

techUK Response to the Payment Strategy Forum's draft strategy - 'Being Responsive to User Needs'

August 2016

Consultation Title:

**techUK response to Payments Strategy Forum
draft strategy**

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About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. More than 850 companies are members of techUK. Collectively they employ approximately 700,000 people, about half of all tech sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

This response is submitted on behalf of techUK members. It is not a formal response, rather a collation of inputs from the members of techUK's Financial Services & Payments Group.

General Comments

techUK is impressed with the PSR Forum's draft strategy and we are strongly behind the forward-looking direction it takes. The layered model of a Simplified Payments Platform made up of common messaging standards based on ISO20022, open APIs, a simplified delivery mechanism and overlay services represents a truly innovative and flexible approach. It should allow the construction of a payments market which can make use of available and future technologies to overcome current problems of data silos, bring agility, efficiency and provide the services end-users need and want. However, we are not convinced by the need for the development of common systems for 'request to pay' and 'assurance data' (see more below).

We would also make the following general points as introduction, attention to which we feel would add greatly to the scope and power of the final report:

Overall vision is lacking

Technological advances have reached a stage where significant advances in payments architecture are possible. User needs and economic considerations make these essential. techUK believes that a much more ambitious and long-term strategy is called for, which combines a wide, over-arching vision and the continued potential of technology over the coming decades. Such a strategy could allow us to 'leap-frog' current detriments and focus on efficient, fast and safe system structures.

We would refer to the US Federal Reserve report of Jan2015, '[Strategies for Improving the US Payments System](#)'. This document sets out a list of desired outcomes to be realised by all stakeholders with, if required, new services to be provided by the Federal Reserve. These are:

1. Speed: A ubiquitous, safe, faster electronic solution(s) for making a broad variety of business and personal payments, supported by a flexible and cost-effective means for payment clearing and settlement groups to settle their positions rapidly and with finality.
2. Security: (U.S.) payment system security that remains very strong, with public confidence that remains high, and protections and incident response that keeps pace with the rapidly evolving and expanding threat environment.
3. Efficiency: Greater proportion of payments originated and received electronically to reduce the average end-to-end (societal) costs of payment transactions and enable innovative payment services that deliver improved value to consumers and businesses.
4. International: Better choices for U.S. consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments.
5. Collaboration: Needed payment system improvements are collectively identified and embraced by a broad array of payment participants, with material progress in implementing them.

In our view, this is the kind of broad and ambitious thinking required in setting a strategy for the UK - and if it is not done in the UK, but is done elsewhere, our payment systems will lag behind the rest of the world.

Strategy

Post the Brexit vote, the UK needs a payment infrastructure that supports and enables a dynamic, electronic-based economy. We need our banks on the front foot rather than retreating and retrenching and we need export revenues. We need a system which balances an excellent consumer orientated approach with integration into global standards. The worst case would be that firms need to ensure compliance with multiple systems to limited or no benefit. We would therefore like to see a strategy which includes a mapping of proposals with those being developed at European and international levels.

In our view, to align the UK with the advances planned in the other major world economies, we need a payments strategy which sets a course to a true real-time payment scheme, with real-time settlements (via the BoE), supporting a full range of services, providing security and ease of use to all citizens, slashing costs and supporting ongoing innovation by bank and non-bank service providers.

Need for full involvement of the technology sector

We are struck by the vision of the Forum in making the long-term strategy proposals contained in section 8 of the document. If put into place, these ideas could transform payment systems in the UK and provide a flexible structure into which new products, players and innovative business models will fit.

We appreciate that the Forum has engaged in wide consultation throughout its work. However, we are also aware that a large part of the technology industry, even those who work in this space, have no knowledge of the Forum's work. We therefore stress at the outset that in-depth consultation with the technology sector on what is possible now and what is in the pipeline, will be essential to achieve a well-designed payments market for the future. Those who are experts in current payment systems may not always be able to envisage structures which differ in fundamental ways from the status quo. Those from non-banking, technology backgrounds who understand the capabilities of fintech can.

We do not feel that the input of these players is sufficiently evident in the draft strategy. In our view, some of the proposals outlined in Section 5 take too narrow an approach which results in limited fixes to specific problems. We strongly believe that the Forum's work provides an opportunity for a fundamental shift in payment models in the UK to the better. But technology providers must be at the heart of the design of such changes if the end-result is to construct an eco-system where wholly new products and payment offerings are to be able to thrive. We urge the PSR to involve the technology sector fully in all future deliberations around this very important work: their participation is essential to ensure the optimum outcome.

