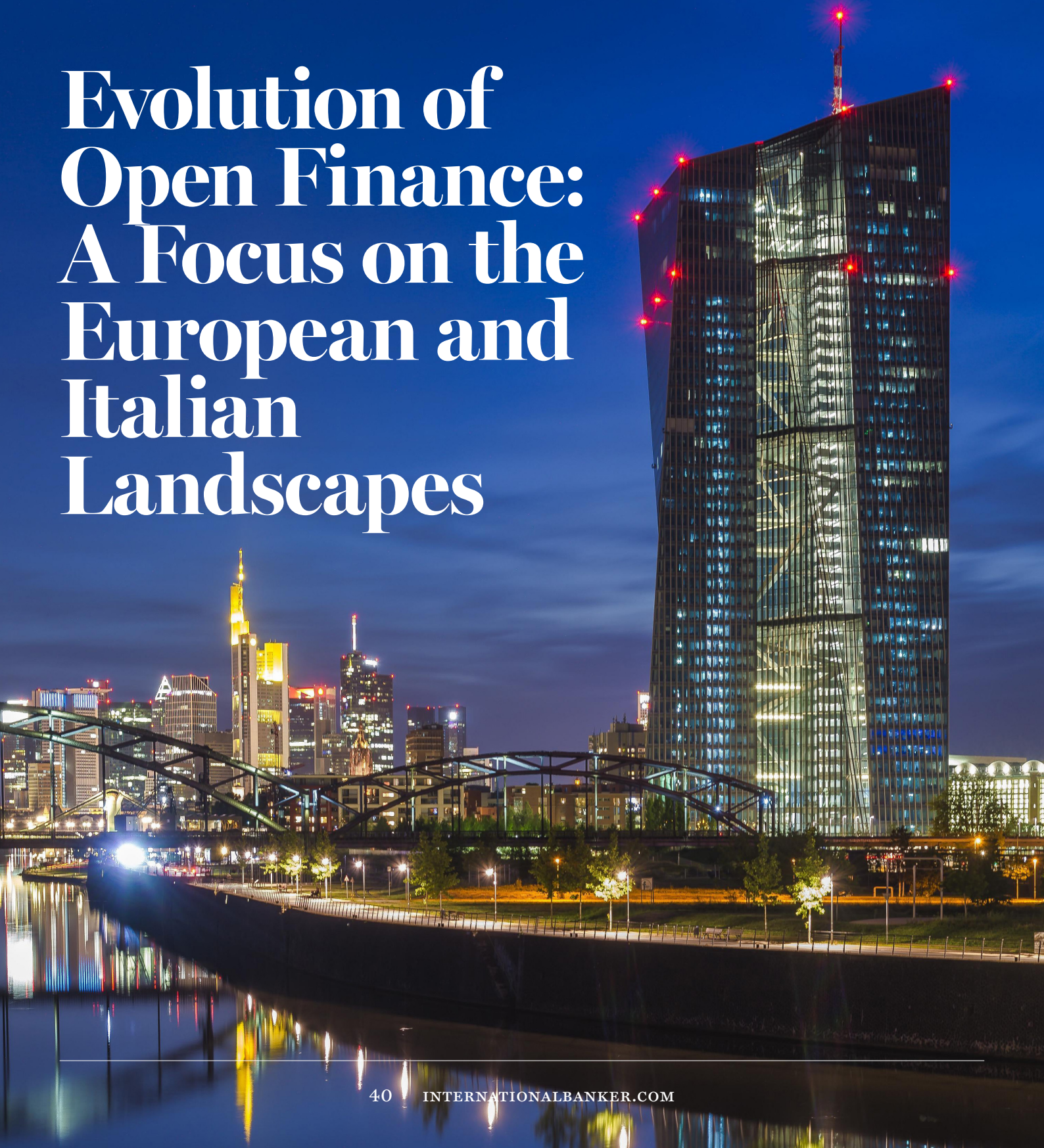




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# Evolution of Open Finance: A Focus on the European and Italian Landscapes



**D**IGITISATION IS RESHAPING THE financial market and transforming demand and supply for financial products and services. More particularly, new technologies and changing consumer habits, especially after COVID-19, have accelerated this enormous shift, pushing not only financial institutions to increase their investments in innovative technologies and digital payments but also prompting regulators to develop frameworks to strengthen security and transparency, especially at the European level. Therefore, banking and financial industry participants have rebuilt their business models and strategies to stay ahead of the competition.

