

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

Respondents basic details

Appendix A

Consultation title:	Being responsive to user needs Draft strategy for consultation
Representing (self or organisation/s):	Clydesdale Bank PLC

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want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly 'Not for publication'.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with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.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If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it.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 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.

Thank you in advance for your feedback.

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

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

Generally, yes, however, we should ensure all End User needs are recognised. We also note that PSPs (Payment Service Providers) want to be able to improve their understanding and responsiveness to financial crime in the system. They need more data to help them do that.

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

We support the view that the industry should adopt these principles to ensure that the interests of people with limited financial capability are protected in the design and delivery of future industry developments. Further education about existing capabilities such as FPS (Faster Payments Service) and PayM should also be considered.

Question 2b: How should these principles be implemented?

These principles should be developed collaboratively with some form of industry Code, Scheme or Standard which all participants in the industry should have to adhere to – perhaps similar to the new Standards of Lending Practice, with overarching Standards supported by best practice guidance to help PSPs interpret expectations. These principles should apply across the spectrum of payments innovation – from the Schemes down through all PSPs – and so cover both the development of central infrastructure as well as individual PSP interfaces.

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



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

These have been identified as possible deliverables that consumers and business users want/need. Delivering these to a high standard could result in increased inclusion and improved confidence and

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trust in payment systems and a potential reduction in Fraud. They may also provide greater customer choice and improved customer experience.

Request to Pay: Difficult to fully assess the benefits of this service without further research and analysis to confirm the consumer need for the service, then the benefits can be clearly identified.

Assurance Data: An increase in confidence in a payment reaching the correct payee is seen as a benefit.

Enhanced Data: Further work is needed to assess the actual demand for enhanced data, (✂)

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

We broadly agree with the risks identified and would expect these to be managed in the normal course of delivering any solution.

We would also expect additional risks to be raised as work is carried out to develop solutions.

Specifically whilst Assurance Data may increase trust in payments, there is a risk that Enhanced Data could cause fears over loss or misuse of this data.

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?

There is certainly merit in progressing with further investigation and cost / benefit and risk analysis to determine whether there is an actual need for a service and whether the stated benefits can be realised.

(✂)

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

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

The Forum may wish to consider any possible Data Protection implications (✂)

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?

(✂)

Question 4b: Are there any viable technical solutions to deliver some of the consumer benefits early without compromising the longer term solutions recommended by the Forum?

It is worth considering that the Cheque Image Clearing System proposed for C&CCC (Cheque and Credit Clearing Company) will use ISO20022 format and may have some consumer benefits if this can be developed for wider use.

QUESTIONS IN RELATION TO SECTION 6 | IMPROVING TRUST IN PAYMENTS

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

Yes

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?

No, consideration should be given to all possible delivery channels, not just an industry trade body. If an independent body is established for this purpose it should ensure all PSOs (Payment System Operators) are represented.

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.

Yes, supportive of the establishment of minimum guidelines (similar to that already provided with the Joint Money Laundering Steering Group) (✂)

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?

In essence we agree that a central repository could be a useful tool, (✂) A cost / benefit and risk analysis must also be carried out including identifying specific user needs.

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

(✂)

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

Further understanding of any proposed legislative change would be required before an assessment can be made as to whether this is proportionate to the expected benefits. (✂)

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

(✂)

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

(✂)

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

(✂)

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

(✂)

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?

Changes to the General Data Protection Regulation would need to be considered and any other associated legislation such as the Proceeds of Crime Act.

(✂)

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

We would suggest an independent body with a clearly defined purpose and data sharing protocols. All PSOs should be represented along with representation from the financial and non-financial sectors.

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

(✂)

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

We believe there would be substantial benefit in the introduction of an Advanced Sanctions Data Model. (✂)

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

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

Yes

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

Yes

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

Yes

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?

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.

Yes - standardisation of terminology, eligibility, categorisation and assurance should lead to cost reduction for participants of multiple schemes and new on-boarders.

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

Yes - although any changes should not interfere with work already underway within existing PSOs. Further analysis should be undertaken to determine which schemes are included.

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

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.

Yes

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

Yes

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

(✂)

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

Either an industry body or the PSR.

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

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?

Potential benefits include sharing best practice, reducing costs, minimising risk exposure.
A possible disadvantage of a coordinated approach would be any time delay as work may possibly progress at the rate of the slowest stakeholder.

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

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

In principal, yes, however, more detail is required to understand what these proposals entail before we would be able to reach consensus on whether they should be progressed. It is vital that robust cost benefit and risk analysis is carried out for the proposed strategic initiatives and that we explore all opportunities that may arise from this detailed analysis and investigation.

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?

It would make sense for the new consolidated entity to lead on this although the output from the ISOCC may also influence this decision.

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

(✂)

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?

Further investigation and analysis is required in this area (✂)

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

Consideration needs to be given to other major changes currently underway, for example PSD2. To begin work before PSD2 is complete would require close cooperation between the initiatives.

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?

(✂)

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

(✂)

QUESTIONS IN RELATION TO SECTION 9 | OUR STRATEGY IN SEQUENCE

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

Yes, however, it is important that we are mindful of other regulatory activity and seek to prioritise and sequence the proposed solutions within realistic delivery timelines.

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

QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH

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

Collaborative and inclusive ensuring engagement from all key participants.

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

An industry body under direction of the PSR.

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

(✂)

QUESTIONS IN RELATION TO SECTION 11 | COST BENEFIT ANALYSIS APPROACH

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



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

The costs and benefits outlined at this stage are very high level - more detailed analysis is required.

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