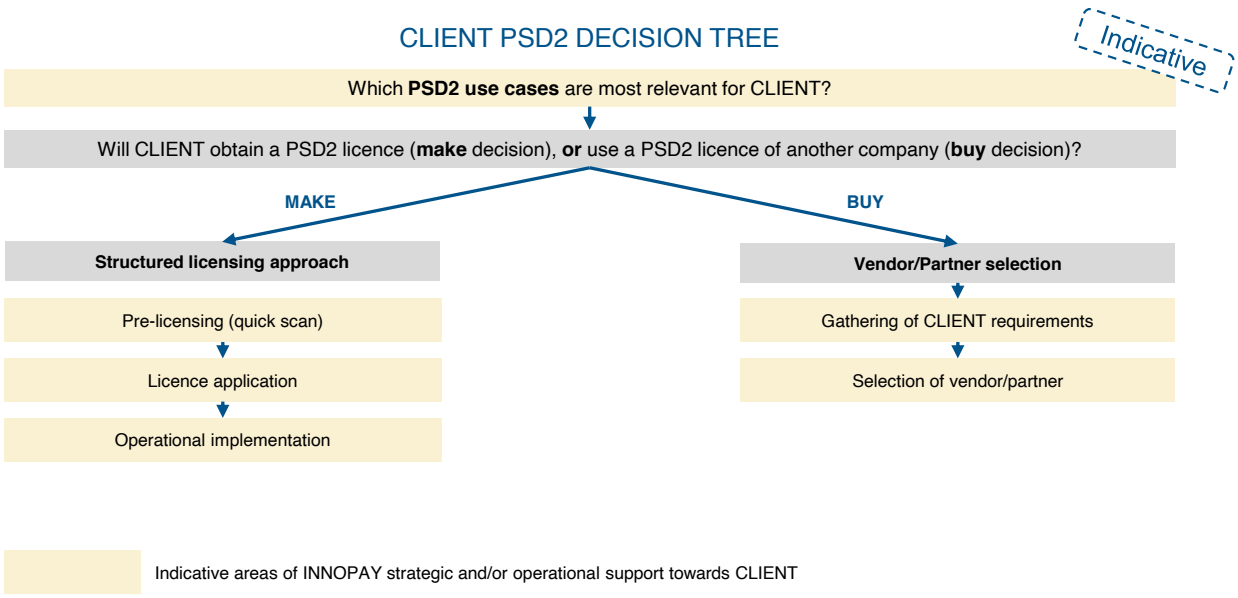
INNOPAY can provide support to CLIENT during all PSD2 phases, from strategy development to operational execution



Source: INNOPAY analysis

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INNOPAY supports organisations in both acquiring and retaining the licence to efficiently manage complexities

licensing context

- Licence applications are complex and the **organisational impact** is often underestimated by applicants
- **Acquiring** a licence focuses on evidencing a **compliant set-up**, whereas **retaining** a licence is focused on **operationalising** the requirements in the organisation
- **Financial licensing requirements** (e.g. PSD2, e-money) cover various areas such as business operations, risk management, compliance, governance (incl. management assessment), and financial/risk reporting
- The **complexity** (e.g. level of detail of documents & risk assessments) and **length** of licence applications is **dependant on the size and risk profile** of the (envisaged) financial services and the process can in our experience take between 6-9 months and longer if issues occur

INNOPAY services

INNOPAY supports organisations in all licensing phases:

Pre-licence application

1. **Quick scan**, adaptable to client needs (e.g. strategy validation, regulatory assessment, operational readiness)
   Purpose: assess impact and take fact-based decisions

During licence application

2. **Licence application**, using a structured approach (e.g. Crosslinx methodology*) to design processes which are compliant by design
   Purpose: obtain the licence efficiently & compliantly

Post-licence application

3. **Implementation support**, for successful strategy execution to retain the licence
   Purpose: implement licence requirements in organisation

