



To: Forum@psr.org.uk

14/09/2016

From: Payments UK

**BEING RESPONSIVE TO USER NEEDS: A DRAFT STRATEGY FOR CONSULTATION
- PAYMENTS UK RESPONSE**

1 INTRODUCTION

We welcome the opportunity to respond to the Payments Strategy Forum's (PSF) draft Strategy: Being Responsive to User Needs: A Draft Strategy for Consultation.

Payments UK is the trade association launched in June 2015 to support the rapidly evolving payments industry. Payments UK brings its members and wider stakeholders together to make the UK's payment services better for customers and to ensure UK payment services remain world-class.

Payments UK's main roles are:

- To be the payments industry's representative body: providing an authoritative voice in the UK, Europe and globally, and working with stakeholders to share payments knowledge and expertise.
- To be a centre for excellence: supporting the UK payments industry to provide world-class payments, building on the experience, thought-leadership and project delivery expertise behind award-winning initiatives such as Paym, the Current Account Switch Service and Faster Payments.
- To deliver collaborative change and innovation: working on behalf of our members to benefit customers and UK plc, ensuring their needs are understood and met, both now and in the future.

2 OUR RESPONSE

Payments UK's response represents a collective view of the membership as well as drawing upon our expertise as the trade association for the payments industry in the UK. Specifically, it covers:

- 2.1: Key Comments and Observations
- Annex 1: Single Independent Payments Entity
- Annex 2: The Regulatory Change Agenda
- Annex 3: Responses to Individual Questions

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2.1 Key Comments and Observations

Key Observations

We would like to highlight some key observations from our response to frame the issues. On this basis, Payments UK:

- states upfront that any work by the payments industry must take full account of and consideration for all end users and their needs. End users benefit from world class payments systems which are secure, reliable, resilient and trusted. In line with this, we support the PSF's approach to drive innovation and competition in order to produce even better outcomes for end-users.
- agrees with the PSF draft Strategy's proposal for the consolidation of the interbank systems. We propose the creation of an independent payments entity; a consolidated payments system operator with an expanded remit
- recognises that the Simplified Payments Platform (SPP) has the potential to deliver benefits to payments industry end users. There is consensus that the current landscape is overly complex and an opportunity exists to create a simpler, more efficient and effective landscape. The consultation recognises much more work needs to be done on this long-term vision. Before agreement can be reached on the merits of the SPP, our recommendation is that further detailed work would be required to establish the potential benefits and costs. Further analysis should be undertaken in parallel with other activity that can deliver customer benefit more quickly.
- agrees that common international message standards for the UK market could be beneficial. Payments UK members have agreed that a common technical messaging standard, chiefly ISO 20022, is an aspiration for the UK payments industry. However, there would need to be a clear realisation of the business drivers before adoption. Payments UK supports the adoption of a common messaging standard as an enabler for agreed industry innovation and change, not as a deliverable in its own right. Whilst the adoption of ISO 20022 has the potential to unlock value, the industry must be clear that the cost of investment and the necessary process to see this brought to market is supported by a robust benefits case.
- believes that there is a need for a full assessment of costs and benefits – with agreement on what constitutes a cost-benefit analysis framework - without which it is not possible to make a persuasive case for investment. This should include a full options appraisal and assessment of the impacts on both the industry and users, the development of a fair and equitable funding methodology and a technical delivery plan.
- notes that there is a need to assess the proposals alongside each other so that they can be prioritised and sequenced and investment decisions made and resources committed. This needs to take account of the multiple regulatory mandates (see annex 2) and the impact on customer experience. This should include consideration of the proposals to

improve trust in payments, taking into account data protection, legal liability and data sharing permissions.

End User Benefits

The UK benefits from world-class payments systems which are secure and resilient – payments systems which users trust. In recent years, customers have also benefitted from innovations such as Paym, Chip and PIN, Current Account Switch Service and Faster Payments. We recognise however that more must be done to enhance the user experience and to benefit the UK economy. We support the work of the PSF to develop a set of strategic initiatives to meet the needs of customers. Throughout the process of the PSF developing its consultation document, we have fed in our own analysis and thinking along with many other stakeholders. We support the ambition to promote innovation and competition. Payments UK is committed to working collaboratively with the industry to ensure our payments systems remain world class and deliver greater customer benefit.

We support the PSF's key principle to put customer needs (consumers, SMEs, large corporates, charities, government) at the heart of the future development of the UK's payments services. Delivering customer benefit and maintaining a secure and resilient service are two core tests for determining the strategy's priorities. It will be important to demonstrate end user benefit at an earlier stage than is currently envisaged. As it stands the next steps show that customers will not benefit from proposals for three years. Benefits need to be realised cost-effectively and pragmatically with more weight and consideration given to the evolution of current systems to progress initiatives in the nearer term, whilst managing the risk of change. Whilst many of the proposals have merit, there is more work to be done to determine their priority, the alternative options for taking them forward, the interdependencies between them and with the different regulatory mandates, the business case, how they could be funded, timetabled and delivered.

We also believe there is more work to be done to assess corporate needs and the impacts of proposed changes on businesses, for example impacts on their systems or their payment product set. The draft Strategy is currently very heavily weighted towards the needs of and potential risks to consumers.

Delivery of End User Benefits

There is an underpinning requirement for a coordinated approach to the development, implementation and maintenance of activities set out in the draft Strategy; and the interdependencies that exist between various regulatory and legislative mandates. The industry needs to remain agile and able to adequately manage the regulatory change agenda in a way that avoids inefficiencies or governance issues. There is an increasingly urgent need to consolidate and coordinate collaborative activities so as to best progress towards better outcomes for end users and support competition. In order to realise these end-user benefits, the payments industry needs:

- An approach that is free from legacy issues and governed to engage with the industry's stakeholders and provide them with assurance that their current and future needs will be met, whilst giving regulators the oversight and accountability they need;

- Coordination of industry and between the various UK and EU regulators of financial services to support implementation in the right sequence and in an, efficient and safe way that is for everybody's benefit and in recognition of the global regulatory influences;
- The ability to develop implementation plans that allow governance that is appropriate to the fast-changing commercial landscape of the financial services industry; this is particularly pertinent to payments where collaborative innovations are necessary; and
- Decisions prioritised on a thorough understanding of customer needs and cost benefit analysis of proposed solutions.

In broad terms, we agree the proposals now require further analysis to understand the true scale of the benefits and the costs of change, a funding model and a technical implementation plan that sequences and prioritises activity. A substantial amount of coordinated collaboration is required to deliver change effectively, meeting user needs. We note that the Payment Systems Regulator (PSR) has made it clear that while the PSF sets the strategy, the industry will be held to account for implementation and delivery. Moreover, the PSF is a voluntary activity and is not constituted to develop, design and deliver the next stage of the strategy. Work must now centre on understanding the best way to develop a more detailed assessment of all the change required in the industry. It is clear that there is no existing structure or entity that is suited for this purpose¹.

There is a clear need to develop a coordinated approach to industry activities set out in the draft Strategy. In Annex 1 we provide a report, commissioned by Payments UK, from PA Consulting, which reflects their engagement with industry stakeholders to outline what this end-state could look like. We believe this addresses the needs set out above by proposing a single independent payments entity; a consolidated payments system operator with an expanded remit. It could provide a resource efficient, effective model to support the industry, deliver the best outcomes for end users and meet regulatory and legislative requirements.

