

The logo for COPAF CONSULTING is displayed on an orange background. The word "COPAF" is in a large, bold, dark blue sans-serif font, and "CONSULTING" is in a smaller, bold, dark blue sans-serif font below it.

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PSD3 and PSR: Lessons Learned from PSD2

Advantage in alignment

From new regulation to new reality

Payment Services Directive 2 (PSD2) entered into force early 2016. It took European member states until 2019 to implement. Banks and customers faced a new reality:



Legal framework for Open Banking



Ecosystem for third-party access



Improved security for bank customers

It was clear what changed legally. Less so from an organisational perspective.



PSD2 sounds simple from an IT-perspective

“Just open up the banking infrastructure to public access”.

Hearing this sentence devoid of context should raise immediate cybersecurity concerns. But instead of IT, the organisation primarily faced ownership issues:

Inconsistent data

Banks provided different API's resulting in data inconsistencies across the value-chain with no clear end-to-end ownership.

Fraud risk

Strong authentication solutions did not come until later to combat fraud risk, unauthorized payment orders and unauthorized access.

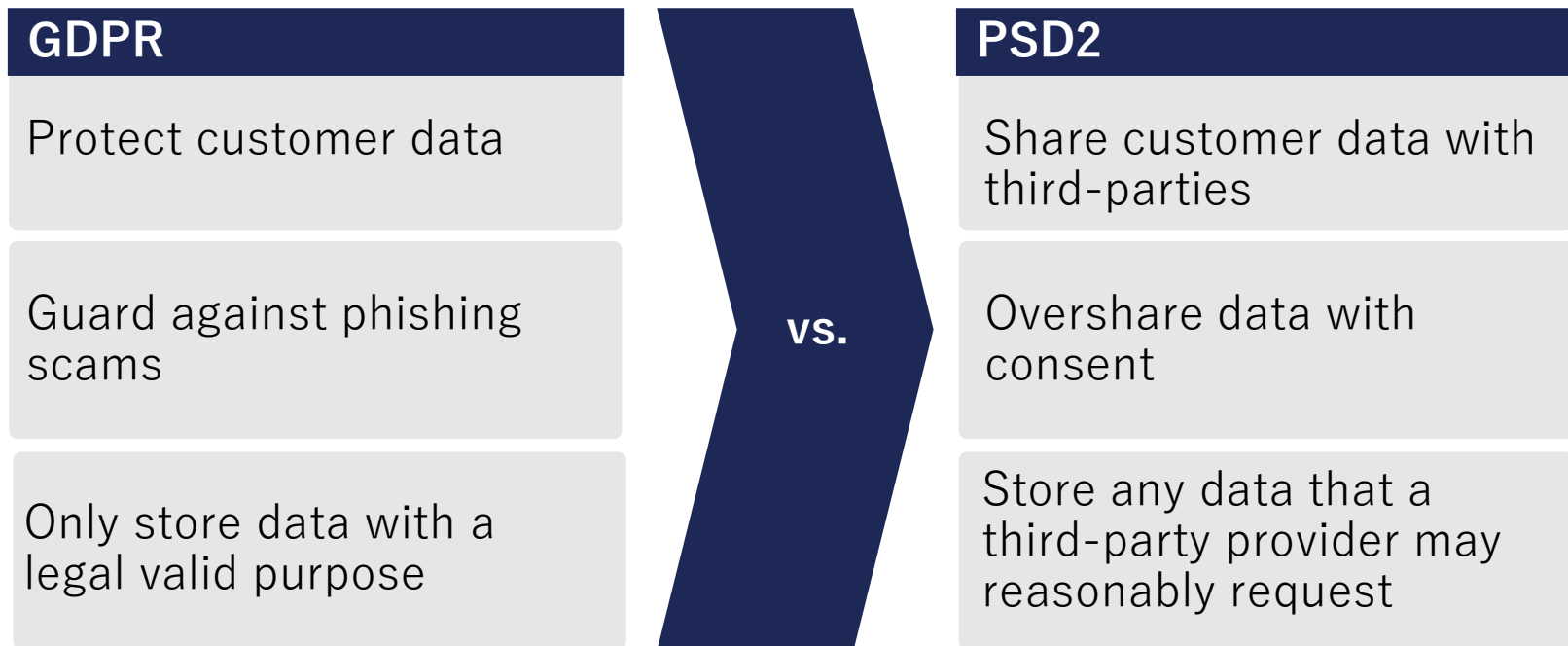
Data privacy risk

Opening up banking infrastructure is tangent on privacy regulation (GDPR), adding operational and legal complexity on the IT-solution.



