



MED MSMEs

Policies for inclusive growth

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Support to an Enabling Business Environment for MSMEs Development & Financial Inclusion



Methodology for Awareness Raising on the EU PSD2 as a Catalyst for FinTech

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Our Team

The PSD2 in brief

PSD2 is the European Union's second Payment Services Directive, and with consumer permission, it will allow non-bank institutions, such as merchants, to retrieve data about consumers from banks. This sharing of data will allow additional banking services to consumers, including more products for small businesses, leading to increased economic growth and employment.

Questioning

1. What is at stake from a policy perspective? Why did policymakers push towards Open Banking, or Banking 4.0?
2. How were stakeholders mobilized and how was the dialogue organized in Europe?
3. How was PSD2 adopted and what was the implementation schedule?
4. How can PSD2 inspire regulators in the Southern Mediterranean, and how would the Southern Mediterranean benefit from regulations inspired by PSD2?

Our Team



- **Peter Johnson** has 15+ years experience across the MENA region, the Americas, Sub-Saharan Africa and Europe as a senior expert, executive and diplomat with a focus on fintech and entrepreneurship.
- He has worked in numerous financial sector studies, both in the private sector and for international donors. He is also the founder of the Ayadee Holding Corp., a blockchain start-up.



- **Bachar Kouwatly** is a regional financial inclusion expert boasting 20 years of combined experience in both commercial and Islamic banking environments as well as serving for over 9 years as a CEO and board member of several MFI's within the MENA.
- His main areas of expertise are Credit and risk management, Strategic planning, and digitalization.



- **Karim Ahres** is CEO and founder of Netcom Tunisia , 28 Years of career. He was the architect of the main secure networks of Tunisia banks in 2003 with , 27 banks for the cash clearing system.
- Since 2019, he has been Vice President CONECT Digital, the Tunisian Confederation of Corporate enterprises, and was President of Tunisian IT employers' organization Infotica-UTICA from 2012-2017.

The background of the slide is a complex, abstract geometric pattern. It consists of numerous overlapping triangles and squares in various shades of blue, teal, and green. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance while others are in the foreground. The overall effect is a vibrant, multi-colored mosaic.

Assignment Objectives

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The overall objective

To facilitate access to finance for MSMEs and entrepreneurs in the Southern Mediterranean, notably through FinTech

The specific objectives:

1. Awareness is raised about PSD2 and Banking 4.0 in the Southern Mediterranean through webinars and working groups at both the national and regional levels.
2. Providing support in the adoption of the PSD2 mechanism, implementation of open banking and disseminating ideas of branchless banking, with a later stage being a roadmap to reach these objectives.
3. A roadmap is established in the region to adopt and implement the PSD2 framework
4. Public and private dialogue on the national and regional level regarding PSD2 adoption.

Assignment Scope

Assignment Scope

To achieve this assignment's objectives:

- I. We will acquire information on the European Union PSD2 adoption, including process, decision, success stories and challenges faced in implementation.
- II. Hold regional and national level workshops, webinars and possibly in-person meetings in the region to share information and raise awareness about PSD2.



An Overview of PSD2

The Policy Perspective

Business models relying on the **aggregation of products and services** through fintech companies are developing fast.

The mining and exploitation of data on customers' consumption is the **raw material for innovative fintech entrepreneurs** to develop and offer customized solutions that are price competitive.

Developing such **tailored offers** requires **indigenous data**: these data are to an extent generated by the social media, but a much bigger pool of data is available with financial institutions.

The principle is that there is no ownership on these data, and that - subject to non-objection - these data are **common goods**...

... allowing indigenous fintech companies to develop, export services and **generate highly qualified employment notably for the youth.**

What has PSD2 done in Europe?

PSD2 allowed registered entities to have access to all payment data of consumers who opted-in to share their data through APIs. This open availability of data is referred to as **“Open Banking,”** or **“Banking 4.0.”**

Access to payment data allows registered non-bank financial institutions, from FinTech start-ups to retail and big tech companies, to **access big data** from Europe’s large financial institutions based on which they can develop and **offer customized products and services**. This additional data gives a more nuanced credit and payment story for MSMEs, allowing these larger institutions to make informed decisions and offer more options in regards to access to finance.

