

Case 2a: Disruptions of banking business and branch

The revised Payment Services Directive of 2015 (PSD2) enables bank customers, both consumers and businesses, to use third-party providers to manage their finances. In the near future, you may be using Facebook or Google to pay your bills, making P2P transfers and analyse your spending, while still having your money safely placed in your current bank account. Banks, however, are obligated to provide these third-party providers access to their customers' accounts through open APIs (application program interface). This will enable third-parties to build financial services on top of banks' data and infrastructure.

Banks will no longer only be competing against banks, but everyone offering financial services. PSD2 will fundamentally change the payments value chain, what business models are profitable, and customer expectations. Through the directive, the European Commission aims to improve innovation, reinforce consumer protection and improve the security of internet payments and account access within the EU and EEA. It introduces two new types of players to the financial landscape: PISP and AISP. **AISP** (Account Information Service Provider) are the service providers with access to the account information of bank customers. Such services could analyze a user's spending behavior or aggregate a user's account information from several banks into one overview. **PISP** (Payment Initiation Service Provider) are the service providers initiating a payment on behalf of the user. P2P transfer and bill payment are PISP services we are likely to see when PSD2 is implemented.

The entry of PSD2 requires that banks take a number of strategic choices. This is not an easy task, as the choices partly depend on how the payment landscape will evolve after PSD2.

At the same time, new technologies are going to have a disruptive impact of financial markets mechanisms and even structures. These technologies include the blockchain based automated systems of payment transfer and smart contracts.

Using the given sources of information please try to formulate a survey or an analysis of the ongoing changes of banking, due to new technology and regulation. Try to map possible ways of credit institutions to meet these challenges to traditional business, including all kinds of new and innovative patterns of business to adapt to the disruptive changes.

Please begin e.g. with these articles to be found on the webpages of evry .com:

<https://www.evry.com/fi/ajankohtaista/artikkelit/psd2-the-directive-that-will-change-banking-as-we-know-it/>

**“Blockchain – powering the internet of value”
also found on this course's subpage Additional
reading**