Balancing compliance with GDPR and PSD2

Balancing IT, business and regulatory requirements locks in business value. But what about balancing GDPR and PSD2? Two regulations not designed in harmony, adding strategic tension.



Business could not see the value

PSD2 removed the monopoly on customer data from banks. It's goal was to foster innovation in payments. Some banks chose to treat PSD2 as a regulatory expense.

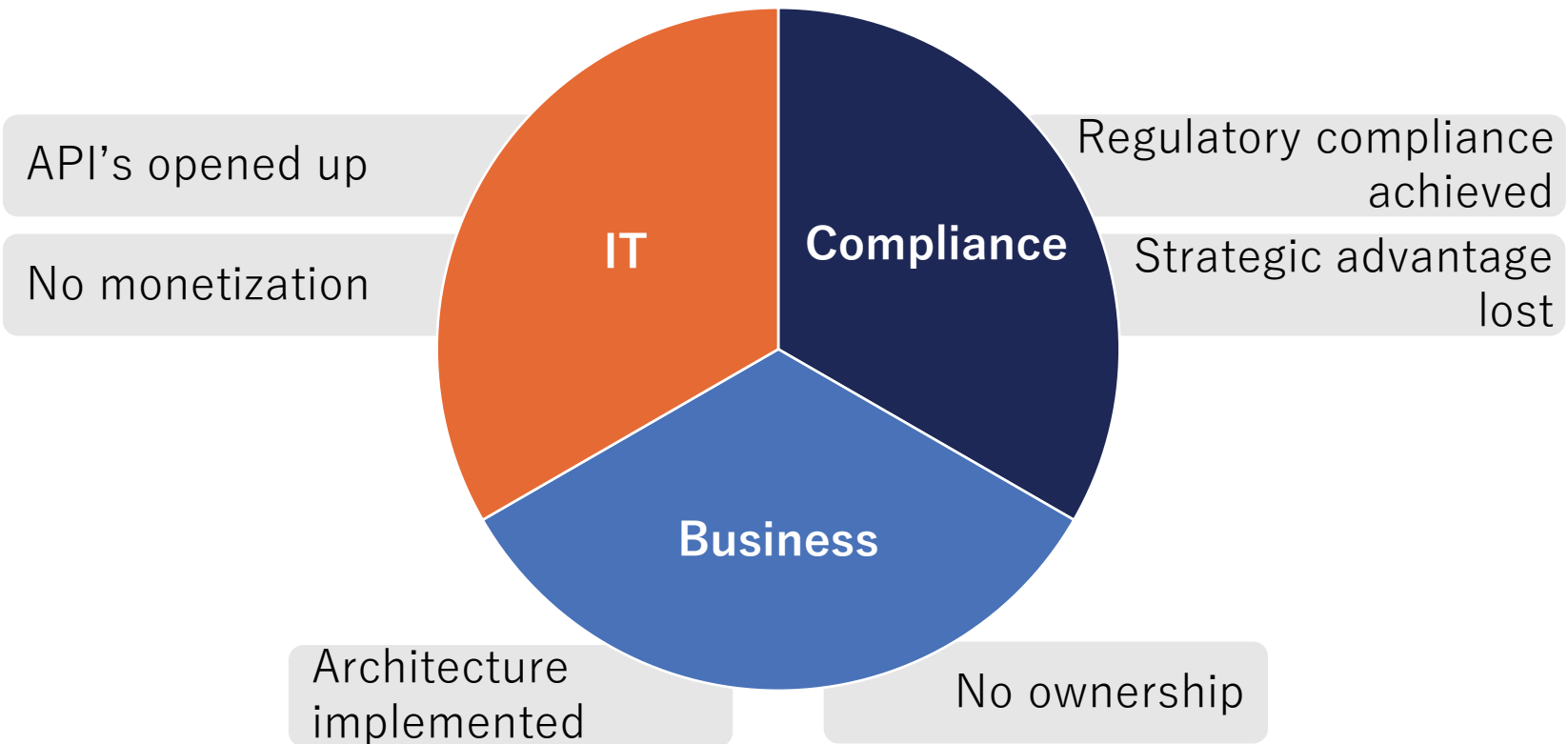


Competitors leveraged PSD2 by finding partnerships with FinTech companies. The resulting Open Banking solutions enabled banks to provide on-brand