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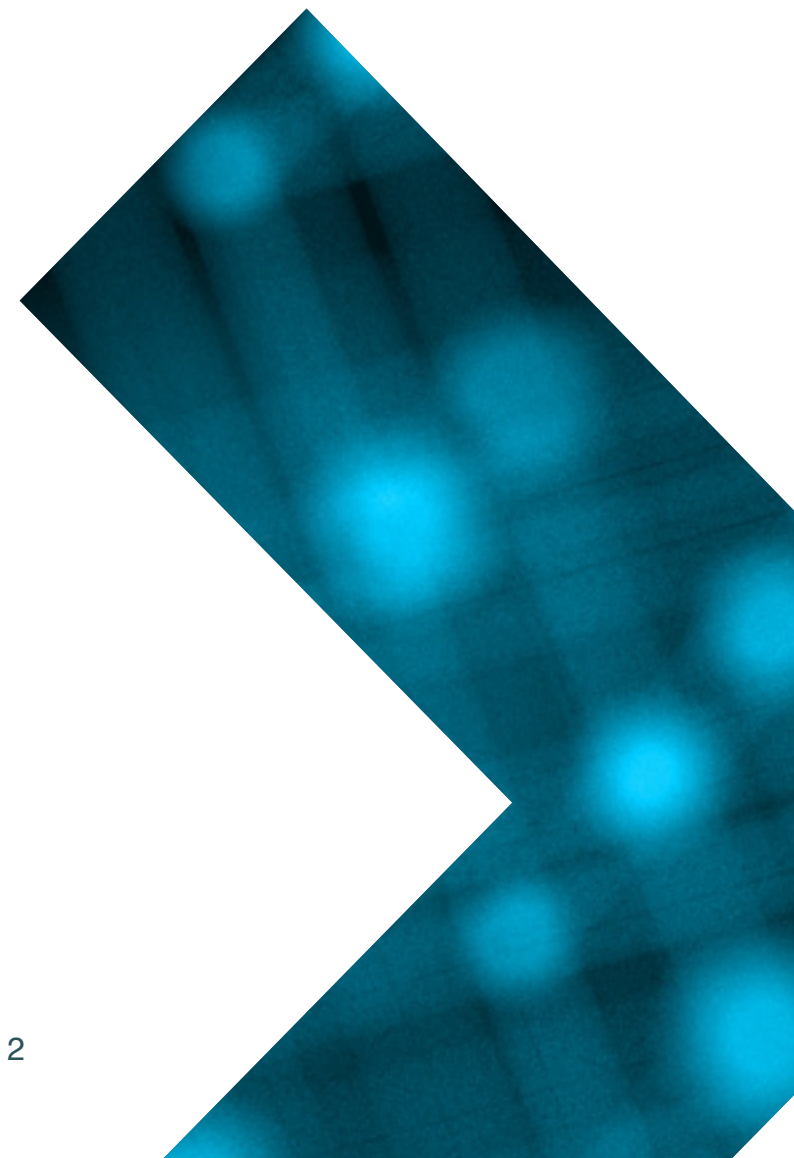
eBook

The future of banking as a service, BaaS

Introduction

Until just a few years ago, traditional financial institutions (mainly banks) were the only option for clients to get any sort of financial services (transfers, loans, payments, etc.). The lack of competition (in the end, there was little difference between the services of one bank and those of another, apart from slight monetary variations such as lower fees or higher interest, and perks like the typical gifts) meant terms like “service layer” or “value added” weren’t part of the common banking language.

New **FinTech companies** (often start-ups) have breathed new life into a segment of economic activity that is quite reticent to innovation. FinTech firms have made operations faster and easier, contributed imagination in the manner (and sometimes also in the content) financial services are offered and “friendliness” in customer relations (easy, user-friendly apps, warmer customer service, etc.). This has allowed this sort of company to start nibbling away at the pie that is financial services, which previously had always been shared by the same institutions.



