



Cognizant

Cognizant's Response to PSR on

Being Responsive to User Needs
Draft Strategy for Consultation

The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

Respondents basic details

Consultation title:	The Payments Strategy Forum – Being responsive to user needs
Name of respondent:	Cognizant Worldwide Limited
Contact details/job title:	
Representing (self or organisation/s):	Cognizant
Email:	
Address:	

Publication of Responses

In responding to this consultation, you are sharing your response with the members of the Payments Strategy Forum (Forum), evaluators appointed by the Forum and the Payment Systems Regulator Limited, ('the PSR' - which provides secretariat services to the Forum). The PSR accepts no liability or responsibility for the actions of the Forum members or evaluators in respect of the information supplied.

Unless you tell us otherwise the Forum will assume that you are happy for your response to be published and/or referred to in our Final Strategy Document. If you do not want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly "Not for publication".

Please check/tick this box if you do not want all or parts of your response to be published:

Declaration

"I confirm that our response supplied with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

Response template

This response template is intended to help stakeholders in responding to the questions set out in our Draft strategy for consultation and in its Supporting Papers.

If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it. We will assume that all other information is suitable for publication.

Responses should be emailed to us at Forum@psr.org.uk in Word and PDF formats by no later than **14 September 2016**. Any questions about our consultation can also be sent to Forum@psr.org.uk.

Thank you in advance for your feedback.

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About Us

Cognizant is a leading provider of consulting, information technology and business process services. Our passion is helping clients worldwide build stronger businesses and maximize their competitive performance through innovative technologies and processes. Over 244,300 associates—connected by our global delivery network—are committed to using their strategic insight, technology expertise and deep industry and business process experience to help clients harness the forces shaping the future of work.

We deliver a distinctly superior experience to our clients in Europe by nurturing strong relationships, continuing our investments in industry-leading processes and building strong local teams and capabilities.

Cognizant vast amount of experience in Payments Industry in particular UK in delivering world class solutions to our leading Banking clients.

1 Summary

Cognizant in-principle agrees with the overall directions and sequence of steps to achieve the strategy. Following suggestions in the strategy document can make it more robust, comprehensive and support responsive to user needs.

- It will be quite useful to depict the strategy from a top-down approach by laying down UK Payments Vision for 2030 /2025 / 2020 and link how these proposals align to those Vision. It will help the Payment community to visualize how the future landscape/ big picture will look like and relate these ideas. It will also help assess if some of the short term ideas mentioned in the document are worth investing and if there is sufficient business case in it. One good example is Industry Account Switching where huge industry effort/money is spent, however, the amount of switching is significantly less than anticipated (less than 3% of total accounts in UK per year and very low corporate switches) ended up as partial solution. Ideally, if the Account Number Portability is implemented in the first place, it will have been a significant value to the end customer and potentially will be a huge success.
- The current document primarily focuses on the Domestic Payments. International payments is still a pain point for end users in terms of costs, transfer time and transparency. There has been tremendous innovations within FinTech and there has been quite a lot of customers seen to adopt those technologies e.g. TransferWise. Hence, it will be useful to include some capability taking into the account of pain points of users.
- While the document rightly addresses the need to standardize the payment messages via ISO 20022, it will be quite beneficial if user experience in accessing banking services are standardized. While each banks spending huge amount of money on Digital transformation projects, still the problem statement is not clearly understood and each bank adopts different approaches. This gives a great difficulty of end customers who has bank accounts in more than one bank or account switching to another bank.

