

**Financial Crime Working Group**

# **Liability Models for Indirect Access Solution**

**Proposed Approach**

and

**Outline Project Transfer Document**

V1.0 FINAL

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## 1. Executive Summary

Liability Models for Indirect Access is part of a range of solutions developed as part of the Payments Strategy Forum work to address customer detriments and is focused on difficulties that some Payments Service Providers face when seeking bank accounts and payments systems access from Indirect Access Providers.

Further, more detailed, consultation with Payment Service Providers has confirmed that the key issue is that the Indirect Access Provider does not have sufficient direction, clarity, and guidance on relative liabilities, particularly associated with anti-money laundering obligations. This results in a worst case risk assessment, resulting in facilities not being offered and sometimes withdrawn for existing customers.

This feedback also confirmed the benefit of additional guidance being prepared specifically to cover the relative liabilities of direct and indirect Payment Service Providers, which should be developed for a range of typical business relationship models. This guidance should be developed collaboratively involving Indirect and Direct Payment Service Providers, and existing providers of guidance (e.g. Joint Money Laundering Steering Group and Regulatory Authorities).

A small set of UK focussed illustrative concept business relationship models have been developed by the Forum, which have been shown to be helpful in establishing the nature and scope of liabilities. It is envisaged that these will be developed further and combined with other models that focus on the international payments environment, using a consistent approach to assessing and establishing levels of liability.

A key consideration will be to investigate and agree positioning of the above guidance. The clear preference was for it to be incorporated into the existing Joint Money Laundering Steering Group guidance, which already contains some material relating to Money Service Business. It was acknowledged that there may be issues with the broader scope required for liability guidance, which may result in the guidance being made available through other trade associations.

It is proposed that a collaborative Working Group is established to commence the development of the guidance as part of a clear, effective and transparent governance and reporting mechanism, to ensure the end results achieve full support and address the detriments. This Working Group must comprise of and have access to a wide range of stakeholders, including Trade Association representatives where possible and practical.

A Solution Delivery Body should be identified that will be accountable for ensuring that the Solution Objectives and further work outlined in previous sections are achieved. It is recommended that UK Finance is invited to take on this role in view of its access to key stakeholder communities and its wide set of members who will cover many of the entities that will be in the scope of the liability guidance.

Following handover from the Forum detailed activity and resource planning should be undertaken, including further stakeholder engagement, by the end of Q1 2018. The aim should be to have agreed draft models and concepts prepared for broader review and testing by the end of 2018 and guidelines published having been issued for consultation and responses evaluated and incorporated as appropriate by end 2019.

## 2. Context and Detriments

The Payments Strategy Forum (the Forum) Strategy publication published in November 2016 (titled '*A Payments Strategy for the 21st Century*') assessed where collective action can promote innovation or downstream competition in a way that will benefit PSPs and ultimately customers. It concluded that payment systems should offer simple and open access appropriate to the PSP's needs and the level of risk to the payments system<sup>1</sup>.

In order to support this simple access, the Strategy identified a range of Solutions to reduce barriers to entry for new participants in the payments system, to enable increased competition in the market. These Solutions were categorised as 'Simplifying Access to Promote Competition' and included 'Indirect Access Liability Models'<sup>2</sup>.

This Solution is a strategic initiative to clarify liability models for PSPs who do not directly access the payment systems. It addresses the problem that PSPs who require payment systems access, but who do not wish to or cannot directly participate, must gain access to a bank account via an Indirect Access Provider. There remains a lack of clarity about how liability and accountability is divided between the Providers and Indirect PSPs (for example, within the JMLSG guidance for applying AML rules to end customers). This has left Providers with the view that they are overly exposed to risk (e.g. from the threat of cross-jurisdictional AML/CTF/Sanctions breaches/fines), resulting in them stipulating tougher requirements for indirect access.

This is reflected in the following User Detriments that were identified by the Forum through consulting the Payments Community<sup>3</sup>:

Ref	Detriment
54	Existing sponsor banks can limit competition as there are only a few that offer indirect access; indirect PSPs are reliant on the Sponsor Bank solution and innovation.
56	New types of PSPs may encounter difficulties in finding direct PSPs to sponsor them and get access to a payment system, due to having new models where current sponsor bank risk appetite will not support such entities.

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<sup>1</sup> See page 46 of the Strategy Document which can be obtained from the PSF website at <https://consultation.paymentsforum.uk/final-strategy>

<sup>2</sup> For more details see page 64 of the Strategy supplementary 'Solutions descriptions' document that can be obtained from the PSF website at <https://consultation.paymentsforum.uk/final-strategy>

<sup>3</sup> For more details see page 6 of the Strategy supplementary 'Solutions Detriments' document that can be obtained from the PSF website at <https://consultation.paymentsforum.uk/final-strategy>

### 3. Solution Objective

The solution recognises that in a healthy payments ecosystem, there should be clear criteria for access whether this is direct or indirect, and that all participants should understand their responsibilities and accountabilities, and be aware of any regulatory guidance which impacts them as a participant.

