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CBI helps to drive change in Italian digital payments

Joy Macknight | 31/03/2023 8:53 am



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Italy is in the midst of a payments revolution. Joy Macknight gets the lowdown from CBI CEO Liliana Fratini Passi.



Over the past two years, Italy has witnessed a revolution in the payments landscape, with the entry of new players, new technologies and, in particular, an increase in cashless retail services, according to Liliana Fratini Passi, CEO of Italian payment company CBI.

Q: What is the state of open banking in Italy?

A: Overall, the European open banking and **open finance market** has demonstrated its dynamism in the growth in registered third-party providers: payment initiation service providers (PISPs) and account information service providers (AISPs). This confirms that there is a demand for the open market and open practices.

Among payment market players, new services are emerging from the combination of different datasets. Thus, the banking sector is now taking an active role in **sharing data and perhaps monetising it** in an open data scenario, with the aim of better serving the end customers.

In Italy, in particular, after two years of the Covid-19 pandemic, financial institutions are looking to increase their investments in innovative technologies and digital payments. CBI is assisting in evolving the [open finance] legal framework scenario, with the ambition to improve security and transparency for customers.

Q: What progress has been made in the digitalisation of financial services?

A: As part of the country's National Recovery and Resilience Plan, institutions need to improve the digital skills of the population and businesses, as well as foster the uptake of digital public services through new instruments, to support and accelerate the implementation of key government projects.

In the payments market, prior to the pandemic and various market fluctuations, the Italian financial industry had already launched digital services, but is now trying to upgrade the infrastructure and use cases for customers. In light of the open banking scenario, CBI stepped in to support financial institutions to meet all the Payment Services Directive 2 (PSD2) requirements by strengthening its role as an industry utility. In this regard, CBI believes that collaboration between all the actors participating in the ecosystem is critical to achieving compliance through innovation.

CBI represents more than 400 financial institutions in both the role of shareholders and customers. We are proud to be considered as an industry utility serving all these financial institutions – not only in Italy but across Europe – to respond more promptly and in an efficient way to the digital transformation promoted by PSD2.

Q: In the aftermath of the pandemic, what are the biggest challenges towards digital transformation in Italy?

A: The challenge for us and the ecosystem is to define the most efficient path through this massive digital transformation driven by open banking and PSD2, and to push the transition to open finance.

CBI works in a network economy, where the value of the service is not in itself, but the number of customers and intermediaries using the service. The value of the internet is not in the internet in itself, but the number of interconnected users.

In Italy, as in other places, there are many new players such as fintechs and third-party providers. More recently, we are also seeing new forms of collaboration and competition between new players and the incumbents. As such, CBI's role as an industry utility is fundamental because we are committed to accelerating the transition of the banks and helping them to invest in sustainable technology innovation, as well as evolving customers' and employees' digital skills.

CBI is developing PSD2-based value-added services. We started open banking activities as early as 2017. For example, we developed a centralised application for open banking, called CBI Globe, which represents 80% of the Italian banking sector and enables more than 180 intermediaries, PISPs and AISPs, to make application programming interface (API) calls to the banks. Approximately 500 million APIs have been invoked, with an exponential increase week after week, demonstrating a growing interest in open banking, and in the CBI Globe platform and its intermediaries.

Beyond this, CBI created the Check IBAN service. The service was first delivered to the public administration sector, but has been available to the private sector since 2022. The service provides an instant verification of the alignment of an IBAN with a VAT code. The services help corporates counter fraudulent activity, which have seen a spike in phishing attacks requesting IBAN information changes in their enterprise resource planning systems.

Additionally, in July 2022, CBI launched the Check IBAN cross-border service, together with SurePay, a confirmation of payee provider. This service supports cross-border banks, fintechs and their customers offering the Check IBAN service to customers outside Italy, starting with the Netherlands, Belgium and Germany, and gradually to other European countries.

Similarly, CBI has developed Name Check, which validates the ownership of an IBAN in relation to a specific end-user through a search function based on the name/denomination of the account holder/company. It is useful in cases where VAT and fiscal codes are not available, as well as in the case of instant payments. The Name Check will be ready for our customer banks in the second half of 2023.

In addition, it is important to state that, at the European level, the European Commission is drafting regulations that would require banks to check the name of the account holder for every instant payment. So, in a broad sense, we have been able to foresee something that is about to become mandated in EU legislation.

Another relevant instrument CBI has been developing for banks is Smart Onboarding, which aims to facilitate the onboarding procedures that a final user may face when filling out an online form, in addition to allowing a final user to retrieve their own personal data thanks to the telematic dialogue between the corporate itself and the final user bank. This is a win-win API service: the end user has a smoother onboarding journey because this information is provided by their bank, and the corporate receives verified information about the customer from the bank's know-your-customer process.

CBI has also launched a proof of concept (PoC) called the Invoice Control DB, which has been admitted to the regulatory sandbox established last year by the Italian Ministry of Finance, together with three authorities. This is to support the market in obtaining information on invoices submitted by their corporate customers to obtain funding, easing the process in a multi-bank and multi-channel scenario, while reducing the risk of fraud in financing operations.

Q: What future projects does CBI have in the pipeline?

A: We are working on mid-term challenges for the next three years, looking at how the financial sector will need to evolve. We are investigating new collaborations to deliver a sustainable impact. We believe that as we transition from open banking to open finance, new business models and services will emerge, leading to numerous benefits for all stakeholders of the financial and banking market.

For example, CBI will continue to pursue its internationalisation path, strengthening and expanding partnerships at European and international level, in order to expand the accessibility of its products at a cross-border level. In this regard, when CBI launches a new API service, its first step is to look at the Italian market. In the second phase we look for collaboration to enable cross-border activities through the API. As we've already done for the IBAN Check service, we will do the same for Name Check, Smart Onboarding and perhaps the centralised invoice database PoC.

Another stream that we are working on is building a strong collaboration with the public administration (PA) sector. In Italy, through the electronic bill presentment and payment service, CBILL, we have reached a quarter of the total payments to PAs. Almost 10 million Italian citizens have paid through CBILL. So, we are a significant player for PAs, in addition to being considered a partner of choice for the banking and PA sectors on their path towards digitalisation and modernisation.

It is evident that CBI plays an important role for Italy's banks on this evolutionary path. In Italy there is a state-owned electronic payments system, PagoPA, with which CBI works closely to identify the types of services the financial sector can provide to citizens, such as tax or ticket payments to PAs. CBI is at the centre of this ecosystem.

CBI is in line with evolutionary innovations pursued by the most evolved fintechs, incumbents and cloud-based challenger banks. Together with SIA and Nexi, in September 2021 CBI launched the CBI Hub Cloud project, which enables the transformation of its infrastructure, that to date manages all multi-bank payment and collection transactions between Italian companies and towards the PA, on private and dedicated cloud technology.

This means that intermediaries will be able to offer more advanced transactional and open finance services to the PAs, corporate and retail customers, in real time, with increased levels of efficiency, security and integration of all players in Italy active in the payments market.

With regards to the objectives of the 2030 UN Agenda, CBI strongly believes and is committed to implementing ESG practices in all of its operations. It is currently conducting a detailed review to identify areas of best practice in environmental impact and sustainability, both as an industry utility provider but also as a company. We are looking at our practices and policies, as well as how we consider diversity in terms of gender, culture, age and competencies.



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