** For information on the Crosslinx methodology, see slides 14 and 15*

Source: INNOPAY analysis

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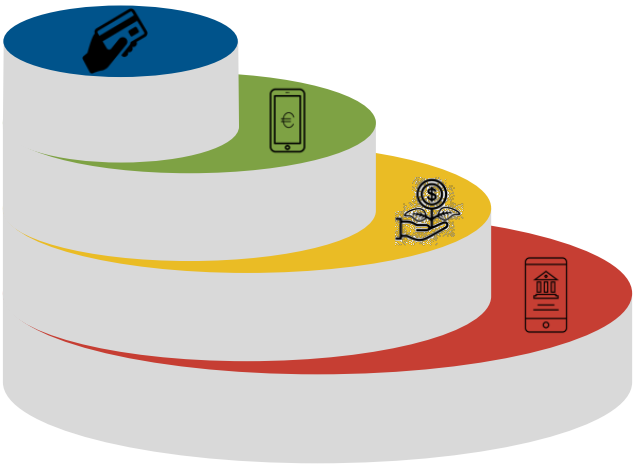
Financial licences enable significant opportunities, from payments to e-money to investments, before considering a banking licence



Growth potential in financial licensing*

Payment institution licence

Authorisation to provide selected licensed payment services and upgrade licence to pursue other PSD2 services (e.g. PISP / AISP)

E-money licence

Authorisation to offer e-money services (e.g. universal gift cards, e-wallets, loyalty programs) to enhance customer offerings

Investment firm licence

Authorisation to set up an investment arm to utilise and monetise deposits via investments which can increase customer relevance

Banking licence

Authorisation to engage in banking activities such as savings products, mortgage lending, consumer lending, merchant credit lending or pre-financing, cash management

Source: INNOPAY analysis

*** Note:** this is an indicative growth path, more types of licences and growth paths exist

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INNOPAY recognises that obtaining a licence consists of the preparation, application and retention of a licence

INNOPAY's vision on licensing is on **both** the acquiring and retaining of a licence

The **acquisition** of a licence consists of the preparation of an organisation to be capable to retain the licence without problems. This involves setting up compliant operations, transparent governance, and a sound and controlled business environment (focus on design).

The **retention** of a licence lies in the operationalisation of the various licence requirements to maintain compliant operations and good relations with the supervisor (focus on operating effectiveness). Organisations tend to place less emphasis on this part.

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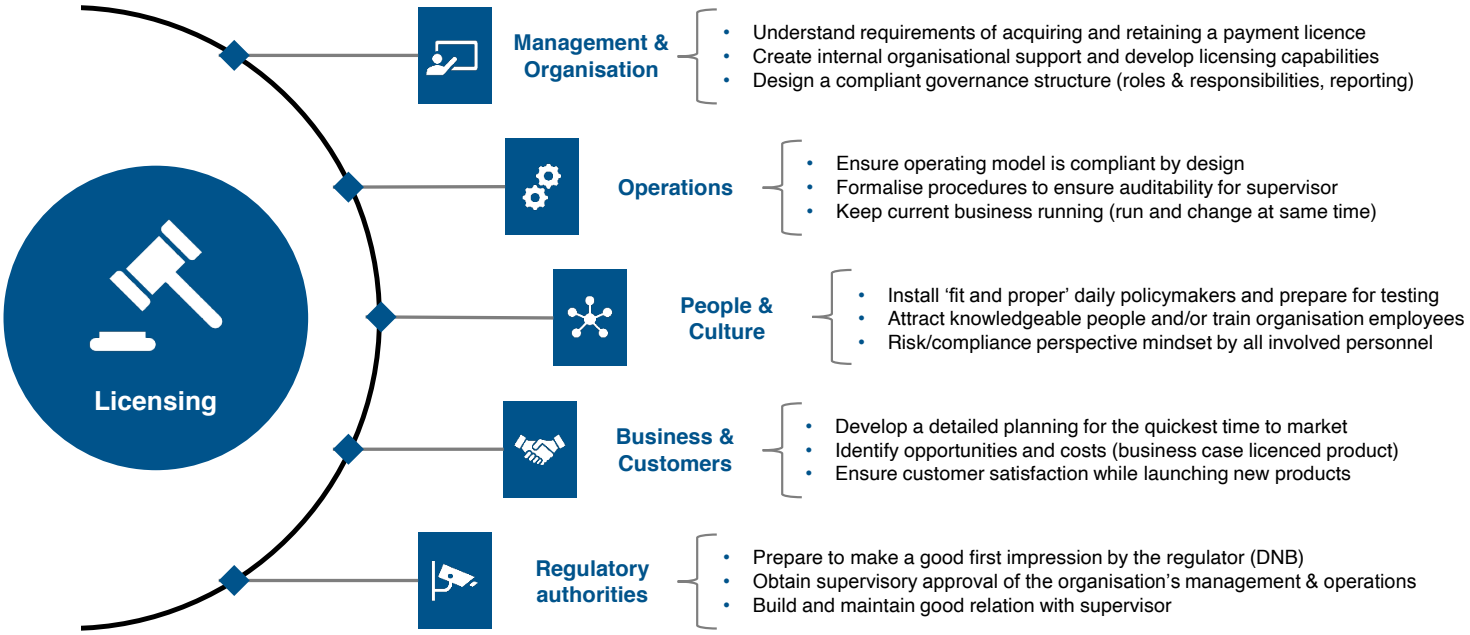
Successful licensing requires preparations on different levels