1. BaaS, banking as a service: a revolution underway

Although we've already said that innovation was ahead of regulation (as is common: private initiative tends to push regulatory changes, not the other way around), it is true that the regulations being implemented now will open up a whole new array of possibilities. For example, while financial services providers were previously limited to offering products that didn't require an operating license, or if they did using that of a third party (a traditional institution), now they can operate under their own license, which will allow them to position themselves by launching alternatives to traditional banking in terms of price, products and services.

At the same time, regulations (**PSD2** in the European Union) and how governments promote this change to get consumers up to speed, will make clients more aware of what they want from their relationship with their banking provider(s). And, above all, what they no longer want. And we know that demand is the best way to spur competition.

2. Banking as a service (BaaS), unified data, useful service information

What will companies and individuals ask of financial suppliers in this new tomorrow that is already here? Undoubtedly, they'll be the ones who mark the future of banking as a service. Financial marketplaces are going to go through good times, as consumers are more and more used to being able to buy everything online (in every way, and it won't be any different with financial products) all in one place, where they can compare and assess products and providers.

The words "integration" and "unified" will be used often. So will terms like "transparent" or "useful". Clients will appreciate their relationship with financial service providers being on equal footing, quite contrary to what happened in the closed world of banking before FinTech companies, APIs, etc. They will demand clarity and value added (for example, using personal data, without sacrificing privacy or security, so they can receive personalized offers and services). This new situation with empowered consumers will take **BaaS** from practically anecdotal, as it had been until very recently, to a whole new category, and cause both new and traditional providers to find strategies to seduce them. Our APIs and products come standard with this extra smart seduction. Want it for your company?

3. The structural change of banking payment after PSD2

Maybe most companies and consumers aren't aware of it yet, but many things have already changed (since January 2018) in the financial and banking services ecosystem in the European Union. This past January, the new **EU directive on payment services, PSD2**, went into force. Plus, the countdown is on for member nations to transpose the European directive to national law (they must do so by 2020). And another deadline is also looming: after the **PSD2** technical standards are adopted by the European Commission, the industry will have a year and a half to implement them.

Tick, tock, tick, tock...



Open Banking: a change that's got big backing

The change (which is destined to revolutionize the financial services industry) didn't start with the European payments directive. However, it is true that PSD2 multiplies (and clarifies) the opportunities available to all stakeholders willing to participate in the new panorama. The core idea is to promote open banking, forcing traditional financial institutions to give third parties access to the data they have on their clients. With one condition: the clients have to authorize the operator beforehand. This authorization is granted to third party payment service providers (TPP).

As we've said, nothing is totally new, but there are practices that are being organized and given a push. Some years ago, **FinTech companies** burst on the traditional (and reticent to innovation) financial services scene. Using technology, they provided their clients with new products or improved existing ones in areas like, for example, user experience. Now, any FinTech companies interested (and other operators) can register as account information service providers (AISPs) or payment initiation service providers (PISPs).



Secure bank payments and real-time access

Other issues regulated by the new directive are those regarding security and immediacy. In terms of the former, we mean, for example, stronger authentication. This means service users have to provide several types of identification (for example, a biometric coordinate and a passcode) before gaining access. Legislators don't want the transfer of account information to third parties to make transactions less secure. Nor for this sensation (even if it is only a perception and not real) to slow the move towards open banking.

We also mentioned immediacy. In principle, access to clients' data must be through an open-code API (application programming interface) from banks. This way, the technological foundation that has driven FinTech firms, and with them the market offering, will also leverage a paradigm shift in the post-**PSD2** era. But TPPs having access to clients' data for, for example, initiating payment wouldn't be worth much if the process were long and complicated. The idea is for client authorization, access to data and initiation of service to happen immediately.



And this is just the beginning

This reality, which is just around the corner, will change many situations: for example, for a FinTech marketplace like Unnax, it is an opportunity to design new products and work in a setting with clearer, more transparent rules. Companies that decide to use APIs developed by third parties will find a wider range of services on offer to promote their business. Consumers will be able to choose the best, most personalized services, companies that care about customer service and charge fewer and lower fees. And banking will no longer be a closed sector with hardly any competition. Banks will have to jump on this opportunity, which comes through innovation, if they want to continue to be relevant in this new panorama. Payments, direct transfers, financial management, loans... Everything has started to change, although, for now, we've only seen the tip of the iceberg. At Unnax we want to show you the part of the revolution that hasn't emerged yet. Want to get a peek at the change with us?