We do not believe we should yet take a position on how to deliver this coordinated approach because it will need to develop and mature in a way that is able to sequence the current and future priorities of industry. There will however be an opportunity for us to be pro-active within that evolution.

ANNEX 1: A SINGLE INDEPENDENT PAYMENTS ENTITY DISCUSSION DOCUMENT

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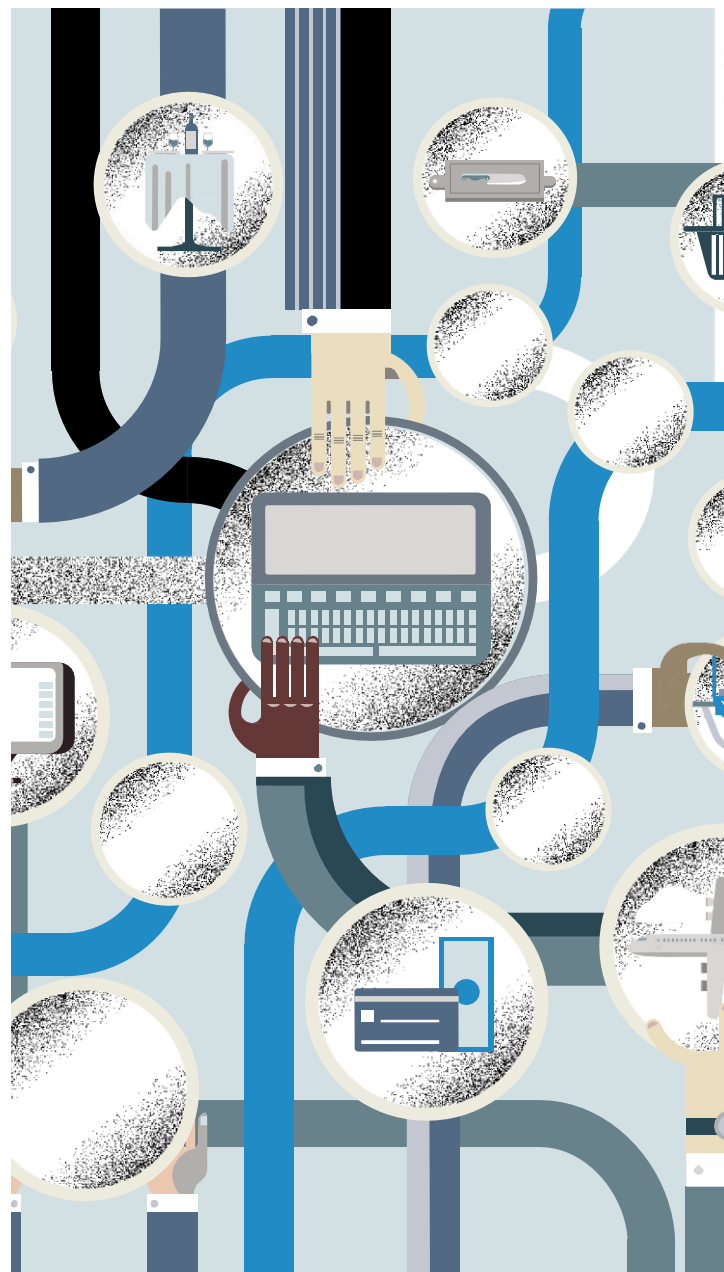
¹ We note that the CMA concluded similarly in relation to the need for an Implementation Entity to deliver the open API remedy as part of its retail banking Market Investigation.



A SINGLE INDEPENDENT PAYMENTS ENTITY

A discussion document

8 September 2016



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A SINGLE INDEPENDENT PAYMENTS ENTITY

INTRODUCTION

Purpose of this document

This document is designed to inform discussions about the optimum provision of a collaborative delivery function for the payments industry.

Background

The way the payments industry is structured is undergoing a radical transformation. Firstly, over the next few years the industry will need to collaborate to deliver an unprecedented amount of change with the implementation of the Payment Strategy Forum's (PSF) strategic initiatives, PSD2, CMA's retail banking remedies, ring-fencing, data standards and regulation. Secondly, to improve the voice and efficiency of trade association representation a number of existing trade associations are being integrated into a single body (the Financial Services Trade Associations Review November 2015 (FSTAR)). Collaborative change has historically been performed through a Design and Delivery team and Standards team housed within Payments UK. Feedback however strongly suggests that incorporating the Design and Delivery function and the delivery activity of the Standards team into the single trade body (FSTAR) may not be an option that will be accepted by regulators.

The role of PA Consulting

Therefore in May 2016, PA Consulting was asked to undertake a short independent options-based appraisal to assess the advantages and disadvantages of a number of alternative destinations for the Design and Delivery and Standards collaborative change functions. The strategic objective was to help determine the optimum destination to achieve better outcomes for end customers, efficiency and value in the industry and enhance competition and innovation. This work was presented at the Payments UK Board Annual Strategy Away Day in June 2016.

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INTRODUCTION cont..

Analysis approach

To aid analysis PA Consulting spent time with both Payments UK's Design and Delivery Team and the Standards Team to understand and record a definition of each team's purpose, their activities and their value proposition to stakeholders.

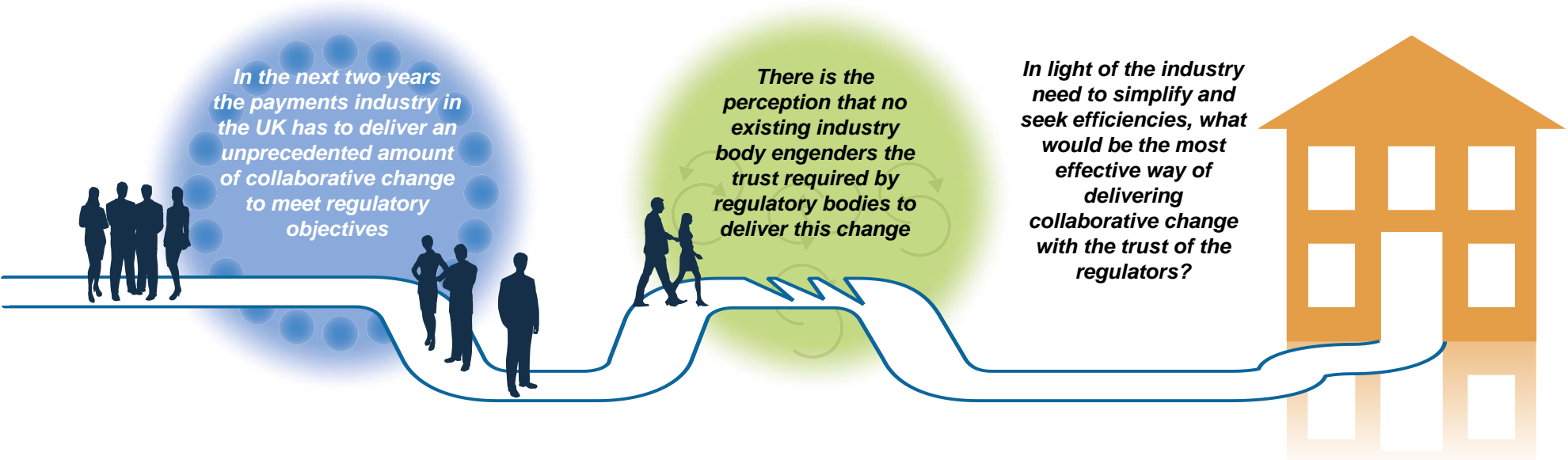
These definitions were then used to inform a series of industry stakeholder interviews to provide feedback on possible strategic destination options including FSTAR, an industry services company, a consolidated retail payment system operator (tbd), a new separate body and a regulatory body. The week of the interviews coincided with the announcement of the CMA required Implementation Entity, and this destination was included as an option. During the interviews, building on this development, the concept of an independent collaborative payments delivery body emerged and so has been developed further as an ultimate alternative destination.

