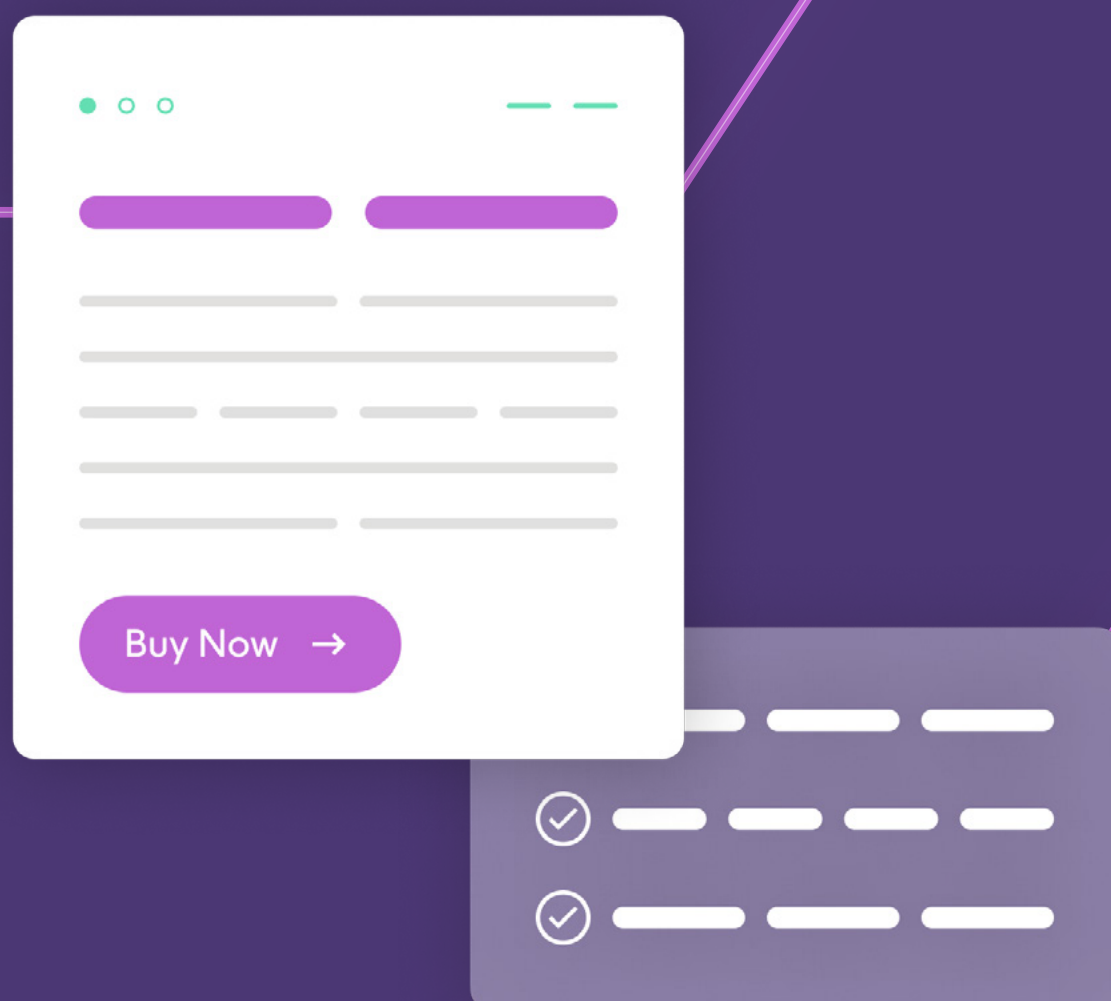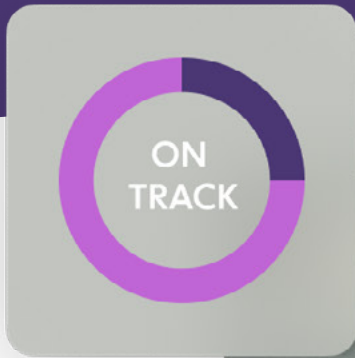# Open banking payments

Payment Initiation Service (PIS)

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Context

Open banking is a term within financial services that refers to the use of Application Programming Interfaces (APIs) to allow third-party providers (TPPs) to access banking and financial data.