Source: INNOPAY analysis

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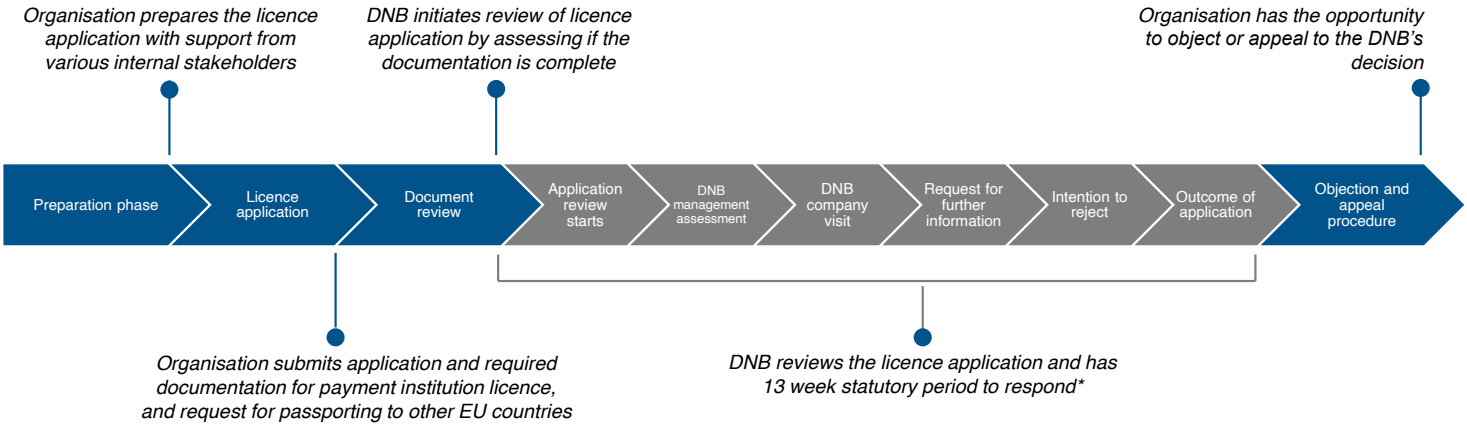
Applying for a PSD2 licence at the Dutch Central Bank consists of 10 generic steps which can take around 6-12 months



* The supervisory review period often takes longer than the statutory period (in our experience easily over 6 months), as the review period starts only after the supervisor declares the application package as complete and is paused when additional information is requested

Source: INNOPAY analysis

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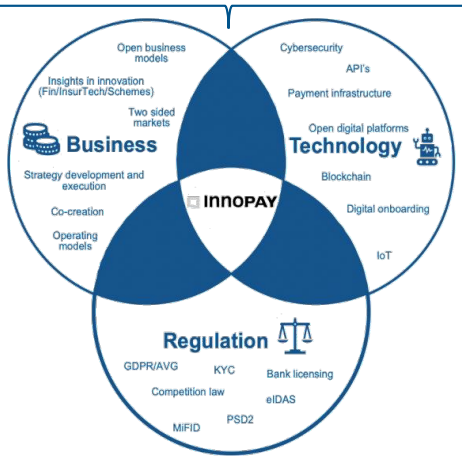
INNOPAY provides support during the full licensing cycle through an integrated Business, Technology and Regulation approach