Alignment of the work of all bodies in this area

The UK must have a coherent strategy on revisions of payments and retail banking and it is not helpful to have a number of regulatory bodies making proposals which overlap in fundamental ways. The Forum does acknowledge this need, but we would welcome further clarity on this point from the Regulators. In short, the Forum's work must be aligned with all other projects and proposals in this space. In particular:

- the CMA's final decision following its review of the retail banking market, its proposals for an open banking implementation entity and the timetable it has set;
- the work of the European Central Banks's Euro Retail Payments Board in creating interconnected standards and processes for EU payments. The underlying processes and structures for GBP payments and euro payments must be compatible and interlinked.
- the work of the FCA and the Treasury in implementation of the PSD II;
- the new examination by the Bank of England into creating digital currencies.

In our view all the initiatives in this space should be brought under the oversight of one body – otherwise we will see fragmentation, market confusion, delay and, ultimately, lack of progress. We refer back to our first point for the need for an overall vision.

Focus on inter-bank space

The PSF has focussed purely on interbank payments in the UK. We entirely agree that there is much that can be improved in this space but point out that this focus omits large parts of the payment system i.e.:

- Card schemes: The vast majority of payments made by UK citizens are made through card schemes, but these are not considered. Yet cards already provide many of the features that the PSF advocates, e.g. enhanced data, greater control, payment assurance, fraud protection, etc.
- LINK: This goes against the recognition that 'access to cash remains important for many users (due to either low or unpredictable incomes or mistrust of electronic payments due to lack of transparency) -and will continue to do so while non-cash products do not meet their needs for control and transparency.'
- Cross-border payments: techUK believes there needs to be a discussion about the continuation of sort codes and the possible advantages of shifting to IBAN and BIC codes within UK as a long term solution to align with the global trends.

A strategy which begins with such omissions cannot purport to offer a coherent approach to improving the payment system in the UK.

Q1: Do you agree we have captured the needs of end users. What's missing?

Needs of End-users

We wholly agree that end-users, if defined, broadly, as consumers, businesses and government, do want greater control, greater assurance and enhanced data. Nevertheless, we would suggest that the draft strategy has approached these needs in a way which has limited their conclusions.

The draft strategy takes a narrow view of the categories they have defined as 'individual' and 'business'. In terms of individual, the focus is largely on the underbanked and the 'vulnerable consumer'. The needs of merchants as end-users, because of the omission of card payments, are not considered. Thus the needs of large sectors of users and their various and different needs are not properly addressed.

The task is to improve payment systems across the board. Ipso facto all end-users will benefit. Section 5 of the strategy errs in seeking solutions to over-specific problems. What is required is a vision of what might be possible for all. That can only be provided through a wider, more ambitious approach and detailed consultation with technology providers.

What is missing?

The need for real-time payments

The strategy document makes no clear proposal for moving the whole of the UK payments system to a real-time system. Although this may be implied as a long-term goal, we see this as a priority issue and would very much welcome a fuller explicit examination and greater clarity as to the vision of the Forum.

The UK's Faster Payments was the world's first real-time payment system, when it began in 2008 and last year it processed 1.2 billion transactions, worth over £1 trillion. A recent McKinsey [report](#) identified UK Faster Payments as an example of global best practice in payment innovation. But there are many payment types for which Faster Payments is not suitable – e.g. salaries. This leaves a situation where many payments remain slower than innovative technology can achieve and techUK believes that the UK must prioritise a move for all payment types to real-time. If this is not done, the UK will fall further behind the rest of the world in the efficiency of their payment systems with consequent detriment to business and the economy overall. techUK believes that we must apply the innovation which created Faster Payments to the rest of our payments systems.

However, we are not clear whether the technical architecture, as currently proposed, would support a fully real-time payments, clearing and settlement system. Such a system would eliminate credit and liquidity risks from the payments system, and would go a long way to providing regulators and operators with an accurate, up-to-the-minute view of each operator's liquidity position.