The Payment Initiation Service (PIS) allows TPPs to initiate payments on behalf of customers directly from their bank accounts. This has created a new payment method that relies on APIs and local payment rails to move the funds directly from one account to another. By bypassing card schemes, payments settle faster, middle men are cut out, and merchants save money which can be passed on to their customers.

Open banking payments are convenient and secure, making them an important innovation in the payments ecosystem. The regulatory framework established by PSD2 ensures that these services are provided in a safe and transparent manner, and sets out the rules for how TPPs can access customer data and initiate payments.

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Benefits

There are several benefits for TPPs and merchants to use PIS as a payment method:

✓ Convenience

Open banking payments allow customers to make payments without the need to manually transfer funds between accounts or enter their bank account information each time. This can be particularly useful for recurring payments or for making payments on mobile devices.

✓ Reduce costs

TPPs can save money on card schemes fees and differentiate themselves from competitors by offering a more convenient and efficient payment experience to their customers.

✓ Enhanced Security

Open banking payments are initiated via PSD2 APIs that use secure protocols and encryption to protect against fraud and data breaches. Each payment is authorised using strong customer authentication (SCA) that helps to reduce the risk of fraud and unauthorised transactions.

✓ Contextual payment experience

TPPs can create a more seamless and convenient payment experience by initiating payments directly from any platform or application rather than having their users take extra steps, like logging in to their bank account.

✓ Increased efficiency

TPPs can initiate and execute payments on behalf of their customers, eliminating the need for the customer to login to their bank account and manually set up new payments.

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Open banking APIs are fragmented
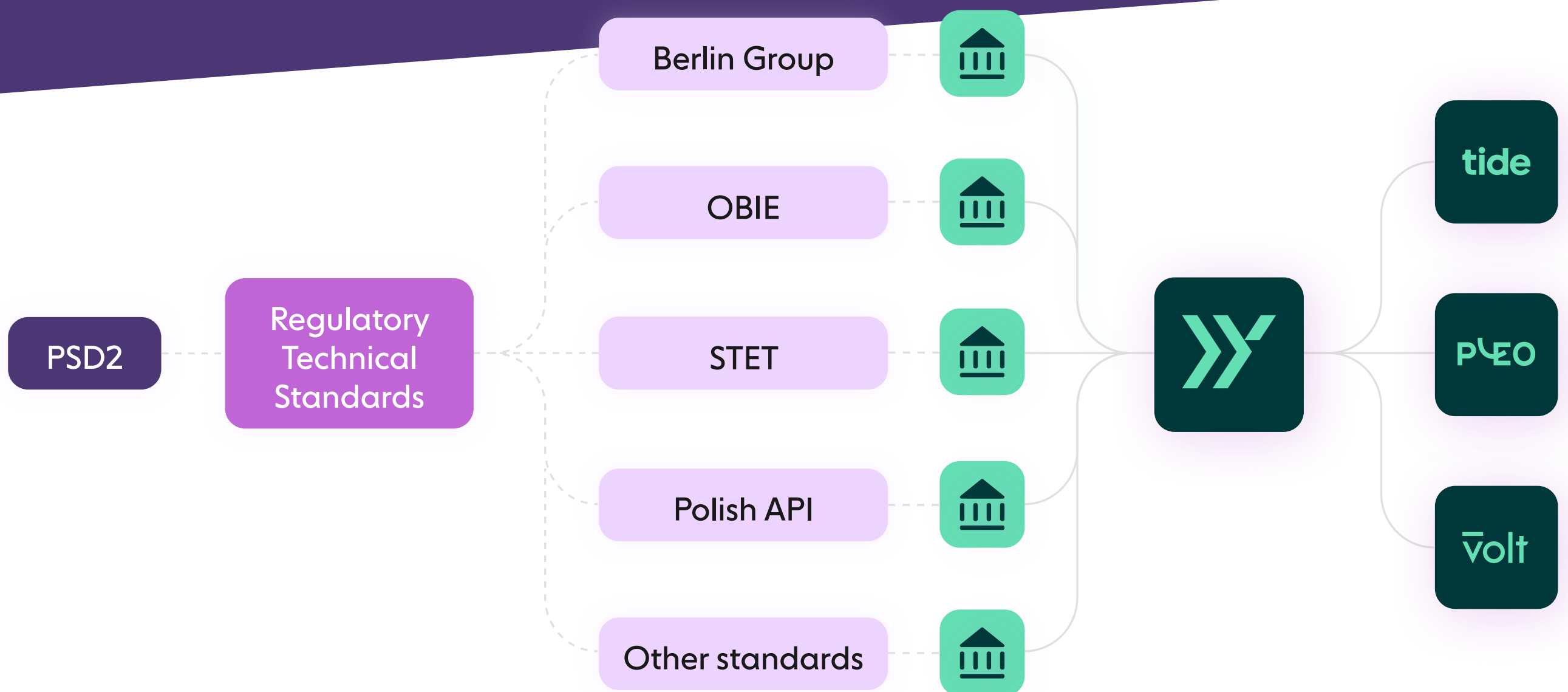
Open banking payments have the potential to disrupt the card duopoly and offer a more convenient alternative to existing payment methods. The challenge lies with the fragmentation and lack of standardisation of all the APIs financial institutions have made available.

