

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

Respondents basic details

Consultation title:	Being Response to User Needs
Name of respondent:	Link Scheme Ltd

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want parts of it to be published or referred to in this way you need to separate out those parts and mark them clearly 'Not for publication'.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with this cover sheet is a formal consultation response that the Forum can publish, unless it is clearly marked 'Not for publication'.

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

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If you do not want parts of or all of your response to be published you need to state clearly ('Not for Publication') over specific information included in your response, please be sure to clearly mark this by yellow highlighting it.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

We agree with the general direction of the draft proposals on request to pay, establishing greater assurance data, and delivering enhanced data for government and businesses. Cash is an important part of the overall set of options available for consumers and we wish to be engaged in the discussions on developing these ideas so that the role of cash can be understood and played in to the thinking of the Payments Strategy Forum.

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

LINK is supportive of the financial capability principles and will formally progress these with the LINK Consumer Council. The LINK Consumer Council is an independent Council which helps the LINK Scheme puts consumers at the heart of the Schemes activities. LINK activity participated in the UK financial capability strategy and are supportive of activities that support improvements to financial capability for UK consumers.

Question 2b: How should these principles be implemented?

LINK believes that it should formally adopt these principles and, as noted above, we will progress these with the LINK Consumer Council.

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

As above, we will work with the LINK Consumer Council to implement these into the Scheme.

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

Not applicable.

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

Not applicable.

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?

Not applicable.

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

Not applicable.

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

We believe that the exercise has been thorough and effective.

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?

Not applicable.

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?

Not applicable.

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.

LINK is supportive of the proposal to deliver a more joined up approach to education and awareness for consumers in order to improve trust in the payments industry and infrastructure. LINK is already focused on developing ways to engage with consumers and build trust and awareness of ATMs and access to cash. This activity has included collateral online and in printed form on financial inclusion, access to cash, fraud and crime etc. and we have worked with a range of stakeholders and consumer groups to reach the general public. LINK would be happy to share further information on these activities and participate in any work of the industry on raising awareness.

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?

As above, LINK is already undertaking activities in this area and would be happy to share learning or participate in discussions on this matter.

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.

Not applicable.

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?

Not applicable.

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

Not applicable.

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

Not applicable.

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

LINK is an active participant in intelligence sharing on ATM Fraud and Crime. We run a number of industry forums such as the ATM Fraud Group and the ATM Security Working Group which bring together a wide range of stakeholders in the industry to tackle fraud and crime at ATMs. We believe that this work is incredibly valuable to both PSPs and consumers in delivering benefits in addressing crime. LINK is happy to share its work here with the PSF and the industry, and participate in any relevant discussions.

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

See above.

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

See above.

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

See above.

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?

See above.

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

See above.

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

Not applicable.

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

Not applicable.

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.

LINK does not operate using sort codes but instead uses card data to process transactions. We do not therefore believe that it is relevant for LINK to respond to this section.

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

LINK is committed to supporting The Bank of England in its Blueprint work, including development in RTGS, and is already engaged with the Bank on this matter. We note that the PSR's report "Interim report: market review into the supply of indirect access to payment systems" found no issues in relation to LINK and access to RTGS accounts. The PSR's report noted that "Access arrangements for LINK are different to the other systems, so the scope of this review differs for LINK accordingly" and "The scope of this review for LINK is limited to the relationship between members without settlement accounts and the members that provide them with settlement services. However, we have not seen any evidence of concerns about these relationships".

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

LINK already currently supports aggregators and has eight connected to the LINK Scheme. They are EVERY, First Data, FIS Payments UK (Ltd), NETS, TNS, TSYS, VocaLink and Wincor Nixdorf. LINK is happy to share lessons with other Schemes if that would assist the work being carried out in this area.

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?

See above.

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.

LINK is supportive of the objective of improving and simplifying access to payments for the payment community. LINK is not currently a member of ISSOC as it is a committee of the interbank schemes, however LINK has committed to support work on common participation and rules. Early indications show that there is far more commonality between LINK and the international card schemes, however LINK has committed to investigate and deliver areas of commonality which will benefit those PSP's looking to join multiple schemes.