All other major economies are looking at the need to introduce real-time payments, clearing and settlement. The European Central Bank, working with the European Payments Council is developing a real-time payment system for credit transfers; this work will be extended to all payment types. The US is also moving towards real-time (see reference above to the Federal Reserve Strategy document).

Cheques

techUK suggests that the Forum should examine the continuation of the cheque system. We are aware that the issue of cheques has been looked at recently. Although real-time and straight through processing of cheque images can be implemented, we question whether the development of the cheque-imaging programme will expend resources which could be better used elsewhere. Cheques are only used by a minority of the population in a relatively restricted set of circumstances and many businesses no longer accept them. Alternatives exist which are just as efficient and easy to use. The continuation of cheques may serve to avoid the addressing the issue that not all citizens have access to electronic payment services. This is the problem which should be solved.

Costs

While we accept this is an initial strategy document and that some cost-benefit analysis is included, the issue of costs of implementation is not adequately addressed. We are concerned that the strategy will be perceived as requiring large up-front costs and for which industry players will have little appetite. The smaller players will not have the capacity to invest much if at all, while the more dominant actors may balk at having to invest significant sums in realising the architecture only for it to be opened up to other PSPs.

The strategy does not explain how it will solve this problem and how incentives for the necessary proposed investment will be created. The PSF has a duty to ensure that the proposed strategy delivers net benefits and also best value for money. The strategy should make clear that new technologies can slash the costs of hardware, communications, compliance, reconciliation and of innovation which would radically improve the banks' cost bases. That needs to be demonstrated as part of the upcoming cost/benefit analysis if the project is to move as far and as fast as possible.

Q2: The financial capability principles

The principles of financial capability have been defined, according to paragraph 5.7, to ensure the needs of 'the most vulnerable customer are always met'. These are defined as 'someone who due to their personal circumstances, is especially susceptible to detriment'. techUK has long championed the absolute need to combat financial exclusion in the UK which is a significant problem for many people and causes great hardship. We agree with end-user working group that people on variable incomes (individuals and small businesses) can find current direct debit products do not fit their needs and that the 'poverty' trap is real.

However, we suggest that the report conflates the ideas of financial inclusion and financial capability. We would argue that a large majority of citizens, although they use bank accounts and other financial products are not well-served by current systems because products are over-complex, badly presented or communicated, imply hidden charges and are not subject to strong competition or easy comparison with other available products. The move towards a real-time system, the use of data, innovative technologies and new business models could improve payments for all end-users in ways which, though not necessarily designed to solve specific problems, would, by their very nature, circumvent them.

Q3: What benefits would you expect from these facilities and what are the risks

We fully agree that the focus needs to be on providing the vulnerable, the underbanked and the unbanked with electronic payment services. This should be based on providing a technology architecture that allows banks and non-bank payment service providers to be responsive, flexible and innovative in addressing specific needs.

techUK would take the overall view that the 'quick fixes' proposed in section 5 should be revisited. There are several reasons.

- The tighter timetable set by the CMA for deployment of open APIs, which would allow the PSR's long-term project to emerge quicker.
- The diversion of investment and attention from the underlying problems that these proposals would require.
- The solutions err in starting too much from the point of 'what we have now' rather than what will be available in the future. It is doubtful whether they would really solve the problems they set out to solve. It is also likely they would become redundant if the long-term solution emerges. We would therefore favour focussing on moving to a coherent innovative architecture as quickly as possible, rather than spending time, energy and money on short-term fixes.

Request to Pay

We do see merit in the request to pay proposal as an alternative product choice which could benefit individuals on irregular or variable incomes. It would give greater pre-warning and a greater sense of control to the financially vulnerable. It could also, even if there is a cost involved, be cheaper than using pay-as-you-go meters.

However, we do see problems with the proposal. No discussion appears in the report about how offers by a consumer to pay less than the billed amount and over what time period would be dealt with. What happens if the proposal made by the payer is unacceptable to the payee? How would negotiations be managed? Who has the final say?

We also query whether it would be taken up by banks and utilities and whether, if offered, it would imply costs which would negate any benefit provided. On the other hand, it could provide a USP for new market entrants. It could also offer benefits to utility billers by reducing uncertainty and some of the cost of debt collection.

Assurance data

Information about who the payment was made to is already available to the banks: it is simply not being used properly. If correct real-time technologies were deployed to underpin payment communications, this issue would go away. The merchant or user would know immediately who the recipient was and be sure that the recipient receives the funds.

