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Breaking News

Forge Strategic Partnership to Empower Businesses with Seamless Payment Solut

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EXCLUSIVE: "Threats and Opportunities" – Pilar Fragalà, CBI in 'The Fintech Magazine'

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CBI and its CCO Pilar Fragalà detail how it has developed innovative platforms and aggregated numerous actors to enhance security and promote success

Since the EU announced its digital finance strategy and a proposal for open finance, market players have been adopting new strategies and business models to stay ahead of competition.

Digitisation is reshaping the financial market, including changes in demand and supply for

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financial products and services. Clearly, COVID-19 was an accelerator for 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.

New providers, enabled by technology, have entered the market, in particular providing open banking services. Now the European Commission has expanded the changes introduced by the first revised payment Services Directive (PSD2) in the open banking sector by pushing in the direction of open finance.

Following a series of public consultations and impact studies, the European Commission published proposals for the Payment Services Directive 3 (PSD3) and the Payment Services Regulation (PSR) to adjust to the rapid developments in the EU electronic payments market.

One of the market players supporting this evolution is CBI – a public-limited consortium company, comprising 400 banks and other intermediaries as shareholders – that develops infrastructures, services and ecosystems for the financial and banking industry.

CBI supports more than 450 payment service providers, and about three million corporates in Italy use CBI standards. More than 11 million citizens have already used its service to pay online bills and public administration payment notices. In

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2019, CBI launched CBI Globe, an API-powered platform designed to achieve compliance with PSD2 and facilitate the spread of open finance in Italy and the creation of value-added services aimed at improving the competitiveness of CBI's clients.

The 500 payment service providers (PSPs) that have joined CBI Globe represent 80 per cent of the Italian banking market. Another relevant service, developed by CBI, is Check IBAN. The Check IBAN service is available to all PSPs who wish to offer the service directly to their corporate and retail customers. In this way, PSPs can expand their range of services by taking advantage of the CBI Globe ecosystem to centralise numerous common functions and simplify their implementation.

To further expand its role as an industry change facilitator, CBI has developed the Check Iban Cross Border Service. This solution offers a real-time verification and security service to Italian and European customers. It not only minimises risk of fraud through instant verification by matching an IBAN number to VAT code, but also offers a smarter and more efficient international payment services and customer onboarding experience.

The Name Check CBI service – a confirmation of payee (CoP) service launched in July – allows verification in real time through the correct association of IBAN code and the name of the beneficiary, therefore mitigating fraud and payment errors.

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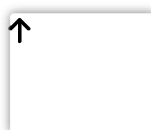


Payee confirmation provides customers (both individuals and businesses) with greater assurance that payments are sent to the intended recipient. This service will allow the Italian banking industry to meet compliance requirements as mandated by the Instant Payment Regulation.

Name Check CBI enhances security in transactions, helps prevent fraudulent or mistaken payments and increases stability and efficiency of the financial sector, whilst enabling the development of innovative products and services. Another versatile authentication service that CBI has developed recently is CBI Safe Trade. This creates a database that collects information on advance invoices from a multi-bank and multi-channel perspective to verify that the invoice has not yet been submitted or presented.

“Especially in Europe, we need a clear regulatory framework. To be compliant, you need to understand what the regulatory plan is”

Through its commitment to accelerating the transition of banks into true transaction operators, CBI is investing in integrated and sustainable technological innovation and digital skills. One of these is CBI GO. With this solution, PSPs can offer corporate customers a new fast and secure



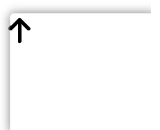
onboarding service for their users, thanks to the use of banking credentials.

The CBI-enabled interbank communication allows online feeding via API of the user's data for registration purposes (e.g. personal data, contact details, bank details, etc) through the use of data collected by their bank in the know your customer process. There are multiple advantages to using CBI Go:

- Improves the user experience of customers, corporate and retail, by speeding up and simplifying the onboarding process through recognition with strong authentication (SCA)
- Enables the transmission of more reliable and secure data, through SCA authentication, that minimises risk of fraud and human error in completing forms
- Offers a shared dataset with a format that can be adjusted, according to business needs and the implemented use case

In all cases, banks and PSPs will benefit from an integrated anti-fraud and fully compliant service that meets European regulatory requirements. It's a belt-and-braces approach, given the safeguards already built into open banking.

CBI will continue to pursue the development of innovative services that improve the user experience of corporate and retail customers, whilst increasingly intermediating the needs of banking players at the European level. This perspective is reinforced in the recent Worldpay from FIS Global Payments Report 2023, which reveals that account-to-account payments

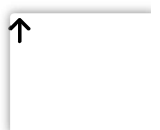


constitute approximately 18 per cent of European e-commerce transactions.

However, these payments don't automatically register as valid payment methods at the point of sale, leading to a concerning number of non-open banking-facilitated payments being either misdirected or hijacked. Within Europe, PSD3 makes it mandatory for PSPs to perform IBAN verification for all SEPA credit transfers, including instant transfers. Although some implementation details remain unclear, the requirement for PSPs to conduct real-time IBAN queries on every transfer poses a significant challenge for those lacking the capacity to execute such checks at scale.

"For them, CBI's utility proves to be an invaluable tool and serves as an example of the 'innovative, collaborative' approach that CBI envisions as the next evolutionary step for open banking," says CBI CCO Pilar Fragalà. "Through open data, different players from different markets can share more information, allowing them to develop new services. The PSD3 proposal demonstrates that the Commission's main goal is to promote new services and business models, based on data sharing.

"Especially in Europe, we need a clear regulatory framework. There are a lot of opportunities; as a market player, you have to choose the right one. And in order to be compliant, you need to understand what the regulatory plan is.



"Also, for a collaborative model to succeed, it needs to stimulate members to get involved and be aware of risks, weaknesses, strengths and opportunities. There should be efforts not just to create new use cases, but to also ensure that the organisations will be prepared to deliver those services."

CBI has a strong commitment to accelerating the transition from open banking to open finance by investing in integrated and sustainable technological innovation as well as digital expertise.

"This will contribute to the creation of value-added services from an international perspective and data monetisation," says Fragalà. "Thus, CBI's greatest accomplishment lies not only in the development of innovative platforms and services, but also in its capacity to aggregate various actors in the ecosystem.

"Collaborative innovation brings success if it is supported by the adhesion of the subjects of the ecosystem. The effort needed is not only to create innovative use cases, based on interoperable standards, but also to ensure that these are adopted by a large quantity of subjects, so that the service can be used by the community, benefiting from the advantages of the network economy.

