

FINAL Minutes

Meeting: Payments Strategy Forum

Date / Time: 21st September 2016 | 2.30pm to 5.30pm

Ai.0 Welcomes; objectives; membership; conflicts of interest

- The Chair welcomed the Forum back to its first meeting since the publication of the draft strategy and gave apologies for those who were absent.
- The Chair stated the focus of the meeting was to receive an update from EY on its work to date and to hear from the PSR on its views on the future of the Forum and how the implementation of the strategy could be governed.

Ai.1 27th June and 07th July Minutes and Actions

- Marion King advised she had a comment related to 'indirect access liability models' on the 27th June minutes and would email this to the secretariat. (*Post meeting note – the relevant amendment has been made to the minutes*)
- No comments received on the 07th July minutes.

Action: Secretariat to post both sets of minutes on the Forum's website

Ai.2 EY - Status Update / Risks and Issues / Timeframes

- Hamish Thomas (EY) provided an update on work to date and next steps. The supporting slides can be found here.
- In summary good progress is being made against what is a challenging timeframe. EY have initiated a cross working group thematic approach to ensure consistency, and the support from Forum and Working Group Members has been excellent. The focus to date has been on gathering information and although some data is outstanding a plan is in place to collect this. This data is now being evaluated, alongside the consultation responses, and will begin to inform the business case assessment and implementation planning.
- Nick Davies enquired how the PSR Accenture study fits in with EY's work. Paul Smith advised that this study had been commissioned primarily to gather information to enable the PSR to make decisions related to its Infrastructure Market Review (IMR). However, the PSR had identified the linkages and worked with EY to ensure any additional data requests relevant to its work were included in the request for information. This data is now being received and will be anonymized and shared with EY. The PSR also confirmed it had also initiated a second study that looked into the migration to SEPA in Europe. The relevant data from this study will also be shared with EY.

- There was a general discussion regarding the number of regulatory demands being placed on industry requesting information for various studies. It was agreed that this issue would likely be raised in Hannah Nixon and John Griffith Jones' upcoming meetings with the retail banks CEOs and they should be prepared to answer the question.

Action: Secretariat to consider the issue of the number of regulatory demands on industry and brief Hannah Nixon ahead of her CEO meetings

- Thaer Sabri suggested that as part of EY's business case evaluation it also considers the competition vs collaboration question to address any concerns that the Forum is proposing solutions that could restrict competition. It was noted that the Working Groups considered this when developing their solutions but EY agreed to follow this up.

Action: EY to discuss with Thaer Sabri the need for a competition vs collaboration question as part of its Business Case Evaluation.

Ai.3 Draft summary of consultation responses

- Hamish Thomas (EY) provided a summary of EY's consultation assessment work to date. The supporting slides can be found here.
- In summary, EY advised that 67 responses had been received and to date 46% had been analysed. Of these 42% were from PSO's and PSP's and therefore EY were pleased that the responses weren't dominated by the incumbents. A number of themes were emerging but as at that point of the assessment no significant negative feedback had been received with an acknowledgement that further work was required in certain areas. EY advised it expected to complete its review of the responses by 30th September and will submit its detailed report ahead of the 31st October Forum meeting.
- Ruth Evans asked how the number of responses compared. Paul Smith advised that a PSR market review would expect to receive in the region of 20 – 30 and therefore 67 is good. It was also noted that a number of trade associations responded on behalf of their constituents, therefore more than 67 organisations will have responded.
- The sides noted that 45% of respondents had suggested additional End User Needs and Ruth Evans asked how we should consider these. The consensus view of the Forum was these additional needs should be reflected in the final strategy if that is what the consultation is telling us.
- Russell Saunders queried the emerging themes related to 'improving trust in payments' as they are positioned in a way that could be interpreted as barriers. EY clarified this and advised, based on the assessments to date, that these areas had been raised as things that need to be considered and addressed but shouldn't stop work on these solutions.