	Pre-licence application	During licence application	Post-licence application
Service	**1. Quick scan / Business case development** • Strategy validation (product, competition, market) • Regulatory assessment (opportunities, cost) • Operational readiness heatmap	**2. Licence application** using Crosslinx methodology to enable Compliance by Design (acquire licence)	**3. Operating model implementation support** to enable successful strategy execution (retain licence)



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Depending on the client needs INNOPAY can offer various services

Non-exhaustive

Quick Scan / Business case development • Licence impact analysis (before decision to apply) • Regulatory authority scan (where to apply) • Validate use cases (costs vs. potential revenue, reality check, manage expectations) • Identify licence type and requirements • Market scan e.g. identifying best practices, opportunities, and risks	**Licence application** • Review and/or develop licence application • Create licence checklist and requirements overview • Create manual and supporting documentation • Quality assurance
Strategy development • Strategic roadmap around licensing application • Facilitate 'make or buy' decision making with regards to financial licensing • Implementation plan (to ensure retaining licence) • Internal / External communication plan (create awareness on impact)	**Academy** • Workshops, training: knowledge and awareness sessions on various topics • Provide training & coaching e.g. on how to talk to regulator • Management workshops to create understanding and commitment of..
Regulatory support • Advice on regulatory compliance (AML, GDPR, PSD2, etc.) • Quality assurance on documentation • Regulatory impact assessment on operations • Regulatory overview	**Risk management** • Set up of risk management / compliance activities • Advise on, set-up and execution of risk assessments • Set up risk appetite framework • Perform Systematic Integrity Risk Analysis (SIRA)
Strategy execution / Implementation support • Operating model (re)design (lowers cost to acquire & maintain licence) • RACI (streamline activities, clear roles and responsibilities) • Set-up Administrative Organisation / Internal Control framework • Apply Crosslinx methodology (tool overview, cycles, governance, control points, etc.) • Set up job profiles needed • Tool & vendor selection support	**Stakeholder facilitation** • Selection of law firm for legal support • Intermediary for legal expert and regulator • Mediator between regulator and licence holder • Mediator between Board, Management Team, Employees
Policies and procedures • Policy house blueprint • Write policies and procedures / provide examples, best practices • Quality assurance on documentation	**Project management** • Project management: realistic planning and budgeting • Propose candidates for vacancies (e.g. skilled PMO) • Stakeholder alignment (e.g. through workshops)
Related propositions • Customer onboarding design (KYC, CDD) • PSD2 and Open Banking (Compliance and Strategy)	**Product design** • Minimum Viable Product development or validation • Design compliant proposition

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Rough cost estimation of a standard licensing project

OVERVIEW ESTIMATED BUDGET *

Indicative

	Phase 1	Phase 2	Phase 3
Description	*Business case development*	*Licence application*	*Operational implementation*
Effort	**4 weeks**	**3 months**	**3 months**
Main activities	Gather information, perform gap analysis of requirements to current situation, prepare and advise on next phases	Interact with supervisor, write licence application, detail policies and procedures, prepare for supervisory assessments	Implementation of policies and procedures, deep dive on specific topics, address any supervisory concerns
Indicative INNOPAY budget	**EUR 60.000,-**	**EUR 150.000**	**EUR 100.000**