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

LINK supports the work which is looking to optimise the costs and complexity of scheme access and the investigation on whether combining scheme governance would improve this. Whilst we are keen to support this work and to hear others' ideas LINK believes that it is already organised in a manner that minimises cost and complexity for service users (LINK's Members and consumers), and delivers high quality, highly resilient, yet low cost/economically efficient service provision. We have provided evidence to this work, and the conclusion reached by the PSF is that LINK is different in a number of ways from the other interbank schemes and should be out of scope of this work. LINK supports this conclusion.

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

See above.

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.

LINK is supportive of the objective to improve competition and innovation in payments. LINK is however already in competition with other schemes in the UK including VISA and MasterCard. We therefore agree that the matter of standards is a vital competitive issue for the LINK Board and its membership, and that LINK should be out of scope of this work, both for the tactical stage and for any broader standards assessment down the track. We note that the card schemes, and LINK, operate to very different business models from the electronic schemes and that standard development is around ISO8583 not ISO20022. Any mandated move to new standards will have significant impact on LINK's competitiveness. For example, a mandated move to common standards across competitive card schemes could trigger decisions by members to consolidate scheme participation and undermine the competitive position of some schemes. It is also unclear to LINK that common standards improve its Member's ability to switch between processors, as barriers to changing connectivity appear much more significant and are not reduced by common standards. There are also a range of technical solutions such as translators on the market that would appear to offer interoperability across different standards without the need to mandate standards centrally. For these reasons, LINK intends to treat its standards strategy as a matter for the LINK Board. The PSR has recognised the different set of competitive constraints characterising LINK in its final report on the Market review into the ownership and competitiveness of infrastructure provision published in July 2016. The PSR has stated that it will consider whether a similar remedy is in fact appropriate for LINK given the competitive differences. This is a position that we welcome as we do not believe that LINK should be in scope.

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

All LINK Members are direct Members of the Scheme and so this question is not relevant for LINK.

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

See above.

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

See above.

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?

LINK is supportive of improving access to payments and is happy to participate in the discussions regarding open access APIs where it is relevant to the LINK Scheme.

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?

See above.

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

See above.

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

LINK believes that this is a very interesting area to explore further, however, not enough is known about the Single Payments Platform to ascertain whether this would be something that would gain the support of LINK and its Members. The availability of processing suppliers to support innovation is an important requirement for the LINK Scheme and so we are keen to work with the PSF to better understand how the SPP will deliver incremental innovation and competition in payments.

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?

See above.

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

See above.

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?

See above.

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

See above.

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?

See above.

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

See above.

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?

LINK thinks that the proposed approach to sequencing a large change programme of this nature is a sensible way to progress the agreed strategy. Grouping initiatives in the way the document outlines seem like a practical and structured plan. LINK believes that once the strategy has been agreed there should be a phase of detailed planning to ensure that the key parts of the strategy can be mapped out and interdependencies made clear. LINK would be happy to support and participate in this valuable piece of work.

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

See above.

QUESTIONS IN RELATION TO SECTION 10 | IMPLEMENTATION APPROACH

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

LINK is supportive of breaking down the implementation of the strategy into short, medium and long term activities which will support the need to recognise that different groups of solutions that are likely to require different implementation approaches. The implementation should have strong leadership and coordination to ensure initiatives are delivered successfully, that risks are managed effectively, and that consumer benefits are realised.

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

See above.

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

See above.

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?

LINK is supportive of the work outlined on quantifying the costs and benefits of each of the projects within the strategy. This work is important to ensure that the costs are managed effectively by the industry and that consumer benefits are tangible and realised, and that most importantly, the original detriments identified are resolved. LINK is happy to support this activity and will assist the PSF in understanding and incorporating any costs and benefits attributed to LINK, its Members and consumers.

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

See above.

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

See above.