- There was a general discussion on the role of the API Implementation Entity and the proposed PSO consolidated entity. The Forum discussed the need to avoid duplication of work across multiple entities and potential for the consolidated entity to take on a broader remit than the current PSO's.
- EY concluded by asking the Forum if its work to date is progressing to the Forum's satisfaction and in the correct direction. The Forum confirmed it was but asked if the Forum could have more visibility of the outcome of the various workshops.

Action: EY to consider how they can make information from the various sub groups available to the Forum

- To conclude Ruth Evans asked the Bank and the FCA for their observations.
- David Bailey confirmed the Bank's continued commitment the Forum and that at this stage there were no showstoppers. The Bank is keen to engage with EY in its next phase of work and will continue to work with the PSR to help align, where possible, regulatory requirements. From a solution perspective the Bank is keen to discuss the crucial aspect of settlement as they remain of the view that this should be through central bank money.
- Nilixa Devlukia confirmed the FCA's continued commitment the Forum and that at this stage there were no showstoppers.

Action: EY to engage with the Bank of England and FCA.

Ai.4 Governance of the Strategy Implementation

- Paul Smith provided an update on the PSR's thinking on the future role of the Forum and how the implementation of the strategy could be governed. The supporting slides can be found here.
- In summary, the PSR advised that this was a preliminary view to help move the debate forward but was subject to change on the basis of the Forum's final strategy. The key points were:
 - The PSR believes that the Forum should continue into 2017 with a focus on ensuring the end user requirements are being progressed; designing the New Payments Architecture and progressing further some of the Financial Crime Solutions. The Forum would also have a monitoring role for some of the proposed solutions.
 - In parallel, the PSR and the Bank have created a PSO Delivery Group (DG) to be led by an independent chair and be responsible for developing implementation recommendations by end-March 2017. The consolidation process should then be completed so entity is in place by the end of 2017. The current view of the PSR and the Bank is that the consolidated PSO should have a wider remit than the existing PSOs. The PSR and the Bank advised they are looking for 3 Members of

the Forum to be on the DG, to represent 'large' PSPs, 'small' PSPs and consumers, respectively.

- The preliminary PSR view is that by end 2017 there should be a consolidated PSO in operation that should pick up the work of Forum phase 2, and lead the transition to the NPA.
- Marion King asked if the consolidated entity will take on the contracts for the current schemes as well as procure the NPA. Paul Smith advised that was the PSR's preliminary view.
- Carlos Sanchez asked if the consolidated entity could own the various standards that the Forum's draft strategy proposes, including PSD2 and Open Banking APIs, and if the FCA has an objection to this. The FCA advised in principle there was no objection but will need to see how the discussions evolve.
- Otto Benz commended the work done by the PSR as he felt it moved the debate forward but advised that work still needs to be done on aligning the work of the Forum with the work of the API Implementation Entity and PSD2. Paul Smith advised that the Forum has the opportunity to think about how best to achieve this between now and the consolidated entity going live.
- There was a general discussion of the positioning on the slides, specifically on the role of the Forum in taking forward the end user requirements and some of the Financial Crime solutions. It was noted that it should be made clearer that Forum phase 2 would work to address end user needs, and that a consolidated PSO would need to continue that focus. For the financial crime solutions, there may be other bodies or organisations looking at, the same issues and the positioning of the slides should be cognisant of this.

Action: PSR to update slides to reflect feedback before publication on the website

- Ruth Evans concluded this discussion by proposing that this is a positive step for the Forum and a sign of confidence from the PSR in its work to date. It also gives the Forum a real opportunity to see its strategy being delivered.
- Ruth Evans then sought nominations for the delivery group by cob 23rd September and also any feedback from existing Members on their continued engagement in Forum 2.0

Action: Forum Members to advise the Secretariat by cob 23rd September if they wish to be considered for the PSO Delivery Group

