



payments
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forum

Update for the Forum

Status update and preliminary view of consultation responses
Wednesday, 21 September 2016

Agenda

Status update

Four main workstreams are underway to deliver the final strategy report by mid-November

1 Business Case Evaluation

- High level qualitative and quantitative analysis
- Liaising with working groups to source data
- Input to final strategy

2 Implementation Planning

- Implementation and sequence planning for solutions
- Developing plan through collaboration with work groups
- Input to final strategy

3 Analysing and Assessing Consultation Responses

- Analyse and assess the responses from the draft strategy document
- Assessment report for the Forum summarising responses
- Input to other workstreams and final strategy

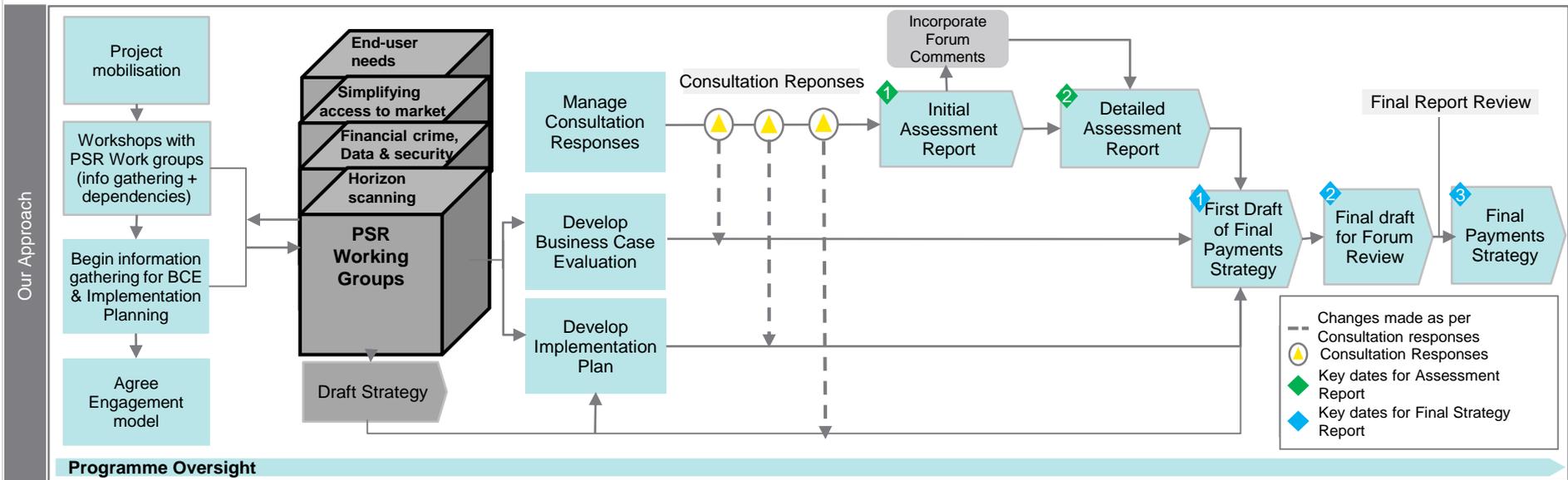
4 Final Payments Strategy

- Consolidated the inputs from other workstreams
- Refine draft strategy and narrative
- Working with Forum and Working Groups to create final strategy

Commitment and participation from all Working Groups has been instrumental to the progress of the work

Collaboration and iteration with the Working Groups and the Forum is at the heart of our approach