* Dependant on complexity and size of the organisation

Source: INNOPAY analysis

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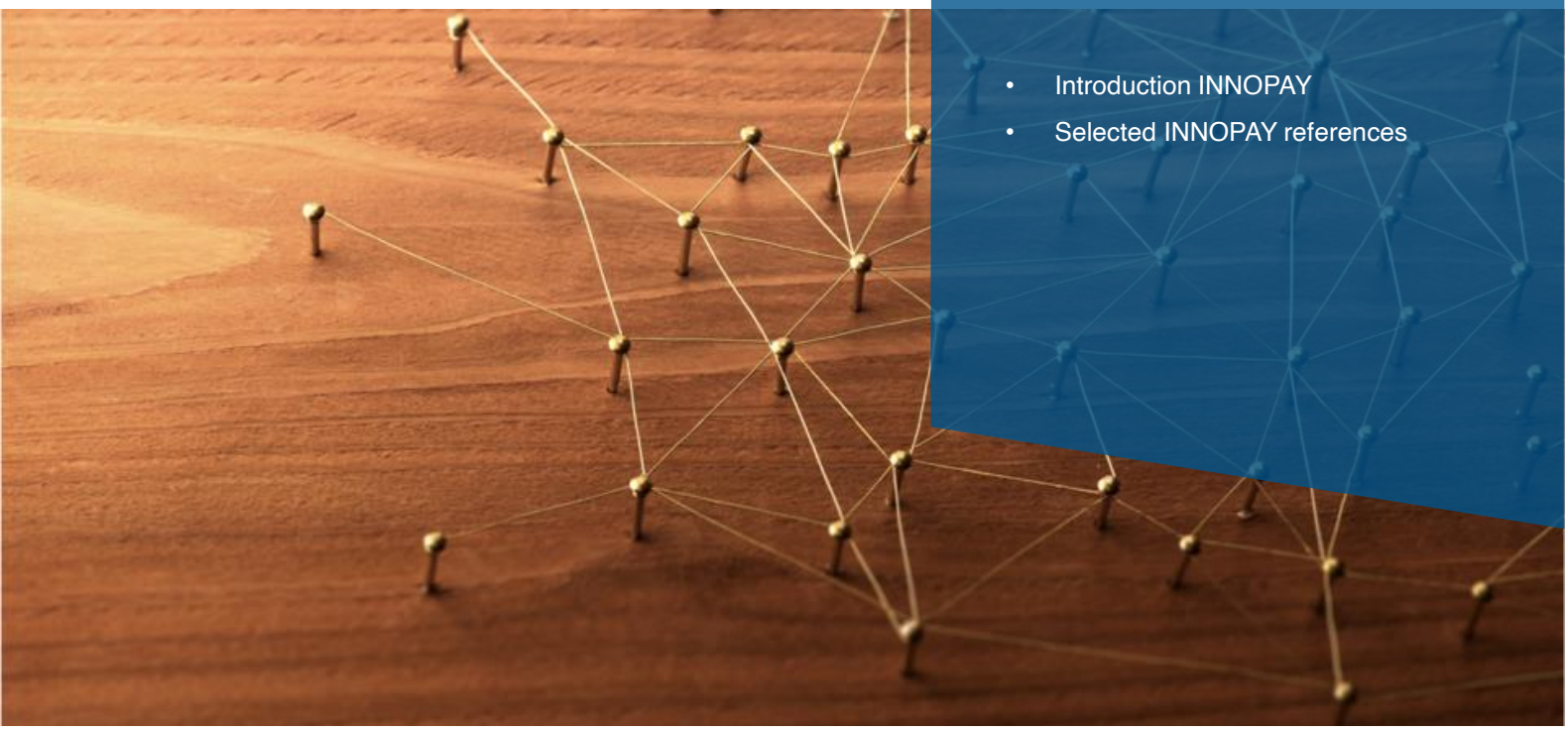
Appendix



- Introduction INNOPAY
- Selected INNOPAY references

INNOPAY is an expert in the domain of digital transactions

- Founded in 2002
- 60+ consultants
- Market leader in The Netherlands
- Strategy, product development and execution
- Operations in Amsterdam, Frankfurt, Berlin
- We operate across Europe for different industries
- Founding member of HollandFintech
- Member of European Payments Consulting Association

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We operate on the edge of business, technology and regulation to support clients across industries, from strategy to execution

BANKING

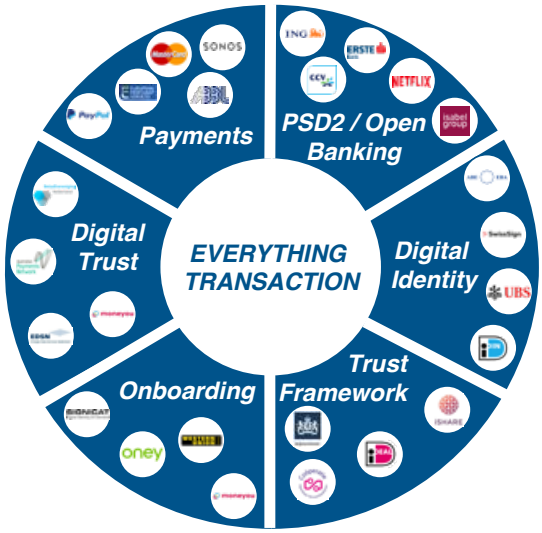
Create customer value through trust, collaboration and secure access to data