- James London (FCA) then provided an update on the FCA view on the Forum's Liability in Indirect Access Models solution. The following key points were made:
 - The FCA welcomed the Forum looking into the issue but questioned what the Forum's proposal will deliver in practice.
 - James London advised that issues identified by the Forum were not a UK phenomenon and that over the past two years many international organisations have been looking at this issue and exploring potential options to try and address the issue. It was noted that the FCA and HMT are fully engaged in this work. The FCA raised the concern that, as this work is well developed, there is a risk that the Forum's proposed solution could prove to be either redundant or cut across existing international work
 - The FCA advised the Forum of the research it published in May which looked at all aspects of de-risking. The research identified that de-risking is driven by a variety of different factors and while concerns about liability for financial crime breaches is one element of this, there are many others, including profitability.
 - The FCA is of the view that:
 - The research did not bring out the concern about liability
 - Producing more guidance, at a time when the government is trying to reduce the amount of financial crime guidance will have not have the proposed impact.
 - The concerns about liability derive from fear of enforcement from US authorities and prosecutors. Any guidance would therefore need approval from those authorities.
- The FCA advised it remains engaged with this issue but questioned whether the proposed solution would have the desired impact and may, in any event, be very difficult to deliver. They believe the final strategy should reflect concerns in this area but should present the on-going work as the solution rather than the guidance proposed in the draft strategy.
- The general view of the Forum was that it was helpful to hear the FCA view directly. There was an acknowledgement that this remains an issue and that industry will need to continue to work with the regulators to see if the existing regulations could be applied in different ways. The Forum agreed to wait for EY's assessment of the consultation response on this topic and progress from there.

Ai.5 Launching the final strategy

- The Secretariat advised that the final strategy will be launched at a 'breakfast event' on the 29th November. The programme is being developed but there would be an active role for the Working Group Chairs. Ruth Evans encouraged all Forum Members to make themselves available.
- In addition, the Secretariat advised they were looking for Forum Members to help in raising the Forum's profile up to the launch, either through writing blogs, media engagement or speaking opportunities. Again, Ruth Evans encouraged Forum Members to provide their support.

Action: Forum Members to advise the Secretariat of their availability on the 29th November and their willingness to support raising the Forum's profile.

Ai.6 AOB

- Ruth Evans thanked Members for their participation in the meeting and reminded Members that the final two meetings before publication of the final strategy are scheduled for the 31st October and 18th November. Members were asked to make themselves available for both meetings.

ANNEX 1 – Attendance List

Apologies:

Adam Marshall – Director General, British Chambers of Commerce
Alan Smith – Head of Payments and Banking Services, Post Office
Carl Pheasey – Head of Policy, Money Advice Service
John Hackett – Chief Operating Officer, HSBC
Ruth Wandhofer – Global Head for Regulatory and Market Strategy, Citi Bank

Attending:

Members

Ruth Evans - Chair, Payments Strategy Forum
Becky Clements – Head of Payment Operations, Metro Bank
Carlos Sanchez – CEO, Orwell Group
Faith Reynolds – Member, Financial Services Consumer Panel (Ai 4 and 5 only)
Katherine Horrell – Group Treasurer, Centrica
Lisa Felton – Head of Consumer Policy, Vodafone
Mark Lyonette – Chief Executive, Cornerstone Mutual Services
Marion King – Group Director of Payments, RBS
Michael Maier – Chief Operating Officer, Fidor Bank
Mike Smith – Commercial Director, Raphaels Bank
Neil Lover – Head of Payments and Financial Crime, Coventry Building Society
Nick Davies – Richer Data Strategy Lead, DWP
Otto Benz – Director, Strategic Payments, Virgin Money
Philip McHugh – Chief Executive, Barclaycard Business Solutions
Russell Saunders – Managing Director, Global Payments, Lloyds Banking Group
Sian Williams – Head of Financial Inclusion, Toynbee Hall
Thaer Sabri – Chief Executive, Electronic Money Association
Tom Ironside – Head of Business and Regulation, British Retail Consortium

Observers

David Bailey, Bank of England
Nilixia Devlukia, Financial Conduct Authority
James London, Financial Conduct Authority (Ai 4 only)
Hannah Nixon, Payment Systems Regulator (Ai 4 and 5 only)
Paul Smith, Payment Systems Regulator
Dora Guzeleva, Payment Systems Regulator
Alex Liu, Payment Systems Regulator

Independent Evaluators

Hamish Thomas, EY
Pedro Coutinho, EY

Secretariat

David McPhee