4. Banking as a Service API for instant payments

If you've dipped into this blog before, terms like BaaS will be familiar to you. But here's just a small reminder: **BaaS or Banking as a Service** is a concept which is destined to revolutionize the financial industry and relationships between clients and banks or between clients and other financial services providers. Other providers? Yes, here another of the words we have been mentioning in the blog comes into play: FinTech companies and products.

FinTechs are companies (many of them what we call start-ups) which offer services to both private individuals and companies that until now only traditional banks have offered. But they are also characterized by using technology to make this service easier, with a better user experience. In some cases, they actually create new categories of services.



BaaS API, a way to explain a major change

One of the foundations of this veritable revolution in the supply of financial services can be explained by the use of **APIs (application development interfaces)**. They are a set of commands, instructions, etc., which allow two software programs to communicate with each other. This simplifies the work of programmer developers, who no longer have to write code from scratch but instead can use predefined functions in interactions with an operating system or another programmer. This is the "mystery" behind the fact that if we integrate the API of a payment system into your online business, users can purchase our products and easily pay for them through, for example, a charge to their bank account.

Moreover, the use of APIs has received a major impetus thanks to the new European Revised Payment Service Directive, PSD2. Among other things, the new regulation stipulates that FinTech companies must appear as Payment Initiation Service Providers (PISPs) or as Account Information Service Provider (AISPs) within what are considered Third Party Payment Service Providers (TPP). And for that effort of, say, starting a payment, the regulation also stipulates that banks must make their API's available to TPPs (like some FinTechs). In this way, services that they were already offering will grow and will come with additional guarantees. In fact, the objective of the **PSD2** is to place consumers at the core so that they are offered more advantageous services through an increase in competitiveness.



An effective, proven Baas API for instant payments

As we said, the number of companies offering financial services developed with API is going to increase (or that, at least, is the Open Banking philosophy behind the PSD2). It is also foreseeable that banks will be encouraged to offer their own added-value services. When all these new actors start operating, Unnax will have already been around for some time and gained user experiences with our API. At Unnax, we are a BaaS platform, a concept which we were pioneers in bringing to countries like Spain.

As a marketplace of financial APIs, we offer you different payment solutions, including the possibility of immediate payments, with the maximum automation and simplicity. You can choose a "generic" API and integrate it simply and intuitively into your own applications, or, if you prefer, your developers can use our APIs to create your own applications, quickly and problem-free. All of our APIs are designed to meet the regulations currently in force, have impenetrable security systems and provide an outstanding user experience.



We help you grow your company, and our Baas API grows with it

End clients are demanding greater simplicity and speed when paying for products or services, too. Our instant payment solution provides that added quality that will help your clients choose your company over the competition. Plus, you can use your payment engines from day one and the very first transaction, knowing that the result will be as satisfactory for minuscule amounts as for major transactions, for which our APIs can also prepare your business.

**Your clients already want to test
quicker, more user-friendly and secure
new ways of payment in your
company. Will you let us help you offer
them?**



About Unnax

Unnax is a banking-as-a-service platform providing through simple APIs all other companies need to create great services that onboard users, move and manage money in a full digital process. We are an international team with a digital focus, tech expertise and banking experience.

We are a European BaaS (Bank as a Service) platform founded in Spain in 2016. We are pioneers in introducing the BaaS concept in Spain – and from here we want to spread it and help it take root in the rest of Europe – and we firmly believe in the possibility of an alternative (more economical, more agile, more flexible) kind of banking than the traditional kind.

Simplifying the FinTech sector

At Unnax we are what is called a marketplace, one that makes a wide range of technological products available to its clients in order to simplify companies' financial transactions (hence the term FinTech, finances + technology).

We are also a start-up which is gaining solid ground thanks to the interest we have sparked among investors and the FinTech market. Founded by experts in the new technologies and the banking sector, we can draw from our knowledge and experience to discuss these new concepts which are changing financial transactions.

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