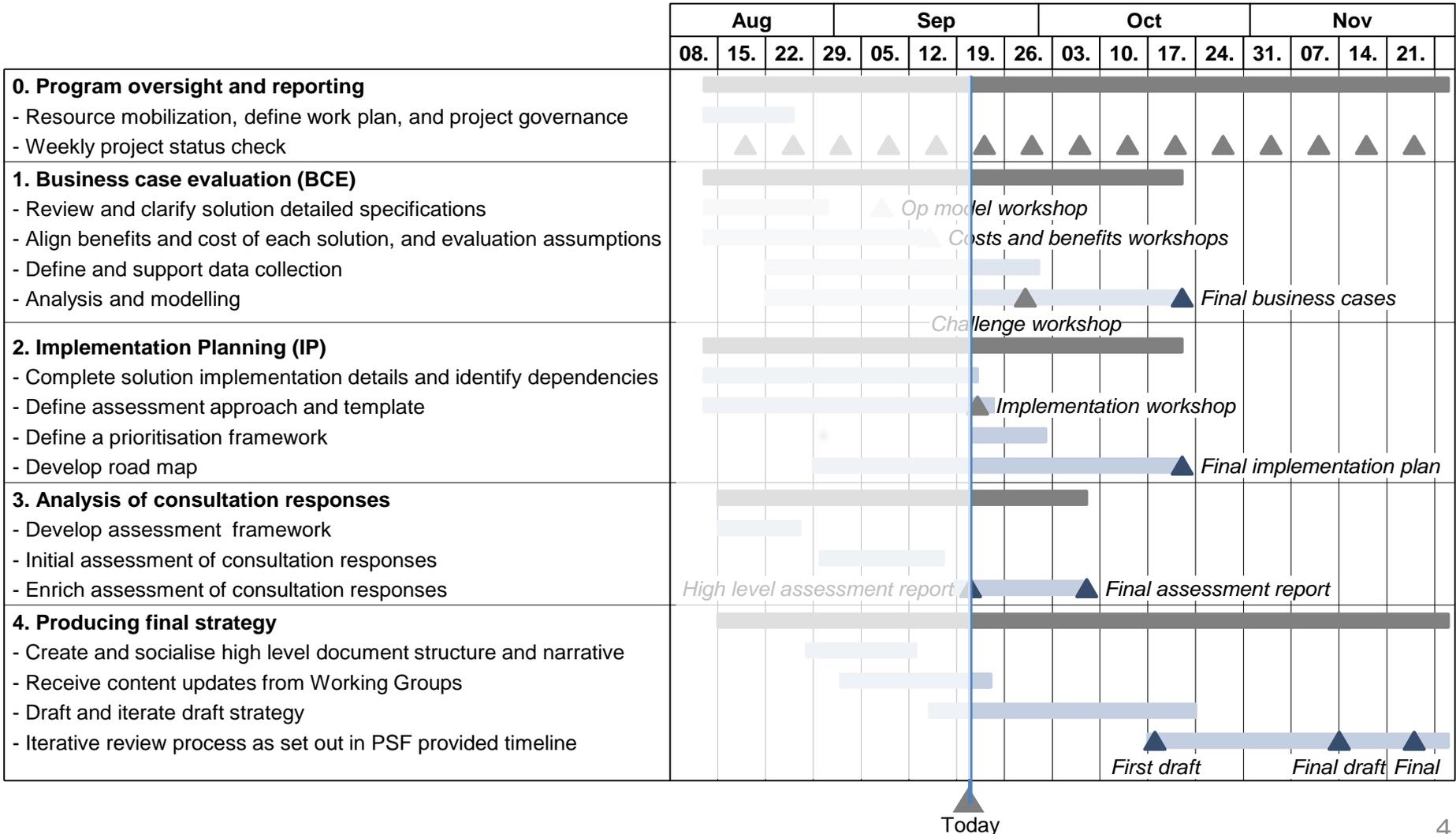
	August 2016	August to October 2016	August to October 2016	August to October 2016	September to Nov 2016
Activities	0 Mobilisation	1 Business Case Evaluation (BCE)	2 Implementation Planning (IP)	3 Consultation Responses	4 Final Strategy Report
	<ul style="list-style-type: none"> EY team is set up Workshops held with the heads of the PSR WGs to understand framework for information gathering Discuss main dependencies and define the most productive way forward Information gathering begins for BCE and IP Develop and get the ongoing engagement model agreed 	<ul style="list-style-type: none"> EY develop Economic Framework using <ul style="list-style-type: none"> Evaluation framework done by PSR Material from PSO Governance Solution Draft Strategy Document Quantitative and qualitative data to support the Business Case Evaluation Assess consultation responses and enhance high level quantitative BCE Ongoing guidance to workstreams including inputs, distil as per feedback and payback 	<ul style="list-style-type: none"> Workshops are confirmed and scheduled Use inputs from Draft strategy and workshops to develop implementation plan which includes: <ul style="list-style-type: none"> Short, medium and long term approach Key Milestones Dependencies Accountability for solutions within Plan Other regulatory requirements Guidance to workstreams including inputs, distil as per feedback and payback 	<ul style="list-style-type: none"> Gather the consultation responses Analyse and assess responses on the draft strategy Production of High level Assessment Report for the 21 September 2016 meeting 1 Reassess and prepare the final Assessment Report by 7 October 2016 2 	<ul style="list-style-type: none"> Build on Draft strategy and consultations to produce the Final Strategy Report The following versions will be produced: <ul style="list-style-type: none"> First Draft for Forum Review on 24 Oct 2016 1 Updated and Final draft for forum review on 14 Nov 2016 2 Final Payment Strategy 25 Nov 2016 3



Project Manag.	Project governance and Stakeholder management			
	<ul style="list-style-type: none"> Weekly status updates to the Forum Secretariat and Chair 	<ul style="list-style-type: none"> EY senior staff to attend monthly meetings with the Forum Chair Secretariat and Working Group Chairs and Deputies 	<ul style="list-style-type: none"> Forum meetings to provide updates and answer questions, when required 	<ul style="list-style-type: none"> Ad hoc meetings as and when required

Our timelines support an iterative final review phase over approximately four weeks