This article focuses on the Italian scenario, in which the financial community is developing a range of new value-added services (VASs) thanks to collaborative ecosystems that allow it to achieve both compliance and continuous innovation by investing in integrated and sustainable technologies and digital skills. One of the market players supporting this evolution is CBI (Interbank Corporate Banking), a public-limited consortium company and benefit corporation comprising 400 banks and other intermediaries as shareholders, which develops infrastructures, services and ecosystems for the banking and financial industry.

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In recent years, the financial-services sector has experienced a real revolution in the payment market, with the entry of new players, the advent of technological innovations applied to the financial world and the increased demand for cashless services.

On top of this, further innovative thrusts in the regulatory environment, especially at the European level, have been occurring, with these initiatives intended to lead towards a level playing field. One of these is the PSD3, an updated version of the Payment Services Directive 2 (PSD2), which lays out rules to uphold the efficiency and security of digital payments and financial services in the European Union (EU).

Moreover, the European Commission (EC) has been expanding the changes introduced

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by the PSD2 directive in the open-banking sector, pushing towards open finance by launching new initiatives, including a digital finance package, a financial-data access regulation proposal and the Data Act (European Union). Its goal is to enhance services and business models based on data sharing, starting with the payment sector.

The open-finance ecosystem can be defined as an extension of open banking, facilitating wider financial-data sharing among financial-services players, enabling third-party access to unlock an increased range of services and products, and enriching more complex services tailored to customers’ needs and demands.

The transition to an open-finance ecosystem and the legislative proposal for a new open-finance framework enacted by the European Parliament (EP) have led traditional operators to embrace new business models to compete internationally and remain competitive in the financial market.

Before the COVID pandemic and various market fluctuations, Italy’s financial industry had already launched digital services. In this scenario, the Italian financial industry’s experiences have demonstrated that collaborative ecosystems—such as CBI—are the most efficient and effective tools to achieve compliance and continuous innovation through collaborative action.

CBI is a public-limited consortium company and has been a benefit corporation since May 2023, strengthening its commitment to sustainability. It comprises 400 banks and

payment service providers (PSPs) as shareholders. It has been acting over the past 20 years with a business-to-business-to-customer (B2B2C) perspective by developing infrastructures, innovative services and ecosystems for the banking and financial industry while supporting digital payments, open banking and open finance—services that CBI customers, banks and fintechs (financial-technology firms) ultimately extend to a wide set of clients, responding efficiently to the needs of businesses, public administrations and citizens in increasingly competitive markets.

CBI’s greatest accomplishment lies not only in its development of innovative platforms and services but also in its capacity to aggregate various actors in the financial ecosystem, benefiting from the advantages of the so-called network economy. Emerging new technologies are paving the way for disruptive innovations in the payment area; therefore, CBI believes that a flexible, modern and clear approach is needed to respond to market demands.

Over the years, CBI has developed several open-banking and open-finance services and achieved various goals at national and international levels. To date, more than 80 percent of the Italian banking industry has chosen the **CBI Globe** platform, which streamlines telematics dialogues among payment service providers, fintechs, enterprises and public administrations to achieve compliance with the renewed EU regulatory framework, helping them play active roles in open-banking and open-finance scenarios.

