

nets:

WHITE PAPER

**Power your digital strategy:  
Unlock the opportunities of  
Digital Identity**

**As the global economy digitizes, a range of exciting new opportunities are emerging for banks. The use of Digital Identity is a prerequisite to make transactions faster, easier, and safer – presenting an opportunity for banks to enhance customer experiences and create a competitive advantage and improve revenue growth.**

The global economy is on the path to full digitalisation. Internet transactions of all kinds grew by 17% last year<sup>1</sup>, with payments by mobile phone accounting for three-quarters<sup>2</sup> of this growth. Meanwhile, cash use is dwindling, and the plastic cards that have been a mainstay of electronic payment for the last fifty years are rapidly being replaced by digital wallets, account-to-account transactions, and a wide range of other payment types. More broadly, digitisation is transforming the entire spectrum of financial services, with digital signatures coming into the mortgage market and online financial management tools replacing spreadsheets and printed documents.

As the economy goes digital, fraud attempts are rising. According to a new study<sup>3</sup>, synthetic ID fraud (in which user IDs are combined to create fake credentials and gain access to customer accounts via mobile devices) cost businesses \$2.5 billion last year, a sum that's predicted to double by 2024. Regulations such as the EU's second payment services directive (PSD2) place the onus on banks to protect consumers from rising fraud attempts in the digital and mobile channels. However, customers find current solutions driven by PSD2 and SCA slow and cumbersome with complex One Time Passcodes, personal information requests and others. Digital Identity services remove the need for these complicated authentications, providing fast, secure, and accurate identity verification for banks and merchants.

Banks are reporting 40% rise in abandoned onboarding processes, costing banks an estimated \$45,600 in customer lifetime value for each abandonment.

So far, efforts to comply with these regulations has led to increased consumer friction and consumers abandoning both onboarding and purchase processes. A pan-European study by Accertify<sup>4</sup> found that escalated authentication requirements under PSD2 have led to 41% of merchants reporting additional customer friction, while 38% of merchants surveyed reported increased cart abandonment. Likewise, onboarding remains a complex and time-consuming process: according to Deloitte<sup>5</sup>, 40% of banking customers abandoned an onboarding process last year, costing banks an estimated \$45,600 in customer lifetime value for each abandonment. The challenge is to strike a balance between strong security on the one hand, and a great customer experience on the other. A proper Digital Identity solution makes this possible.



<sup>1</sup> Oberlo, January 2022: "Global e-Commerce growth rates": <https://www.oberlo.ca/statistics/global-ecommerce-sales-growth>

<sup>2</sup> JP Morgan, undated: "2020 e-commerce payment trends report": <https://www.jpmorgan.com/merchant-services/insights/reports/united-states-2020>

<sup>3</sup> Forbes, 20 October 2022: "The rise of synthetic identity fraud": <https://www.forbes.com/sites/tonybradley/2022/10/20/socure-report-examines-rise-of-synthetic-identity-fraud/>

<sup>4</sup> Accertify, 14 March 2022: "Prepare for SCA without customer friction": <https://www.accertify.com/sca-requirements-without-customer-friction/>

<sup>5</sup> Lightico, "How Bad Onboarding is Bleeding Your Bank Dry": <https://www.lightico.com/blog/lost-customers-lost-dollars-how-bad-onboarding-is-bleeding-your-bank-dry/>



## Enhanced customer experiences with fast and secure Digital Identity services

Compliant, modular Digital Identity solutions can help banks reduce consumer friction, speed up time to market for new digital solutions, and improve conversion rates at checkout – all while reducing fraud and maintaining full compliance. Comprehensive Digital Identity solutions help banks get the most out of digital transformation – especially when it comes to automating processes such as dispute resolution and bill payments which remain stuck in the paper era. Even when bank accounts are opened in the digital channel, customers are usually required to visit a branch to confirm their identity, something which can be achieved instantly and automatically – alongside KYC checks – with a robust digital identity solution. A study from the McKinsey Global Institute<sup>6</sup> estimates secure, verifiable digital ID can result in increased process efficiencies and reduced costs, saving up to € 1.4 billion in the financial services sector once reduced fraud losses are included.