Following the publication of the Strategy document, the Indirect Access Liability Models Solution workstream was progressed as part of the Financial Crime Working Group, reflecting the main source of perceived threat as outlined in the previous section. This was covered by a Terms of Reference which is included in the appendix for information. A key first step was to obtain more quantitative and qualitative information regarding barriers and potential solutions from direct and indirect PSPs. This was considered best obtained through a targeted consultation process using tailored questionnaires<sup>4</sup>.

The resulting feedback created a set of specific proposals for further work that is covered in the following sections.

### 4. Consultation Questionnaire Feedback Summary

There were 13 responses in total (4 Direct PSPs and 9 Indirect PSPs), however one of the Indirect Responses was on behalf of members of a Trade Association and reflected a broad range of views. The following key points were identified from an analysis of the responses:

- JMLSG Guidance should include specific commentary on liability splits between the Indirect Access Provider (IAP) and Indirect PSP (IPSP) and in particular on the application of Proportional, Objective and Non-Discriminatory (POND) principles when considering acceptance or decline of banking and payment facilities.
- IAP view is that in the absence of direction/clarity/guidance on relative liabilities, they need to make a worst case risk assessment, which is guided by the clear retained accountability of the IAP in JMLSG 5.6.36/37 and HMRC section 9.20-22.
- IAP view is that as FCA/HMT supervision duties are risk based and they cannot therefore place full reliance on an IPSP's authorisation/registration. It should be noted that UK Money Laundering Regulations contain a requirement for the Treasury and Home Office to make arrangements for a risk assessment to 'identify, assess, understand and mitigate the risks of money laundering and terrorist financing affecting the United Kingdom' by 26th June 2018 (Regulation 16).
- The creation of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) following the recent consultation<sup>5</sup> could provide potential risk mitigation insights for IAPs, especially if the OPBAS becomes part of MLAC and JMLIT.
- There is a high risk of, and some existing evidence of, unintended consequences in the lack of clarity regarding liabilities between IAP and IPSP. This includes: money remittances being 'hidden' in other business transactions; MSBs being forced to consolidate to cover the overheads required by IAPs and reducing competition; the creation of a 'dark market' for legitimate transfers that is more prone to illicit transmission

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<sup>4</sup> Details of the targeted consultation process and copies of the questionnaires are on the PSF website <https://implementation.paymentsforum.uk/access-account-services-questionnaires>

<sup>5</sup> See the FCA guidance consultation GC17/7 'Office for Professional Body Anti-Money Laundering Supervision: a sourcebook for professional body supervisors' July 2017

activity.

- No consensus emerged for independent accreditation of MSB Money Laundering compliance or the creation of a new body to be accountable for or oversight the delivery of the Forum's recommended actions.
- Whilst there was some recognition of the wide variety of business models involving Intermediary, IAP, IPSP and MSB entities, especially in the HMRC Guidance, more examples and diagrams were thought to be useful, together with clarity on the nature of the relationships.
- Other Trade Associations should be engaged and involved as appropriate in future activity. These could include organisations such as: the Emerging Payments Association; the Association of UK Payment Institutions; the Prepaid International Forum; the Electronic Money Association; and the International Association of Money Transmitter Networks.

These key points supported the need for additional guidance to be provided specifically to cover the relative liabilities of IAPs and IPSPs, and should be developed for a range of typical business relationship models. These guidelines should also recognise and reference existing material such as the JMLSG/HMT guidance and the recently published PSR/FCA monitoring and enforcement approach under the Payment Services Regulations 2017, which includes the provision of services to IPSPs by IAPs.

## 5. Key Areas Proposed for Further Work

The Consultation Questionnaire feedback was used to form a set of proposed actions and objectives for further work, including further development of a set of models and concepts that have been created by the Forum to illustrate how value can be added over and above existing guidance.

These actions and objectives were shared with a wide range of stakeholders at a roundtable and received broad support. The stakeholders also provided feedback that the further work must cover the impact of non UK based payments and regulations, as this is seen by IAPs as a significant source of risk. This further work can be clustered into the following key areas.

### 5.1 Work collaboratively to define a set of models and concepts

The Forum work, which is based on the UK only, should be used as the initial starting point for the development of an agreed set of models and concepts that both IAP and IPSPs can relate to and that are in line with UK regulations and existing guidance. These should then be expanded to include consideration of the impact of non-UK regulations and non-UK payments, building on models and work undertaken by trade associations (e.g. Emerging Payments Association and the Association of UK Payments Institutions).