FINTECH

Grow towards sustainable business

INSURANCE

Create value with Open Insurance



LOGISTICS

Achieve simple, cost-effective, and secure data sharing

MOBILITY

Realise growth in a digital mobility ecosystem

PUBLIC SERVICES

Empower citizens and businesses by digital transformation

Strategy | **Product development** | **Execution**

Source: INNOPAY analysis

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INNOPAY is a thought leader on adjacent topics to payments such as digital identity, data sharing, and compliance

Everything's Transaction

We help our customers by showing them how to navigate in this new world of digital transformation and move towards a data sharing economy. As new kinds of value beyond currency - such as personal data, (access) rights, obligations, attention and reputation - form the basis of new business models, we see that every interaction is becoming a transaction. Our book with this vision has been selected as Management Book of the year in The Netherlands

INNOPAY publications

2018

B2B data sharing: digital consent management as a driver for data opportunities

March 2018

Decentralised identity by the data control stack turns GDPR into competitive advantage

August 2018

Corporate customers pivotal in creating value on Instant Payments infrastructure

Sharing transaction risk data leads to Open Banking success

INNOPAY & The Paypers reports

September 2018

Banks should open-up beyond PSD2 to deliver on the innovation promise

September 2018

Payment Services Directive 2: PSD2 sparks innovation in Open Banking ecosystems

June 2017

Open Banking report 2018

June 2017

Unlocking opportunities in the API economy

Source: INNOPAY analysis

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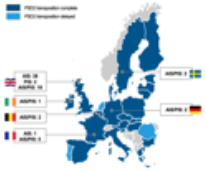
INNOPAY follows global developments around openness of organisations, payments and banking

OPENNESS

INNOPAY follows all mega trends on organisations opening up globally

Open banking monitor
INNOPAY follows the developments of the Open Banking landscape with great interest. Through our Open Banking Monitor we share our insights and analysis with the community



TPP Radar
INNOPAY stimulates transparency on business opportunities of becoming a Third Party Provider. Through our TPP Radar we keep on track with the latest developments

Regulatory Compliance

INNOPAY has overview of all important changes in the regulatory landscape

PSD2 Compliance
INNOPAY supports financial institutions in their need to ensure a solid plan of approach and execution process in the regulatory environment that is still in flux

Onboarding
INNOPAY supports organisations in performing a thorough risk assessment and defining a CDD and KYC policy that suits current ways of working

Security

INNOPAY understands how upcoming technologies impact the importance of security

Cybersecurity
INNOPAY has a strong vision on how digital trust can be established. A clear cybersecurity strategy integrated into the overall strategy is key

Fraud Mitigation
INNOPAY helps organisations with innovative security solutions to mitigate risk within their appetite and regulatory requirements

Source: INNOPAY analysis

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Selected INNOPAY references (1 of 4)

Example projects:

CONFIDENTIAL	**Undisclosed online retailer – impact assessment licence requirements payment institution** • Provide overview of licence requirements & Detailed operating model • Perform gap analyses of current and desired states and provide for advice on which scenario to proceed
CONFIDENTIAL	**Undisclosed payment solution provider – impact assessment licence requirements AFM** • For a financial service provider INNOPAY performed an assessment of the ability of the organisation to obtain and maintain a credit licence from the AFM • Using the Crosslinx methodology, INNOPAY provided insight in the different organisational cycles and the points of attention in relation to the licenced business environment • INNOPAY was also involved in the actual licence application and redesign of the operating model
moneyou	**European Challenger Bank – Obtaining an iDEAL issuer licence of Betaalvereniging Nederland** • INNOPAY led the iDEAL issuing licence application • INNOPAY was spokesperson to the supervisor, performed the Control Self Assessment, and was involved in the actual development of the iDEAL solution
CONFIDENTIAL	**Large telecom provider – Preparing EMI licence application at DNB** • INNOPAY supported a large telecommunications provider in preparing and ultimately handing in the application for an electronic money institution (EMI) licence • INNOPAY collected and prepared necessary documentation, enabling the organisation to comply with rules and regulations of the DNB in order to begin operating as said institution by mid 2018 • INNOPAY deployed the Crosslinx framework to assess, together with the client, how such an organisation must and should look like, also with respect to the procedures and culture already in place at the client