Financial institutions can use Nets' Digital Identity platform as the foundation of their frictionless and trustworthy digital user experience to provide fast and intuitive online banking flows.

Digital Identity solutions have already been implemented to great effect by some nation states. In Denmark, the MitID digital identity service (the successor to NemID), delivered and operated by Nets, is used by citizens as a digital ID to access public self-service solutions on government websites, as well as acting as log-in mechanism for the country's online banks and to calculate and pay taxation contributions. Nets has more than 20 years' experience with the development and introduction of digital solutions for identification that are fully compliant with the EU's data protection and the highest EU regulatory standards such as eIDAS and PSD2.

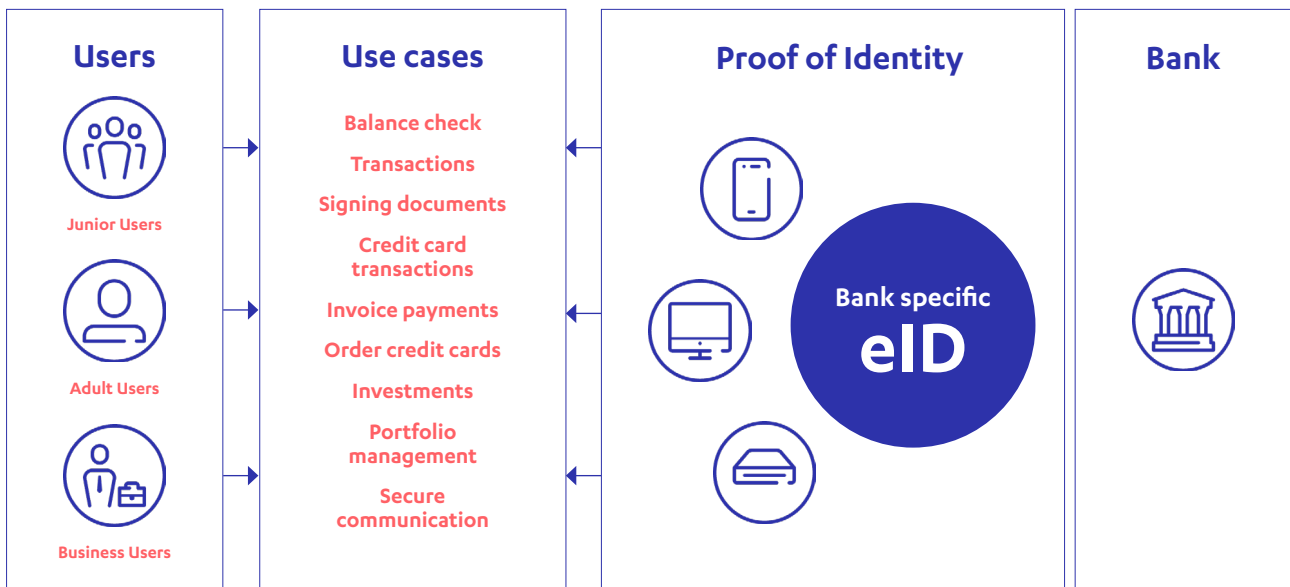
<sup>6</sup> McKinsey Global Institute, 4 April 2019: "Digital ID is key to inclusive growth" <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/digital-identification-a-key-to-inclusive-growth>

## Digital Identity use cases for Banks

By implementing a proper Digital Identity solution, banks will reduce their time and cost investment in customer authentication while improving customer experiences, whether that's checking balances, transferring funds, or applying for loans. When clients shop online, Digital Identity dramatically improves their experience at checkout by qualifying transactions for an exemption from SCA's requirement for escalated authentications, thus reducing friction at checkout and improving conversions and revenue growth. Across all banking services, Digital Identity enhances client loyalty to your brand by reducing fraud, speeding up the delivery of online services and enabling greater automation. Digital Identity solutions also offer the

