

Payments Community Update

The Payments Community Roundtables

At the end of January the PSR held a series of roundtables for members of the Payments Community to update them on the work of the Forum so far and seek their feedback.

The roundtables were segmented into four groups: Small Users – Large Users – Technology and Infrastructure Providers – Payment Service Providers, and were attended by over 60 different organisations.

The Community were generally positive about the progress of the Forum to date, however some common concerns were raised. These have been summarised in the following table, alongside recommended actions for the Forum to consider, with detailed minutes included in Annex 1. **The Forum is asked to consider this update and agree the proposed actions.**

Community Concern	Forum position	Further actions (if any)
Working Groups acting in isolation	<ul style="list-style-type: none"> Working Group chairs meet collectively on at least a monthly basis Independent Evaluation will be responsible for assessing the combined findings of all Groups 	
Representation / conflicts of interest / incumbency dictating strategy	<ul style="list-style-type: none"> Forum and Working Groups constituted from a wide range of stakeholders Working Group membership was open to all members of the Payments Community The Community plays an important role in shaping the work of the Forum 	<ul style="list-style-type: none"> Chairs to ensure their Groups are given the opportunity to review / sign off work Chairs to ensure all meetings agendas and minutes are published on the Forum website

Importance of robust cost-benefit-analysis and consideration of industry change profile	<ul style="list-style-type: none"> • Requirement for a cost benefit analysis built into the Forum's terms of reference. This work will be supported by the Independent Evaluation phase • Each Working Group, when developing implementation plans, will consider industry capacity to deliver. The Forum will then develop a single plan. 	
International focus/alignment	<ul style="list-style-type: none"> • Horizon Scanning Working Group is charged with monitoring international developments to inform the Forum strategy 	<ul style="list-style-type: none"> • Working Group chairs to ensure international developments identified by the Horizon Scanning Working Group are taken into account
Future Community engagement	<ul style="list-style-type: none"> • An engagement plan is in place for the Community, with two more roundtables scheduled for March and May. 	<ul style="list-style-type: none"> • Working Group chairs or an appropriate delegate to lead discussions at future roundtables • Forum to note the concerns about holding the 2nd Community Event in late July

In addition to the above some issues were raised that were out of scope for the Forum, e.g. Interchange Fee Regulation. The Secretariat have documented these and advised the relevant PSR project teams.

Annex 1 – Minutes from the Roundtables

1. Small Users

The Small Users group were generally positive about the work of the Forum so far, and in particular the structure of the engagement and that the correct issues were being focused on from the user's perspective. The following points were raised to be escalated to the Forum at its February meeting:

- There was concern that conceptual solutions identified by each individual working group could potentially conflict if each group is charged with producing its own set of recommendations in isolation. While working group members present confirmed that nothing controversial had been raised in their groups, it was agreed the Forum will need to perform a strong steering function to avoid clashing recommendations arising.
- The possibility of adding new detriments to the current was explored as some User-representatives had recent research conducted by their organisations to feed in, and Citizens Advice in particular identified specific research to contribute. The Forum was also urged to conduct its own research of users, with a special emphasis on vulnerable consumers and their ability to understand security processes and transaction limits.
- In addition, the group sought assurances about work with international regulators and work undertaken previously and how this was being fed into the work of the Forum.

The Secretariat concluded by asking those present to encourage other members of their networks and associations to join the Payments Community and engage with the Forum to ensure as many stakeholders as possible are involved in the process.

2. Large Users

The Large Users group were also largely positive, although expressed concerns that not all of their issues had been captured in the detriments. The following points were raised to be escalated to the Forum at its February meeting:

- There was a general concern that issues around downstream competition in the card market was not being addressed, such as the cost of interchange fees and rates that retailers were charged by card schemes.
- The larger users were also interested in improvements to cheque processing, as these were seen as having a detrimental impact on their businesses. They also wanted to ensure that the quality of any data sent using the cheque system was important to help them save on resource, but acknowledged that the data transferred would have to be a balance between the needs of end-users and corporates. Direct Debits were used as an example of a payment method suitable for corporates, but detrimental for some end-users.
- The group were also informed that potential barriers to membership of the schemes were being considered by the Simplified Access to Markets Working Group.
- More generally, there were concerns that any set of strategic initiatives produced by the Forum would be too influenced by the large banks or not implemented altogether.

The Secretariat explained that implementation of the Interchange Fee Regulation was outside the scope of the Forum, but offered to raise it through the relevant channels elsewhere and pointed out that the cards market will be given consideration.

The Secretariat also reiterated the various elements of the process which would safeguard against the some participants dominating outcomes but committed to staying alert to the issue.

3. Technology and Infrastructure Providers

The Technology and Infrastructure Providers group were primarily concerned with ensuring fair and representative engagement with the strategy setting process. The following points were raised to be escalated to the Forum at its February meeting:

- The group were most concerned about potential conflicts of interest affecting outcomes. One member in particular was concerned that the agreed principles of the strategy (Payment Systems that are Secure; Resilient; Versatile), could be used by the large banks to ensure a strategy that restricted competition and innovation.
- There were also further fears that the working groups were dominated by organisations with large resources and did not take into proper account the issues of smaller players such as corporates. This was believed to be reflected in the Payments Community list of priorities and detriments.
- Furthermore, the existence of the Payment Systems Operator Consultative Group [PSOCG] reinforced perceptions of industry capture of the process and concerns that the strategy would not be favourable for new entrants such and emerging technology providers.
- Finally, it was suggested that the date of the July Community event was likely to clash with other industry events or be impacted by school holidays. It was suggested that the secretariat consider an alternative time.

The Secretariat assured the group that the End User Needs Working Group will ensure that genuine end user needs remained at the heart of any future strategic initiatives.

It was reiterated that membership of the working groups remained open to those who can demonstrate a willingness and ability to support the work.

The Secretariat also stressed that the principles for the strategy agreed by the Forum are not intended to restrict innovation which is a core objective of the Forum and built into its Terms of Reference.

4. Payment Service Providers

The PSPs group were largely concerned with the process and how this would differ from existing work and initiatives in the industry. The following points were raised to be escalated to the Forum at its February meeting:

- The group shared the concern of the other segments of the Payments Community about how the work of the siloed working groups will feed coherently into a strategy at the Forum.
- There were also questions about Account Number Portability [ANP] and the mandate that the Horizon Scanning group has to examine this as a possible solution.
- The concerns raised in other groups about conflict of interest, specifically of the working group chairs, was also reiterated. There was also a suggestion that a separate committee or appeals process to be established to ensure any conflicts arising could be investigated and managed independently from the Forum itself.
- The process for producing evaluation, businesses cases and robust cost-benefit-analysis was questioned as there was a concern that the industry would not have the capacity to implement recommendations given the current change profile. The fact that an independent third party will be doing the evaluation, as opposed to the PSR, was also questioned.
- The timeline was also identified as ambitious, and questions asked about how international regulation and developments were being considered by the Forum.

The Secretariat acknowledged the possibility for conflicts of interest, but reassured the group that the Forum would act as the ultimate arbiter in this regard.

The Secretariat also acknowledged that the timetables were ambitious, but reassured the group that much work had already been undertaken in the industry which the Forum could build on.