Strategy Setting Principles and Priorities

1. The Payments Community

The Payments Community ("the Community") has been created by the PSR to allow any interested stakeholders to shape the Forum's work programme and contribute to its strategies. It provides a flexible way to engage with the Forum and will help ensure that the Forum has a comprehensive picture of the payments industry and emerging payments issues.

Since June the secretariat has met with around 90 stakeholders, with a range of views and interest, to help understand their priorities for payments in the UK. In these meetings stakeholders discussed current issues, future needs and general observations on how the Forum could operate and engage. From this, five themes emerged that the Community felt could be the focus of the Forum.

User Needs: Putting the users perspective at the heart of the payments industry to improve the payments system to make it better for them.

Access to Markets: Improving competition and innovation by considering the benefits of simplification and standardisation.

New Technology: Ensuring that the payments industry considers new technologies that could bring benefits to users.

Resilience: Improving the security and stability of the payments systems.

External Drivers: Taking into account developments that could influence the Forum's strategy, such as the impact of regulatory and technical developments.

Underpinning these themes were approximately 30 specific items that the Community suggested could form the basis of the Forums initial work programme. The 17th September Event was attended by over 160 stakeholders. At the event participants split into six "hubs" to broadly reflect a mix of stakeholder groups and asked each hub to consider these 30 items. Each hub was invited to identify any missing items, prioritise the consolidated list and then consider where industry collaboration might be required.

The Event was positioned with the primary purpose of seeking feedback from the Community, rather than excluding items already on the list.

This paper summarises the findings from the Event and proposes next steps for the Forum's consideration. Further detail can be found in Annexes 1 and 2 issued alongside this paper.

2. Strategy setting principles

The Community input reinforced the 4 principles which should underpin the Forum's strategy setting process:

1. The Forum must ensure that **user interests** are at the heart of its strategy setting

2. The work of the Forum should be **open and transparent,** and its strategy should be influenced by the views of the Community and taking into account relevant work undertaken by industry or others

3. Agreed strategic initiatives should be underpinned by robust **evidence and cost benefit analysis**, including the impact on users; maintaining or enhancing **security and resilience**

4. The Forum should have a **10 year vision** but this **shouldn't delay** the progression of short to medium term initiatives that benefit users.

ACTION: Forum to **discuss** and **agree** these principles

3. Strategy setting priorities

In discussions with the Community, stakeholders advised that the Forum should focus its efforts on a **realistic and manageable set of items**. With that in mind we asked participants at the Community Event to identify their top five priorities from the full list of agreed items.

The table below captures the high priority items, as ranked by the Community and supporting points of interest raised. The full list and ranking methodology is captured in Annex 1 issued alongside this paper. **The specific points should not be considered as exhaustive and it is expected any agreed working groups will, as a first step, fully define these items**.

Based on the rankings applied by the Community there appears a clear steer for the Forum to prioritise items 1 to 7 and develop a work programme to assess these. This is determined by the overall score dropping 25 points (from 83 to 58) between items 7 and 8. Additional prioritised items could then be addressed as part of the Forums 2016 / 2017 work programme.

While it is open to the Forum to add more items to its list of priorities, if the Forum believes additional items should be prioritised from the full list in Annex 1 it must be confident that these can be properly assessed and be included in its 12 month strategy. To assist discussions the next high ranking items 8 – 12 are presented on next page.

P	Item	Specific points raised	Score
1	New technical access solutions and/or business models	• Single interface enabling interaction for PSPs (payment service providers) who require direct access to the payments systems	162
2	Assessment of centralised Know Your Customer ("KYC") and Fraud services	• Centralised KYC and Fraud facilities could allow the industry to benefit from sharing of information and potentially allow new entrants to benefit from a centralised solution rather than create their own systems	138
3	Solutions for misdirected payments	• The ability to know who you are paying or to verify who you are paying before a payment is submitted	128
4	Common messaging standards and rules for all payment messages	• Standardisation could reduce barriers to entry, increasing competition and innovation (at both the PSP and infrastructure layers) and improve interoperability between systems, potentially increasing contingency options	115
5	Regulatory drivers for innovation	• The Forum should create a capacity for horizon scanning, both of regulatory and technical developments in the UK and abroad, to help inform its strategy setting process	104
6	Review of governance model	• A review of the current interbank operator arrangements, considering a simplified model and consistent rules for access	100
7	Education / Communication and Transparency	• In developing its strategies the Forum and its working groups should consider the importance of education and awareness as a solution to meet user needs.	83

P	Item	Specific points raised	Score
8	**Solutions that give the user greater control**	• More control should be considered to outgoing payments for customers – enabling flexibility over the timing of regular payments to fit with increased money management requirements.	58
9	**Identity Assurance**	• A collaborative approach to develop innovative, safe and convenient ways for users to access payment services – e.g. biometrics	58
10	**Review of the Direct Debit scheme**	• The length of the guarantee • Consider the introduction of a Business to Business Direct Debit	57
11	**Development of and access to payment instruments for vulnerable customers**	• Provision and access to Free-To-Use ATMs • Development of "smart" ATMs able to mitigate the impact of branch closures.	41
12	**International payments**	• Interoperability of international payment systems to facilitate cross border payments / innovation	38

In addition to the above the PSR advised in its March 2015 policy statement that as the Forum develops its view on the strategic priorities for the sector, it will consider existing work on **Current Account Switch Service (CASS)** and **Account Number Portability (ANP).** This should include the recommendations in the Financial Conduct Authority (FCA) review of CASS and ANP. As such, and whilst recognising that ANP was not considered a high priority by the Community, the Forum should consider including analysis of potential solutions in its year one work programme.

ACTION: In considering its objectives the Forum to **discuss** the above and **agree** its priorities

4. Is collaboration required?

The Forum should only focus on and set strategies where the industry needs to collaborate to deliver innovation for the benefit of the people and organisations that use payment systems.

To assist the Forum, the hubs were asked to consider the following two questions:

- With respect to each topic is there anything you consider must be done collaboratively?

- If yes, what type of collaboration is necessary – for example technology; standards; rules; best practice; communications?

Although this exercise doesn't provide a definitive answer or replace the need for the Forum and its working groups to conduct detailed analysis, it was helpful in providing an initial view from a range of stakeholders that can contribute to the relevant working groups.

Participants reflected on all the items but for the purpose of this paper only detail relevant to the high priority topics is included. Detail on the other items is available if required at a later stage.

Feedback from participants indicated that some level of collaboration would be required across all of the priorities but the extent differs dependent on (a) the items and (b) the final solution identified.

With regard to the proposed draft working groups, the following views were expressed by the Community on the collaborative or competitive nature of the items prioritised:

User needs

For each of these a consistent view was expressed that should industry need to collaborate it should only be in developing common systems; standards; rules; best practice and customer communications but how these solutions are offered should be competitive.

Simplify access to markets

Concerns were raised that the differing governance and rules across multiple schemes could be confusing and unnecessary.

Participants considered that industry should work together to develop simpler; standardised and more open access to the payments infrastructure for PSPs (Payment Service Providers). This should include consideration from both a technical (standards and connectivity) and a business rule perspective.

In relation to Scheme governance it was felt the focus should be on the Interbank, not the Card, Operators.

Financial crime

Feedback focussed primarily on centralised KYC and Fraud Services. Views were expressed that although some, specifically the larger, PSPs would still be required to develop their own services there is value in the Forum considering a minimum set of industry standards and potentially a central service that smaller PSPs could utilise.

> **ACTION:** The Forum is asked to **note** the feedback from the Community and **agree** it should feed input into the relevant working groups