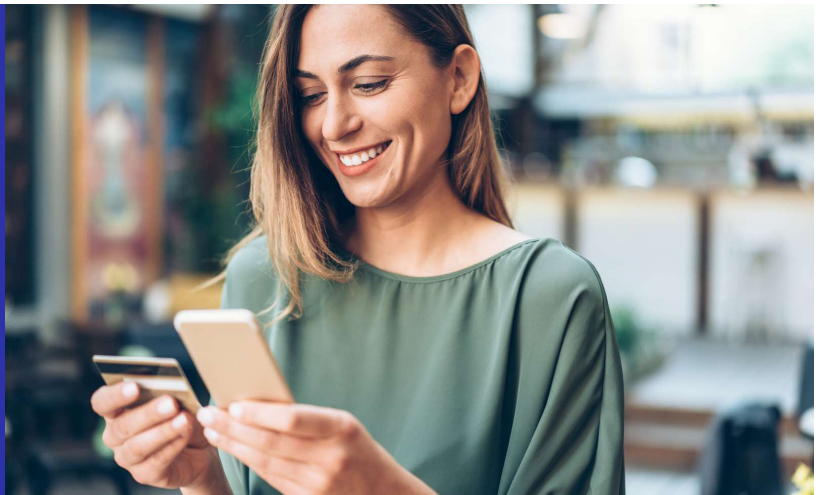
possibility of proving identity without sharing unnecessary information, meaning that separation can be maintained between personal and private data.

Proper Digital Identity solutions are the foundation of a secure, robust, and credible payment ecosystem led by banks and fit for the digital era. As customers move towards digital wallets rather than payment cards, Digital Identity enables banks to retain control of the payments value chain and protect their customer relationship, managing flows of data between merchants and customers, and adding value through partnerships with third parties, from loyalty schemes to point-of-sale lending and more.



Source: Nets

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## Unlock the opportunities of digitalisation with Digital Identity

As society digitizes and consumers expect more digitised and seamless experiences, banks can unlock the opportunities of digital banking with Digital Identity. By setting up a digital identity solution for customers, banks will reduce user friction and cut fraud in the digital and mobile channels, improving conversions, and enhancing consumer loyalty to their brand. Digital identity enables customers to move smoothly between service platforms without re-permissioning their identity, offering a single, easy-to-use and flexible way to access multiple services via a single platform. Digital Identity also facilitates digital onboarding for new customers and makes it easier to access value-added services such as loan applications, mortgages and more. Looking ahead, Digital Identity will enable banks to further automate processes and make services faster, easier to scale, and better to use.

“Digital Identity improves the online shopping and banking experience, cuts fraud, enhances brand loyalty, and leverages operational efficiency.”

For more than two decades, Nets has held a leading position as a trusted adviser, developer, and provider of critical Digital Identity infrastructure. Nets’ Digital Identity solution is a 3rd generation state-of-the-art modular and flexible platform that serves as a foundation for digitalising financial services, including digitised onboarding, authentication, and identity verification. Fully compliant with the EU’s latest regulatory requirements and standards, this platform is built for scaling and internationalisation, and can be deployed as a white-label solution for banks and other financial institutions.

**Are you using Digital Identity in your digitalisation strategy? To find out more about using digital identity to power your bank’s digitalisation strategy, get in touch with:**

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## About Nets

Nets is part of Nexi Group – the European PayTech with scale, capabilities, and geographic reach to drive the transition to a cashless Europe. We are committed to supporting people and businesses of all sizes, transforming the way people pay and businesses accept payments. By simplifying payments and providing the most innovative and reliable solutions we enable businesses and financial institutions to better serve their customers, build closer relationships, and to grow together.

For more information please visit: [www.nets.eu](http://www.nets.eu) or [www.nexigroup.com](http://www.nexigroup.com)