Those **products and services can integrate MSMEs products and services**, notably MSMEs operating locally, thus improving their bankability.

It therefore **integrates MSMEs into value chains**, offers them a **digital showroom** and contributes to transparency, hence **access to finance**.

Some examples from Europe:

Banks can offer more services to small businesses

Banks can do more than just transaction banking, and with small business customers, they can now offer more detailed services, such as data integration - **trend analysis, cash flow forecasting and better cash flow management, financial planning and identification of risk areas.**

This increased data allows banks to make more informed decisions about small businesses, making it **easier for small businesses to obtain credit.**

Small businesses also benefit from “**challenger banks**” making use of the access to big data about consumer payments to compete with traditional banks in offering new banking products and solutions.

Collectively, the banking sector will be able to offer more products and services to small businesses, and thus earning more revenue while also giving more choices to small businesses.

Some examples from Europe: Benefits of PSD2 to Consumers

Consumers will see customized products from an increasingly competitive marketplace for financial services.

More FinTech and other non-bank financial institutions will begin to offer them financial services, driving down prices and increasing access to financial services.

PSD2 also requires stronger protections on banking data, giving strengthened protections to consumers.

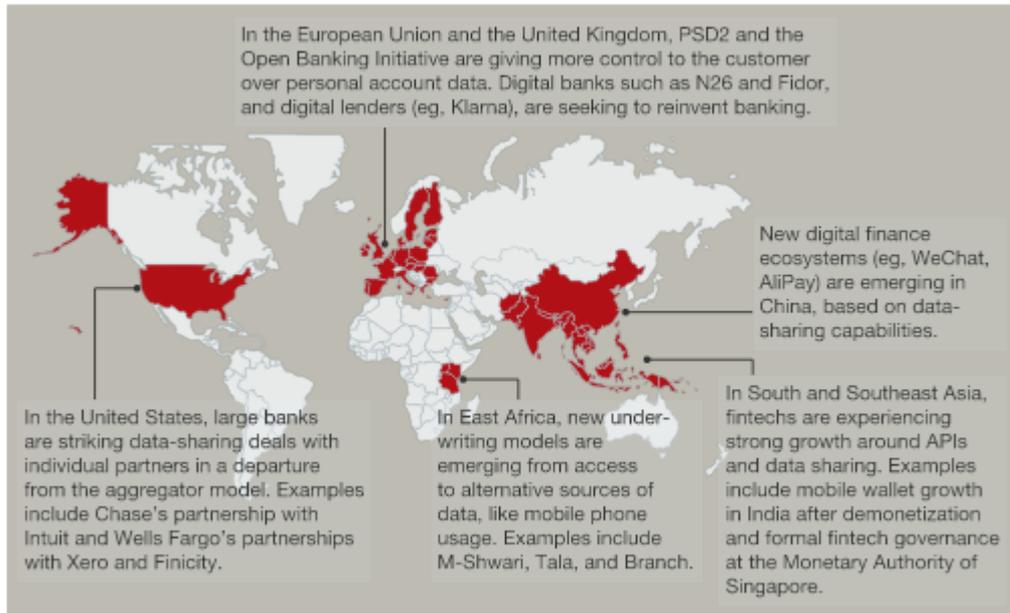
Some examples from Europe: Benefits of PSD2 to Industry

Industry can benefit from new financial services offered at competitive prices with new FinTechs and Challenger Banks seeking to serve them.

Non-banking companies, from Tech to Manufacturing to Retail, can now also register, gaining access to massive data sets about payments that will allow them to better serve consumers as well as offering payment solutions directly to those purchasing their products and services.

PSD2 sets the rules for Open-Banking in Europe, but Open-Banking is already in other global markets

Global open-banking developments



Open-banking is spreading globally, and it will eventually make its way into the Southern Mediterranean.

With clear rules, similar to PSD2, we can ensure consumers are protected and local and regional banks have a framework in which they can take advantage of opportunities that global banks already are pursuing.

McKinsey&Company | Source: McKinsey Payments Practice

This is the chance for small economies and small institutions to experience leapfrog growth.

In the new world, it is not the big fish that eats the small fish, it is the fast fish that eats the slow fish.

Klaus Schwab – Founder and Executive Chairman, World Economic Forum

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