We would also suggest that if the UK were to make use of IBAN and BIC codes as does the rest of Europe, this would go a long way to solving this issue.

Q4: Is there a business case for investing in transitional solutions

The Forum itself recognises that more fundamental change is required. As is clear from the above, we entirely concur. Some members are not convinced that there is a business case for investing in transitional solutions. They feel that such changes should be left to the market to introduce and the PSR Forum should concentrate on going directly for fundamental change.

Other members believe the market can and should deliver transitional solutions as full implementation will take several years. To wait for the new architecture to be in place before thinking about overlay services would be unnecessary and counter to the point of the strategy i.e. to address the slow introduction of innovation that can deliver end-user benefit.

Our overall view is that the timetable envisaged by the Forum should be accelerated. It is longer than those being implemented in the US and the EU and we feel that with sufficient will and impetus, the proposed long-term changes could be delivered sooner.

Q4: Are there viable technology solutions to deliver some of the benefits without compromising the long-term strategy.

Yes. The proposed benefits lag behind what current technologies can provide. For example, there are solutions for account portability and systems whereby a payer does not need to enter recipient details to make a payment.

Q5: Improving trust in payments. Do you agree with our proposals regarding customer awareness and education?

We agree with the general need to raise awareness of financial crime and improve education. However, we also stress that security should be embedded through sound design and engineering. Products which work securely and are designed using anti-fraud principles will themselves engender trust and ensure take-up by consumers.

Q6: Establishment of guidelines for identity, authentication and risk assessment

techUK strongly believes in the need for common identity criteria and processes for identity verification across the financial services sector. It is vital to ensure consistency across the industry of terminology and the approach to end-user identification and verification. Guidelines may assist in this; they should take into account current experience and challenges faced by gov.UKverify and the process and guidelines should be transparent enough for end consumer.

However, in our view, this proposal would not go far enough. What is needed is an immediate push to develop a fully functioning digital identity system. There is a clear need for this in financial services. techUK is in fact currently working on such a solutions with the technology industry and we believe that regulatory and government resources should be ear-marked to seriously engage in the development of such a tool.

Q7: Central repository for shared data

The idea of developing a central repository for shared data has merit. However, as the draft strategy acknowledges, there are significant risks in holding huge amounts of sensitive data in one location. Questions regarding security and data protection will be of the utmost importance and regulation requires that security be proportionate to the risks involved. These risks should be addressed by ensuring that the data is adequately protected, appropriate back-ups are in place, possibly through greater use of the cloud and also having a contingency plan if the central repository goes down.

Strict controls must be in place to ensure that any shared data is provided only for the purposes for which it is intended and is not distributed to third parties who have no connection to the business of combatting financial crime.

In addition, EU legislation has now moved data secrecy and security to the top 10 risks regulated firms face. This means payment services must be included within an Operational Risk Framework. The ability to model risks accurately will require sharing of near miss and actual incidents. A framework for reporting this data to a central authorities should be built in from the outset.

We would also like to see a full exploration of the potential to anonymize data and thereby obviate the risks inherent in a centralised depository.

A further question is whether the proposed solution to develop a central repository for shared data would be a voluntary or mandated in some way. techUK supports and encourages mechanisms for the voluntary sharing of data between organisations however, we would advise against mandatory requirements. Mandatory requirements could threaten business growth as there will be fewer incentives for organisations to invest in data-driven strategies if they are expected to share data with competitors. Many businesses, e.g. retail, also view their customer data as a major asset and would be very reluctant to share this unless stringent safeguards as to use are in place. On the other hand, a voluntary system could diminish the effectiveness of the data-base as regards detecting financial crime. This is something that the industry has to grapple with where competition can pave way for voluntary collaboration among PSPs.

Q8: Financial crime intelligence sharing

Protection against organised financial crime is better served by joined up collaboration, not just among those in the financial services sector but also among the private sector, Government and law enforcement. Not only does intelligence sharing raise awareness of trends and recent threats, but it also helps to formulate a unified and comprehensive response to financial crime that is proactive and based on data. It also allows institutions to react to cyber incidents immediately through sharing intelligence. A good example is the US Financial Services Information Sharing and Analysis Center (FS-ISAC), which is a forum for collaboration on critical security threats facing the global financial services sector. Members of the FS-ISAC worldwide receive timely notification and authoritative information specifically designed to help protect critical systems and assets from physical and cyber security threat. We also feel that the solution should also seek sharing the intelligence internationally with identified partners/ agencies.