This means that each bank or financial institution has developed their own set of APIs following different regulatory technical standards (OBIE, STET, Polish API, Berlin Group and others), with different data structures, requirements, and protocols. And makes it difficult for third-party developers to access and integrate with APIs.

This can lead to a fragmented API ecosystem, where developers are forced to spend significant time and resources integrating and maintaining each individual bank's APIs, rather than being able to easily enable open banking payments in their applications.

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How Yapily can help

Yapily solves a fundamental problem in the financial ecosystem: <u>Access</u>.
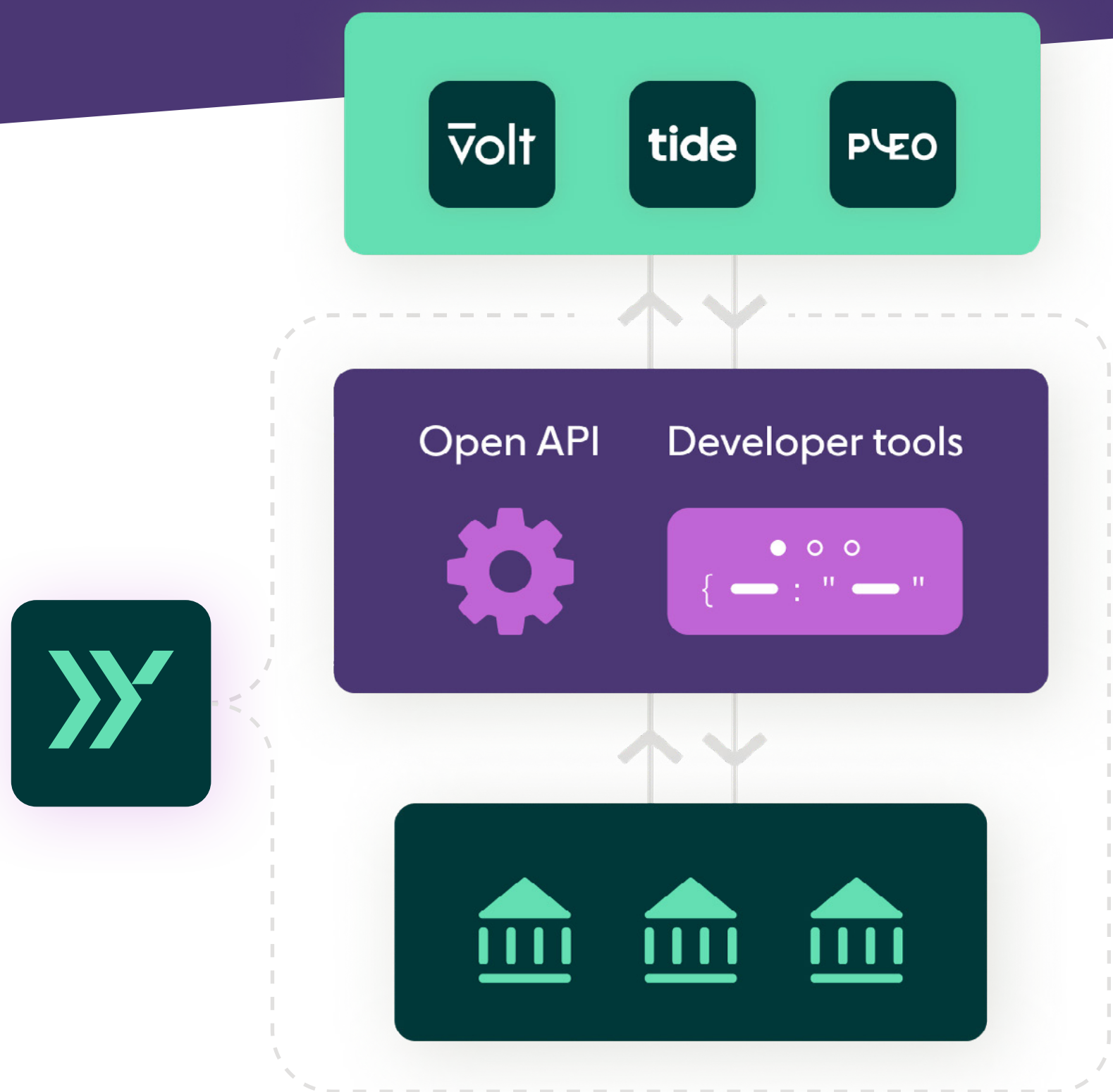
At Yapily, our mission is to create an open economy that works for everyone. With open banking, we are independently democratising financial services to solve the fundamental issue that exists within financial services and open banking today: access.