customer journeys. Misclassifying PSD2 as a regulatory expense instead of commercial opportunity proved expensive.



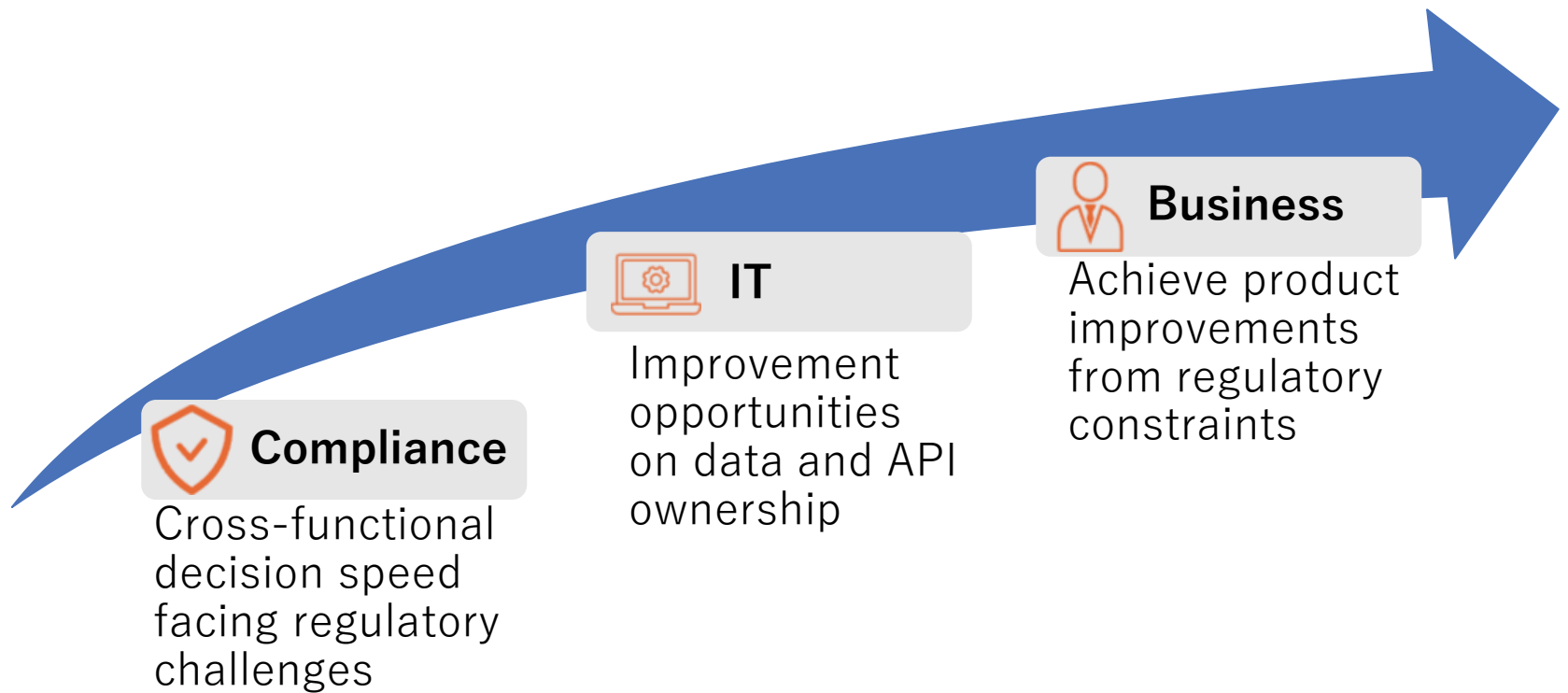
The key is to keep balance

PSD2 itself was not a threat to banks. The real risk was not having all three disciplines aligned:



The true test of PSD2

PSD2 was a test for organisational capabilities. Leveraging its regulatory deliverables unlocked the following business value for banks:



Regulatory Response Matrix

Most institutions started PSD2 in the lower-left quadrant. In which quadrant is your organisation in its preparation for PSD3 and PSR?

