

HSBC BANK PLC

BEING RESPONSIVE TO USER NEEDS

A DRAFT STRATEGY FOR CONSULTATION

**RESPONSE TO REQUEST FOR
COMMENTS ON THE CONSULTATION PAPER**

12 SEPTEMBER 2016

Being Responsive to User Needs

HSBC is pleased to have the opportunity of responding to the draft strategy document, 'Being Responsive to User Needs'. Putting customers at the heart of everything we do, is part of HSBC's strategy and a further opportunity to enhance the payment solutions we offer to our customers is warmly welcomed within HSBC.

We are providing detailed answers to each of the questions but also wanted to provide an overall summary to encapsulate HSBC's overarching views on the draft strategy.

Responding to consumer and business needs

HSBC is strongly supportive of the aspects in the draft strategy that seek to improve the end user experience and we commit our ongoing engagement to support developments that enhance the customer experience. The consumer and small business focus is understandable but we would recommend the Payment Strategy Forum to also consider how to remediate potential detriments for all users of our payment systems, including all types of businesses up to and including large corporates. The strategy's scope does not appear to encompass other key facets of the UK payments landscape, including cash, cards, CHAPS and cross-border payments and whilst we understand the reasons for the current focus, we wonder whether there is a need to consider further potential customer detriments that may stem from these important payment types too?

The case for change

We support the need to better understand the true scale of the benefits and the associated costs of the proposed developments. A robust business case will be essential to determine the benefits and costs of each of the proposed enhancements as well as an overarching case to support the level of change

The PSF must also be mindful of not seeking to duplicate or overlap with developments that are already well planned or in flight.

Improving trust in payments

HSBC is highly supportive of any drive to improve the way in which we work to reduce and remove financial crime from the UK payments landscape. Whilst the proposals set out in the draft strategy are highly commendable in principle, much more work is required with the appropriate regulators and risk colleagues to alleviate the articulated risks.

A new architecture for payments

HSBC does not believe that a compelling case has been made in the draft strategy to implement the Simplified Payments Platform without significant further work, including a very robust benefits and costs analysis. We are unsure how the proposed Simplified Payments Platform sits alongside one of the identified remedies in the PSR's final report into their Market Review into the ownership and competitiveness of infrastructure provision, where competitive tendering is required. Care is also

needed to ensure that the customer benefits are not lost or unduly delayed whilst the case for new architecture is made and potentially implemented.

Implementation approach, organisation and timing

The number of solutions outlined by the PSF are very ambitious, which HSBC welcomes but the proposed developments need to be viewed against the sizeable list of mandatory regulatory initiatives that PSPs and the wider industry need to implement, including PSD2, the introduction of cheque imaging and the delivery of financial reform (ring-fencing).

It is important to recognise that in the UK, we already have one of the most advanced and diverse payments architectures and infrastructures in the world, with one of the lowest cash usage economies. HSBC supports investing further in innovative new product and services, but this has to be balanced against factors such as regulatory requirements and costs, infrastructure build and costs, strategic change risk and proportionate end-user outcomes. It is essential that enough people will benefit from a new payment technology to justify the development and operation of it in the first place.

We must not lose the opportunity that the proposed merger of the Payment System Operators presents. Without careful planning, there is a risk that multiple, fragmented entities try to achieve change in an unstructured and uncoordinated way. HSBC proposes the introduction of a single independent entity that as well as including the proposed consolidated governance structure for three Payment System Operators, would also deliver the required change in the interests of service users whilst ensuring that resilient, secure and stable payment services continue just as they do today.

There is a huge amount of change proposed in the payments ecosystem and there is a limit to how much can be safely delivered at the same time. All actors in the payments ecosystem, large and small, new or existing, need a central body which can coordinate all of the change in the collaborative domain and formulate an implementation plan that can maximise what can be delivered in the interests of end users with the available resource and investment and, most importantly, within an acceptable risk appetite (zero tolerance of operational risk or disturbance to customer service). The central body would of course be overseen by, and indeed, in no small part, work on behalf of the appropriate regulators.

HSBC believes that the entity described above should have the responsibility to determine the extent to which a completely new payments platform is required to support the delivery of the end user benefits outlined in the draft strategy and whether this can be achieved in a reasonable timescale and at very low risk. Thus it is one of the roles of this body to formulate an appropriate technology strategy, to deliver the many requirements of payments emanating from a variety of sources.