Source: INNOPAY analysis

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Selected INNOPAY references (2 of 4)

Example projects:

SIGNICAT	**Signicat – European AML / KYC analysis** • Investigating current and future state of AML / KYC regulation across various jurisdictions • Elaborating on the role financial institutions play in this changing field • Country scope: AT, BE, CH, DE, FR, LX, NL, PL, UK
DeNederlandscheBank EUROSYSTEEM	**DNB – Strategic Assessment of PSD2 implications** • Profiling of all licenced and exempted payment institutions operating in the Netherlands • Analysis PSD2 implications for payments landscape in general and incuments (bank/non-bank), new entrants and supervisory policy in particular • Identified key risks of and recommendations on PSD2 from a supervisory perspective
moneyou	**Moneyou – PSD2 Compliance when setting up a digital challenger banking business** • INNOPAY led the PSD2 compliance & risk management program at Moneyou, as part of their transformation towards a pan-EU digital challenger bank, incl. onboarding, authentication, trx monitoring, client filtering, payments & cards, etc. • INNOPAY prepared and facilitated regulatory & risk assessments from a content and process perspective, and acted as central person between business, risk parties, IT, management, regulator and ABN AMRO Bank committees
CONFIDENTIAL	**Undisclosed global bank – PSD2 XS2A readiness & implementation and Open Banking alignment** • INNOPAY currently supports a major bank in defining the overall XS2A design requirements for the mandatory PSD2 services (PIS, AIS, CAF) for both Retail banking and Whole-banking across 12 European countries • Support design of PSD2 / Open Banking developer portal and community (incl. support/management) • Align with opportunity workstream to define portfolio of value added API services (beyond compliance scope), incl. options for monetisation model

Source: INNOPAY analysis

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Selected INNOPAY references (3 of 4)

Example projects:

epiphany	**Italian Fintech solution provider – assessment of PSD2 / XS2A business opportunities** • INNOPAY identified and assessed strategic business opportunities for PSD2 XS2A compliance in Europe • Country assessment on PSD2 state of Play across Europe • Detailed market assessment on 6 countries in scope • Longlist – shortlist opportunity assessment
UBS	**UBS: Open Banking strategy and digital identity market entry strategy** • INNOPAY advised UBS on its PSD2/Open Banking strategy • Project included trend analysis and scenario building, and formulation of strategic options • As a follow up to this project, INNOPAY was asked to develop a vision with UBS on creating a Swiss e-ID scheme
ABE EBA	**European Banking Association – PSD2 vision and Open API Banking strategy and digital identity vision** • INNOPAY supported a working group of the EBA in the realisation of a Digital Identity vision, PSD2 vision (Digital Customer Services Interface, DCSI), and Open API banking strategy • Identified (value/relevance) potential of digital identity services, PSD2 and Open API banking implications & opportunities • Formulated recommendations for the banking sector and how it could effectively collaborate with the FinTech sector • Currently involved in the ongoing expert support of the Open Banking Working Group (OBWG)
CONFIDENTIAL	**Midsize pan-European bank** • Review of the proposed set up of the onboarding process • Regulatory and risk analysis and suggestions for mitigating measures across multiple national branches • Vendor selection procedure for for single identity provider solution across branches (RFI, RFP and final selection)

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Example projects:

	Undisclosed EU Credit institution – Market solution for pan-EU expansion under compliance restrictions • Compliance assessment across 18 European countries for roll-out of online deferred payment method • Definition of compliant product including conditions and customer journey steps (identification, verification, signing) • Support roll out of compliant product (product conditions, KYC) while retaining seamless customer journey
NETFLIX	**NETFLIX – PSD2 implications for subscription based payment services** • INNOPAY acts as trusted advisor to Netflix' payments team and monitors the European market for relevant payment trends and potential implications for Netflix • Key focus is PSD2 and the potential implications of strong customer authentication requirements on seamless payments journeys for Netflix subscribers

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