2 Response to Questionnaire

Questions	Response
<p>Question 1</p> <ul style="list-style-type: none"> Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing? 	<p>Enhanced Data a) Risks to include Data Privacy concerns of users b) Service need configurable based on the customer consent</p> <p>Reliability and Resilience of payment systems has also been a key concern of users based on our experience. It will be useful to include them.</p>
<p>Question 2</p> <ul style="list-style-type: none"> Do stakeholders agree with the financial capability principles? How should these principles be implemented? How their implementation should be overseen and how should the industry be held to account? 	<ul style="list-style-type: none"> Agreed. Will need a proper Business & Operating model to drive the implementation. Time-bound regulation with incremental steps towards target architecture model will help in effective implementation. Regulation with drive from FCA & PSR
<p>Question 3</p> <ul style="list-style-type: none"> What benefits would you expect to accrue from these facilities (not necessarily just financial)? Do you agree with the risks we outline? How should we address these risks? Are there further risks we should consider? Is there a business case for investing in solutions to address these needs and if not, how such an investment can be justified? Are there any other alternative solutions to meet the identified needs? 	<ul style="list-style-type: none"> Assurance Data might help Simplicity, reduced errors in making payments. However, Request to Pay might promote bad behaviour with customer – the customer may choose to not pay for the services they have availed creating hassles for the service provider. There is already a choice to customer to cancel Direct Debit anytime they want and setup again, if they are running low balance on certain months. Also, majority of customers may not want extra nuisance step to approve the payment for which they have already signed-up to pay. Yes. For Assurance Data, data privacy concerns of Payee need to be taken into account. Request to Pay solution will need a rethink based on the concern expressed above. However, for Assurance data, provided it takes care of privacy concern, its solution can pay for itself, but reducing lot of manual interventions for error payments. For Request to Pay – the Banks can provide notifications when the customer is running low balance and may not be able to meet the recurring payments (based on analysis of past payment history). Also, utility provider can provide in advance on the estimated amount before actual payment is taken out. This is be much simpler than implementing Request to Pay. The Request

Questions	Response
<ul style="list-style-type: none"> • Is there anything else that the Forum should address that has not been considered? 	<p>to Pay model use case can very useful when applied for customer making payment for retail shop purchase via mobile from their bank account (similar to Zapp), it will be helpful. For Assurance data, a central Infrastructure solution to upload all the documents/ rich information can be developed which can provide a reference number on uploading. This reference number can be provided as part of payment, so that, the corporate/ billers who want reconcile can look-up to the repository based on the reference number. The existing reference number field length can be expanded to provide more contextual information, as needed.</p> <ul style="list-style-type: none"> • PSR should consider re-vamping existing Direct Debit model to make it simpler, efficient & quicker – this can be built as feature in Faster Payments.
<p>Question 4</p> <ul style="list-style-type: none"> • Is there a business case for investing in transitional solutions while the new payments architecture is being delivered and if not, can such an investment be justified? • Are there any viable technical solutions to deliver some of the consumer benefits early without compromising the longer term solutions recommended by the Forum? 	<ul style="list-style-type: none"> • Yes, it will provide incremental benefits while new payment capability is being designed/ developed. However, as outlined in summary section, we need have Payments Vision for 2030/2025/2020 to visualize the big picture and assess the business case of the transitional solutions. • Suggestions mentioned in Question 3
<p>Question 5</p> <ul style="list-style-type: none"> • Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response. • Do you agree the delivery of these activities should be through an industry trade body? If so, which one would be most appropriate to take the lead role? 	<ul style="list-style-type: none"> • Awareness & education can help mitigate up to certain extent. However, there need to be industry central body to develop technologies/ capabilities to analyse the existing threats/ patterns, research and develop tools as a preventive measures. These technologies is now spread among banks and other institutions in some share/ form, however, these knowledge need to synergize and appropriate technologies need to be developed. • If the proposal is not communicated via Regulation, it may not have desired impact in result.
<p>Question 6</p> <ul style="list-style-type: none"> • Do you agree with the establishment of guidelines for identity verification, authentication and risk assessment? If 	<p>Yes, this proposal will help standardisation. In fact, this need to be extended to avoid duplication by using similar mechanism like National Digital Identity – in such scenario,</p>