The key points of the Forum's proposed concepts to be developed for potential inclusion in JMLSG (or other) guidance as part of the future work are summarised below:

- Development of a set of relationship models covering the wide range of current and potential IPSP business offerings, together with clear identification of the roles of Principal and Agent.
- For each relationship model, applicable regulations and expectations with a clear identification where a 'business relationship' exists and what the nature of that relationship is.

- Clarification of oversight and control responsibility models for the IAP and IPSP and the principles that should be applied for each of the relationship models.
- A proposed framework for 'reasonable steps' that could be outlined to support liability risk assessments for firms and Senior Managers.

The Forum tested the basic concept of using relationship models as described above by creating a small set of illustrative examples using basic legal entity models. These are included in the appendix for information. It is important to note that these are not intended to be seen as recommendations and do not cover non-UK payments flows - these will be formed as part of the collaborative work.

## 5.2 Investigate and agree positioning and ownership of guidance

Stakeholders responding to the questionnaires had a clear preference for any additional guidance to be incorporated into existing guidance rather than create another reference source. The most appropriate was seen to be the JMLSG existing guidance and in particular as an extension to Part II Sector 1A (Money Service Business).

The JMLSG's aim is 'to promulgate good practice in countering money laundering and to give practical assistance in interpreting the UK Money Laundering Regulations' and the scope of the JMLSG guidance 'relates solely to how firms should fulfil their obligations under the AML/CTF law and regulations'<sup>6</sup>. It is likely that the further work will highlight other regulations that would be helpful to reference in the guidance (e.g. the Payment Services Regulations when considering POND principles) which could raise issues with the scope of the JMLSG guidance, although reference is made to other guidance material so this may not be a barrier in practice. The work of the JMLSG is also governed by its members, who would need to agree the principle and priority of any additional guidance.

If JMLSG Guidance was found to be an unsuitable vehicle, there are alternative sources of guidance that could be leveraged such as other Trade Associations (e.g. UK Finance). This would require careful positioning to ensure that such guidance was not seen as only relating to a particular community represented by the Trade Association and, if replicated across a number of Trade Associations, is kept current and consistent.

Whilst the consultation feedback supported inclusion of specific guidance on the application of the POND access requirements of the 2017 Payment Services Regulations, the recently published PSR/FCA approach contains a significant amount of information and clarity that should be given time to embed and demonstrate effectiveness, before any additional guidance is produced.

## 5.3 Build guidelines including consultation and support from key stakeholders

The recommendation is that a Working Group is established to develop the guidance, irrespective of ownership, in order to minimise the delay before it is available to address the detriment.

The Working Group must include a wide range of stakeholders, including Trade Association representatives where possible and practical. There are likely to be various strands of activity that may be better managed by sub-groups comprising subject matter experts. There needs to be a clear, effective and transparent governance and reporting mechanism in place to ensure the end results achieve full support and address the detriments.

The Working Group should also explore the potential impact of the new Office for Professional Body Anti-Money Laundering Supervision (OPBAS) that is due to be introduced following the recent consultation which closed on 17th August 2017. In particular, if OPBAS does have delegated responsibilities and these are further discharged by a relevant

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<sup>6</sup> See JMLSG website <http://www.jmlsg.org.uk/faqs>

Professional Body, there could provide some risk mitigation opportunity, especially if OPBAS is represented on MLAC and JMLIT.

## 6. Solution Delivery Actions and Timescales

In order to take forward the above recommendations, there needs to be clear ownership by and an effective handover to a 'Solution Delivery Body' which has, or has access to, the requisite skills and resources.

The role of the Solution Delivery Body is to be accountable for ensuring that the Solution Objectives and further work outlined in previous sections are achieved. There is no assumption that this work will be entirely resourced or funded by the Solution Delivery Body, although suitable funding will need to be agreed. In addition, detailed planning will be needed, taking into account availability of resources and a conclusion regarding the role of the JMLSG.

Given the nature of the work required and both the level of experience and access to key stakeholder communities, it is recommended that UK Finance is approached to be the Solution Delivery Body. UK Finance is a Trade Association with a wide set of members whose interests it is mandated to serve and will cover many of the entities that will be in the scope of the liability guidance. UK Finance also has a Board that has senior representation across the industry with a specific remit to focus on issues including 'ethics, financial inclusion, financial fraud and economic crime, access to markets and diversity'<sup>7</sup>.

