

## The Payments Strategy Forum – Being responsive to user needs Draft strategy for consultation

### Respondents basic details

<b>Consultation title:</b>	Being responsive to user needs Draft strategy for consultation
<b>Name of respondent:</b>	
<b>Contact details/job title:</b>	
<b>Representing (self or organisation/s):</b>	On behalf of: Emerging Payments Association
<b>Email:</b>	
<b>Address:</b>	

### Publication of Responses

In responding to this consultation, you are sharing your response with the members of the Payments Strategy Forum (Forum), evaluators appointed by the Forum and the Payment Systems Regulator Limited, ('the PSR' - which provides secretariat services to the Forum). The PSR accepts no liability or responsibility for the actions of the Forum members or evaluators in respect of the information supplied.

Unless you tell us otherwise the Forum will assume that you are happy for your response to be published and/or referred to in our Final Strategy Document. If you do not want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly "Not for publication".

**Please check/tick this box** if you do not want all or parts of your response to be published:

### Declaration

"I confirm that our response supplied with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

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### Response template

This response template is intended to help stakeholders in responding to the questions set out in our Draft strategy for consultation and in its Supporting Papers.

If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it. We will assume that all other information is suitable for publication.

Responses should be emailed to us at [Forum@psr.org.uk](mailto:Forum@psr.org.uk) in Word and PDF formats by no later than **14 September 2016**. Any questions about our consultation can also be sent to [Forum@psr.org.uk](mailto:Forum@psr.org.uk).

Thank you in advance for your feedback.

### QUESTIONS IN RELATION TO SECTION | RESPONDING TO CONSUMER AND BUSINESS NEEDS

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**Question 1:** Do you agree we have properly captured and articulated the needs of End Users? If not, what needs are missing?

Overall, we believe most of the needs of End Users have been captured. We would also add two more. First, we would add "greater choice." This is similar to "greater control", but it keeps the door open to multiple new and innovative payment products. Not only do End Users want the ability to choose how and when to pay, they also want the advantage of having multiple payment options and the ability to choose the option that fits their needs. Such new and innovative options can often arise either out of smaller "fintechs" or large multinational online or mobile networks. Some may have more features and be more expensive; and others may provide basic services. As long as all terms are clearly and transparently disclosed, the choice is ultimately that of the End User. The future of payments must accommodate multiple payment products and must ensure that such products can be developed and introduced by a broad range of sources. Second, End Users also seek Great Assurance that their data is secure and not subject to hacking or cybercrime. Features such as real-time balance information can help; but knowing that their service providers use encryption and other tools to protect their data is also important

**Question 2a:** Do stakeholders agree with the financial capability principles?

N/A

**Question 2b:** How should these principles be implemented?

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

N/A

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**Question 2c:** How their implementation should be overseen and how should the industry be held to account?

N/A

**Question 3a:** What benefits would you expect to accrue from these solutions (not necessarily just financial)?

N/A

**Question 3b:** Do you agree with the risks we outline? How should we address these risks? Are there further risks we should consider?

We commend the Drafters for providing some proposed innovative suggestions in order to address End User needs. We have considerable concerns, however, about how such proposed solutions (Request to Pay; Assurance Data; Enhanced Data Capability) would be implemented. These are worthy goals, but will they be imposed as legal requirements for all payment products? If so, these additional features are likely to be expensive to implement and could make the costs of overall payments much higher for those who need a low cost payment solution. Top down imposition of new functionality may not only increase prices but may reduce customer choice. Smaller innovative companies that now provide services that are highly valued by their current customers may not be able to afford the costs of upgrading to add these features. Again, this comes down to End User choice. An end-user who believes a “request to pay” feature will be helpful, should have that option, recognizing it may come at a cost; Those who do not want to feature should not be forced to have it and pay extra for something they do not want or need. Over time, we recognize that these new features might become “standard” for all payments. But at this time we urge care and consideration on how it is implemented in order to ensure that End Users will continue to have a broad range of payment options with an appropriate range of prices.

**Question 3c:** Is there a business case for investing in solutions to address these needs and if not, how such an investment can be justified?

N/A

**Question 3d:** Are there any alternative solutions to meet the identified needs?

N/A

**Question 3e:** Is there anything else that the Forum should address that has not been considered?

N/A

**Question 4a:** 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?

N/A

**Question** Are there any viable technical solutions to deliver some of the consumer benefits

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**4b:** early without compromising the longer term solutions recommended by the Forum?

N/A
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## QUESTIONS IN RELATION TO SECTION 6 | IMPROVING TRUST IN PAYMENTS

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**Question 5a:** Do you agree with our proposal regarding customer awareness and education? If not, please provide evidence to support your response.

N/A

**Question 5b:** 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?

N/A

**Question 6:** Do you agree with the establishment of guidelines for identity verification, authentication and risk assessment? If not, please provide evidence to support your response.

We agree that clear standardized guidance on critical features such as ID verification would be helpful but will need to be implemented carefully over time. Care must be taken to ensure that the standards comply with applicable laws. Also, for obvious competitive reasons, the standards should apply across all industry participants that offer financial services - - not just PSPs.

**Question 7a:** 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?

Yes, this solution is helpful. It is important to ensure access to all participants in the payments ecosystem, including banks and non-banks.

**Question 7b:** Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

N/A

**Question 7c:** If any legislative change is required to deliver this solution, would such change be proportionate to the expected benefits?

N/A

**Question 8a:** Do you agree with our solution for financial crime intelligence sharing? If not, please provide evidence to support your response?

