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Banks are not exploiting the full potential of PSD2, and increasingly perceive technology companies as a threat

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- **Large majority of financial service providers (81 percent) see the directive as an opportunity, but still don't have suitable strategies months after its launch**
- **Technology companies are viewed as the biggest competitors by most (71 percent) banks**
- **80 percent of banks regard Open Banking as a priority but are still hesitant to act**

Munich, December 2019: The new EU Payment Services Directive (PSD2) has been in force since September 14. In addition to greater consumer protection and payment security for customers, the PSD2 means heightened competition for banks – they are now obliged to provide third-party providers access to customer data. The vast majority of European financial institutions (81 percent) see this regulation as an opportunity. However, they are still reluctant to take advantage of the new opportunities: Only around a third (35 percent) of the banks are currently prepared to take on the role of a third-party provider themselves. This is the finding of Roland Berger's study "Adapt or die? Why PSD2 has so far failed to unlock the potential of Open Banking". For the publication, in-depth interviews were conducted with over 40 leading banks and third-party providers in twelve key European markets.

"In the implementation of PSD2, there is still a wide gap between ambition and reality. The established financial service providers have limited themselves primarily to meeting regulatory requirements," says Sebastian Maus, Partner at Roland Berger. "PSD2 allows banks to enrich their already large amounts of customer information with additional external data. This can result in completely new business areas that smooth the way for the future in an Open Banking scenario."

New competition from large technology companies

Almost three-quarters of banks (72 percent) plan to improve their service portfolio with PSD2 and, in doing so, attract new customers. The majority of banks (54 percent) believe that their high level of customer trust offers strong protection against other players. However, they also see the challenge posed by new competitors entering the market and threatening their business models, above all large technology groups such as Google, Amazon, Facebook and Apple (71 percent of banks). FinTechs, on the other hand, are seen by established service providers as partners rather than competitors. "Large technology companies, like any other third-party provider, can access banks' data - but they don't have to reveal their own wealth of information. From this starting point, companies are absolutely in a position to attack established institutions in the financial sector. Not least, the news of the past few months suggests that the banks' concerns are justified," says Maus.

PSD2 as a starting point for Open Banking

PSD2 marks the entry into an Open banking scenario in which established financial service providers grant other companies access to data and cooperate together. After all, 80 percent of study participants regard Open banking as a top management priority in their companies. "PSD2 was a must, but Open Banking is far more than a free-for-all – it is the only sensible way forward from our point of view," says Maus. Depending on the bank's business model, this scenario can have very different effects. For example, smaller institutions with a high degree of specialization could be among the winners, as they are able to make their products available to a wide audience in an Open Banking world.

"Not all banks can position themselves towards the customer interface. This makes it all the more important to develop a clear strategic positioning," says

Maus. "The banks are not necessarily lacking in willpower when it comes to entering Open Banking. The hesitation is also due to the extremely difficult market environment: low interest rates, stricter regulation and outdated IT infrastructure are just some of the challenges. Nevertheless, the banks cannot afford to ignore the opportunities opened up by PSD2. If they don't take these steps, the gap will be filled by new financially strong competition."

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