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EXCLUSIVE: “Laying the Open Road” – Alessio Castelli, CBI in ‘The Fintech Magazine’

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In Italy, a financial community set up by the banks’ trade body has taken the lead in building an open ecosystem and single API gateway to defend and empower its members’ businesses, as Alessio Castelli, Head of Open Banking & Financial Markets at

CBI (<https://www.cbi-org.eu/>), explains
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In Italy open banking services are constantly growing. To this day, 13 Italian active third-party providers and nearly five per cent of consumers in Italy are taking advantage of the data-sharing opportunity unlocked by legislation in 2018.

According to a report released in December by PwC Italy and CBI – a public limited consortium company of now more than 400 banks and financial intermediaries, originally set up by the Italian banking association to build an interbank ecosystem more than 20 years ago – they’re making huge investment in developing open finance services. That investment went up 27 per cent in 2021 alone, according to the CBI/PwC Italy Global Open Banking Report.



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CBI's role has expanded over the last few years, so that it describes itself today as a collaborative hub for technological innovation and digitisation in financial services, both at home and abroad. One of the main drivers for that was the introduction of Europe's revised Payment Services Directive (PSD2), which forced banks to expose customers' financial transaction data to third-party account information service providers (AISPs) or payment initiation service providers (PISPs), if the customer authorised it.

The same rules did not apply the other way around, of course, and CBI's view is that, to protect their businesses and relationships with their final users, banks have to turn the tables: use this new 'open access' environment to leverage and monetise the huge amount of data and expertise they hold. And, while the public in the piazza don't appear to be fully aware yet of the implications and opportunities, Alessio Castelli, CBI's head of open banking and financial markets, says what's happening is nothing short of a paradigm shift in the way banks operate and see themselves.

The Global Open Banking Report revealed that, among other things, since 2019 in Europe, the almost 4,000 account servicing payment service providers (ASPSPs) using open banking have been reached by about 500 third-party providers offering account information and payment initiation services – a growth rate of 300 per cent; in 2021, open banking acquisitions with a total value of approximately €2billion were recorded there; and, in a study of 41 market players, 63 per cent of about 2,400 APIs were available for open finance. Faced with this approaching, unprecedented competition, CBI's primary focus is giving members the tools to thrive and the weapons they need to compete, so that banks themselves can even become third-party providers within a collaborative CBI ecosystem.



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“Because of our DNA, our history, we are focussed on the design and development of a great, collaborative infrastructure which can adequately support fintechs, third parties and financial institutions,” says Castelli. “In 2019, CBI designed, developed and launched the CBI Globe platform, an open API gateway, which could be described as a regtech platform, that has been adopted by more than 300 banks in Italy – that’s about 80 per cent of the market. With that we were able to help banks realise savings of about 30 per cent in relation to the investments otherwise forecast to implement functional adjustments under PSD2.

“In the last two years, we have worked with all the Italian banks, and the main financial hubs in Europe, to define and design new value-added services. Last year, we launched the CBI Globe Active Functionality, a new open banking API layer designed to help third parties reach the Italian banking market, through a single hub, a single technical connection. Any third-party provider is free to integrate its solutions on our infrastructure – we are totally agnostic, because our core aim is to manage collaborative infrastructures that are able to support all financial institutions.”

Such an initiative is important, believes Castelli, because, in Italy, those open banking business opportunities remain largely untapped. The CBI/PWC Italy report notes that, despite significant investment in open banking and PSD2 – €2.5million on average per bank over the last five years – the adoption of open banking services that should flow from that remains lower than in some European areas. Castelli takes a glass-half-full approach to that comparison.

“The report highlights that more than 60 countries are undertaking open banking projects, and more than 130 million final users are expected to use open banking by 2024,” he says. “Low penetration and adoption rates could represent high growth opportunities for incumbents and new entrants interested in the banking sector and payment industry.”

The report also shows the widespread adoption of Cloud computing and API technology, which are able to support the new business models – models that Castelli sees being driven by three principle opportunities for growth as open banking and then open finance take hold. Firstly, banks can monetise the vast data reservoirs they hold. Secondly, banks, fintechs and other payment providers can collaborate with third parties, to offer more complex services, such as instant insurance, instant lending and

smart onboarding procedures, over a platform using a single API access point. And, thirdly, there will be further, intense competition as big tech companies and new entrants march in to offer innovative, integrated financial and non-financial services, thereby threatening the 'last-mile relationship' that banks have traditionally enjoyed with customers.

To that end, the CBI is intent on further developing its ecosystem to help its members and customers both seize the day and counter the threats. CBI Globe, its API-driven open banking ecosystem, links payment service providers, fintechs, non-financial businesses and government departments. Value-added services in the areas of open finance and data monetisation include its Check IBAN Service, which makes it possible to ensure that an IBAN code is correctly associated with a tax ID, in the case of an individual, or a VAT number for a business.

(<https://ffnews.com/wp-content/uploads/2022/02/MarbleBank.jpg>)“Today, if a third party is interested in having a connection with the Italian banking market, we are able, through a single API connection, to open the whole of the market to them, because we are able to reach 100 per cent of the Italian banks as well as European hubs,” says Castelli.

The Third-Party Piece

In providing these services, CBI has itself enlisted the support of leading specialist fintechs to offer an integrated product to final users. Nexi Payments, for instance, has been selected to improve some technology solutions; knowledge solutions specialist CRIF provides financial management and credit scoring solutions that can be integrated with the CBI Globe platform; while certification company InfoCert supplies the digital certificates that third-party providers need to operate under PSD2.

Similarly, Castelli believes collaboration will be key for financial institutions to both retain and attract customers who expect an ever-wider palette of financial services available to them at the touch of a button. While many banks may choose to build their own, in-house solutions, others, for reasons of operation or cost, may choose to access

the CBI ecosystem, and some will opt for both. Whatever the strategy, Castelli believes the most sought-after integrations will be to support digital onboarding, know-your-customer activities and innovative payments, including buy now, pay later and Request to Pay.

“The traditional banks have to take a position within the market because, thanks to open banking, new competitors and new entrants are very interested in gaining a share of it,” he says. “We all know that the competitive scenario is characterised by low interest rates, tight margins on payments and growing competition within financial markets. So, by adopting open banking and open finance, institutions could take this opportunity to defend and protect the last-mile relationships with the final users, to monetise their data and enable upselling and cross-selling strategies, and innovative services as well, integrated with third-party functionalities.

“We know countries are approaching open banking in different ways,” continues Castelli. “Some are regulatory-driven, such as, for instance, in Europe with PSD2, or Australia, while other countries have adopted a market-driven approach, like the United States. Regardless of the approach, banks have to invest in open banking and open finance, not least because of the improved customer experience; but also because services linked with complex products, could be perceived to have a higher value and to fit better with final customers’ requirements.

“In Italy, we are now seeing investments move away from compliance activities to developing these new value-added services. There is also growing interest from financial institutions themselves in assuming the role of third-party providers; to have an active role within open banking and exploit the business opportunities enabled by it. That’s why CBI Globe Active Functionality is so important – for third parties to have a single point of access to reach all the traditional banks.”
