World Class Payments in the UK
Enhancing the payments experience

Presentation to: The Point 2016 conference

Auckland – 8th and 9th November 2016

Who we are:

Payments UK is the new trade association launched in June 2015 to support the rapidly evolving payments industry. Payments UK brings its members and wider stakeholders together to ensure the UK's payment services work better for customers and that the UK payment services remain world-class. We represent our members on payments initiatives in the UK, in Europe and beyond.

We provide a single voice for the industry to help shape the future of payments. We help simplify the complex and changing payments landscape for you. We bring the payments community together to help you deliver changes to benefit you and your customers.

What we do:

1. We represent our members on payments providing advocacy and developing policy positions, influencing and engaging with an authoritative voice in UK, Europe and globally.
2. We provide payments knowledge, expertise and thought leadership to the industry and other stakeholders, acting as a centre of excellence for payments.
3. We deliver collaborative change and innovation on behalf of Members, whilst working to ensure customer needs are understood and met.

World Class Payments - The case for change

The pace of change in the payments sector has never been greater:

- Technological developments,
- New players in the market,
- New and emerging regulation
- Customer appetite for new products

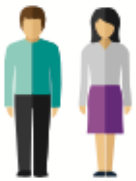
Creating ideal conditions for the industry to come together, share their views, hear from customer representatives

World Class Payments has taken an evidence based approach to understand what consumers, business, government as a payments user, and the industry wants from their payments of tomorrow

Making the Case for Change

Infrastructure	*Regulation*	*New Entrants*
Today: ❑ Diverse ❑ "Market leading" ❑ Copied globally **Expectation:** ❑ Better Access ❑ 24x7 & Real Time	**Regulation:** ❑ Domestic and EU – PSD2 – Ringfencing (Banking reform Act) **Regulators:** ❑ PSR – promoting: – Competition – Innovation – Efficiency	**New PSPs** ❑ Challengers – Ease of Access – Efficient governance **New Processors:** ❑ Third party providers – Enhanced data – Consolidation – Payment origination

What is needed to be world class?



Consumer Groups
Charity Representatives

Detailed Engagement

150+ organisations

Trade Bodies
Business Representatives

Third Party Processors
PSP Community

2000+

YouGov Direct Consumer Research

Corporates
Government Bodies

Consumers

What do we need to be world class?
I can pay (or receive payments from) who I want, when I want and where I want

Control is paramount to customers and is a recurring theme in discussions and research. Specifically, customers want to:

- ***Know in real-time how much money is in their account*** *to inform a purchase or bill payment decision*
- *Make payments how and when they want*
- ***Know when they make a payment that it is going to the right person or business***
- ***Have the ability to control one-off payments that are taken from their account***
- *Have better information and consistency of experience with payments e.g. processing or clearing timescales, notifications and limits*
- *Switch accounts promptly and without error*

Small Businesses, Charities and the Voluntary Sector

What do we need to be world class?
Payment options that suit the way I do business

The main requirement for small businesses and charities is **greater flexibility** in payments which can be **fitted and tailored to their own business model**, not vice-versa. Specifically small business and Charity and Voluntary Sector (CVS) customers want:

- *The ability to open account and make or receive payments quickly and easily*
- *To give controlled access to payments to who they want*
- *Visibility of funds wherever they want*
- ***Payments to go to the right people, and knowledge that they have arrived***
- ***Payment information that is easy to use for accounting and reconciliation***
- *The reason for the payment is easy to derive*

Corporates and Government

What do we need to be world class?

Payment services that allow my organisation to be more cost effective

The main theme for larger businesses and government departments is the opportunity to **simplify the process for making and receiving payments**, with the view to **realising efficiency** gains. Specifically:

- ***The ability to make and receive payments whenever they want, with as much data as needed,*** *with ease and efficiency across multiple providers*
- *Clear and simple rules allowing them, if they wish, to give controlled third party access to their payment accounts*
- *Payment options that are straightforward, secure and predictable allowing for effective management of cash flow*
- ***Ability to validate who they are paying,*** *and what it costs before sending a payment; ability to reconcile payments received; ability to resolve issues easily and with equitable protections*
- *Common (standardised) ways of instructing and reporting payments to increase interoperability, efficiency and ease of switching*
- *Sufficient notice about changes to the payments landscape so they can plan effectively*

Financial Institutions and Payment Service Providers

What do we need to be world class?

