

Handover of New Payments Architecture from PSF to NPSO

Monday 11 December 2017, Etc. Venues County Hall

Speech by Gwyneth Nurse, HMT

Thank you for that introduction, and thank you for giving me the opportunity to speak at this landmark event to mark the handover of the New Payments Architecture to the NPSO.

Today is both the exciting start of a new chapter, and culmination of a huge amount of work, involving a great many people in this room. I want to celebrate that and extend my thanks to everyone who has been involved.

It's just over a year since the Payments Strategy Forum's Final Strategy launch. It can be easy to get caught up in the day-to-day and the detail of something like this, and lose sight of the bigger picture. This seems like an opportune moment to take a step back and reflect on how we have got to where we are today, and why it's important.

How we have got to where we are today – creation of PSR

When Government first broached the idea of an independent regulator for the payments industry in the early 2010s, we were looking at an industry on the brink of huge change. Contactless was on the ascent and about to provide a huge boost to debit cards. Payments firms had been regulated proportionately for the very first time in the form of the Payment Services Regulations 2009. We were on the cusp of peer-to-peer payments. And cheque imaging was around the corner, to name but a few. More broadly and fundamentally, consumer expectations were changing, with a demand for faster, and more convenient payments.

We were also looking at an industry with huge potential and a lot going for it. A world-leading sector, ahead of the curve on things like mobile and contactless payments, and with good customer protections in place.

But it was also evident to us that there were some deep-rooted issues resulting from the structure of the payments market; issues that were creating barriers to entry, preventing challenger banks from competing on a level playing field, and issues that were limiting incentives to innovate and response to consumers' needs.

We legislated to create the Payment Systems Regulator in 2015 with clear competition, innovation, and user needs objectives to tackle these issues. Government was clear from the start that we wanted an ambitious regulator that would push towards its vision for a dynamic and effective payments sector, that would deliver outcomes for users and ensure the sector remained world-class, and we gave it robust powers to enable it to do so.

What PSR & PSF have achieved

And I am pleased to say that, in the two-and-a-half years since its launch, the PSR has made great headway towards these objectives.

One of the key steps, of course, was the establishment of the Payment Strategy Forum, and its support for and guidance of the Forum's work.

I and other HMT officials are often impressed by the openness of the people in the payments industry and the willingness to share ideas and work together. But, as Ruth outlined, the Forum's final strategy was the outcome of what was really the first time that all stakeholders of the UK's payments sector have formally worked together to plan a strategy for the market that meets the needs of all users.

The final strategy was extremely ambitious – in particular, the plans for the establishment of the NPSO and the vision for the NPA – a new, modern framework that would make it easier to introduce effective competition and for innovation to occur. And I know that a huge amount of work has gone on over the past year by the Forum, its working groups and the Payments Community to make sure that that

ambition was met – from the design and implementation plan, to the vast amount of thinking and analysis on what end user need functions the NPA should include, to running the consultation and, of course, plans for transition to the NPSO.

Looking back and reflecting on the amount of work that has gone on in the past year, I hope that you are proud of what has been achieved as a result of that collaboration and idea-sharing. I know that we have been impressed, and, as the NPSO takes up the mantle from the Forum, I want to take this opportunity congratulate to Ruth and her team on what has been achieved so far.

Move from PSF to NPSO, and asks for future

The industry now has a huge and important task ahead of it. But we have great people in place to continue to turn the vision into a reality. We have the keystone in place in the form of the NPSO. We have a great backbone in the work the Forum have done so far. And I know that we will have great leadership from Melanie and Paul at the NPSO, and also Stephen Jones at UK Finance.

My key messages for those of you who will be taking this forward is to maintain the momentum, and for the NPSO and UK Finance to keep up the levels of engagement that we have seen so far. It's important that the vision becomes a reality in a timely manner, and it is equally as important that all sectors of the payments industry have input.

Why is it important?

Because this really matters. Payments can seem very arcane and technical to those on the outside. Most people don't think about the complicated systems and processes that are set into action each time they make a payment.

But they are perhaps the most fundamental part of financial services. They underpin almost every commercial transaction, and what we are doing – what you are doing –

in improving this foundation will directly improve the day to day lives of consumers and businesses every time they make a payment. We are world-leaders here, and while it won't be easy, by continuing to collaborate on these ambitious plans, we will cement that position for decades to come.

So congratulations and thank you, once again, to all those who have been involved in the work on the vision for the NPA so far – and good luck to all those who will be taking it forward.