Recommendation

At the Payments UK Board Strategy Away Day the concept of a collaborative payments delivery body was favoured and it was agreed further work should be undertaken to develop a potential model. This document has been developed to help inform discussions with stakeholders and has been further iterated following feedback and it is now referred to as a single independent payments entity.

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WHY IS IT NEEDED?



- The payments industry has to deliver an unprecedented amount of change over the next few years with the implementation of the PSF's strategic initiatives, PSD2, CMA's retail banking remedies, ring-fencing, data standards and regulation. However the industry needs to deliver this change whilst continuing to provide its customers with the efficient, resilient and secure payment services they receive today
- In order to do this a substantial amount of coordinated collaboration is required to meet users needs and deliver the changes effectively
- Currently, there is no existing entity which is able to implement collaborative change and provide the regulators with the necessary regulatory oversight and accountability. **This risks a fragmented approach and sub-optimal delivery and compromised outcomes**
- In addition, there has been a recognised need across the industry to simplify and seek efficiencies through the consolidation of the retail PSOs and governance of other overlay services, codes and guidelines. These organisations have multiple boards, committees and potentially overlapping work programmes which risk duplication and place a significant strain on industry resources. **This also acts as a particular challenge for smaller PSPs who need to access the industry**

There is now an opportunity to propose a single independent entity - a consolidated retail PSO with an expanded remit. It would be free from legacy issues and governed to provide the industry's stakeholders with assurance that their current and future needs will be met, while giving regulators the oversight and accountability they need.

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WHAT IS IT?

A single entity with the core purpose of housing the designated single retail PSO; providing efficient, resilient and secure payment services for the UK and transparently executing change in payments. It would be free from legacy issues and governed to engage with the industry's stakeholders and provide them with assurance that their current and future needs will be met, whilst giving regulators the oversight and accountability that they need.

What it is not:

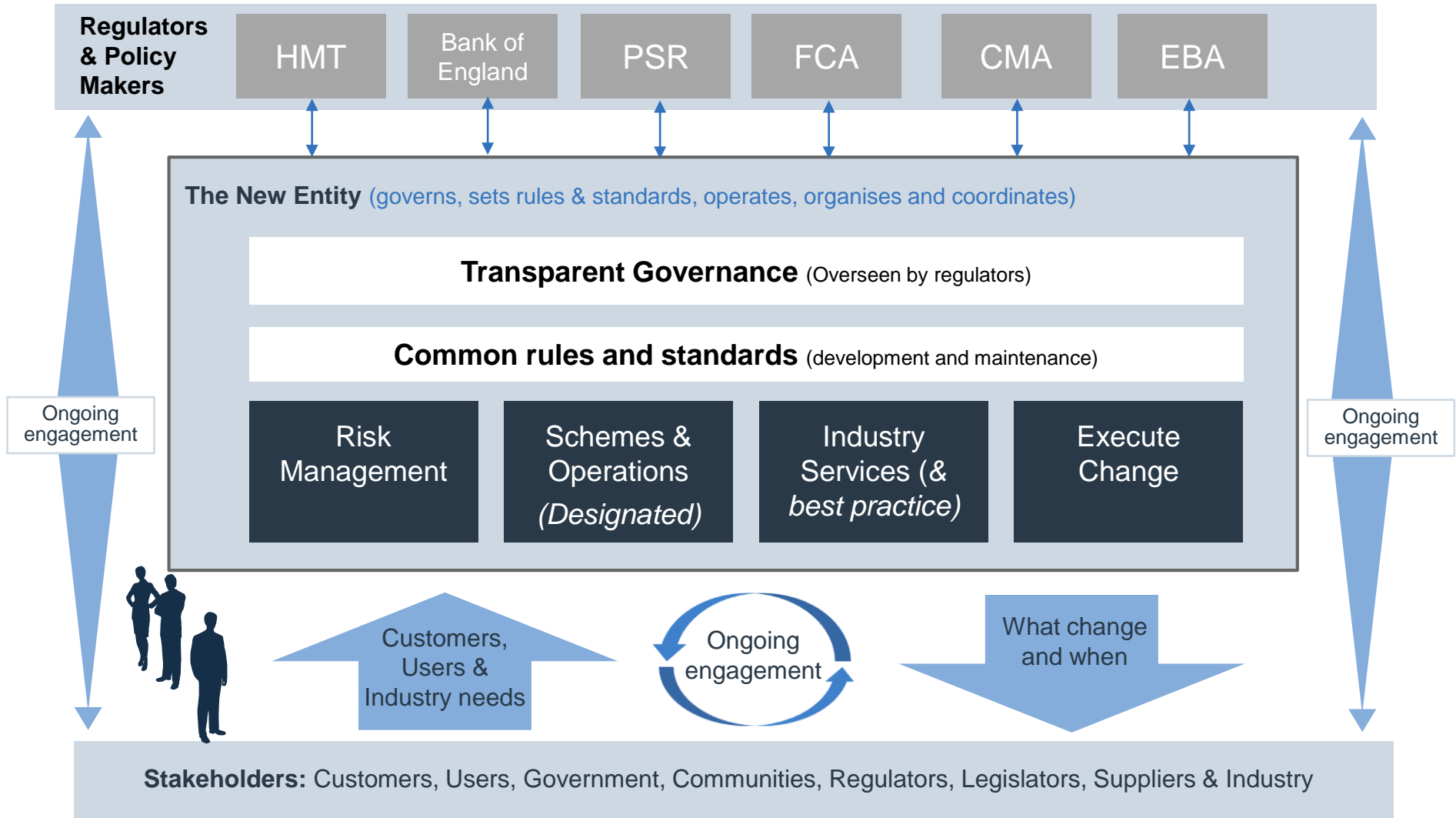
- Not a trade association, or only the retail PSO, or a strategy setting body, nor an additional entity to what's already being proposed within the industry

What it does:

- Works to achieve a strategic and joined-up approach to execute change for the retail payments systems and wider industry
- Develops, promotes and maintains common standards on a transparent basis to support interoperability
- Provides a transparent and independent governance framework overseen by regulators
- Provides sufficient cross-industry representation to ensure a breadth of understanding and experience for decision-making and successful implementation
- Provides interbank retail payment services on a not-for-profit basis whilst building on the leading reputation that the UK already has achieved for efficiency, resilience and security.

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What is It? Illustration of the Entity and its key relationships

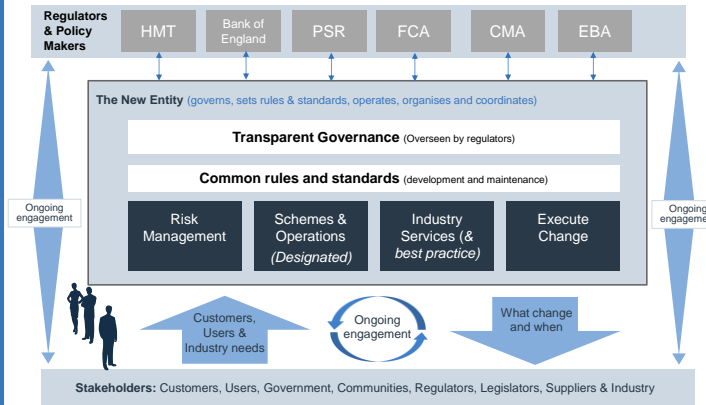


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WHAT ARE THE BENEFITS?