All potential issues and risks related to data privacy, data protection, 'flagging 'suspicious' accounts of people who have not been prosecuted for criminal activity' etc. should be adequately addressed by the industry and the law enforcing agencies in establishing a solution which will yield better results.

Q10: Enhancing the quality of sanctions data

We agree with this proposal. It should result in not only a more robust sanctions scheme but also a more accurate database of targets and a reduction in the number of false positives. A unified code of conduct for the industry to follow would also be a significant step forward in ensuring a streamlined and consistent approach to target screening.

Q11: Sort codes

We see the merit in creating a new utility sort-code range, as this would help to improve access to PSPs, which must currently rely on direct participants for access, although these direct participants may also be competitors.

However, long term continuation of a solution based on sort codes will result in UK payment systems not being aligned to global trends. We repeat that the UK should consider shifting to IBAN and BIC codes as a longer-term solution compatible with the bank codes used in the rest of Europe.

Q12: Access to settlement accounts

We agree that a strategy which supports the Bank of England's plan to extend access to RTGS to PSPs who are non-banks is a good one, on the understanding that the supervisory regime for these players is also extended and strengthened. Such an initiative will help to increase competition for payment services by allowing access to those providers who are currently prevented from directly accessing the most important payment systems such as Bacs, CHAPS and FPS.

As the draft strategy states, much of the problems related to new providers obtaining bank accounts stem from concerns over KYC, confusion over what the rules require and consequent doubts over liability. This issue must also be resolved within the purview of access.

Q13: The aggregator model

The aggregator model outlined would allow access to infrastructure systems for smaller players and new entrants and would be a positive step. Such an aggregator model will only succeed where the costs and complexities of set-up and operation kept to a minimum, otherwise there would appear to be no business case. By minimising costs of participation to aggregators, the costs to PSPs should also be reduced through the medium of competition.

Q14: Common PSO participation models

We support this proposal. Common procedures, processes and terminologies will be essential in the development of interconnected payment systems. On a general point, techUK would advocate the increased use of common standards across the financial services sector. Much work is needed in this space and techUK would stress the role of technologies in developing standardised digital processes, formats for information etc. which are common across all providers.

However, we would point out that that some of the payment systems under consideration were originated by different actors or groups of actors in the market to satisfy different requirements. As such, they inherently have individual differences in their participation models. Combining these into a common, unified participation model will present quite a challenge, both technologically and operationally.

Q15: The Single Entity proposal

As we understand the proposal, combining Bacs, C&CCC and FPS into a single entity is intended to reduce the barriers to entry for PSPs. We have some concerns on this arising from the complexity of combining three entities which were designed to solve three different types of problem. However, on balance, we agree with the proposal as a necessary first step.

Q16 Moving to ISO20022

TechUK strongly agrees that this is an essential step. We also suggest that the global experience and best practices in implementing the ISO20022 across countries should be considered to avoid pitfalls and that measures be put in place to ensure that future changes to this standard can be seamlessly integrated.

The ISO standard should state what risks it is appropriate for. Firms with higher risk profiles should be clearly informed that revised operations, structures or enhanced security will be needed as part of their strategy.

Q17: Indirect access liability guidance

It is clear that there is a lack of understanding as to the liability implications for incumbent banks in providing payment system access to PSPs. Enhanced guidance may help but we are not convinced this will go far enough. While it is important to tighten the rules and guidelines on indirect access models to ensure that both PSPs and providers understand their rights and obligations (particularly for AML), it is probably more important to encourage all PSPs to operate via a direct access model, given the importance already placed on access to sort codes and accessible settlement accounts in the payment strategy. While it is of course important to encourage competition and innovation, it is equally important for all players to abide by the same set of rules: why encourage indirect access when the strategy is already aimed at supporting more direct access anyway?

The solution should look to the development of a technology platform, which sits in the middle of the onboarding process as a hub. This could use smart contract technologies to provide a common mechanism for KYC procedures. Such a platform should also be aligned with liability rules applying to access to account information under the PSD II and therefore to the technical guidance to be provided by the European Banking Authority. It will also require a greater understanding, and so better communication, of the KLM rules and enhanced guidance on how these operate.