We are a true technology enabler focused on building infrastructure and tools that power our customers' innovation allowing their products to take centre stage.

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To accept open banking payments
we have developed a suite of products
to solve for various use cases.

Yapily Payments

Single account-to-account payments from up to 2,000 banks across 19 markets. Used directly by merchants, platforms and PSPs offering open banking as a cheaper payment method to create better user experiences and boost conversions.

→

Yapily Bulk

Single bulk payment to multiple recipients at once to pay suppliers, contractors, and run payroll with open banking.

→

Yapily VRP

Variable recurring payments (VRP) allows users to collect variable payments on an ongoing basis without needing to authorise each payment every single time. It offers a smarter, flexible version of direct debits and will enable businesses to offer faster checkout and manage subscription services.

→

Yapily Virtual Accounts

Provide settlement capabilities using virtual iBANS and receive payment notifications, handle payouts, allow end users to withdraw their funds, and issue refunds. Can only be used in conjunction with Yapily Payments.

→

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Use cases

Our products enable dozens of use cases, including:

Wallet top-ups

Streamline digital wallet top-ups using Yapily Payments with a fully embedded payment experience. Particularly useful for investment apps and platforms that manage business and consumer payments.

Loan settlement

Yapily Payments can be used for interest rate and loan repayments. The borrower can set-up recurring loan repayments from their bank account, which helps reduce the risk of default.

Peer-to-peer payments

Yapily Payments enables peer-to-peer (P2P) payments, allowing users to send and receive money from others, directly through their bank accounts.

Payouts and refunds

Merchants and platforms can leverage Yapily Virtual Accounts to collect payments and issue payouts and refunds. This is very helpful for platform businesses in property management and online commerce merchants that process refunds.

Online checkout

Online merchants can accept payments from customers using Yapily Payments, a secure and convenient alternative to traditional payment options.

Government payments

Yapily Payments can be used for government payments, and can give citizens a secure and efficient way to collect refunds or social security benefits, or pay taxes.

Point of sale payments

Merchants serving customers in person or in store can use Yapily Payment to accept safe and secure payments offline.

Payroll management

Automate payroll management and save time by eliminating manual processing using Yapily Bulk. This can be useful for accounting platforms and PSPs specialising in payroll management.

Subscription payments

Yapily VRP allows for recurring payment collection for different amounts at regular intervals. This can be helpful for subscription providers like utility providers that charge customers based on usage.