It is envisaged that an initial priority of the Solution Delivery Body will be to undertake an initial, more detailed, scoping and planning exercise that will establish an appropriate plan to achieve the Forum Solution objectives set out above. The following milestones are suggested as an indicative illustrative timeline that could result from this planning.

Milestone Date	Deliverable
By end Q1 2018	<ul style="list-style-type: none"> <li>Working Group established and governance arrangements implemented</li> <li>Stakeholder engagement and communications mechanisms established</li> <li>Detailed activity and resource plan agreed and funding arrangements in place</li> <li>Initial Forum models and concepts evaluated and other models researched</li> <li>Success criteria established and agreed by Working Group</li> </ul>
By end Q4 2018	<ul style="list-style-type: none"> <li>Guideline positioning and ownership established and agreed by stakeholders</li> <li>Draft models and concepts prepared and agreed by Working Group for broader review and testing</li> <li>Original levels of detriment reviewed to confirm still apparent and addressed by proposed activity</li> </ul>

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<sup>7</sup> See UK Finance website <https://www.ukfinance.org.uk/about-us/uk-finance-board/>



By end 2019

- Guidelines published having been issued for consultation and responses evaluated and incorporated as appropriate.

## 7. Governance and Reporting

Once handed over to the Solution Delivery Body, the primary governance and reporting will be through that body's own rules and regulations. The rigour, transparency and effectiveness of these will be a factor in the decision of the Forum to recommend and agree to the handover.

In the case of UK Finance, whilst it is a new entity its constituent parts have a long history of strong and effective governance with close links to both industry and the regulators. This governance is rightly geared towards satisfying the needs of the trade association's membership, which in the case of UK Finance is broad reaching.

For this Forum Solution to be able to meet its objectives there needs to be an opportunity for stakeholders that are not represented by UK Finance members to contribute to the guidelines and also to challenge direction and progress. It is proposed that a Stakeholder Forum which includes representatives from other relevant trade associations is either identified or established that includes within its scope the achievement of the Forum Solution objectives and receives regular reports on progress.

There should be an escalation process for non UK Finance members to bring to the attention of the UK Finance Board matters that are not being discussed or addressed by the Stakeholder Forum.

Whilst not regulated by the PSR or FCA, it is recommended that UK Finance commit to providing them with regular updates on progress of this Solution, along with the other Forum Solutions being led by UK Finance, recognising that many of its members are regulated by them and would wish them to be informed.

## 8. APPENDIX

### 8.1 Terms of Reference

This document sets out the scope and approach for the PSF Indirect Access Liability Model Financial Crime Solution, as undertaken by the Financial Crime Working Group.

#### **Problem statement:**

As set out in the PSF November Strategy Paper, this solution looks to address the following problems:

- PSPs who require payment systems access but who do not wish to directly participate (Indirect PSPs) must gain access to a bank account via an Indirect Access Provider (Provider PSPs).
- There remains a lack of clarity about how liability and accountability (for example, for applying AML rules to end customers) is divided between Provider PSPs and Indirect PSPs.
- Provider PSPs - concern that they are overly exposed to risk, resulting in them stipulating tougher requirements for indirect access.
- Indirect PSPs - this restriction in market supply makes it more difficult for indirect PSPs to gain access to bank accounts which in turn support payment systems access.

#### **Solution Objectives**

This solution will look to perform the following activities:

- Identify any concerns or gaps regarding liability for indirect access in current JMLSG guidance; and subsequent follow up with JMLSG
- Identify whether the industry requires or should adopt best practice guidelines as set out in the Forum Strategy
- Identify whether there is a need for a simplified, standardised accreditation process for smaller payment institutions at the time of their authorisation and/or periodically (potentially through external accredited audit)
- Identify any concerns or considerations with regard to upcoming PSD2 legislation, specifically regarding criteria for access

#### **Stakeholders**

Stakeholders that will be engaged include, but not limited to, JMLSG, BBA, PSPs that provide access to payments accounts, and PSPs that require indirect access to payments accounts.

## Deliverables and Milestones

Deliverable	Description	Delivery	Dependency
Draft solution scope and plan	First draft of solution delivery plans and 2017 timelines. This will be informed by engagement with JMLSG and BBA in March, and include clear stakeholder engagement and interlock with JMLSG.	31-03-17	Ongoing engagement and timely feedback from stakeholders
First Round of Interviews and Workshop Complete	Interviews with stakeholders will be held to understand their views on the relevant topics. Workshops may be held to discuss these views in more detail.	30-05-17	Resource available to conduct interviews and record/collate results
Draft of Gap Analysis Document	Document created from interviews with stakeholders, and subsequently reviewed. This draft will be used to enable further conversation with JMLSG and other stakeholders.	30-06-17	Broad stakeholder engagement and interaction Resource needed to write this document
Gap Analysis Document	Document created from interviews with stakeholders and feedback from JMLSG/other bodies as appropriate. This will be the final deliverable for the workstream.	30-09-17	Broad stakeholder engagement and interaction Resource needed to iterate this document
Handover to new owner	Engagement with relevant body to handover work/commission a body to take action going forwards. The exact nature of this process will be determined as the project progresses.	30-09-17	
Checkpoint with JMLSG/other organisations	Checkpoint with JMLSG to confirm action plan for guidelines, or with other organisations as appropriate if in respect of accreditation processes or best practice guidance.	30-11-17	