1. UK Plc

- **Better solutions** - takes account of all UK PLC interests
- **Promotes competition, innovation and access** – independent governance ensures UK PLC interests are the core consideration
- **Reduces payment costs** - a focused centre of excellence for payments collaborative delivery will achieve economies of scale and improve effectiveness
- **Attracts delivery talent** - creates a central pull for payments talent (i.e. delivery, co-ordination, RPSO, industry services), building experience and knowledge
- **Retains delivery expertise in one place** e.g. API delivery is retained and can be used to benefit UK PLC across subsequent change
- **Enables implementation at speed whilst not risking stability** – expertise in collaborative stakeholder management critical to deliver at required speed for users, whilst protecting stability
- **Facilitates interoperability** – Integrating Standards, Design & Delivery, the Consolidated Retail Payments Systems Operator, APIs and other implementation programmes fosters focus on interoperability in a non-discriminatory way
- **Facilitates regulatory oversight** - oversight built into the governance will benefit users through the industry delivery of better user outcomes.



2. Regulatory Bodies

- **A trusted delivery destination for the PSF strategy** – an accountable destination to deliver the PSFs strategy and mandate
- **A system wide management of delivery change risk for the BoE** - a trusted organisation to take a holistic system wide view of delivery change risk to support stability
- **An accountable body to enable regulatory oversight and supervision** - regulators will have a single body who can be held accountable to deliver collaborative payments change
- **A trusted independent body** - regulators will have an independent body, with broad stakeholder representation, who can be trusted to develop payment systems in the interests of the end user
- **Body remit delineated from FSTAR – delivery is separated** from policy and advocacy activity
- **More effective collaborative change delivery** - a dedicated permanent delivery body will provide regulators with more confidence that collaborative change will be implemented more effectively and will enable the industry to mobilise at higher speed to implement regulatory change.

3. Payment Service Providers

- **Optimising the efficiency and effectiveness of delivering industry change** - One single place to deliver collaborative change will bring efficiencies in avoiding the set up of multiple bodies; overlaps in delivery programme activities and reducing overlaps in the demands on industry participants, particularly for smaller PSPs
- **Improved solutions** – Payments delivery knowledge and expertise in one place and retained to deliver ongoing collaborative change (n.b. policy / thought leadership expertise to inform delivery may reside in FSTAR)
- **Effective stakeholder management** - significant ability and experience in collaborative stakeholder management retained in one body across delivery, standards, retail PSOs, API implementation, services etc.

A SINGLE INDEPENDENT PAYMENTS ENTITY

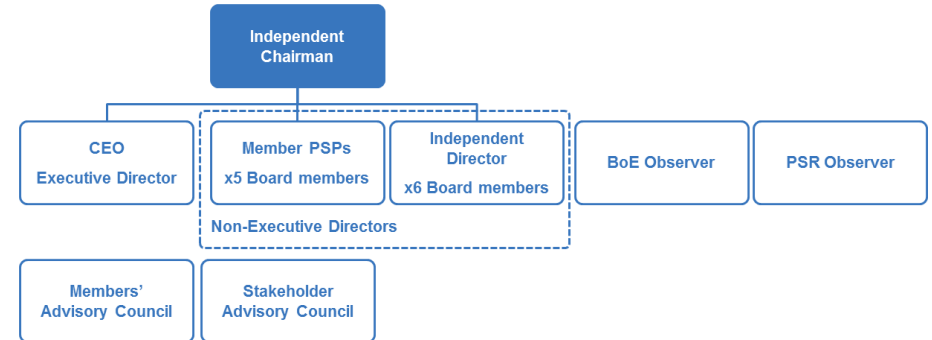
HOW COULD IT BE GOVERNED?

Potential Board Structure

The illustrative board structure to the right, shows a governance that conforms to the following design principles:

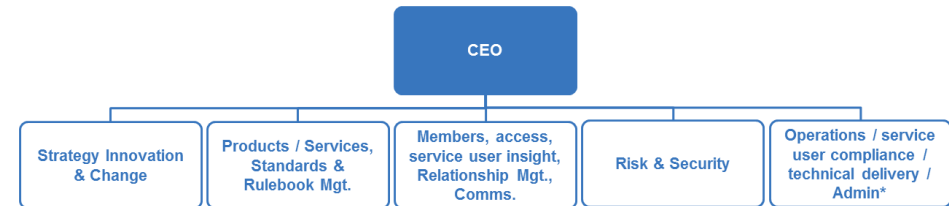
1. The governance grants a voice to the industry and wider stakeholders in the payments eco-system
2. The organisation is independent
3. The board must have sufficient industry experience to ensure decisions are taken with full understanding of system resilience and stability
4. The board is of a reasonable size to ensure effective decision making.

A members' advisory council has been included as a forum for the members to feed in requirements, advice and direction on operational matters and a stakeholder advisory forum to gather information on stakeholder needs.



Potential Management Structure

It is envisaged that the draft management structure developed for the consolidated RPSO could be utilised and supplemented with a minimal number of additional committees reporting to the Board where additional industry expertise is vital. For example, an RPSO operating committee and an API implementation committee might be required to support the board.



Potential Corporate structure

Initial thinking is it is a company acting as a utility, charging for its services to recover costs, with focus on resilience, improving member access and finding efficiencies, not focusing on profit maximisation. A company limited by guarantee is a suitable structure for a company where the primary form of funding is a call on members. This is a familiar, functioning structure currently used by Bacs and FPS.

An independent collaborative delivery body

Limited by guarantee (no shares but liability of contribution on liquidation)

A SINGLE INDEPENDENT PAYMENTS ENTITY

AREAS FOR FURTHER DEVELOPMENT

Topic	
Mandate and accountabilities	<p>What is the finalised mandate and accountabilities?</p> <ul style="list-style-type: none"> Key stakeholders need to be engaged to clarify the mandate and accountabilities of the Single Independent Payments Entity (SIPE)
Board composition	<p>What is the most appropriate board structure for the SIPE?</p> <ul style="list-style-type: none"> Key stakeholders need to be engaged to discuss and gain input into board structure options
Membership	<p>What are all the categories of membership to ensure the SIPE delivers its regulatory and industry delivery objectives and protects the interests of UK PLC?</p> <ul style="list-style-type: none"> Note all current scheme members will be members of the SIPE There could be a two tier membership model, for direct and indirect participants, for example
Funding	<p>What should the funding model be?</p> <ul style="list-style-type: none"> Payments system usage, as per the previous RPSO analysis, could be a combination of transaction fees, delivery project fees and regulator fees. Membership fees would be avoided to encourage new entrants Programmes of work such as API implementation to be funded separately
Designation	<p>Should all of the SIPE be designated?</p> <ul style="list-style-type: none"> Similar to Payments Canada it is anticipated that the RPSO scheme business would be designated and regulated as such, but the organisation itself would not. This would allow it to enact both regulatory mandated and industry driven collaborative change
Alignment with FSTAR	<p>What is the detailed alignment with FSTAR? This requires further development</p>
Time dependencies / sequencing	<p>When and how do the different functions and entities come together? Examples of questions that need answering include:</p> <ul style="list-style-type: none"> Is this a completely new corporate entity into which the different entities lift into, or do the organisations fold into an existing corporate structure e.g. an existing scheme, Payments UK etc. At what point do the different bodies fold into the new structure, e.g. does the consolidated RPSO fold into the structure once consolidated or consolidate straight into the new entity The CMA has set timescales for the API implementation work, at which phase would this body be able to move to the new organisation without impacting its delivery? What are the detailed stepping stones to achieving the final set up of the SIPE?
Interim step for Payments UK Design & Delivery and Standards	<p>What should happen to the Payments UK Design & Delivery and Standards teams in the interim?</p> <p>It is anticipated the Standards team and the Design and Delivery team will be required to support the API implementation and thought is required as to where these teams can be placed in the interim so that their support to this initiative is not disrupted. Current options include:</p> <ul style="list-style-type: none"> Temporarily moving to FSTAR until the new organisation is established Maintaining Payments UK as a going concern until the new organisation can absorb the teams
Management structure	<p>What is the most appropriate management structure for the SIPE? Key stakeholders will need to be engaged to discuss structure options.</p>