High-level project work plan

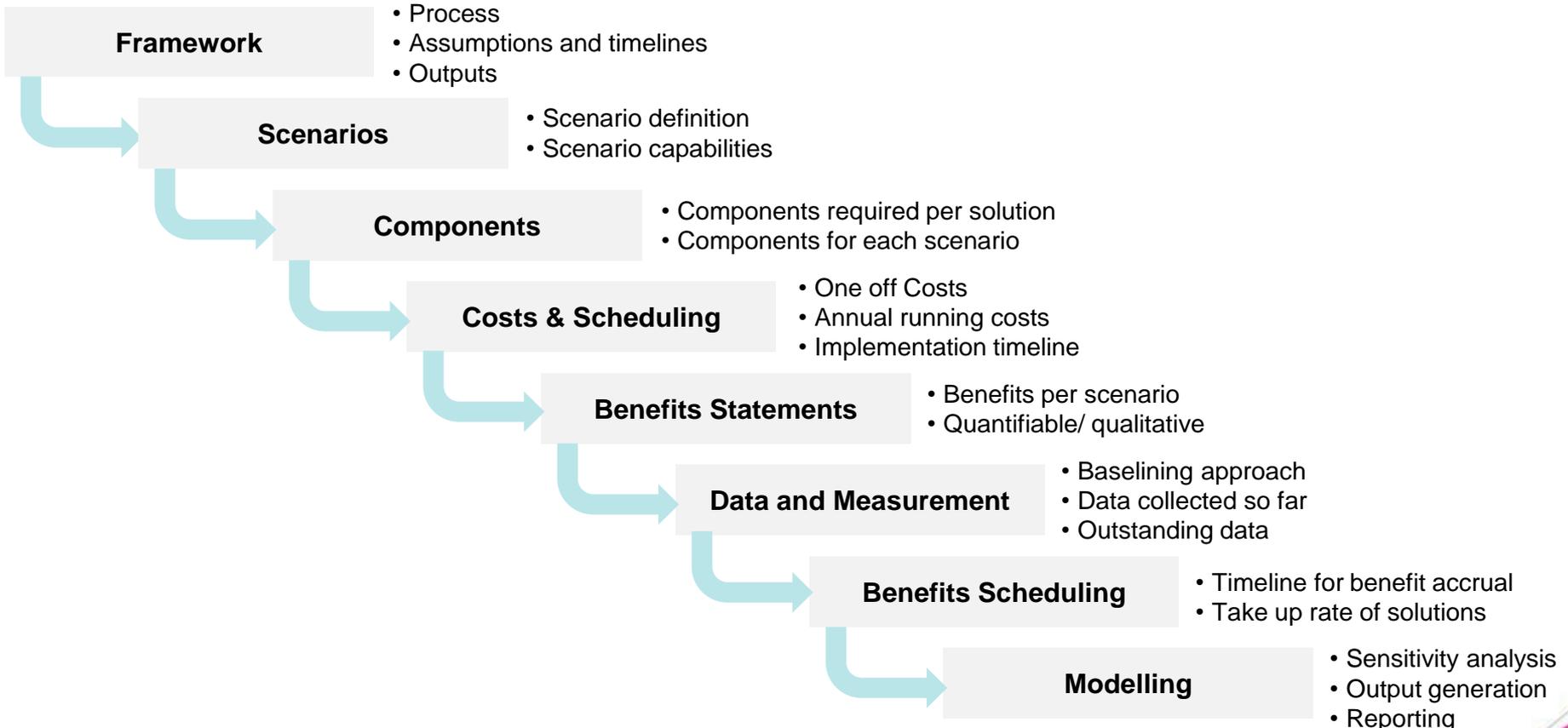


Currently we are having thematic workshops and separate sessions, moving from data gathering into analysis

	Considerations	Interactions	
Work stream axis	Solution definition	<ul style="list-style-type: none"> Operating model, other details • Thematic cross working groups workshop 08/09 • One to one sessions with working groups 	
	Business Case Evaluation (BCE)	Benefits statements ⁽¹⁾	<ul style="list-style-type: none"> • Iterative one on one sessions on specific solution costs and details • Benefits workshop to align with cross working groups sections 13/09 & 15/09
		Data and measurements	
	Implementation planning	Dependencies, commonalities and risks	<ul style="list-style-type: none"> • Information request template distributed • Implementation workshop 22/09
Timelines and sequencing			
Consultation responses	Factor consultation output into analysis	<ul style="list-style-type: none"> • Responses received and initial analysis begun • Themes feeding into other workstreams and final document • Emerging themes to be presented today 	

Workshops structured to leverage knowledge across Working Groups while equally providing wider cross group consensus

Business Case Evaluation process: considering both quantitative and qualitative elements



Analysis of the outputs of the workshops will be iterated with working groups anchored around a challenge workshop on 29/09

Overall status aligns to the work plan but risks have been identified and are being managed collaboratively

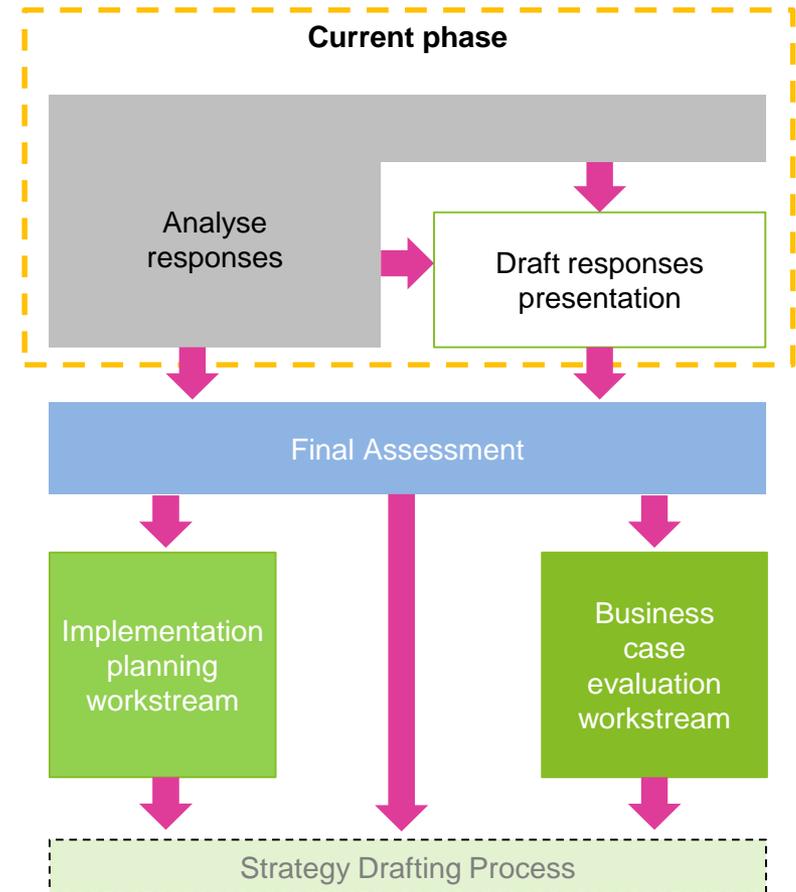
	Business Case Evaluation	Implementation Planning	Consultation Responses