Questions	Response
<p>not, please provide evidence to support your response?</p>	<p>data privacy & confidentiality concern need to be addressed.</p>
<p>Question 7</p> <ul style="list-style-type: none"> • Do you agree with our solution to develop a central data repository for shared data and a data analytics capability? If not, please provide evidence to support your response? • Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider? • If any legislative change is required to deliver this solution, would such change be proportionate to the expected benefits? 	<ul style="list-style-type: none"> • Agree. As a candidate solution, federated model also need to be assessed for viability. The solution need to be based on customer consent. • Yes • It might too early to comment on this as we need more details to flush out to assess the cost- benefit.
<p>Question 8</p> <ul style="list-style-type: none"> • Do you agree with our solution for financial crime intelligence sharing? If not, please provide evidence to support your response? • In what way does this solution improve financial inclusion? More generally, how should the intelligence sharing be used for the “public good” • Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider? • Do the benefits of financial crime intelligence sharing outweigh the new potential risks created? • Can this operate without changes to legislation? If not, what changes to legislation would be required to make this happen? If any legislative change is required, would such change be proportionate to the expected benefits? • What governance structure should be created to ensure secure and proper intelligence sharing? 	<ul style="list-style-type: none"> • Yes • The information need to be shared at real time as it occurs via instant alerts/ messages, so that crimes can be deterred effectively. • Yes, there need to effective way of sharing the false-positives as well, so that either payment or person is not impacted. • Yes • Yes, similar models / technology capability are already in use in the industry • Given the sensitive nature of information, managing the governance will need to rest with Industry body such as FCA.
<p>Question 9</p> <ul style="list-style-type: none"> • Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your 	<p>Agreed. As a candidate solution, federated model also need to be assessed for viability.</p>

Questions	Response
response?	
<p>Question 10</p> <ul style="list-style-type: none"> Do you agree with our solution for enhancing the quality of sanctions data? If not, please provide evidence to support your response? 	<ul style="list-style-type: none"> Agree. SWIFT has developed a model of Centralized Sanction Screening which is deployed in Cloud. This has all the lists & rules which are obtained by established regulatory bodies and the each PSPs can add their own customized list. Similar solution will help to share the intelligence sharing.
<p>Consultation Question 11</p> <ul style="list-style-type: none"> Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response 	<ul style="list-style-type: none"> One the key risk to consider, BACS being a legacy system, making changes to Bank Reference Data of BACS solution is likely to be complex, non-extendable & will be duplicate effort in future. The solution need promote re-usability and simpler when other schemes join in.
<p>Consultation Question 12</p> <ul style="list-style-type: none"> Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response 	<ul style="list-style-type: none"> Assuming this question is about Settlement Accounts – Agree [Question is duplicate of Q 11 – assuming it is a typo]
<p>Consultation Question 13</p> <ul style="list-style-type: none"> Do you agree with the proposal regarding aggregator access models? If not, please provide evidence to support your response. How can the development of more commercial and competitive access solutions like aggregators be encouraged to drive down costs and complexity for PSPs? 	<ul style="list-style-type: none"> There is risk that there is additional layer of interface is introduced making the overall solution complex. It will be ideal if the Payments systems interface is upgrade to provide improved access. Based on party involved in developing the interface, it might increase additional step in the overall end-to-end payment lifecycle process leading to complexity. Option of Payment Systems to provide simpler access via plugin based approach need to be explored.
<p>Consultation Question 14</p> <ul style="list-style-type: none"> Do you agree with our proposal regarding Common Payment System Operator participation models and rules? If not, please provide evidence to support your response. 	<p>Agree</p>
<p>Consultation Question 15</p> <ul style="list-style-type: none"> Do you agree this proposal regarding establishing a single entity? If not, please provide evidence to support your response. If you do not agree, how else could the benefits be achieved without consolidating PSO governance in the way described? 	<ul style="list-style-type: none"> Agree. It will be beneficial to bring LINK & CHAPS Schemes as well in the same entity – those schemes will also derive enormous benefits.