## Approach

The approach for delivering this solution will include three key activities:

- Interviews with stakeholders from different stakeholder groups to get their views on their specific detailed concerns with current JMLSG guidance for indirect access liability, and seek their views on whether additional industry best practice guidelines or a simplified and standardised accreditation process might help in this area
- Representative body stakeholders may wish to send out surveys to their members to collect further feedback. This will in turn be used in subsequent documentation of materials to capture the views of the stakeholder groups in question
- Provider PSPs will be interviewed to define more clearly the criteria they would expect a PSP to meet to obtain a bank account (noting that providers would continue to exercise commercial and risk based decision-making criteria as defined within their corporate policies)
- Collating feedback into a single document that expresses the views of those stakeholders, based on information from interviews or surveys as appropriate
- Distribution of document to wider stakeholder group to gather further views and feedback to create a final Gap Analysis Document

- The industry Working Group will use the information provided by stakeholders to clarify specific concerns for consideration by the JMLSG with approval of any changes needed by FCA and HM Treasury

If it is agreed, on review of stakeholder feedback and further engagement, that industry best practice guidelines or a simplified accreditation process is required, the Working Group will consider which group/organisation is most appropriate to take this forward and set out key principles from its work and research that need to be considered

## 8.2 Questionnaire Results Summary

### 8.2.1 Provider Questionnaire Numeric Responses

Q	Question	Responses		
		Yes	No	No Answer
1.1	Separate from UK laws, are there other jurisdictions' laws your organisation needs to consider that impact your risk appetite as a Provider PSP in the UK?	4	0	
1.3	When considering whether to provide services to Indirect PSPs, does your organisation's risk appetite differentiate between the FCA and HMRC as supervisors of the Indirect PSP? This includes where the supervisor results in a different classification of the Indirect PSP.	0	3	1
1.4	In the current environment there are many types of Indirect PSP. Does your organisation anticipate a benefit to having a single supervisor for Money Laundering purposes in relation to Indirect PSPs, (for example to assist in ensuring a consistent approach for this growing market segment)?	4	0	
1.5	Where does your organisation consider the Money Laundering liability for the "actions" of an Indirect PSP currently resides?	IPSP 0	PPSP 0	Both 4
1.6	Where does your organisation consider the Money Laundering liability for the "actions" of an Indirect PSP should reside?	2	0	2
1.7	Does your Risk Appetite differ between types of Indirect PSP (for example EMIs, APIs, SPIs) and the products they provide (for example payments from and to bank accounts only, or accepting and paying physical cash)?	0	3	1
1.8	Does your organisation permit your Indirect PSP clients to provide Account Services and / or access to the Payment Systems to other indirect PSPs?	2	2	
1.8	If yes, is this to all of your Indirect PSP clients, or only for select clients	All clients 2	Select clients only 0	
2.3.1	Does JMLSG Guidance provide you with sufficient guidance to support your provision of services to Indirect PSPs, or as a Provider PSP have you had to develop your own interpretation of Laws and Regulations to cover any aspects that are missing?	JMLSG sufficient 3	Not sufficient 1	
2.3.2	If your organisation has developed its own interpretations of the Laws and Regulations, which parts of JMLSG Guidance does it supplement and/ or clarify. Are there parts of JMLSG Guidance which need to be more clearly defined?	2	2	
2.3.3	Does your organisation believe JMLSG Guidance adequately covers how AML rules are to be applied and the related liability and accountabilities of the Provider PSP and Indirect PSP?	1	3	
2.4	JMLSG guidance is currently issued as PDFs available on the JMLSG website. Would you prefer a different format, or is this current format "user friendly" enough to help you easily access the information you need to achieve what is required?	Format is ok 1	Prefer if changed 3	
4.1	In relation to complying with PSR 2017 and in addition the Open Banking requirements, does your organisation believe there should be an industry agreed approach detailing Provider PSPs roles and potentially requirements for providing Indirect PSPs with Account Services?	3	1	
5.1	Does your organisation require an external 3rd party firm to conduct a review of the AML controls and processes of the Indirect PSP, with the results provided to your organisation?	2	2	
5.1	If yes, does your organisation have a list of approved firms that may perform such a review?	1	2	
5.2	Would an industry wide mechanism to accredit Indirect PSPs to demonstrate they meet minimum criteria for the services they offer give you more comfort to enable you to offer Account Services to Indirect PSPs?	3*	1	

\* includes PPSP001 who gave a positive answer for 5.3.