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Familiarity risks complacency

Banks that misclassified PSD2 as a regulatory expense operated on familiarity. It enabled complacency with regulatory compliance, bypassing any commercial opportunities.



Compliance

Exclusive ownership of PSD2 change initiative



IT

Equating PSD2 to making existing API's publicly available



Business

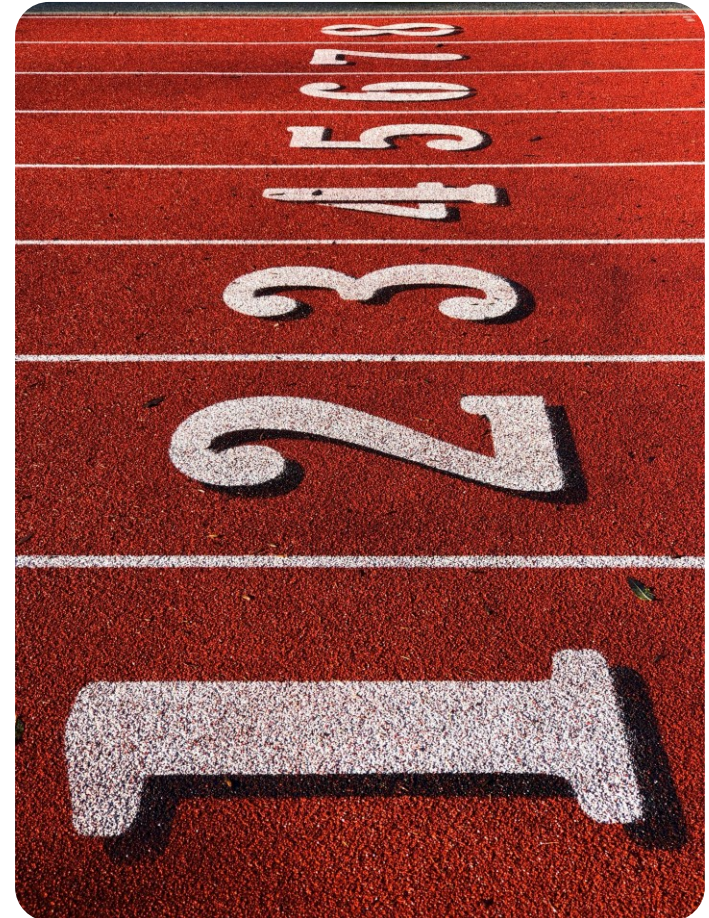
Underestimating third-party dependencies and risks



Are you ready for PSD3?

Ensure a proper start for PSD3:

- **Assign ownership**
Focus on identifying commercial upside, not just regulatory downside.
- **Speak the same language**
Align legal, business and IT to ensure stakeholder buy-in and constructive contributions.
- **End-to-end business case**
PSD3 is more than just a regulatory expense. Upside business opportunities are in scope.
- **IT as the driver**
Solution architecture supports business use cases.



PSD3 will reward organisational alignment

PSD3 will be like a game of rock, paper, scissors with the lessons learned from its predecessor:

- ✓ Alignment beats architecture
- ✓ Ownership beats documentation
- ✓ Strategy beats regulation



Advantage in alignment

Cross-functional alignment is a structural design choice.



Institutions that centre their change governance around such alignment will avoid mistaking PSD3 for a regulatory expense. Those will secure business benefits.



Food for thought

Who will take ownership of securing the strategic upside of PSD3 in your organisation?





This insight is part of a broader body of thinking on ownership, interpretation risk and delivery trade-offs.

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Make Complex Change Work