Questions	Response
<p>Consultation Question 16</p> <ul style="list-style-type: none"> Do you agree with the proposal to move the UK to a modern payments message standard? If not, please provide evidence to support your response 	<ul style="list-style-type: none"> Agree. However, Open Banking Standards Technical Specifications has suggested that XML based messages as heavyweight solution, complex and prone to technical errors – hence enhance maintainability. The alternative suggested to use JSON based specification which is extremely lightweight and easy to understand. There need to be a convergence between what PSR & Open Banking Standards.
<p>Consultation Question 17</p> <ul style="list-style-type: none"> Do you agree with the proposal to develop indirect access liability guidance? If not, please provide evidence to support your response. What, in your view, would prevent this guidance being produced or having the desired impact? In your view, which entity or entities should lead on this? 	<ul style="list-style-type: none"> Agree. This likely to be a very complex topic and the devil is in the details. Direct participants will not like this and pose a problem in finalizing this. FCA & PSR
<p>Consultation Question 18</p> <ul style="list-style-type: none"> Do you agree with the proposal for a co-ordinated approach to developing the various types of APIs? If not, please provide evidence to support your response? What are the benefits of taking a co-ordinated approach to developing the various types of APIs? What might be the disadvantages of taking this approach? How should the implementation approach be structured to optimise the outcomes? 	<ul style="list-style-type: none"> Yes, however, the proposal need to improve the capability of Direct Debit as well. The simplified access model need to take account of convergence of different schemes for domestic payments so that end customer has a seamless access & multiple intermediaries are removed from the chain. The implementation approach need to be centred around FPS scheme initially and rest of the schemes converging around it.
<p>Consultation Question 19</p> <ul style="list-style-type: none"> Do you agree with our proposal to create a Simplified Delivery Mechanism? If not, please provide evidence to support your response? Should the new consolidated entity be responsible for leading the development of the new rules/scheme or should a new body be given this responsibility? Could an existing scheme adapt to provide the Simplified Delivery Mechanism or should a new one be developed? Would it be better for the processing 	<ul style="list-style-type: none"> Agree. However, when such a large initiative is being built as a green field solution, Sort Code re-direction need to be factored in as part of the solution. It is best a new body is formulated with representatives from Payment Companies, Direct/ Indirect participants so a fresh look into the future landscape can be derived. It is best to create a new scheme to allow existing services are not impacted while transitioning to new scheme. It will aid the ownership/ accountabilities aspect as well.

Questions	Response
<p>and clearing functions of the simplified framework to be built on distributed architecture or a centralised infrastructure? Could there be a transition from a centralised structure to a distributed structure over time?</p> <ul style="list-style-type: none"> • Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding? 	<ul style="list-style-type: none"> • It is best to model in distributed architecture – it provides huge benefits in resilience, scalability, cost savings over time. However, security & data privacy standards need to be strictly enforced. Phased transitioned approach based on value of payments will provide a risk based approach. • Yes, the benefits of such infrastructure will significantly outweigh the risk in terms expending resources/funding. In fact, it will remove the need to implement some of tactical short term initiatives thereby freeing up some of the resources/funding.
<p>Consultation Question 20</p> <ul style="list-style-type: none"> • Do you agree that the existing arrangement of the payments system in the UK needs to change to support more competition and agility? • Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined? What alternatives could there be? 	<ul style="list-style-type: none"> • Agree • Subject to the comments provided in the rest of the section, yes, it will provide benefits. However, the devil is the details on solution (what, how, when & who). Detailed assessment need to be performed once we have this information.
<p>Consultation Question 21</p> <ul style="list-style-type: none"> • Do you agree with this proposed sequence of solutions and approach outlined to further clarify this? • If not, what approach would you take to sequencing to bring forward the anticipated benefits, in particular for end users? 	<ul style="list-style-type: none"> • Yes. However, it will be best to start the work on Strategic change now, which might help prioritise the changes required in short-term & medium-term taking the re-usability factor into mind. • The scope item “Creation of a Layered Architecture and A simplified delivery mechanism” need to be the umbrella item for the rest of items defined in Strategic change. That way, individual scope item is not seen or modelled in isolation without the big picture in mind.
<p>Consultation Question 22</p> <ul style="list-style-type: none"> • What approach should be taken to deliver the implementation of the Forum’s Strategy? • Who should oversee the implementation of the Forum’s Strategy? • What economic model(s) would ensure delivery of the Strategy recommendations? 	<ul style="list-style-type: none"> • By engaging wider stakeholder group as part of finalizing the delivery approach especially from FinTech’s specialized in Payments and prominent Consulting companies who have track record of delivering major payments projects. This help solidify the delivery approach taking the past lessons learnt & pain points into consideration. • PSR & FCA • The players who will benefit the most out of the changes will need to fund this out of their profits. Any economic model should not be hindrance for entry of new players or should put burden on customers.

Questions	Response
<p>Consultation Question 23</p> <ul style="list-style-type: none"> •Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions? •Do you agree with the costs and benefits drivers outlined in this document? •We would appreciate any information on the potential costs and benefits you may have to assist our analysis. 	<ul style="list-style-type: none"> • Agreed • Agreed • We can assist this and shape up based on our experience at an appropriate stage as this Strategy progresses.