Yes, we agree that this kind of solution is useful for improving responses to financial crime. The industry would benefit greatly from receiving, fast and prompt notice whenever new fraud and financial crime typologies become apparent. Notice of new fraud typologies should not require "confirmation" but should be speedily shared. We agree that details on persons or businesses involved would certainly require confirmation.

**Question 8b:** In what way does this solution improve financial inclusion? More generally, how should the intelligence sharing be used for the "public good"?

N/A

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**Question 8c:** Do you agree with the potential risks we outline? How should we address these risks? Are there further risks we should consider?

N/A

**Question 8d:** Do the benefits of financial crime intelligence sharing outweigh the new potential risks created?

N/A

**Question 8e:** 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?

N/A

**Question 8f:** What governance structure should be created to ensure secure and proper intelligence sharing?

N/A

**Question 9:** Do you agree with the proposal to develop a Central KYC Utility? If not, please provide evidence to support your response?

Yes, we believe this collaborative approach is in the best interests of the public, the industry and law enforcement. Care must be taken to protect the Utility from hackers and cyber criminals.

**Question 10:** Do you agree with our solution for enhancing the quality of sanctions data? If not, please provide evidence to support your response?

Yes, we believe the solution of enhanced quality of sanctions data is appropriate. As with other changes, care must be taken to implement these changes in such a way so as not to disadvantage smaller industry participants, however.



**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**QUESTIONS IN RELATION TO SECTION 7 | SIMPLIFYING ACCESS TO PROMOTE  
COMPETITION**

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**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**Question 11:** Do you agree with our proposal regarding access to sort codes? If not, please provide evidence to support your response.

We agree this is a common sense solution that should implemented reasonably quickly to the benefit of consumers and industry participants.

**Question 12:** Do you agree with our proposal regarding access to settlement accounts? If not, please provide evidence to support your response.

Yes, and are pleased with the intent of the Bank of England in this regard.

**Question 13a:** Do you agree with the proposal regarding aggregator access models? If not, please provide evidence to support your response?

Yes, the cost of connecting to the necessary payment systems to afford a competitive proposition in the current account space is a definite barrier to entry and does little to promote competition. Aggregator access models, as evidenced by the new access model for Faster Payments, allow organisations to lower TCO, have faster time to market, and do not require in-house expertise to be acquired but under-utilised.

**Question 13b:** How can the development of more commercial and competitive access solutions like aggregators be encouraged to drive down costs and complexity for PSPs?

The project costs of connecting and on-boarding onto payment systems is currently the same for all participants, irrespective of size, or payment volumes / values. A proportionate on-boarding regime needs to be considered alongside technical, governance, or liability considerations.

**Question 14:** Do you agree with our proposal regarding Common Payment System Operator participation models and rules? If not, please provide evidence to support your response.

N/A

**Question 15a:** Do you agree this proposal regarding establishing a single entity? If not, please provide evidence to support your response.

N/A

**Question 15b:** If you do not agree, how else could the benefits be achieved without consolidating PSO governance in the way described?

N/A

**Question 16:** 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.

N/A

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**Question 17a:** Do you agree with the proposal to develop indirect access liability guidance? If not, please provide evidence to support your response?

N/A

**Question 17b:** What, in your view, would prevent this guidance being produced or having the desired impact?

N/A

**Question 17c:** In your view, which entity or entities should lead on this?

N/A

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## QUESTIONS IN RELATION TO SECTION 8 | A NEW ARCHITECTURE FOR PAYMENTS

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**Question 18a:** 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?

Yes

**Question 18b:** 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?

N/A

**Question 18c:** How should the implementation approach be structured to optimise the outcomes?

N/A

**Question 19a:** Do you agree with our proposal to create a Simplified Delivery Mechanism? If not, please provide evidence to support your response?

N/A

**Question 19b:** 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?

N/A

**Question 19c:** Could an existing scheme adapt to provide the Simplified Delivery Mechanism or should a new one be developed?

N/A

**Question 19d:** 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?

N/A

**The Payments Strategy Forum – Being responsive to user needs**

Draft strategy for consultation

Response template

**Question 19e:** Do you think it is feasible to begin work to design a new payments infrastructure given existing demands on resources and funding?

N/A

**Question 20a:** Do you agree that the existing arrangement of the payments system in the UK needs to change to support more competition and agility?

N/A

**Question 20b:** Will the package of proposals we suggest, the Simplified Payments Platform, deliver the benefits we have outlined? What alternatives could there be?

N/A

## QUESTIONS IN RELATION TO SECTION 9 | OUR STRATEGY IN SEQUENCE

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**Question 21a:** Do you agree with this proposed sequence of solutions and approach outlined to further clarify this?

N/A

**Question 21b:** If not, what approach would you take to sequencing to bring forward the anticipated benefits, in particular for end users?

N/A

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**QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH**

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**Question 22a:** What approach should be taken to deliver the implementation of the Forum's Strategy?

N/A

**Question 22b:** Who should oversee the implementation of the Forum's Strategy?

N/A

**Question 22c:** What economic model(s) would ensure delivery of the Strategy recommendations?

Any cost sharing must be absolutely proportionate to use and value gained from any proposed architecture.

**QUESTIONS IN RELATION TO SECTION 11 | COST BENEFIT ANALYSIS APPROACH**

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**Question 23a:** Do you agree with the proposed approach for quantifying the potential costs and benefits of the proposed solutions?

N/A

**Question 23b:** Do you agree with the costs and benefits drivers outlined in this document?

N/A

**Question 23c:** We would appreciate any information on the potential costs and benefits you may have to assist our analysis.

OK