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Ruth Evans
Payments Strategy Forum Secretariat
NE16 15th Floor
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Canary Wharf
London E14 5HS

Re: Payment Strategy Forum's Consultation – "Blueprint for the Future of UK Payments – the New Payments Architecture"

Dear Ruth

Thank you for the opportunity to respond to the Payment Strategy Forum's Consultation Paper on the Blueprint for the Future of UK Payments.

Please find attached SETL's response to this Consultation, following our participation in the forum over the last 12 months and our review of the proposals put forward in the Consultation Paper.

Please do let me know if we can be of any further assistance.

Best wishes,

Peter Randall

CEO, SETL



SETL Development Limited response to the Payment Strategy Forum's Consultation – "Blueprint for the Future of UK Payments – the New Payments Architecture"

1 Introduction

SETL Development Limited (**SETL**) welcomes the Payment Strategy Forum's Consultation Paper on the "Blueprint for the Future of UK Payments" and the opportunity to respond to it.

SETL has played an active role in the Payment Strategy Forum over the last 12 months, most recently participating in the Vendor Advisory Group. As part of this group, SETL provided a response to the Payment Strategy Forum's Vendor Questionnaire on New Payments Architecture in June 2017. In its response, SETL highlighted a number of considerations which are summarised as follows:

- SETL is fully supportive of the use of technology to foster innovation and enhance competition in payments markets;
- SETL strongly supports the ambition to propose and implement a new, more structured and considered, payments architecture in the UK;
- SETL supports the approach that any new architecture should put the customer first, not the convenience of the service providers; and should focus on lower costs, improving resilience and delivering an improved service offering; and
- SETL believes that technological advances in recent years have revolutionised global financial markets and are at a point of maturity that should enable a highly flexible and low-cost payments service across the UK to be implemented which:
 - o Increases market efficiency for all participants;
 - o Improves market liquidity, through reduced technical latency;
 - o Drives down costs for all parties, through cheaper and more efficient technical operations;
 - o Reduces market risk and exposure, and in turn supports reduced capital requirements for market participants; and
 - o Aligns comprehensively with domestic and international regulatory requirements.

SETL believes that, when implemented correctly, blockchain technology together with advanced cryptographic techniques and 21st century technology as a whole, can provide an enhanced service offering across UK payments, that can operate in line with the scale and capacity, resilience and integrity, interoperability, and security and privacy requirements of a system that is at the heart of the UK's economy.

2 Considerations

We understand that the New Payments System Operator is seeking to drive forward change by setting standards. This is an approach which we support but note that there is a balance to be drawn between increased competition and simplicity and seamlessness of the customer experience.



For example, if the customer is forced to use a 'PISP' to benefit from the 'request to pay' vision, this functionality may only be adopted by a tech-savvy few. Similarly, if consumers 'buy into' a complex payments ecosystem, they may find it difficult to untangle their services sufficiently to switch bank account. As a general point, it is crucial that standards are set with the consumer in mind, rather than being engineered to suit service providers.

In an environment where there is increased competition and distribution of service capabilities, as proposed in the New Payments Architecture, SETL believes it is critical that Know Your Customer (KYC) information is handled effectively and in a manner which can be utilised by multiple service providers securely and efficiently. An effective KYC repository that sits within the system can be leveraged to reduce error and fraud across payments, and to progress towards a longer-term vision of reduced maintenance overheads for managing KYC across the industry and potentially moving into a consumer driven self-service management of customer data.

SETL would like to suggest that a permissioned and managed distributed ledger implementation for a KYC repository could be an effective mechanism for managing data in a tightly permissioned environment, supporting controlled sharing between participants and layers across the payments architecture, assuring integrity of data and enabling a secure, scalable and efficient core service. It would enable customers to 'deploy' their identity as required.

A blockchain based KYC module would support:

- Advanced cryptographic proof of data associated with highly secure data integrity;
- A high capacity solution that is inherently resilient and operationally efficient;
- High degrees of interoperability both from a technical and market perspective; and
- Enhanced authentication and privacy management to ensure absolute control over data access.

3 SETL Background / Context

SETL is an initiative to deploy a multi-asset, multi-currency institutional payment and settlements infrastructure based on blockchain technology. The SETL technology enables market participants to move cash and assets directly between each other, facilitating the immediate and final settlement of market transactions. The SETL system maintains a permissioned distributed ledger of ownership and transactions, simplifying the process of matching, settlement, custody, registration and transaction reporting.

The SETL board is chaired by Sir David Walker, former chairman of Barclays, and includes Rachel Lomax, former Deputy Governor of the Bank of England, Ed Richards, former CEO of the Office of the UK Telecoms Regulator, and former senior Government security advisor Martin Clements CMG OBE. The SETL initiative is led by Peter Randall, former CEO of Chi-X Europe Ltd.