Overall status description	<ul style="list-style-type: none"> • Benefits articulated in mature draft after workshops with Working groups • Modelling underway 	<ul style="list-style-type: none"> • Implementation core factors identified and prioritisation approach 'formula' defined • Information requirements distributed 	<ul style="list-style-type: none"> • Analysis underway identifying emerging themes
Main next steps	<ul style="list-style-type: none"> • Validate measurement assumptions and additional underlying data if any required • Finalise costs and timelines inputs with solution owners • Continue modelling exercise, including sensitivity analysis 	<ul style="list-style-type: none"> • Run workshop on 22/09 • Clarify solutions' commonalities and dependencies • Understand the differences in each solution's implementation approach per infrastructure scenario • Overlay broader industry initiatives 	<ul style="list-style-type: none"> • Finalise all consultation responses into framework • Identify impacts on evaluation and implementation analysis • Finalise consultation responses assessment
Main risks or concerns identified	<ul style="list-style-type: none"> • Some solution info still required • There is a need to ensure consistency of assumptions across solutions • Broader economic model question to be factored-in 	<ul style="list-style-type: none"> • Some solution information still required • Consideration of wider industry context is central to setting out a viable road map 	<ul style="list-style-type: none"> • Receiving bulk of consultation responses on 14th of September has put pressure on the plan

