

Consultation Title: The Payments Strategy Forum - Being responsive to user needs

Representing Société Générale, London Branch

Question 1	No comment
Question 2a	Whilst the needs of consumers are important, their needs cannot be the only consideration to be taken into account and we must be careful not to allow their needs to exclusively govern the future of direction of payment services in this country. The requirements of corporate are of equal importance with regards to the development of payment services.
Question 2b	This can only be achieved through regulation as regulating the behaviour of participants is the only way to achieve an orderly, transparent and competitive market in payment services.
Question 2c	Clearly this should be overseen by the PSR and FCA as the regulatory bodies for payment systems and the conduct of participants respectively.
Question 3a	As a PSP our objective is to achieve increasing automation through STP and greater accuracy in order reduce the volume of queries and investigation requests that we receive. We therefore welcome these initiatives as they will increase user confidence whilst reducing costs associated with rejected or misdirected payment transactions
Question 3b	No comment
Question 3c	<p>It is clear that the Standard 18 message format used by the Bacs Payment scheme is no longer fit for purpose and an ISO 20022 based messaging solution needs to be introduced as a matter of urgency in order to allow more data to be transmitted (140 v 18 characters) with payment transactions settled via Bacs.</p> <p>In the longer term a distributed ledger approach appears to offer a viable solution to delivering these aspirations and the adoption of such a solution should be mandated by the regulators.</p>
Question 3d	No comment
Question 3e	No comment
Question 4a	<p>Yes there is a business case today for updating the Bacs Payment Scheme to improve the customer experience and ensure compliance with legislation.</p> <p>There are two aspects that need to be addressed:</p> <ol style="list-style-type: none">1. Adjust the submission cut off time to ensure that the services being offered by all PSP's participating in the Bacs scheme can comply at all times with regulations 65 and 70 of the Payment Services Regulations 2009 governing receipt and maximum execution timeframes, because this is currently not the case as some payments are subject to a 3 day execution timeframe.2. Replace the Standard 18 messaging format with an ISO 20022 based solution to allow adequate name, address and reference data to be transmitted along with payments and collections. <p>No other changes would deliver sufficient value to justify the expense.</p>

Question 4b	As the concept is to encourage greater competition in the Payment Services market then any new developments must be based on agreed technical standards that will allow participants to compete on a level playing field, otherwise we will simply repeat the Faster Payments fiasco where a niche scheme was supported by a handful of organisations. So this means that investing in transitional developments may be viewed as a waste of resources and avoided by many PSP's if there is no regulatory requirement or commercial pressure to participate.
Question 5a	As a PSP we have a clear objective to manage our operational risk to avoid or minimise losses, therefore we would welcome an industry wide approach to raising customer awareness and educating them with regards to financial crime.
Question 5b	Yes an industry body should co-ordinate these activities and should have the widest representation in order to demonstrate that it has the mandate to act on behalf of the industry, which would probably mean the British Bankers' Association
Question 6	We agree in principle with the development and introduction of standards as a common approach will improve the customer experience and foster greater competition in the payments services market
Question 7a	We agree in principle with the development of a central data repository
Question 7b	This data is already held today, albeit in a piecemeal fashion and therefore these risks already exist and are being managed by the schemes and scheme participants, so it is not clear as to what are the fundamental changes from the current position.
Question 7c	No comment
Question 8a	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 8b	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 8c	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 8d	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 8e	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 8f	The legal challenges in developing and delivering such a solution would seem to be insurmountable
Question 9	We agree in principle with the development and introduction of Central KYC Utility for business customers as a common utility has the potential to improve the customer experience and foster greater competition between PSP's
Question 10	The greater accuracy that can be achieved with regards to sanctions and embargoes checking the better as this will improve the handling of cases for all parties involved.
Question 11	Agreed, more work is required to release further sort codes and combat the perception that the major banks "own" entire ranges of sort codes and that it is they who are providing services.
Question 12	No comment
Question 13a	We agree in principle with the concept of aggregators, but our own experience is that what is on offer today for FPS is very limited and that it is not suitable for PSP's with low volumes.

Question 13b	Aggregators are commercial organisations who only respond to commercial needs, and there is a very small number of organisations working in this area due to it being a limited market. This is due to deficiencies with the past regulation where for example PSP's have been allowed to use DCA for the submission of customer payments into FPS or the use by PSP's of a corporate instead of bank grade service user number for submitting customer transactions to Bacs, in both cases the approach masks the true originating party and account details. To grow the market for aggregators the regulators must mandate the correct and proper behaviour by PSP's in order to comply with all relevant regulations, for example transmitting complete payer information through a fully compliant submission channel which will increase the market for aggregators.
Question 14	We agree as adopting a common standard coupled with a common approach will reduce cost and increase competition through greater participation by PSP's.
Question 15a	As there is no competition between the schemes then a single governing entity is the most cost effective and efficient approach. It will be far easier as a PSP to deal with a single body and on this subject I see no reason why CHAPS cannot also be included.
Question 15b	No comment
Question 16	It is essential to adopt a common standard and ISO 20022 is the logical choice, using this standard will greatly reduce costs for PSP's who will no longer have to implement unique/legacy/proprietary messaging formats for each scheme. Also the adoption of a standards based approach centred on ISO 20022 will increase competition between PSP's as corporate customers will no longer be tied into a PSP's legacy format and it will be easier for them to therefore switch banks.
Question 17a	As a PSP we have no objection to this initiative
Question 17b	The inability of the industry to agree an approach
Question 17c	The regulators
Question 18a	Yes, based on the belief that standards and a common approach will foster greater competition between PSP's.
Question 18b	The certification or validation of API's against agreed standards is key to maintaining the perception of trust expected by customers who will use these services.
Question 18c	The developer of an API should have to submit its program for validation to a designated certification entity (which currently does not exist) before it can be deployed in the marketplace.
Question 19a	As this is concerning the future strategy of payments service in the UK then the creation of a new scheme to replace the existing schemes is the most logical choice.
Question 19b	The design, development and implementation of a new scheme should be led by the body which will be responsible for managing it
Question 19c	To attempt to adapt a current scheme would inevitably lead to compromises and make it unlikely that the core objectives would be met.
Question 19d	A distributed structure should be the target architecture from the beginning of the project. The architecture should avoid imposing conditions that effectively exclude the majority of PSP's as happened with the development and implementation of FPS.
Question 19e	Considering the resources that are available the preference would be to invest in a new scheme that allows us to compete on a level playing field.

Question 20a	The current arrangements do stifle competition and innovation through control being held by a handful of organisations. In respect of FPS this resulted in competition being actively discouraged through the implementation of a too demanding technical specification based on a unique and obscure messaging platform. This is a situation that cannot be repeated.
Question 20b	The only alternative would be to completely reconstruct and modernise the existing schemes, but this would not add the same value that implementing a new standards based scheme would.
Question 21a	Not completely as addressing the issue of enhanced data is a high priority for end users as well PSP's as we need to be able to meet our obligations with regards sanctions and embargoes
Question 21b	I would urgently retire the Standard 18 messaging format used by Bacs as it does not any EU or UK regulation and is no longer fit for purpose. It is also a priority to ensure that services the offered by PSP's based on the Bacs scheme will at all times comply with the regulations regarding the maximum execution timeframe of two days.
Question 22a	No comment
Question 22b	No comment
Question 22c	No comment
Question 23a	No comment
Question 23b	No comment
Question 23c	No comment