Draft Minutes

Meeting: Payments Strategy Forum

Date / Time: 14th April 2016

Ai.0 Preliminaries

- Carl Pheasey opened the meeting on behalf of the Chair, Ruth Evans, who was absent for the first part of the meeting.
- The acting Chair noted apologies from Adam Marshall, Lisa Felton, Russell Saunders and Tom Ironside
- The acting Chair welcomed additional attendees representing the working groups: Sailesh Panchal, Andrew Ducker, Glynn Warren and Jane Barber
- The acting Chair advised that agreeing priority solutions and key activities for the next stage was the focus of the meeting

Ai.1 Minutes and actions

- The Secretariat advised that amendments had been received and these had been included in the draft for agreement
- Forum agreed minutes from 25th February meeting and noted all actions had been completed
- The Secretariat provided a verbal update on the outcomes of the Payments Community Roundtable held in March

Ai.2 PSO's Consultative Group

- The Chair updated the Forum on the discussions of the PSOCG and advised that she had informed the group of the preferred supplier for the independent evaluation, the new approach for the analysis of scheme governance and concerns around Card Operator engagement.
- The Chair advised that the PSOCG were broadly supportive of the Forum's work to date and the processes being followed. She committed to raise specific points under each relevant agenda item.
- Forum Members commented that they were confident the independent evaluation work was being carried out by respected consultants and were committed to maintaining an open and transparent process to look at all issues on their merits.
- The Bank of England and FCA supported this stance and reiterated the need for an open and credible process, with the Bank of England commenting that they were liaising closely with the Interbank Operators and were open to a range of governance options.

Ai.3 Strategic Priorities and Next Steps

Horizon Scanning

- The Chair of the Horizon Scanning Working Group and supporting staff presented their emerging solutions as discussed in the papers to the Forum.
- The Secretariat advised the Forum of PSOCG's comments on the Horizon Scanning papers these were:
  - the findings of the papers did not link closely enough to the recommendations;
  - the Layered API model could inhibit the use of future technology;
  - assertions about the BoE were not properly validated;
  - insufficient differentiation between card and interbank schemes;
  - more alignment needed between the emerging solutions across the Groups.
- The Forum were supportive of the proposed technical solutions and felt, subject to the outcome of the next phase of work, that the model being proposed could form the basis of the Forum's strategy
- On Account Number Portability (ANP) although the Forum remains sceptical in the merits of a standalone ANP solution, they agreed it should be progressed to the next stage of analysis as outlined in the supporting paper. The Forum asked that (a) the consumer should be a central part of any benefits case and that (b) any switching benefits derived from the proposed strategic model be considered as a counterfactual in any analysis
- The Bank of England encouraged the Forum to factor in security and resilience in the next stage of analysis
- The FCA commented that APIs could potentially meet PSD2 requirements and that there was conflicting terminology in the reports especially on request to pay, where consumer protections vary between push and pull payments.

Simplifying Access to Markets

- The Chair of the Simplifying Access to Markets Working Group and supporting staff presented their emerging solutions as discussed in the papers to the Forum.
- The secretariat advised the Forum of the PSOCGs comments on the Simplifying Access to Markets Working Group papers these were:
  - some solutions, such as Common PSO Standards and Rules, were being described as tactical when they were more strategic, with long term benefits;
  - there was not a clear division been cards and electronic payments on Payment Messaging Standards and assumptions as to what would be included under the new ISO standard;
  - aggregators were still commercial entities so will only act where there is a business case;
  - a recommendation would be needed to ask regulators for further clarity on the Liability in Indirect Access Models.
- Forum Members were supportive of the analysis and solutions proposed by the Working Group and discussed the progress of the Group

- There were concerns from some Forum Members that although tactical solutions could address significant areas of the detriment, there was a risk that the tactical solutions could take away resource from more strategic solutions
- The Bank of England suggested the PSO governance review should focus on retail rather than high-value payments Schemes