Agenda

**Preliminary view of
consultation
responses**

Current state

- Analysed 31 of 67 responses received to date
- Emerging themes included in this presentation
- Themes and insights will be fed into the BCE and Implementation planning workstreams
- Final assessment will feed into strategy drafting process
- Anticipated⁽¹⁾ date of completion of analysis 30th September
- Themes will be reassessed and updated as responses are analysed





Consultation for responses to PSF draft strategy

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Draft strategy paper has simple and compound questions, where required these have been broken up and themes identified

Compound question

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

Sub questions

Do you agree with the potential risks we outline?

How should we address these risks?

Are there further risks we should consider?

Question category

Risk Agreement

Approach

Further risks

Response content

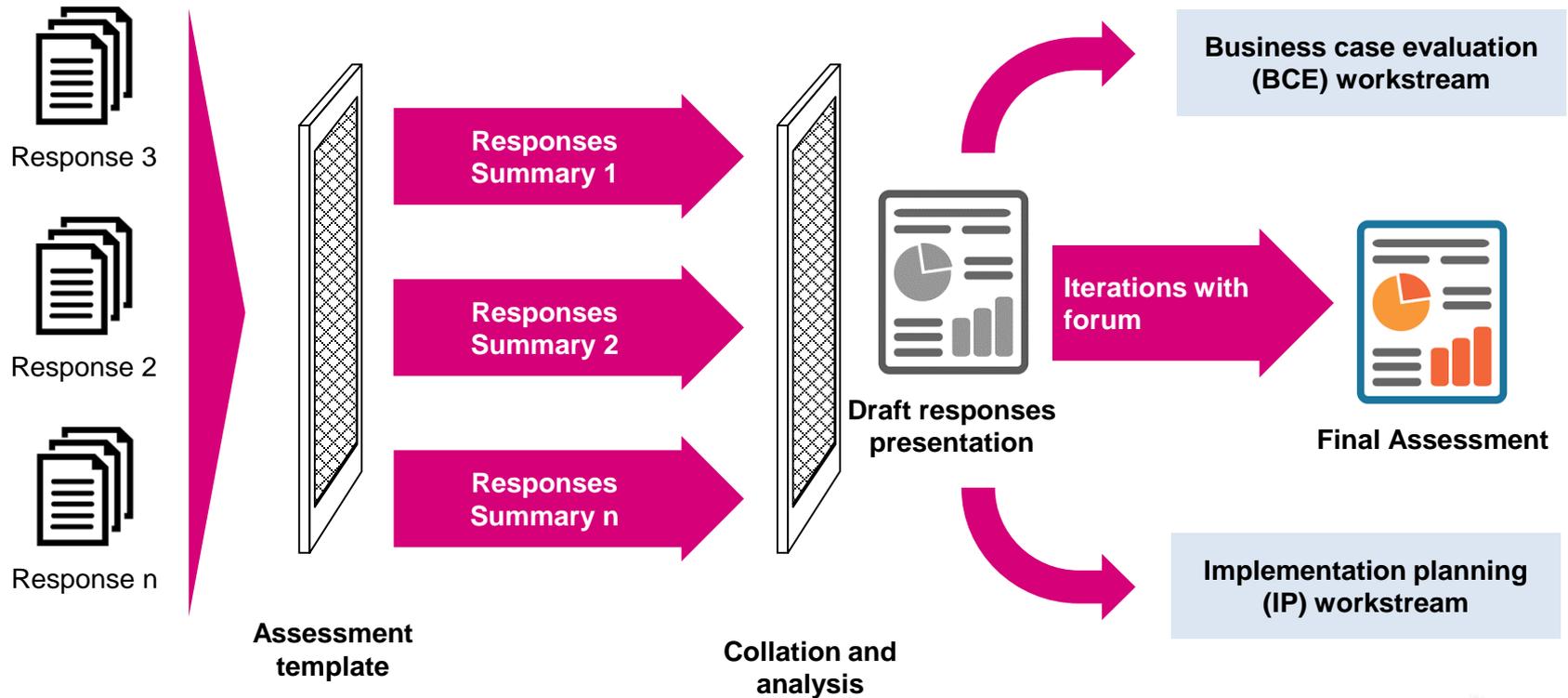
- Theme 1
- Theme 2
- Theme 3

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- Theme 3

- Theme 1
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- Theme 3

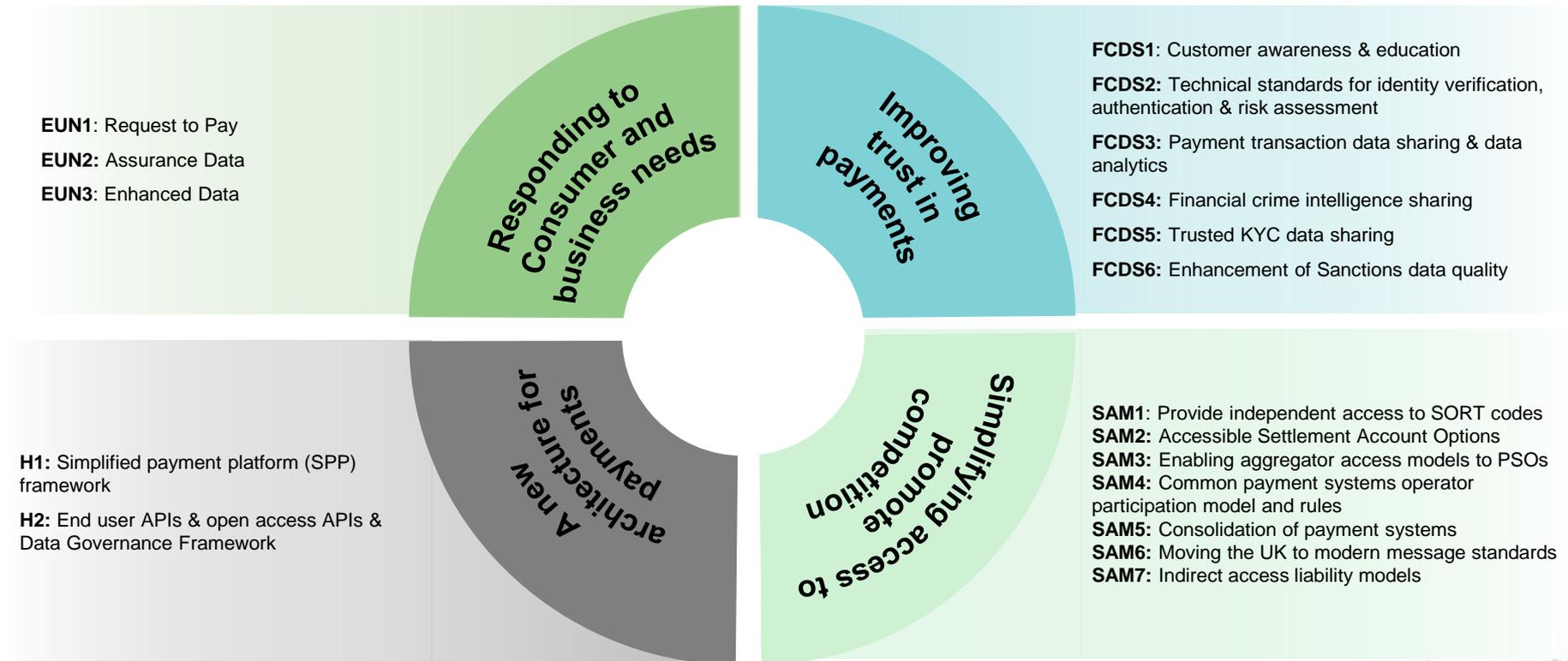
An assessment template supports consistent response summaries as themes are collated and analysed