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Customer stories

Case study
How Yapily & Volume are killing hidden fees for businesses and consumers

Industry
Payment Service Provider

Use case
Online checkout
Volume uses Yapily Payments to facilitate direct payments between consumers and merchants bank accounts.

Product used
Yapily Payments

Results
↪ Removed hidden fees associated with card transaction, improving businesses profitability with every sale

↪ Average payment settlement times of 2.5 seconds

↪ Increased checkout conversion rates by up to 250%

Read more →

Case study
How Trilo & Yapily are helping local businesses stand up to larger retailers

Industry
Payment Service Provider

Use case
Online checkout
Using Yapily Payments Trilo enables payment collection using QR codes and payment links making it simple for businesses to move away from cards and their fees.

Cash flow management
Using Yapily Data, Trilo allows businesses to access transaction data at a glance through their own dashboard, allowing them to easily view revenue and sales trends.

Products used
Yapily Payments, Yapily Data

Results
↪ Helped local merchants unlock thousands of pounds each year to reinvest back into their business

↪ Reduced the time taken for merchants to receive funds from up to 7 days, to 5 minutes, allowing them to optimise cash flow and redeploy those funds faster than ever

↪ Experienced rapid growth, with a 1300% increase in the total number of users in September

Read more →

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How it works
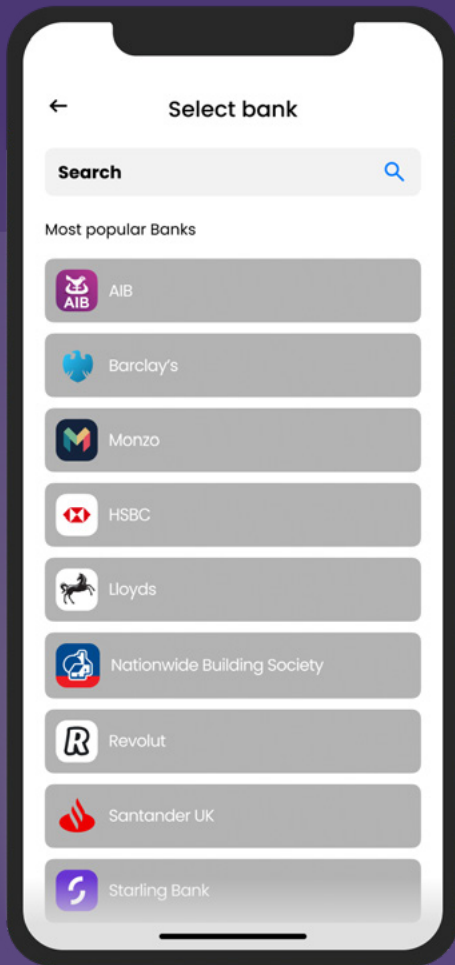
## 1 Account selection

End customer selects the account they want to pay from. Yapily has integrated over 2000 financial institutions across 19 markets.