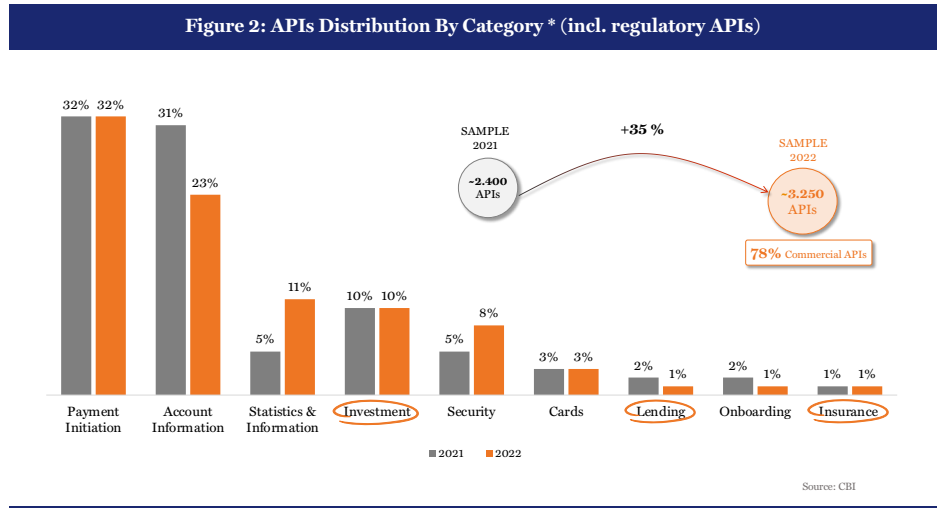
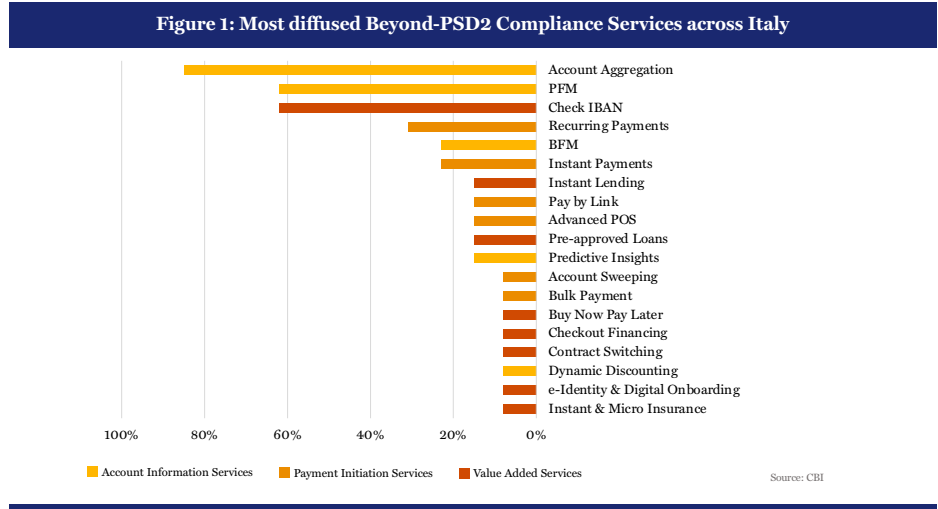
To date, open finance is an established reality that is spreading rapidly. CBI believes that open finance represents the next step in evolving open banking towards a fully open ecosystem. The open-finance market has demonstrated its growth dynamism through the number of registered third-party providers (TPPs) and new offerings, confirming the attractiveness of the open market.

In March 2023, CBI published “The Global Open Finance Report”<sup>1</sup> in collaboration with PwC Italy (PricewaterhouseCoopers Italy), aiming to provide a comprehensive picture of state-of-the-art open banking and open finance, highlighting trends and evolutions in national and international markets. Its findings have shown that the transition to open finance is taking place through three prevailing approaches: **pre-scriptive**, in which the local regulator issues specific rules defining the regulatory and/or technological framework (e.g., the European Commission in the European Union); **market-driven**, in which market players design standards through co-creation interoperability (e.g., the United States of America) and **facilitative**, representing a middle ground between the first two in which local authorities issue guidelines to facilitate collaboration among industry players (e.g., Nigeria).

Furthermore, according to “The Global Open Finance Report”, PSD2-enabled services remain the most popular, while Check IBAN stands out under VAS. (The following graph was created from the results of a survey conducted by CBI in collaboration with PwC Italy.)

Figure 1 shows that the Check IBAN service is among the most used at more than 60 percent (plus 35 percent versus 2021), further enhancing the key role played by collaborative initiatives such as CBI that allow the development of functional services across their financial ecosystems. Other than that, VASs are distributed at the low end of the figure, suggesting new niche adoptions and service developments (plus 100 percent VAS use cases versus 2021).

Figure 2 indicates that European market players’ API (application programming



interface)-based offerings remain strongly focused on payment-initiation and account-information services, which account for 55 percent of tracked APIs. In contrast, open-finance APIs are consolidating, particularly investment APIs, which, even if there are more tracked APIs than in 2021, still account for almost 10 percent of the total. Other open-finance APIs (e.g., lending and insurance) are still lagging. The analysis also highlights that market players are focusing on statistics and information (11 percent) and security (8 percent), thus suggesting that they are strengthening and enriching their “open” offerings by including ancillary services along with core services (mainly offered by traditional banks).