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ANNEX 2 - THE REGULATORY CHANGE AGENDA

It is already clear that the regulatory mandates involved in the implementation of structural reform, PSD2, the CMA remedies, PSR market reviews on infrastructure provision and access remedies, and the image clearing system for cheques place significant and complex demands on the industry for delivery. Organising these activities in a way that maximises efficiency, maintains a customer centric view and makes best use of industry change resources is very challenging. There is a clear and present risk of fragmentation, overlapping scope and competing mandates.

We also note that development of the strategy will need to take account of the impact of “Brexit” on UK payments systems as the impact becomes clear.

During the period 2017-18, any strategy will need to include delivery of the existing regulatory mandates. For example the payments industry must respond to and deliver the following:

- Structural reform or ring-fencing. The legislative deadline of 2019 is absorbing industry change capacity as the affected banks, and industry more generally, implement a series of interconnected changes impacting legal structures, operational structures and technical systems.
- PSD2 by early 2018 for which the Financial Conduct Authority will be the main UK competent authority, and which includes requirements for PSPs to make a significant number of changes to existing operations, including allowing customers to make use of payment initiation and account information services across Europe.
- The European Banking Authority Regulatory Technical Standards (EBA RTS) on strong customer authentication and secure communication by late 2018.
- The PSR market review of infrastructure provision including remedies to hold competitive procurement exercises before current contracts for central infrastructure services come up for renewal, or at the next break clause in a contract, and enhanced interoperability, including a common international message standard for Faster Payments, Bacs and LINK.
- The PSR market review of indirect access requires progress over the next 12 months to address regulatory concerns about the limited choice of Indirect Access Providers (IAPs); quality-related issues; and barriers to switching resulting from the industry response to financial crime regulation, lack of entry of IAPs and increasing demand for real-time payments.
- Building on the Open Banking Working Group report, the CMA Retail Banking Market Investigation requirements for certain banks to work together to deliver an open banking API through a new Implementation Entity and governance structure, with deliverables in 2017 and 2018.

ANNEX 3 - RESPONSES TO INDIVIDUAL QUESTIONS

Consultation question 1: End User Needs

- Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

We agree that End User needs should be the driving force for the payments industry and that the needs of all payment users, including small businesses and the third sector, should be considered in the analysis and decision to make any changes to payment services. The strategy's focus is on consumers and must be broadened to recognise other users.

Our work on World Class Payments took an evidence-based approach to engage with a wide range of payments users and those who offer payments services. Findings were published in an initial report published in August 2015 (*World Class Payments in the UK, Enhancing the payments experience*). Four key groups of users were identified with common needs: (i) consumers (ii) small businesses, charities and the voluntary sector (iii) corporates and government and (iv) financial institutions and payment services providers. We actively sought wide participation with these broad sectors to ensure all users' needs were effectively considered in our work.

We analysed feedback and research from all customer groups and identified 13 capabilities or features needed to maintain world-class payments. Payments UK has prioritised four capabilities: Confirmation of Payee; Enhanced Data; Request to Pay; and Open Access. We have provided our insights and further work on these priorities to the End User Needs and Simplifying Access to Markets working groups. We also published further reports in early 2016 providing more detail on our thinking on these priorities. These are all published on our website¹.

¹ For all these publications see: <http://www.paymentsuk.org.uk/projects/world-class-payments>



The diagram above sets out the 13 core capabilities identified by Payments UK in its evidence-based World Class Payments work.

Taking a holistic view ensures that changes do not benefit some users to the detriment of others. It also ensures that capabilities can be considered to meet similar needs from different user

groups. Current and future users should also be considered in any analysis so that the widest access to payment services can be promoted.

Consultation question 2: Financial Capability

- 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?

We agree that there should be a set of principles to ensure the needs of all users, including the most vulnerable, are met. The primary focus should be on (i) access to payment services, (ii) ease of use and (iii) appropriateness of services for the needs and requirements of users. Issues of financial capability are an important consideration within these three areas.

We recommend that these principles should be developed collaboratively by the industry and applied widely, not just to the development of collaborative payment innovations but also to other activities within the industry and major process and/or system changes. Alongside these guiding principles, payments industry-specific tools should be developed to analyse and evaluate the impact of change on user groups.

Payments UK has a strong body of research on user needs and detriments. Specific user groups investigated include: the elderly aged 85 and above; people on low incomes; people with cognitive, sensory and physical disabilities; people who need to delegate payments; and those with issues accessing cash. Work has also been done to meet the needs of chip and signature users, the multiple authorisation needs of the third sector, payments in error and creating user friendly pathways into technology within payments. The findings have been made public and shared with our members and their product design teams.

Consultation question 3: Request to Pay, Assurance Data, Enhanced Data

- 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?
- Is there anything else that the Forum should address that has not been considered?

Request to Pay, Confirmation of Payee and Enhanced Data were identified as three of four priority areas in our work on World Class Payments.

Request to Pay is described in the consultation document as 'a new payment instrument'. We disagree with this description, since it implies that the concept would be tied to just one type of payment. We believe it is more akin to a 'scheme' or rather an 'industry' or 'overlay' service.

The key point is that Request to Pay (RTP) is an enabling mechanism for a requester to send their request and for the receiver to be able to respond in a manner of their choosing. RTP would complement existing ways to pay, potentially benefiting consumers, small businesses, charities, larger corporate users and government. It would give greater control and flexibility over the timing of regular outgoing payments such as bills, and would provide billers with the opportunity to make e-invoicing and reconciliation processes more effective.

Our report on RTP - *A vision for world class payments in the UK – A focus on a request to pay capability (March 2016)* highlights some key principles that would ensure successful, wide adoption of Request to Pay:

- Everyone should be able to benefit from the innovation. It needs to be industry-wide, ubiquitous and interoperable.
- A common set of technical standards for RTP messages would ensure consistency and quality across the industry.
- The impact on businesses and corporates would need to be minimised, and any proposition should be interoperable with their existing processes where possible.
- The proposition should ideally seek to complement existing billing and payment options to avoid a fragmented billing market.

These principles would also facilitate integration of the capability into e-banking channels or deployment via APIs (Application Programming Interfaces). The latter could also facilitate payment requests to be made or sent from within other non-banking applications, such as social networking sites or accountancy software applications.