2 Payment authorisation

Once the account is selected, the end user will provide their consent giving their permission for TPP to initiate the payment on their behalf. Consent is provided using Strong Customer Authentication (SCA) to reduce fraud and ensure data security. Yapily supports all SCA flows that banks have integrated.
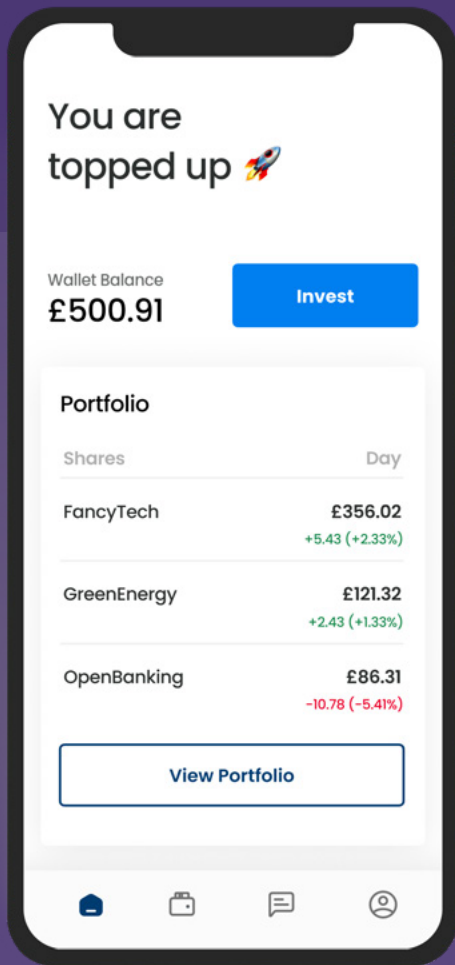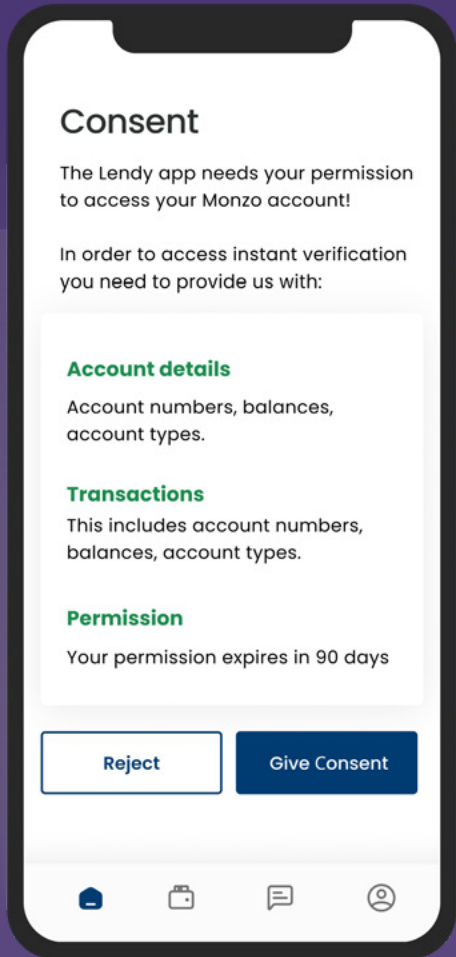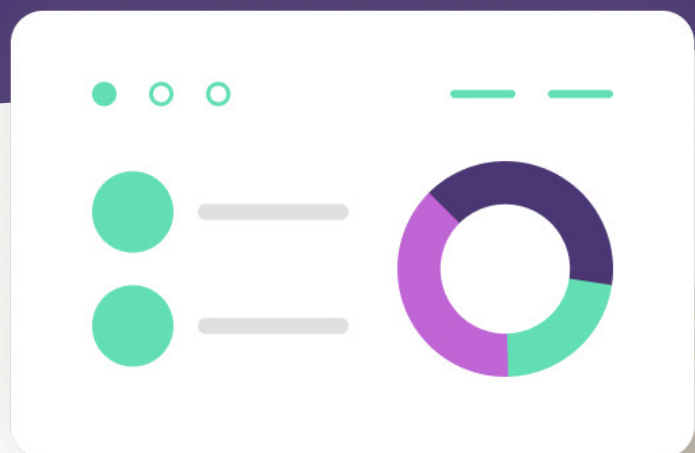

3 Payment confirmation

TPPs can securely pull the money from the end users account directly in their bank account. Yapily will provide payment confirmation to ensure the funds have settled.

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Pricing

We break down our pricing based on the services and products required by the customer and the value we deliver to them. It allows us to price fairly and only charge for what our customers need. We offer volume-based discounts for longer-term commitments and our customers always pay less when they use more for every additional user or payment.

To access our payments API products, our customers subscribe to a monthly platform fee. That gives access to our API, as well as a number of payment initiations they expect each month.

We also offer a broad range of services which we charge additionally for to support open banking ambition:

↪ Implementation services to assist our customer throughout the integration phase ensuring they are able to successfully make live calls to the Yapily API

↪ The ability to use our UK and EU licences

↪ Premium support services for customers requiring faster response times, and/or extra services not included in our standard support services

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Get started today!

To get started, get in touch with our sales team or test the Payment Initiation Service using Yapily Payments via our Demo portal.

YAPILY