Consultation responses approach



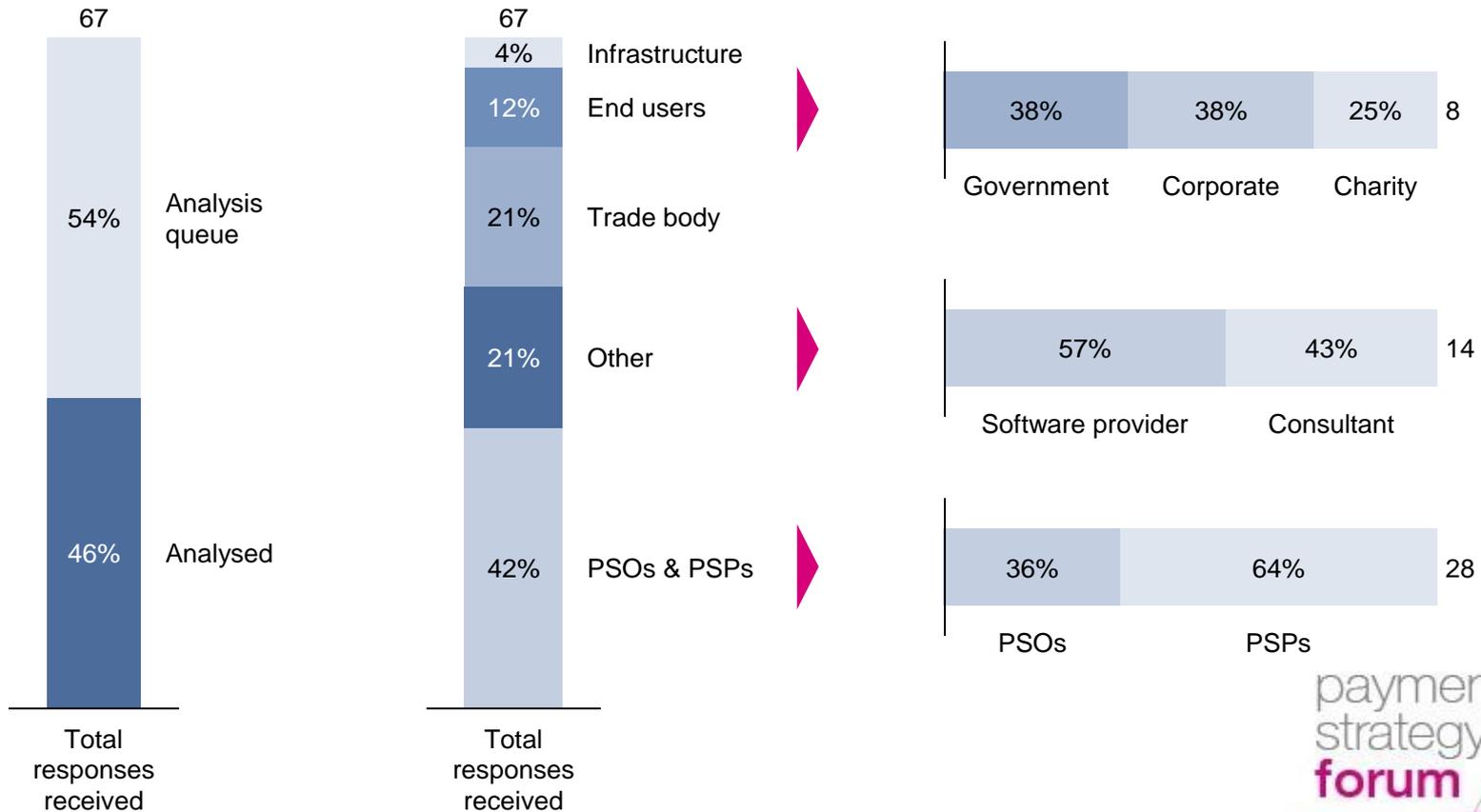
Solution specific themes will feed into the final strategy document

Solution categorization



67⁽¹⁾ responses have been received with 42% from PSOs and PSPs and PSPs and the remainder from other participants

Composition of received responses



Emerging findings subject to change

Note: (1) Excluding confidential VISA response which has not yet been received



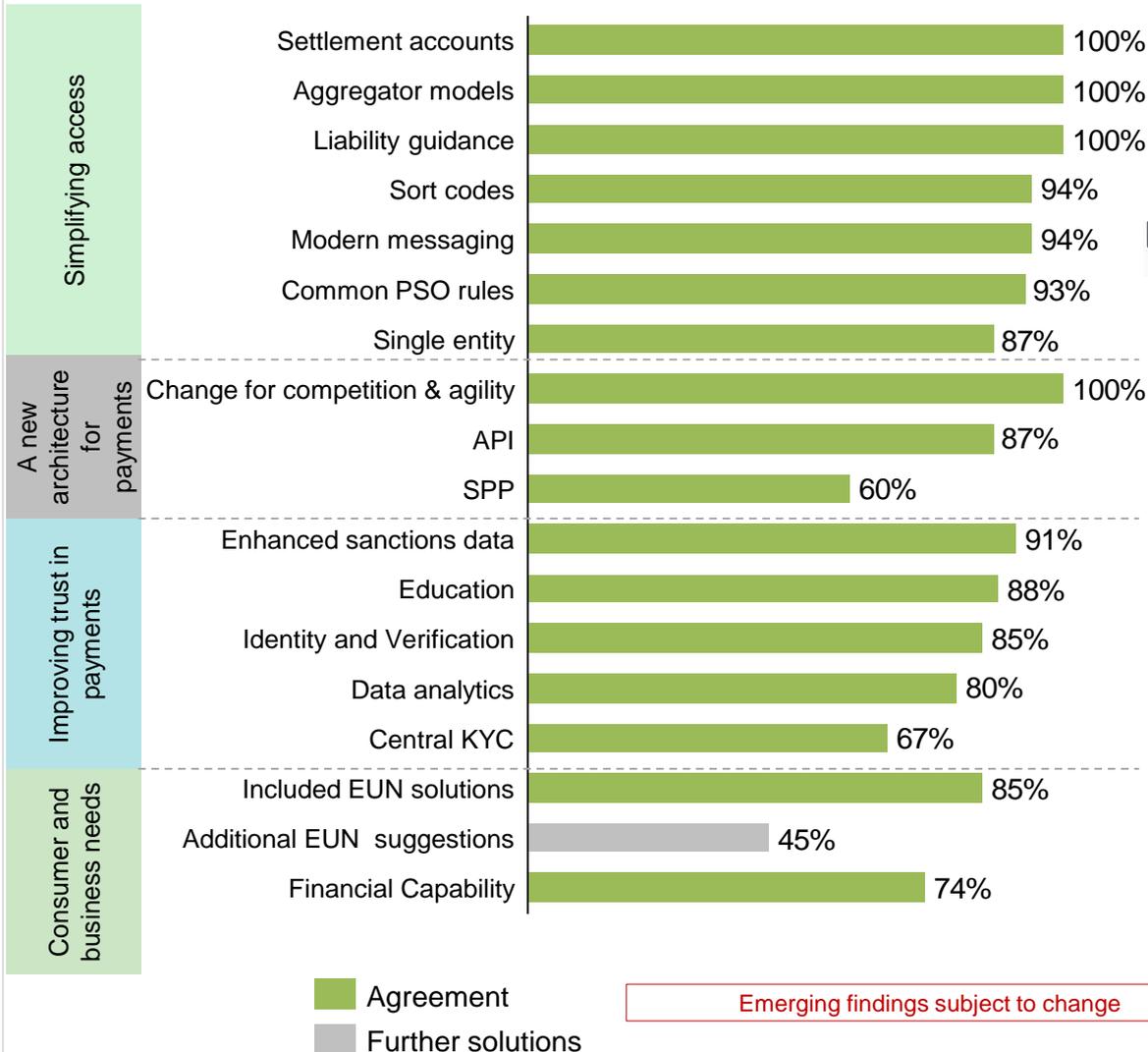
Emerging Themes

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Of responses reviewed there is broad agreement with proposed solutions with questions and additional information sought

