payments strategy forum

A PAYMENTS STRATEGY FOR THE 21ST CENTURY

Payment systems in the UK are some of the best in the world, performing a critical function for the economy and underpinning our day-to-day lives. However, they are no longer fit for purpose for the 21st century. Their age and complexity make it increasingly difficult for the industry to innovate to meet the changing needs of a diverse group of users.

The Payment Systems Regulator (PSR) established the Payments Strategy Forum to develop strategic initiatives where the industry needs to work together to deliver innovation. As a result the Payments Strategy Forum has developed a Strategy that, when implemented, will:

- Create easier access to the current payment systems, foster more competition and enable innovation
- Move the UK to a payments system that is simpler, more agile and responsive to the changing needs of users
- Introduce measures to reduce the weaknesses in current payment systems that are exploited for financial crime

WHAT USERS WANT

CONSUMERS
- A choice of services to best suit individual needs
- More control over automated payments
- Greater assurance that their payment will reach the intended beneficiary
- Greater visibility of the status of a payment once it has left their account

GOVERNMENT
- Reduced administration for making and recieving payment
- A payment system that enables effective and efficient payments across all areas of goverment
- Improved data sharing to reduce the opportunity for fraud
- Faster settlement

BUSINESSES
- Reduced cost, e.g. by increased use of electronic payments
- Ability to reconcile and process payments more easily
- Increased efficiency, e.g. through reduction in missed and bounced payments

PSPs
- Reduced complexity, time, and cost of engaging across multiple PSOs
- Easier access and the opportunity to compete on a level playing field
- Payment systems that are simpler to engage with, and open access to enable competition and drive efficiencies

HOW THE STRATEGY RESPONDS

Responding to End-User Needs

To respond to the needs of Users, the Forum has identified three solutions which current users want Payment Systems to deliver.

Improving Trust in Payments

To stop criminals from exploiting weaknesses in the Payment Systems, the Strategy proposes solutions that focus on preventing financial crime and reducing friction for 'good' users more effectively.

Simplifying access to promote competition

To create Payment Systems that offer simple, affordable and open access that is appropriate to each PSP's needs and level of risk to the system, the Strategy proposes solutions that remove barriers to the market and increase competition.
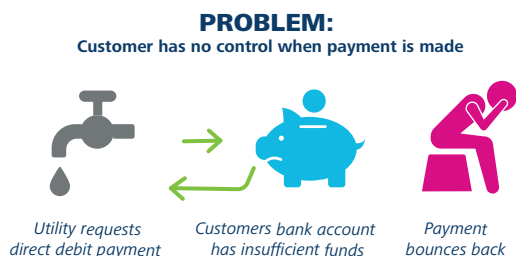
A new Payments Architecture

To modernise UK Payment Systems so that they are accessible for PSPs and Fin Tech companies to innovate on, the Strategy proposes a 'New Payments Architecture' (NPA) that enables services and functions to be provided competitively as overlay services.

END-USER SOLUTIONS IN DETAIL

REQUEST TO PAY
'Request to Pay' will be a service that would enable government, businesses and charities to have greater control over the payments they make. Recipients of these payment requests would be able to decide if, how and when they want to respond, for example by choosing the amount or date to pay.

PROBLEM:
Customer has no control when payment is made

Utility requests direct debit payment — *Customers bank account has insufficient funds* — *Payment bounces back*

SOLUTION:
Customer controls payment. Payment recieved

Utility requests payment — *Bank asks customer to authorise payment; may offer other options such as instalments*
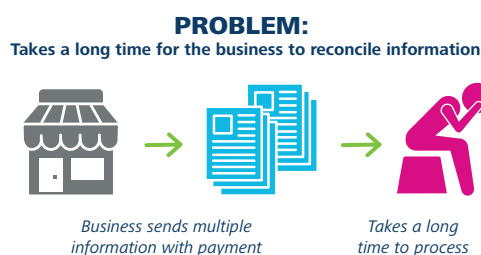
ASSURANCE DATA
'Assurance Data' will give end-users more assurance that their intentions in originating or requesting payments have been followed through. This will be delivered by a 'Confirmation of Payee' function that will help avoid misdirected payments and prevent certain types of fraud.

PROBLEM:
Payment misdirected. Shop does not get paid

Pay: John
Sort code: 1345
AC#: 16395267

Customer sends payment — *Money unknowingly goes to wrong account*

SOLUTION:
Customer and shop assured of payment

PAYMENT CONFIRMED

Customer sends payment — *Customer knows the money went to the correct place*

ENHANCED DATA
'Enhanced Data' will give end-users the capacity to attach data to a payment to allow a recipient to easily identify what the payment relates to. This will enable an end-user, for example a business or a government department, to reconcile the payment with their internal systems accurately and more efficiently.

PROBLEM:
Takes a long time for the business to reconcile information

Business sends multiple information with payment — *Takes a long time to process*

SOLUTION:
Payment is easily reconciled by the business

Enhanced data

Business provides a single reference to all related data — *Payment is easily processed*

OUR SOLUTIONS IN DETAIL

Responding to current user needs by:

- Greater control through "Request to Pay"
- More assurance through "Assurance Data" and "Confirmation of Payee"
- The ability to send more data with "Enhanced Data"

Improving Trust in Payments by introducing:

- Standardised guidelines for Identity Verification, Authentication and Risk Assessment
- Sharing of payments transaction data and analytics
- Improved intelligence sharing for financial crime
- A trusted way to share KYC data
- Enhancement of the quality of Sanctions Data
- A coordinated approach to customer awareness and education

Simplifying access to payment systems to promote competition by:

- Granting equitable access to sort codes
- Improving accessible Settlement Account Options
- Developing common aggregator access models
- Establishing common operator participation models and rules
- Consolidating the FPS, C&CCC and Bacs Operators into a single entity
- Considering indirect access liability

Building a new architecture for payments with:

- A single set of standards and rules with strong central governance
- End-to-end interoperability including open APIs and a common ISO20022 messaging standard
- A "thin" collaborative infrastructure which allows multiple providers of overlay infrastructure services to compete in the market simultaneously

In accordance with these principles, the design of the NPA would be expected to drive competition and innovation in the interests of service users, while maintaining security and resilience.

What happens next?

The Forum's Strategy is a starting point; successful implementation will require continued commitment to collaboration between payments industry participants and careful coordination across a number of industry initiatives. Our priority in 2017 is to push ahead with the detailed design of the end user needs solutions and the NPA, while also taking action to reduce financial crime.

2016	2017				2018
	Q1	Q2	Q3	Q4	

Programme set-up

NPA Blueprint and Financial Crime solutions for consultation

User requirements transition; CBA; implementation plan & funding model

Consultation

'Pilot' on reference implementation

Further NPA design; APIs and Standards development

NPSO takes on delivery ownership[1]

Note: [1] Including competitive procurement of any central infrastructure in the NPA

Schemes mapping to ISO20022

Develop FC solutions for handover or public consultation and develop post July plan

Consultation

Implementation post July to December 2017 plan

PSO Delivery Group produces recommendations and implementation plan

Execution of implementation plan for NPSO

Engagement with Payments Community – Roundtables; Events and 121 meetings

Ownership Key

| The Forum | NPA Design Hub | Financial Crime Working Group | Current PSOs | PSODG | Forum Secretariat | New PSO |