The above principles would, we believe, address the risks outlined in the consultation document.

In our view **Assurance Data** comprises a number of elements. The first of these is Confirmation of Payee, the second is the availability of Real-time Balances and the last is the Visibility of the Payment Journey (three of our 13 World Class Payments Capabilities).

Confirmation of Payee as a concept already exists when using the mobile phone Paym service, which confirms the name of the intended recipient of a payment before a payment is processed. The Paym model utilises a centralised database which customers opt in to use. One option would be to develop this model to make it available for all payment types. This would help customers make all their payments accurately, not just those they make through Paym. An alternative option to make Confirmation of Payee part of the payment process would be to make use of API technology. Payments UK has recently undertaken exploratory work with its members on a Confirmation of Payee model using API technology. This model is not reliant on a centralised database.

The benefits of a federated approach might include:

- Direct Third Party Provider to payee Bank (point to point) messaging

- Payment scheme access is not required
- Reduced dependency on centralised infrastructure
- Agnostic of payment scheme and location
- No change to existing payment rails
- Potential for reuse and alignment with CMA and PSD2 API frameworks

As a next step further work should be undertaken to assess these two potential Confirmation of Payee models.

In summary we are supportive of each of the elements of Assurance Data being introduced. We agree with the Forum's view that the risk for consumers are minimal (provided that the elements are introduced in a consistent way and are unambiguous and easy to understand).

We recognise that for many PSPs the introduction of Assurance Data may require considerable investment, particularly for smaller institutions or larger ones with complex systems. However, we believe that these are capabilities that could be introduced over time along with the natural evolution and renewal of IT and information systems within institutions. It would be useful for the PSF to examine the merits of establishing a target date for the introduction of Assurance Data.

We agree that **Enhanced Data** would enable more and better information to be linked to payments. We are slightly concerned that the proposed solution in the consultation implies adding significant additional data to a payment. Our view is that the key is to enable the payment system to carry a wide range of unique references that can be used by the sender and receiver of the payment in a way that suits them. We have laid out our thoughts on how this would work in our dedicated report on Enhanced Data - *A vision for world class payments in the UK – a focus on Enhanced Data with payments (March 2016)*. It will be important for the implementation of Enhanced Data to address and resolve the potential risk to consumers identified in the consultation, particularly data privacy and data protection. A balance must be struck between giving users new capabilities and legal and regulatory requirements around transmission of that data by PSPs and the payment system(s).

Consultation question 4: A new payments architecture

- 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?

We believe that evolution of the existing payments systems, which have served the UK so well, is the optimum way to deliver end user benefits earlier than the proposed three year period. We also acknowledge the risk that by delivering multiple solutions more rapidly fragmentation may occur, which in itself can increase complexity for customers and for the industry. As stated earlier we

consider that an implementation plan and a coordinated approach that sequences and prioritises activity would be necessary.

The proposal for the SPP as a new architecture needs more detailed consideration before a case could be made for its introduction. We believe that it should be possible to proceed with the design and implementation of a number of solutions that will yield end user benefits sooner, namely Request to Pay, Confirmation of Payee and Enhanced Data. The industry already has a number of 'overlay' or 'industry' services e.g. CASS and Paym and these have been designed and built to connect to the existing payments systems. Should the SPP be introduced then they would need to be 'disconnected' from the existing systems and 'reconnected' to the SPP. So in the same way the design principle for any new overlay/industry services should be for them to be agnostic to changes to the underlying payments systems.

There are a number of other capabilities and features that we have identified as being important for End Users. These should be scoped in more detail to assess the opportunity to provide medium and longer term benefits and their implementation planned accordingly. As outlined in our introduction we believe that this work should be undertaken by a single independent payments entity.

Please note our response to the following questions is provided below.

Consultation question 5: Financial crime awareness and education

- 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?

Consultation question 6: Identity verification, authentication and risk assessment

- Do you agree with the establishment of guidelines for identity verification, authentication and risk assessment? If not, please provide evidence to support your response?

Consultation question 7: Central data repository

- 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?

Consultation question 8: Financial crime intelligence sharing

- 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?

Consultation question 9: Central KYC Utility

- Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your response?

Consultation question 10: Sanctions data

- Do you agree with our solution for enhancing the quality of sanctions data? If not, please provide evidence to support your response?

Given our remit and scope of expertise we respond with some high level comments based on our work in this area through, for example, the Government Engagement Advisory Group where we liaise very closely with other industry bodies, government and stakeholders on these issues.

In relation to financial awareness and education, we support a more coordinated approach to customer education and awareness which brings together the industry, government and authorities and their current activities to deliver awareness and education campaigns. We currently make consumer information available through www.PayYourWay.org.uk. This includes information and advice on different payment options and on how to avoid payment mistakes. Consumer advice on how to stay safe and avoid fraud is made available via the Financial Fraud Action website, with whom we work closely.

Payments UK has also undertaken work and engaged with specific stakeholders on financial crime intelligence sharing. The law surrounding data sharing is complex. The Government Engagement and Advisory Group, set up in 2012 as a platform for discussions between the payments industry and government (as the single largest volume user of payment services) has identified that both the public and private sectors could benefit from improvements to the scale and scope of data sharing to secure progressive reductions in fraud and error. However, improvements are reliant, in part, on amendments to the current legal and regulatory framework to enable greater data exchange within appropriate legal safeguards.

The payments industry has worked closely with the Department for Work and Pensions and the Cabinet Office to identify possible legislative changes that would remove some of the barriers to effective sharing of fraud intelligence across the public sector.

We recognise that there are benefits to enhanced sharing of fraud intelligence across the public and private sectors. The banking sector already has strong arrangements both “intra-industry” and with law enforcement for sharing fraud intelligence and is thus well placed to play its part in the new arrangements. Indeed, the banking sector currently plays the dominant role in terms of private sector intelligence provision to government. The NCA provides a real opportunity for long term and sustainable improvements. In particular, greater cross-sectoral information sharing within an improved legal framework can support collective efforts to spot and stop fraud at an earlier stage.

Industry participation in a variety of projects, including early pilots, has identified critical legal, practical and regulatory issues which require resolution. In particular, public and private sectors being able to efficiently to share fraud information in bulk, particularly where the information is suspected, rather than confirmed fraud. Key issues include:

1. Legal reassurance for the industry concerning data protection and the legal liability issues from both fraud and money laundering aspects.
2. Data protection frameworks that support action by the private sector to undertake appropriate anti-fraud measures without risking civil or criminal legal actions.
3. Equivalent legal provision to SOCA (Serious Organised Crime Agency) PA 33/34 is required for sharing between public and private sector hubs without the need to go through the NCA (National Crime Agency).
4. Changes to the SARs (Suspicious Activity Reports) reporting regime to reduce inefficiency, increase effectiveness and alter the bi-lateral nature of the consent processes.

The industry is supportive in principle but more consideration is required at an industry level as to the benefit and priority for sharing specific items of potentially suspect data. The current landscape of organisations and activities working in this space is fragmented. Clear leadership at an appropriate level will help. Overall the ability for the industry to share data with the public sector must be balanced with a sound business case for doing so, either through reciprocal data sharing or through a sensible funding model and there should be no conflicts with other legal or regulatory obligations on the industry or the public sector.