## 8.2.2 IPSP Questionnaire Numeric Responses

Q	Question	Answers			
		FCA	HMRC	Both	
1.1	In relation to Money Laundering regulations in the UK, who is your principle Supervisor?	4	0	5	
1.3	Are there other jurisdictions' laws covering AML / CTF you need to consider that impact your client risk appetite as an indirect PSP in the UK?	Yes		No	
		4		5	
1.4	Does your organisation receive Account Services / access to payment systems via a Provider PSP, via an Indirect PSP, or does your organisation receive Account Services from both?	PPSP	IPSP	Both	No Answer
		4	0	4	1
1.5	Does your organisation have multiple providers (either Provider PSPs or other Indirect PSPs) to provide you with Account Services?	Single		Multiple	
		2		6	
1.5.1	If your organisation has multiple providers, is your organisation reliant on one primary provider for your Account Services? i.e. if they stopped providing these would this be detrimental to your Business.	Yes		No	
		7		2	
1.6	Has your organisation ever had its Account Services removed or restricted by a provider (either a Provider PSP or another Indirect PSP)?	Yes		No	
		6		2	
1.7	Does your organisation provide Account Services to other Indirect PSPs?	Yes		No	
		2		7	
1.7.1	If yes approximately how many Indirect PSPs do you provide access to payment systems?	1 - 10	11 - 20	21 - 30	30 +
		1	0	1	0
1.9	Does your organisation accept or pay out physical cash?	Yes		No	
		4		5	
1.10	Where does your organisation consider the Money Laundering liability for the "actions" of an Indirect PSP currently resides?	PPSP		IPSP	
		1		1	
1.11	Where does your organisation consider the Money Laundering liability for the "actions" of an Indirect PSP should reside?	PPSP		IPSP	
		0		5	
2.1.3	Are there any key differences you have recognised between JMLSG Guidance and HMRC Guidance?	Yes		No	
		1		1	
2.3.1	Does your applicable Guidance (HMRC or JMLSG) provide you with sufficient guidance on what your organisation needs to do to satisfy the requirements of Provider PSPs?	Yes		No	
		2		7	
2.3.2	Does your organisation believe your applicable Guidance adequately covers how AML rules are to be applied and the related liability and accountabilities of the Provider PSP and Indirect PSP?	Yes		No	
		8		1	
2.3.3	In your view does your Guidance adequately cover what your Provider PSP asks about your customers?	Yes		No	
		5		4	
2.4	Both HMRC and JMLSG guidance is currently issued as PDFs available on websites. Would you prefer a different format, or is this current format "user friendly" enough to help you easily access the information you need to achieve what is required?	Format is ok		Prefer if changed	
		1		8	
3.2	Do you believe PSR 2017 Regulation 105 will ultimately mean your organisation will have access to more Provider PSPs for your Account Services?	Yes		No	
		5		3	
4.1	In relation to complying with PSR 2017 and in addition the Open Banking requirements, does your organisation believe there should be an industry agreed approach detailing Provider PSPs roles and potentially requirements for providing Indirect PSPs with Account Services?	Yes		No	
		6		1	
5.1	Is your organisation required to have an external 3rd party firm to conduct a review of your AML controls and processes, with the results provided to your Provider PSP?	Yes		No	
		3 <sup>1</sup>		3	
5.2	Does your organisation believe there would be a benefit to have an industry wide mechanism to accredit Indirect PSPs, to demonstrate they meet minimum criteria for the services they offer? (The concept is to give Provider PSPs more comfort to assist in enabling them to offer Account Services to Indirect PSPs).	Yes		No	
		4 <sup>2</sup>		3	

<sup>1</sup> Includes IPSP001 that indicated they use a 3<sup>rd</sup> party for accreditation.