Q18: A new Architecture for Payments

techUK very much agrees with the proposals put forward in this section of the report. It recognises that technologies such as open APIs, big data and data analytics are already – and will increasingly be – the basis of retail banking. We would stress, however, the following important provisos:

- Development: We stress again that the technology sector must be fully involved in the definition and development of this new payments architecture. Representatives from the sector should sit on all the bodies which might develop this work: in particular the Implementation Body on Open Banking APIs proposed by the CMA. Only in this way will the best system, which uses the most up-to-date and appropriate technologies in the best way, be developed.
- Co-ordination: A coordinated approach should ensure complete compatibility and interoperability between the varied payment systems covered by the strategy. One disadvantage we can foresee with a fully-coordinated approach to the development of the necessary APIs is the possibility that the coordination overhead could lead to delays in

development or, more seriously, stifle innovation through a reduction in freedom to act or 'think outside the box'.

- Alignment with changes in European and International systems. Irrespective of the changes Brexit may bring, it is essential that payment systems in the UK remain fully inter-operational with European payment systems. Standards must be common or interoperable across Europe and within the international market.

Q19: Simplified Delivery Mechanism proposal

We agree with the simplified delivery mechanism, if it leads to a solution which provides easier access to PSPs and also facilitates competition and innovation. The mechanism appears to be the equivalent, in principle, to a set of base line services that every payment service provider should offer.

We suggest, in addition, that a new scheme should be developed to address both the base line services that every provider must offer, and to deal with any optional add-on services that providers might develop. Existing schemes incorporate rules to deal with credit risks, liquidity risks, failed payments and other mishaps that occur on designated-time net settlement systems. These mishaps could not occur in a real-time system, and so a new scheme would be far simpler to create and implement. The new governing body should be responsible for the new scheme rules.

We are not as yet convinced that a distributed model is appropriate. It would require greater changes, and therefore costs, initially for each individual organisation. Set-up costs for new entrants would also be greater and therefore could impose a barrier to entry for small players. Distributed ledger technology is at present untried and untested and much more work needs to be done to fully understand its costs, benefits and usability. It may be that the technology proves itself in time and that the payment system could then migrate to such a model. Or the eventual system could be a hybrid, whereby large and medium payment service providers operate their own systems in a distributed system, whilst aggregators operate combined systems for smaller providers.

We believe it is acceptable to begin the work on the design of a new payments infrastructure irrespective of the current demands on resources and funding. There will always be competing demands for funding, while delays in starting to design a new payments infrastructure will inevitably lead to the UK falling further behind its competitors in terms of realising a world-class payments infrastructure.

Q20: The need for change to existing arrangements

We completely agree that the current arrangement of the payments system in the UK needs a complete overhaul both to remain competitive in its own right and to foster competition in the provision of services. The current system stifles competition, systems are lamentably slow and real innovation encounters major market barrier. Only through the introduction of a more open and efficient architecture can UK PSPs begin to experiment with new and innovative products.

Q21: The Strategy in Sequence

Under the strategy proposals, many of the benefits outlined - such as those provided by overlay services - could only be realised once the SPP and the Simplified Delivery Mechanism have been delivered. We are of the view that the forum should concentrate on realising long-term innovation as soon as is feasible and that the implementation of short-term solutions must be appropriate and not distract from this goal. We also feel that the time-line is too long and fear it could allow for repeated consultation exercises and delay.

Q22: How should implementation happen?

The implementation of the new payments architecture should be undertaken in the same way as any other major piece of infrastructure development; that is, the design and schedule for realisation needs to be clearly set out together with the associated costs so that a proper funding model can be established to support the implementation. Since several of the proposals contained within the PSF

strategy would require legislative change, it is our view that the implementation of the strategy must be guided and managed by an arm of the UK government, rather than by the payments industry.

Taking this approach would allow the solution to be realised for the good of the UK population as a whole and not only for the interests of the more dominant players. We believe that it is unlikely that sufficient investment would be made available from the industry to realise such an ambitious strategy.

The implementation of the strategy could be overseen by a committee appointed by and reporting to the PSR. It should include stakeholders from all sides of industry – providers and users.

We suggest that radical change would prove cheaper to implement than incremental change and to the economic benefit of all if the business model and the funding model are optimised.