Financial Crime, Security and Data

- The Deputy Chair of the Financial Crime, Security and Data Working Group and supporting staff presented their emerging solutions as discussed in the papers to the Forum.
- The Secretariat advised the Forum of the PSOCG's comments on the Financial Crime papers these were;
  - A commitment from Mastercard to increase their engagement with the group to provide expertise where relevant;
  - concerns surrounding the legal and criminal risk of a shared data repository and the appropriateness of a collaborative solution here;
  - a suggestion that solutions should not add too much data to payments but rather use the reference field to link to data elsewhere;
  - an observation that the KYC and enhancement of sanctions solution is centred around large institutions and does not differentiate or go far enough.
- Forum Members discussed the emerging solutions including the benefits of a commercial vs a shared data service, how the solutions would work with those emerging from other Working Groups, and the viability of the solutions in light of initiatives elsewhere in the industry and in the Forum.
- There were also concerns from service user representatives around cyber security and that a centralised or automated data solution could cause financial exclusion if it was not managed properly with quality assurance of the algorithms and the difference legally and materially between privacy and data protection.
- The FCA commented that it could be useful to have a planned approach to consumer education where industry spoke to consumers with one voice as opposed to many individual initiatives

End-User Needs

- The Chairs of the End-User Needs Working Group presented their emerging solutions as discussed in the papers to the Forum
- The secretariat advised the Forum of the PSOCGs comments on the End-User Needs Working Group papers these were:
  - concerns that there was a siloed approach to Enhanced Data solutions across the groups;
  - an observation that Corporate and Education Detriments were not being addressed;
  - concerns that additional consumer choice would also increase complexity so liabilities would need to be made clear;
  - concerns that issues were not separated out sufficiently as not all requirements would be relevant for all Schemes.

- Forum Members discussed the emerging solution from the Working Group and discussed whether it depended upon scheme simplification or could be delivered with the layered API model.
- The Forum agreed further work was required in defining and understanding the corporate detriments

ACTION: End User Needs WG to progress work on the corporate detriments to understand how they are being addressed by their work to date

Ai.4 Working Group Actions

- The secretariat presented a straw man of how the work could be progressed and prioritised going forward
- The Forum agree a subset of the emerging solutions that were ready for independent evaluation, subject to some final redrafting from the Working Groups
- The remaining solutions were grouped into five areas, it was agreed that these required further development and analysis and the independent evaluator resource should be focussed on these.
- The agreed approach can be found here.

The proposed strategy outline

- The Forum discussed the proposed strategy outline and need for high level vision to contextualize the emerging solutions.

ACTION: Vision statement to be produced by Phillip McHugh with assistance of Mark Lyonette, Otto Benz, Carlos Sanchez, Sian Williams

Ai.5 Any other business

- No AOB was raised

ANNEX 1 – Attendance List

Apologies:

Adam Marshall – Director General, British Chambers of Commerce
Lisa Felton – Head of Consumer Policy, Vodafone
Russell Saunders – Managing Director, Global Payments, Lloyds Banking Group
Tom Ironside – Head of Business and Regulation, British Retail Consortium

Attending:
Members
Ruth Evans - Chair, Payments Strategy Forum
Alan Smith – Head of Payments and Banking Services, Post Office
Becky Clements – Head of Payment Operations, Metro Bank
Carl Pheasey – Head of Policy, Money Advice Service
Carlos Sanchez – CEO, Orwell Group
Faith Reynolds – Member, Financial Services Consumer Panel
John Hackett – Chief Operating Officer, HSBC
Katherine Horrell – Group Treasurer, Centrica
Mark Lyonette – Chief Executive, Cornerstone Mutual Services
Marion King – Group Director of Payments, RBS
Michael Maier – Chief Operating Officer, Fidor Bank
Mike Smith – Commercial Director, Raphaels Bank
Neil Lover – Head of Payments and Financial Crime, Coventry Building Society
Nick Davies – Richer Data Strategy Lead, DWP
Otto Benz – Director, Strategic Payments, Virgin Money
Philip McHugh – Chief Executive, Barclaycard Business Solutions
Ruth Wandhofer – Global Head for Regulatory and Market Strategy, Citi Bank
Sian Williams – Head of Financial Inclusion, Toynbee Hall
Thaer Sabri – Chief Executive, Electronic Money Association

Observers
David Bailey, Bank of England
Nilixia Devlukia, Financial Conduct Authority
Paul Smith, Payment Systems Regulator
Dora Guzeleva, Payment Systems Regulator

Working Group Support
Sailesh Panchal, Lloyds Banking Group
Andrew Ducker, Lloyds Banking Group
Glynn Warren, HSBC
Jane Barber, RBS

Secretariat
David McPhee
Michaela Costello
Francois Rogers