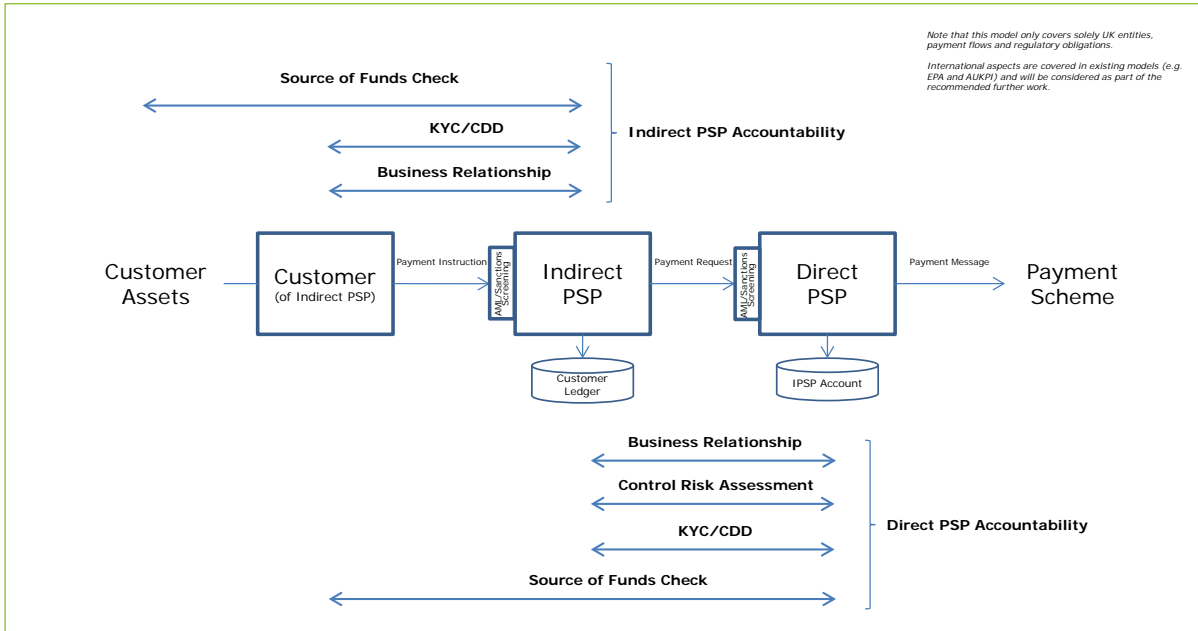
<sup>2</sup> Includes IPSP003 that indicated they are supportive of accreditation.

### IPSP Trade Body Association

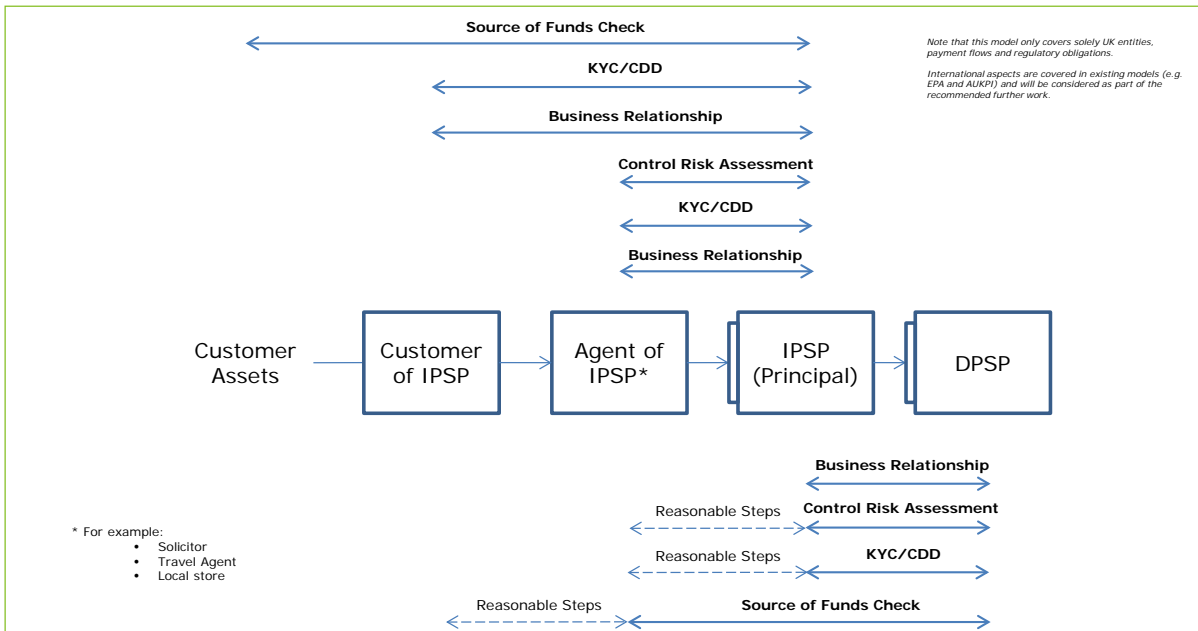
Do you belong to a Trade Association/Body and if so, which one?	IPSP 1	IPSP 2	IPSP 3	IPSP 4	IPSP 5	IPSP 6	IPSP 7	IPSP 8	IPSP 9
Not Applicable									
BBA			Y				Y		
Association of Foreign Banks									
Association of British Credit Unions									
Building Societies Association (BSA)							Y		
Association of UK Payment Institutions			Y	Y	Y	Y		Y	Y
Electronic Money Association	Y								
Association of Foreign Exchange and Payment Companies									
International Association of Money Transfer Networks									
Others	Y	Y	Y				Y		