Composition of received responses



Simplifying access to markets:

- There is strong support for SAM solutions with views of implementation offered

“ We agree that consumers and businesses often want greater control and without it detriment occurs[...] We believe that assurance data will be particularly helpful in avoiding misdirected payments which can be a source of detriment to consumers

End user needs:

- While there is significant agreement with EUN solutions proposed, some respondents have highlighted areas where additional EUN solutions may need to be considered

Emerging findings subject to change



Consumer and business needs

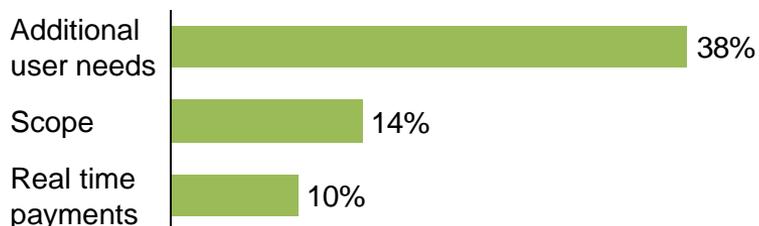
Responses reinforce the importance of the identified needs and highlight additional end user needs areas that may need to be considered



Articulation of end user needs



[We] believe the needs identified are appropriate and relevant. The eventual solutions need to improve the speed and reduce the cost of all transactions while not compromising the security



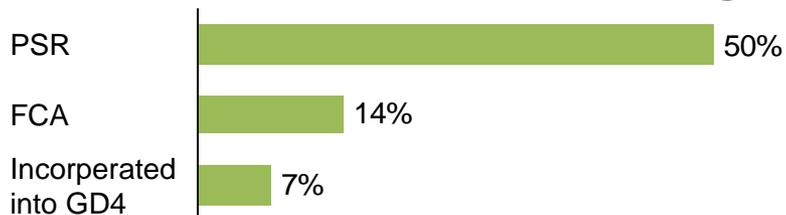
End user needs:

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Within the money remittance sector, 90% of customer payments are made in cash, not electronically [which is under represented in the] strategy document

Holding the industry to account



Suggested governance:

- General agreement on governance from regulator specifically the PSR



The implementation of these principals needs to be strongly managed with robust governance and realistic and achievable timelines. The Payment System Regulator should oversee the implementation

Emerging themes

Emerging findings subject to change

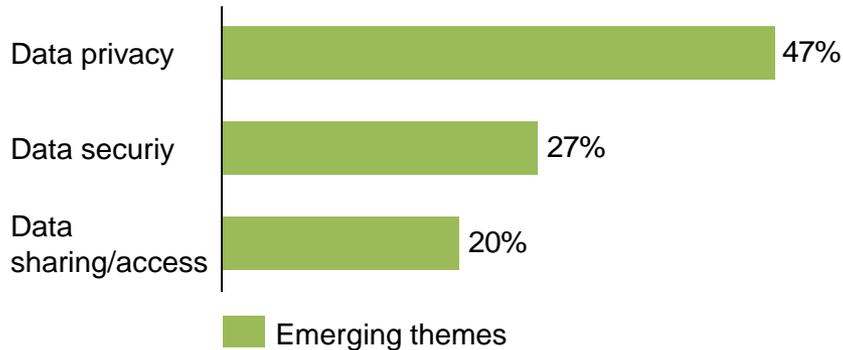
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Improving trust in payments

Responses regarding improving trust in payments are focused on data privacy, security and protection



Improving Trust in payments emerging themes



Many of the solutions involve centralised databases and responds are noted:

- Further clarification is required around data privacy
- Data security and leakage risks
- Data sharing, access and usage guidelines are required

” Concerns around use of personal data are obvious. Segregation of the data would also be important to ensure that it was being collected and used for appropriate purposes

Emerging themes for trust in payments solutions

	Data analytics themes	Intelligence sharing themes
Selected comments	Approach: <ul style="list-style-type: none"> - Outstanding legal questions - Data privacy - Focus on data security 	Governance: <ul style="list-style-type: none"> - Independent oversight - Competitive provision - Customer advocacy needed
	Risks: <ul style="list-style-type: none"> - Data privacy - End user reaction - Governance of data use 	Business case: <ul style="list-style-type: none"> - Risk / concern analysis - Liability considerations - Legal questions

” A model should be agreed which limits financial liability for incorrect identity information