CBI is committed to accelerating banks’ transitions into true transaction operators,

investing in integrated and sustainable technological innovations and digital skills, and contributing to a range of new value-added services.

**Check IBAN** was the first value-added service CBI developed, first for public administrators and then for private-sector participants, with an anti-fraud purpose, allowing entities to verify the correct correspondence between the VAT identification number (a tax ID code) and the IBAN (International Bank Account Number) code.

Following the COVID-19 pandemic—which accelerated the adoption of information technology (IT) within critical infrastructures, production processes and citizens’ private lives—there has been a major need for security measures, especially in the

payment sector. The high profitability of cyberattacks conducted for economic purposes has fostered the steady growth of cybercrime, which has evolved by adopting increasingly sophisticated attack tools and techniques. For this reason, since the financial system is particularly exposed to cyber threats, new technical developments and services, such as Check IBAN, are required for greater stability.

More recently, CBI launched the **Check IBAN Cross border** service to support banks and fintechs, offering the Check IBAN services to customers outside of Italy. This service enables real-time checks on international entities by enabling cross-border corporate checks using the VAT proxy and IBAN code.

Similarly, CBI has developed the **Name Check CBI** service, known in Europe as Confirmation of Payee (CoP), which validates an IBAN's ownership related to a specific end-user through a search function based on the name or denomination of the account holder or company. This service can be adopted to avoid misdirection, increasing the payment market's stability and efficiency. It is useful when VAT and fiscal codes are unavailable and in cases of instant payments. To this effect, CBI is expanding its Confirmation of Payee services to the European level and beyond through Swift's (Society for Worldwide Interbank Financial Telecommunication's) Payment Pre-validation service. This collaboration will enable a broader verification network and a higher level of security for financial-services users. In the future, Italian banks will be able to pre-validate abroad through CBI, implementing a unique Confirmation of Payee solution that will seamlessly work domestically and across borders. More particularly, CBI will leverage Swift's network of more than 11,500 institutions across more than 200 countries to bring the benefits of its Name Check CBI service to a wider European and international audience, further enhancing the stability and efficiency of the global financial sector while fostering the development of innovative products and services. Moreover, this service enables PSPs to offer integrated anti-fraud services whilst fully complying

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with the emerging European regulatory framework, its regulatory proposals on instant payments and the Payment Services Regulation (PSR).

Because of its commitment to accelerating banks' transitions into true transaction operators, CBI is fervently investing in integrated and sustainable technological innovations and digital skills. One such initiative is **CBI GO**, which simplifies a corporate or retail user's onboarding process through recognition via strong customer authentication (SCA) and the consequent transfer of data from the intermediary with which the user has a current-account relationship to the intermediary offering the service to companies and businesses. The service offers a shared dataset with a format that can be modulated according to business needs and the use cases implemented.

Moreover, CBI is currently developing the **CBI Safe Trade** service, a solution to reduce the number of fraudulent actions related to advance invoices. Through API calls with intermediaries, it enables verifying the adequacy and existence of an invoice, recovering complete information, checking whether the invoice is expected, acknowledging information on public-administration credit certification and assigning temporary definitive processing statuses to avoid double-spending.

Findings from “The Global Open Finance Report” have demonstrated that in Italy, for example, open-banking offerings have been heavily focused on information services,

and the adoption of value-added services has continued to grow. Account aggregation (85 percent), Check IBAN (62 percent) and personal financial management (62 percent) have been the three services with the highest usage rates.

CBI will continue to pursue its internationalisation path, strengthening and expanding partnerships at European and international levels to increase the accessibility of its products at the cross-border level. The organisation will simultaneously continue to develop innovative products that improve the user experiences of corporate and retail customers whilst increasingly intercepting the needs of banking players at the European level. In doing so, CBI will remain a “partner of choice” for the banking industry and public-administration sector in their paths towards digitalisation and modernisation.

Regarding the United Nations' 2030 Agenda for Sustainable Development's objectives, CBI strongly believes and is committed to implementing ESG (environmental, social and governance) practices in all its operations related to supervision and strategic positioning within the financial industry. With this in mind, CBI is currently conducting a detailed review of its operations as a utility provider to identify areas of good conduct in environmental impact and sustainability and how these could contribute to value-added benefits for the wider financial sector. «

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#### REFERENCE

<sup>1</sup>CBI: “The Global Open Finance Report,” 2023.