Consultation question 11: Access to sort codes

- Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response

Payments UK is aware of a broader industry issue with sort code access. Currently a different 'utility' sort code range is being used for PSPs that do not wish to access the UK clearing but who require a sort code so they can generate an IBAN for cross-border payments. Payments UK would support further strategic analysis regarding identifier standards in the UK market including sort code structure, access and assignment, as well as its dependency within the IBAN structure. In this vein, we support the acceleration of the current strategic analysis. Improving access to sort codes will improve access without the need for a sponsor and will also support innovation and competition.

We believe that the assignment of codes and identifiers aligned with industry standards could also form part of a coordinated approach by a central body. This body would be constituted to engage with the industry's stakeholders, providing them with assurance that their current and future needs will be met, whilst giving regulators the oversight and accountability they need.

Consultation question 12: Access to settlement accounts

- Do you agree with our proposal regarding access to settlement accounts? If not, please provide evidence to support your response

Payments UK supports the PSF's approach on access to settlement accounts. Specifically, we have engaged with and support the Bank of England's RTGS Strategy Review. Payments UK will continue to engage with the Bank of England on this matter across the remainder of the review.

Consultation question 13: Aggregator access models

- 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?

Our work on World Class Payments identified Open Access - the further improvement of access arrangements to the UK payment systems for Payment Service Providers – as the capability with the potential to deliver the broadest benefits. This is because we believe that achieving the optimum arrangements for payment service providers who need to access the UK payment systems enables them to be competitive and innovative without compromising the resilience and security of the payments infrastructure.

As stated in our Open Access WCP report *A vision for World Class Payments in the UK – A focus on open access to payment systems for payment providers (June 2016)* on page 13, “For many PSPs, the main requirement is for access to 24/7 real time payments capabilities through Faster Payments and a Faster Payments’ aggregator model will be a considerable help in this regard. However, feedback from PSPs suggests that potentially having different aggregators for each scheme is not their preferred solution, it would need to be one access model for all of the schemes.”

The long-term implications of aggregator solutions being used in context of the wider PSF recommendations and its strategic ambitions need to be carefully investigated. For example, would moving to a common messaging standard such as ISO 20022, still be achievable? We also support that the standards and rules to be used by aggregator services should be developed by a central body, which is responsible for ensuring a coordinated and harmonised approach to ISO 20022 mapping. At present Payments UK performs this role working with the PSOs.

Please note our response to following questions is provided below.

Consultation question 14: Common Payment System Operator participation models

- Do you agree with our proposal regarding Common Payment System Operator participation models and rules? If not, please provide evidence to support your response.

Consultation question 15: Establishing a single entity

- 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?

Consultation question 22: PSF strategy implementation

- 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?

Payments UK does agree with proposals to simplify access to payment schemes – both in terms of participation models and rules, and in consolidation of governance structures. It has been recognised across the industry that there's a need to simplify and seek efficiencies through the consolidation of the retail PSOs and governance of other overlay services, codes and guidelines. There are currently multiple boards and committees with potentially overlapping work programmes which risk duplication and place a significant strain on limited industry resources. This is a particular challenge for smaller PSPs who need to access all of the payment systems.

The benefits of a simplified management and governance structure would be an enabler for the delivery of change and innovation, streamlined access and increased competition whilst also improving efficiency. This is in line with several submissions we have made to the Simplified Access to Markets Working Group on this subject, as well as the specially-commissioned independent analysis that has also been provided.

However, we believe that change in the governance and structure of the industry could go further. An opportunity exists to create a single independent entity; a consolidated retail PSO with an expanded remit (see Annex 1). It would be free from legacy issues and governed to engage with the industry's stakeholders and provide them with assurance that their current and future needs will be met, whilst giving regulators the oversight and accountability that they need.

Over the next few years the payments industry has to deliver an unprecedented amount of change with the implementation of PSD2, CMA's retail banking remedies, ring-fencing, and data standards and regulation. It could also deliver a significant part of the implementation of the PSF strategy. It will need to deliver all this change whilst continuing to provide the industry and its customers with the efficient, resilient and secure payment services that they receive today. Creating this new single independent entity – where one does not currently exist – would mitigate against the risk of a fragmented approach, enabling the implementation of collaborative change whilst continuing to provide efficient, resilient and secure payment services.

The entity would develop, promote and maintain common standards on a transparent basis to support interoperability. Whilst its core purpose would be to house the designated single retail PSO, it would also transparently execute the change in payments described above, engaging with stakeholders and working to meet the regulators', government's and industry's priorities.

Its governance structure would need to be transparent and independent, with oversight by regulators, and with sufficient cross-industry representation to ensure a breadth of understanding and experience for effective decision making and successful delivery of change.

Consultation question 16: A modern payments messaging standard

- 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

Any successful network business, such as the payments industry, depends on common standards. To create a strong network effect participants must be able to interoperate – to communicate in a

standardised way, which forms the foundation for any service or innovation through which they interact. Payments UK agrees that common international message standards for the UK market would be beneficial. Standards are an enabler of interoperability and efficiency, helping to ensure a consistent user experience. Payments UK members have agreed that a common technical messaging standard for the UK market, chiefly ISO 20022, is an aspiration for the UK payments industry. Given the global trend towards ISO 20022 and its adoption, namely in the SEPA region, US, Australia and Canada, and given that payments is an increasingly global business, Payments UK would advocate this as the default messaging standard of choice. This would also be in line with other investments the UK has made regarding infrastructure e.g. cheque image clearing system, Current Account Switch Service and Cash ISA Transfer Service which are all based on ISO 20022. However, there would need to be a clear realisation of the business drivers before adoption. Payments UK supports the adoption of a common messaging standard as an enabler of agreed industry innovations and change, not as a deliverable in its own right. Therefore, the industry must be clear that the cost of investment and the necessary process to see this brought to market is supported by a robust benefits case.

A clear strategy should be developed for ISO 20022 adoption to ensure an appropriate and proportionate transition path.

Any migration and adoption of ISO 20022 for UK electronic payments must avoid:

- i. detrimental impact to the integrity of the payments infrastructure
- ii. introducing uncontrolled risks
- iii. detrimental customer/end user impact, whatever the segment of customer
- iv. increasing complexity for new market entrants (challenger banks, agency banks, and solution providers) to enter the market
- v. divergences as far as possible with Europe (SEPA) and other global adoptions of ISO 20022 pertinent to the customers of the UK payments infrastructure
- vi. divergences in the technical and operational documentation and to ensure as far as possible common implementation documentation that is freely and publicly available without restriction.

Payments UK would advocate a phased migration to ISO 20022; a big-bang implementation is not desirable. Coexistence between legacy formats and ISO 20022 is preferred. However, Payments UK also advocates a defined period of coexistence and there should be a limited and finite time frame. Internationally, migration paths vary between 5-10 years. Payments UK would advocate a shorter rather than longer migration path to reduce costs related to coexistence.

Data manipulation via translation services may provide technical interoperability between legacy formats and ISO 20022. However, if translation services are used, the data is not easily enriched and therefore the benefits could be lost. It is important to investigate further the potential impact of translation software and its use in the long term. Payments UK accepts that during a period of coexistence between ISO 20022 and existing formats, translation services should be employed to help manage the complexity of ensuring that all participants can send and receive data irrespective of the message standard used. Such translation services may be deployed by the payment system service provider centrally or by other service providers through payment integration software. However the choice of translation service and the full extent and scope of that service should be left to the market to decide, as it is a competitive issue with specific technical requirements that

vary by institution. It is vital that the required coexistence rules are consistent across all ISO 20022 deployments.