### 8.3 Illustrative Examples of Concept Relationship Models

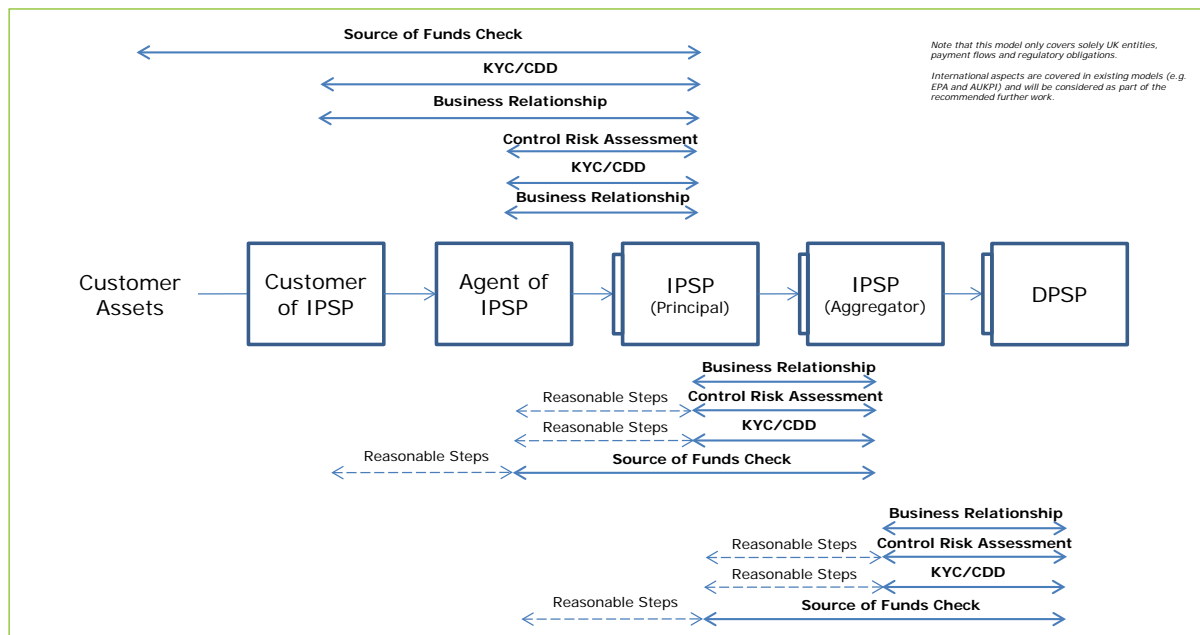
#### Basic Legal Entity Relationship Model



#### Basic Legal Entity Principal/Agent Model



## Basic Legal Entity Aggregator Plus Principal/Agent Model



## 8.4 International Payments Considerations

While the focus of the Indirect Access Liability Models Solution workstream is the UK, it is acknowledged that IPSPs are being impacted by International aspects that may restrict access to services in the UK

Provider PSPs impacted by other jurisdictions outside of the UK may well have a reduced appetite to support IPSP with payment systems access. There seems to be a particular pressure on Provider PSPS based on currency, jurisdiction and sector, especially where that focus comes from the United States on US Dollar transactions and where the payments are from IPSPs.

The core principles established in the above models are likely to be equally relevant for international payment flows, namely:

- **Liabilities are in relation to activities as a result of business relationships.** This means there has to be a tangible link via a set of business relationships between sources of liability and the entity that has that liability.
- **Actions taken beyond clear regulatory obligations are 'Reasonable Steps'.** The extent that an entity will take Reasonable Steps will be determined by specific circumstances and the risk appetite of the entity.
- **The level of inherent risk reduces the greater the number of business relationships removed an entity is from the source of the risk.** This recognises that if this is not the case then there would be no basis for any business relationships to exist. The level of reduction will however be dependent on the specific circumstances and may not be a linear reduction purely based on the number of intermediate business relationships.

It should be investigated whether existing international payment flow and counterparty relationship models can be used to demonstrate these principles by adding an 'overlay', in a similar manner to that used by in the illustrative concept models above. Otherwise global payment companies will struggle to be supported by the Provider PSPs in the UK market. This is an undesirable outcome.