Speech [2] by Ruth Evans, Chair of the Payments Strategy Forum, at the launch event for the final Strategy of the Payments Strategy Forum on 29 November 2016 in London

This is the text of the speech as drafted and may differ from the delivered version

Hello again everyone.

Thank you to all our speakers – especially to Simon Kirby who has real time pressures on his day.

It really is wonderful to hear all the other regulators support our work and come here to show that we really have tried to genuinely join up our work.

I'm sure you all appreciate the huge amount of work going on in all these bodies. So it is really important to demonstrate to you that yes, we have engaged: the other regulators support us, Treasury supports us, they want to see this strategy implemented.

This moves us quite nicely onto the second part of the morning where you will hear that other players from across the whole industry also support us.

The Strategy before us is a unique document. As we have heard, the Forum was established as a collaborative innovation to unlock innovation to solve the problems users encounter when making payments today. Whether these problems are the inflexibility of payment types, or the inability to transfer more information with payments, the Forum has paved a way forward for the whole industry to collectively solve them.

Anyway I promise I won't waffle on and repeat things you already know.

So let me give you an overview of our strategy.

What does the Strategy look like now?

So, what does the strategy look like after all your feedback, after all our work on a Business Case Evaluation and after all our thinking on implementation?

The Forum recognises that delivering responsive and versatile payment products and services goes beyond what individual PSPs can offer. We realised that the underlying payments systems, and their governance, needed to be simplified and improved to give companies the ability to innovate, and to be responsive to the vast range of diverse users.

So, although the systems are working well and reliably for us at present, the Forum acknowledged that the UK needs to exploit the technology available to us, to keep UK payments world class in such a rapidly changing environment, and to make them work better for those who use them – both now and in the future.

As I hope you know by now - but I will repeat it for good measure! - in order to decide how to change the systems, we first decided (along with you) what needs a new system would have to meet. These needs have been identified, from Businesses, charities, government and individual consumers, and have been boiled down to a number of requirements and solutions for a new or improved system. These are:

Greater control: consumers want greater control over automated payments so that they can choose when and how to pay.

Greater assurance: both consumers and businesses want a way to confirm the person they are paying so they can guarantee payments reach the intended recipient and avoid fraud. They also want the systems to be able to provide real-time balance information.

More data: businesses and government departments want to access data that allows them to fully understand what a payment relates to in order to manage liquidity and make reconciliation easier. To do this, the systems need to carry more data and for payments to transfer more than just the payment value. In other words, they contain additional information about the payment.

Reduced Financial Crime: finally, all users, from individuals to the PSPs themselves, would like to improve prevention of financial crime across the whole system. This requires more education, better guidelines, extra analytical capability, additional information sharing, enhanced data and the establishment of a shared utility for KYC.

So, with these requirements and solutions in mind, we have set out a strategy for how to achieve them. The result is a roadmap to transform our payment system, by doing three things: **Simplifying** our present environment, **leveraging** our existing capabilities and **modernising** our technology.

First, in order to **simplify** our present environment, we will remove complexity in access, governance, rules and standards as well as in the technology infrastructure itself.

In order to **leverage** our existing capabilities and the outcomes expected from other industry initiatives, we will look at projects that will deliver additional functionality such as Cheque Imaging and PayM. We will also help the industry to coordinate with other initiatives such the Open Banking API development, and the Bank of England RTGS review, as well as a number of additional financial crime initiatives.

Finally, in order to **modernise** our current technology, we will assess and deploy a New Payments Architecture for retail interbank systems. We call this the 'Simplified Payments Platform' (SPP) and expect it will deliver greater competition and more innovation at lower costs.   It will replace our current infrastructure that has grown organically over several decades resulting in technical limitations which make it unable to fully deliver on our strategic vision and objectives.

The NPA is our centrepiece. Unlike the existing system it will have a thin collaborative infrastructure.

It will be designed and built using the layered architecture approach that is established best practice in other sectors. This means that the system will be made of layers of functionality so that it will be possible to make changes without affecting all the other layers – and participants.

This layered architecture makes the system adaptable and resilient. New competitive products can be developed as 'overlay services' which can be offered commercially by innovators, with a whole range of approaches possible.

We have done the analysis and have concurred that building a new architecture is more efficient than evolving our current state as it will provide a more versatile and adaptive platform for unknown future needs. This could be truly transformative.

It is revolution, not evolution for Payments in the UK.

<u>Making our vision a reality</u>

Together, these three strands – simplifying, leveraging, modernising - form our vision. These map out a transition to a new payments architecture that will support simpler access for PSPs and fintechs. It will help them to become quicker in responding to the needs of consumers, businesses and government in the digital age – keeping up with the pace of change.

The strategy is now ready for its next stage of detailed design. We are confident that through our solutions we can begin to deliver a future model for payment systems that builds our vision of a payments architecture that is:

- Secure, stable and resilient

- versatile and responsive to user needs

- efficient

The PSR has shown great confidence in the Forum and our strategy by asking us to continue into 2017. It wants us to harness the momentum we have gained and there is no time to spare.

The new Forum will meet for the first time on the 16th December. This will kick off the detailed design phase of rules and standards, and draw-up the blueprint for the NPA, in tandem with the work on PSO consolidation.

In order to move this forward, we plan to hand over full implementation to the new consolidated PSO by 2018 to take responsibility for procuring our new architecture.

This will all require a lot of design and testing, but the aim is to have the SPP in place by 2020 – a new payments architecture capable of delivering and enhancing the solutions of the strategy, while being flexible enough to support future changes to meet end-users' evolving and varied needs.

So now, as promised, we move onto our panel session where our Working Group chairs will speak briefly for 5 minutes each to tell you about what their groups have contributed and what the strategy means to them. This will be followed by the opportunity for you to ask questions.

We have Sian Williams from Toynbee hall, who has lead the End-User Needs working group with huge passion and dedication. She has held our feet to the fire constantly to make sure we build something that will meet the requirements of users.

Marion King, Chair of the Simplifying Access to Markets working group. She has brought all the force of her long and distinguished experience in this industry to bear to produce solutions on how to simplify and remove complexity. It is a credit to her that these proposals have all been so roundly supported in the consultation.

Russell Saunders is Chair of the Financial Crime working group. This is the man who does not say 'no'. His absolutely dogged determination to do 'the right thing' to solve financial crime is what has given us these ambitious and ground-breaking financial crime solutions.

And last but by no means least, Otto Benz, Chair of the Horizon Scanning Working group. This is where the idea of the New Payments Architecture was born, and it is Otto who has nurtured it through all its various stages and iterations within his group to bring us to where we are now.

So thank you for listening to me – over to you Sian.