There is a need to have clear business rules and specific implementation guides (IGs) to foster greater interoperability when implementing ISO 20022. There would be a need for a central body to facilitate the development of a harmonised and consistent set of publicly available UK ISO IGs to ensure consistency and avoid divergence of implementation. All transactions must be compliant with these IGs. Payments UK has developed a Standards Collaboration Framework, to act as an authoritative source of documentation related to technical standards in the UK payments market. The Framework is a library of standards that enables technical mappings between formats as well as message standard development. This may be one option to consider as part of any implementation strategy.

At its core ISO 20022 uses a data library that provides business data in a standardised way that can also be used to enable other industry investments, such as the formation of standardised APIs. The option to use ISO 20022 in this way should also be considered as part of any industry investment that requires a level of standardised data.

The adoption of ISO 20022 to support the objectives as set out in the proposed Strategy need to also be considered alongside the objectives of the PSR as set out in the Market Review into the ownership and competitiveness of infrastructure provision. Additionally, any adoption of ISO 20022 as an enabler of simplified access should seek to enable other strategic industry initiatives as far as possible, to ensure reusability. This should include the end-user needs benefits that are described in the consultation paper e.g. Enhanced Data, including fraud data. As well as messaging standards, it is important to note that adoption or migration to international standards in the identifier and security space may be necessary to achieve greater interoperability as well as simplified access.

Consultation question 17: Indirect access liability guidance

- 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?

Payments UK has worked with the four major sponsor banks and the PSR to introduce a Code of Conduct for Indirect Access Providers (launched in September 2015) and this addresses some aspects of the problem described – however its focus is on payment systems access.

The problem described in the consultation is one of access to a bank account, before access to the payments systems themselves. So we understand the problem as described in the consultation document and agree that enhanced guidance for PSPs would be helpful. This guidance would help the parties in the indirect access bank relationship establish and clearly understand their respective liabilities. This guidance is not expected to take away a provider's commercial assessment of any customer it wishes to provide banking services to.

We believe that the most appropriate body to take the lead should be the PSR.

Consultation question 18: APIs

- 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?

Given Payments UK's extensive involvement to develop the Open Banking Standard report for HM Treasury (published in 2016); our work on the transposition and implementation of PSD2; and that we are supporting the nine institutions ordered by the CMA to deliver the open banking API standard CMA remedy, we see an acute need to coordinate and ensure reuse and alignment between the respective API activities. Specifically, we agree that the implementation of the Competition and Market Authority's (CMA) open banking API remedy and the implementation of access to accounts stipulated under the revised Payment Services Directive (PSD2) needs to be coordinated and sequenced appropriately. A coordinated approach is essential to avoiding fragmentation and to deliver the best outcomes for all stakeholders and end users. As already stated, there is now an opportunity for a single independent payments entity that avoids a fragmented approach to be established and API standardisation could fit within its remit.

As API use increases and the development community expands, the management and visibility of these APIs and the standards that support them becomes increasingly important. Standards form a solid collective foundation from which the UK payments industry can develop. For standards to yield the strongest benefit as a network good, they should to be developed and implemented in a way that ensures the maximum value. Payments UK believes that a robust, open and easily accessible API standards ecosystem is important to support a number of industry requirements including PSD2 and the CMA remedies. An API standards ecosystem could include a central technical capability to develop, maintain and publish common API standards. It could provide consistent data models, accessible documentation, robust security, and easy integration. Creating a coordinated API ecosystem will make the process of composing, securing and managing APIs significantly more efficient and consistent. The benefits to this approach would be to facilitate a rapid response to increased demand for open data and APIs; stripping out complexity and divergence; increased awareness and simple/coordinated access will mean the industry is better prepared and will reduce barriers to access. However, as the industry deploys common APIs the implementation approach should be open and easily-accessible to the developer community.

Payments UK is supportive of the use of open APIs to support innovation and has developed a proof of concept to deliver a Confirmation of Payee functionality using APIs. This would allow the payer to check the payee's name with the payee's bank using an account number and sort code. The findings from this initial work have been positive and demonstrated that the industry can collaborate effectively to produce quality APIs. However there is a level of standardisation and harmonisation that is necessary to support scalability and before implementation could be considered. In terms of the PSF's suggestion on the use of APIs to support the Simplified Payments Platform, further analysis should be undertaken to establish whether APIs are an appropriate solution in this regard.

Payments UK also believes there is a strong role for structured data in industry-wide API development. The use of ISO 20022 to support definitions for structured data should also be considered as part of any industry investment in APIs.

Please note our response to following questions is provided below.

Consultation question 19: Simplified Delivery Mechanism

- 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 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?
- Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding?

Consultation question 20: Simplified payments platform

- 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?

The Simplified Delivery Mechanism and Simplified Payments Platform (SPP) are radical proposals; and they do offer the potential to deliver benefits to end users. More detail is required to understand what exactly these proposals entail before the industry would be able to reach any level of agreement on whether they should be progressed. Clear evidence, involving further work to assess the potential benefits and costs would be required to make the case for a SPP. We agree that the output from the draft strategy should reduce the technical complexity and cost in the UK payments landscape. This is important for institutions large and small operating in it, to realise efficiency savings and enable more effective competition amongst providers, products and services. It is important this work does not hold back other activity that delivers customer benefit more quickly.

We expect the work required to fully assess this could take several years. At this stage all options should be kept open, including incremental development of current systems, until there is a sufficient evidence base to support a particular technical model.

We believe that the SPP, if implemented, needs to be futureproof and reviewed at appropriate intervals to ensure that it remains relevant to its end user objectives. For example, to ensure it is adaptable to developments in technology, regulation and customer needs. One Payments UK member has suggested that it may be appropriate to formally consult as the SPP concept and its benefits case develop.

Consultation question 21: Sequencing for end user benefit

- 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?

We agree that the sequencing and timing of all the activity proposed by regulators and the PSF should be brought together into an overarching plan with realistic delivery timetables, clear and transparent governance, accountability and reporting.

We believe customers should and can benefit from change before the implementation of a Simplified Payments Platform.

It is important to consider the implications of those solutions developed that are deemed 'not dependent on other proposed solutions'. Whilst they are not technically dependent on other solutions, care must be taken to ensure there is reusability, consistency and harmonisation across initiatives to ensure they can be reused as much as possible and do not create fragmentation of effort and resource.

We would attach priority to the key collaborative themes for end users described above and support the development of:

- A set of technical standards, developed collaboratively, covering messages, identity and authentication (question 6), enhanced data that provides the basis for interoperability and competition. We support the proposal for new developments to adopt a modern payments message standard (ISO 20022) (question 16)
- A collaborative standard for APIs to provide a ubiquitous solution to known customer issues including Confirmation of Payee. This is an example of a viable technical solution that delivers customer benefit and lays the basis for longer-term solutions (question 4)

Consultation question 23: Cost benefit analyses

- 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.

We are in broad agreement that further detailed analysis is required to understand the true scale of the benefits and the costs of development of all of the proposals in the consultation document. The costs and benefits need to be assessed holistically, not as each solution individually. We do not believe that undertaking them individually and 'adding them together' is the correct approach. This holistic analysis should cover how the costs and benefits fall on different users, customer groups and industry participants.

There also needs to be consideration for addressing circumstances when there is disparity between distribution of costs and benefits; for example, when industry change benefits those that do not fund the change.

MEMBER CIRCULATION