Emerging findings subject to change

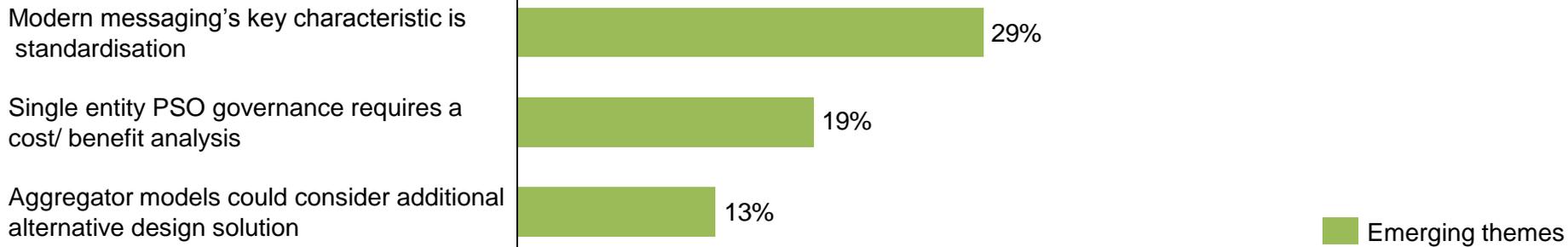
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Simplifying access

Solutions to simplify access were broadly supported with responses offering views on implementation



Emerging themes across simplifying access to promote competition



” The work done by Faster Payments is a working example of what can be achieved if connection to individual schemes is made easy and positively encouraged

Emerging themes for simplifying access solutions

	Aggregator models themes	Indirect liability guidance
	100% agreement	100% agreement
Selected comments	Business case: <ul style="list-style-type: none"> • Alternative solutions would deliver these benefits • Currently high barriers to entry • Addressed by modern messaging • Cost reduction • Reduces complexity 	Governance: <ul style="list-style-type: none"> • Overseen by PSR – 50% • Overseen by FCA – 17%
		Risks: <ul style="list-style-type: none"> • Impact of international regulation • Poor governance • Industry inertia

Emerging findings subject to change



A new architecture

Responses were cautious of SPP wanting more analysis to inform the best way forward



Emerging themes for SPP



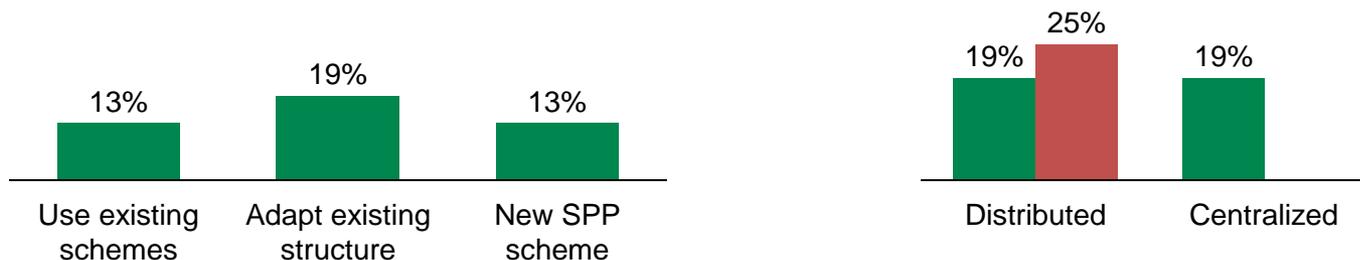
There are a variety of other emerging themes with no others standing out for highlighting at this stage.

Emerging themes

General SPP comments:

- Responses felt that there was not enough data on op model, funding and cost/ benefit and other details to make a decision; however noted more analysis would be useful

SPP development and structure



Attractive Unattractive

” [Other] major programmes have selected centralised technology deployments for their services rather than distributed models

” Yes [we] agree the proposal to create a Simplified Delivery Mechanism

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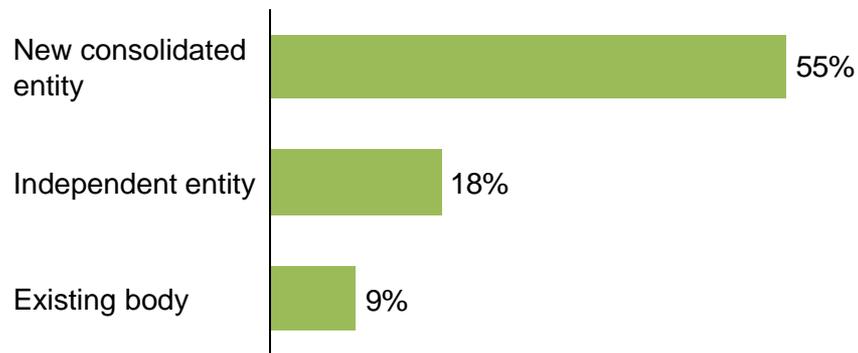
Emerging findings subject to change

A new architecture

Responses suggested governance of SPP should be through a new entity



SPP implementation and governance



SPP:

- Responses encouraged the development of a new consolidated independent entity to manage the implementation and governance of SPP

” Yes, the new consolidated body would seem to be a pragmatic approach

API governance

- Broad agreement on open-APIs with a breadth of views shared on implementation

” The open API approach here is good and deserves to receive close focus and a high priority as the resulting opportunities will benefit all

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Emerging findings subject to change

Agenda

Appendix

The Final Assessment will cover each of the response sections highlighting key themes, PSF response and impact on strategy

Section	Subsections	Descriptions
Background		Background of the PSF and strategy
Overview of responses		High level summary of responses (e.g. agreement, themes, contentious areas etc..)
General comments	Themes from responses summary	General themes from responses PSF response to consultation theme Impact on strategy document
	PSF responses	
	Impact on strategy	
Responding to consumer and business needs	Themes from responses summary	
	PSF responses	
	Impact on strategy	
Improving trust in payments	Themes from responses summary	
	PSF responses	
	Impact on strategy	
Simplifying access to promote competition	Themes from responses summary	
	PSF responses	
	Impact on strategy	
A new architecture for payments	Themes from responses summary	
	PSF responses	
	Impact on strategy	