I can access and process payments in a way that allows my institution to compete and innovate cost effectively

Feedback from banks, building societies, financial institutions and other Payment Service Providers highlights the need for **common or simplified access to payment systems** and services, along with the ability to develop competitive offerings on top of any generic, collaborative initiatives. Specifically:

- ***Open, transparent access to payments with common technical standards, rules and practices***
- ***The ability to leverage the payment systems and develop and create competitive payments propositions for customers***
- ***Features for customers (if they choose to), to be able to authorise third parties to see their balances and effect payments according to a universal secure standard***
- *The ability to choose when and how migration from existing processes (and providers) to any new standards occur, ensuring no detrimental impacts on customers*
- *When collaborative change happens in the payments landscape there is an opportunity to influence and receive sufficient notice given so it can be planned for.*

Turning Requirements into Capabilities

Consumers

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Real-time balance information available to customers by improving how transactions are applied to accounts.
All PSPs (Payment Service Providers) to support payments in real-time, 24x7.
Enabling customers to confirm the name of the intended recipient matches the payment routing data (sort code & account number and/or proxy) before committing to send an electronic payment.
More control over outgoing payments for customers – enabling flexibility over the timing of regular payments to fit with increased money management. More reference information will also be provided to help businesses reconcile payments.
Traceability and positive confirmation of where a payment is on its journey from sender to receiver. For example, to enable customers to know it has been sent and if it has arrived.
Relevant additional information to be added and made available via direct or indirect link to the payment message. This will enable more integration into respective business processes.
Common, open and transparent standards that enable interoperability, whilst simplifying initial access and providing a base for innovative payments products to be built on.
Ensure that the industry switching service keeps pace with customer expectations in terms of timing and the breadth of features included in the switch process.
Realise the potential benefits in greater sharing of identity and fraud data to improve customer experiences and prevent fraud.
Ensure existing payment services are accessible via any new standard, allowing changes to be made at the PSPs' (Payment Service Provider) pace.
Separate out clearing and settlement, to allow flexible options for PSPs (Payment Service Providers). This will enable them to select the best fit for their payments models.
Real-time Balances
Real-time Payments 24x7
Confirmation of Payee
Request to Pay
Visibility of payment journey
Enhanced Data relating to payments
Common Standards
Switching Accounts
Cross-industry sharing of identity and fraud information
Payment Services Co-existence
Flexible Settlement
Foundation Capabilities
Common Access to the Payments Infrastructure
Efficient Governance
Standard interface enabling interaction with PSPs (Payment Service Providers) and customers who require direct access to the payments infrastructure.
Simplified model and rules for access to clearing and settlement services for PSPs (Payment Service Providers)

Phase 1

Requirements Discovery

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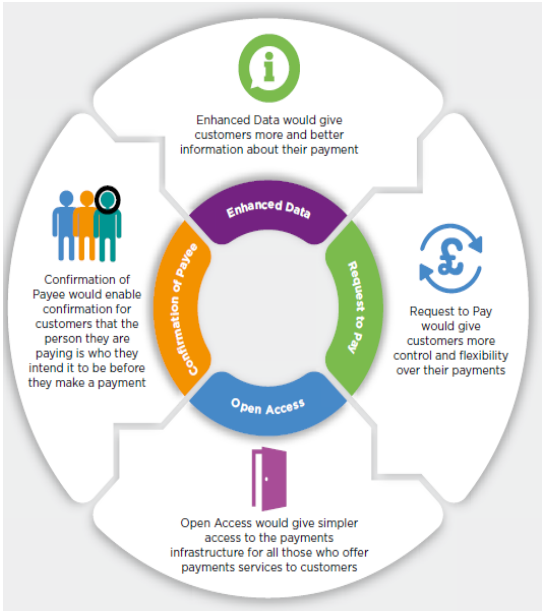
Phase 2

Socialisation and Validation

Phase 3

Focus on Key Capabilities



Enhanced Data
Request to Pay
Confirmation of Payee
Open Access

Our capabilities can be split into two streams

World Class Payments comprises of a mix of Industry & Customer focused capabilities

Industry Led Capabilities

Capabilities that primarily drive benefits for the industry and competition *(although there will be end consumer benefits)* – includes **Open Access**

Customer Led Capabilities

Capabilities that primarily drive customer focused benefits – includes **Confirmation of Payee, Enhanced Data and Request to Pay**

CoP – Use Cases

Our R&A research identified a variety of use cases for Confirmation of Payee, covering all customer segments

Customer Segments

Retail Customers

SMEs

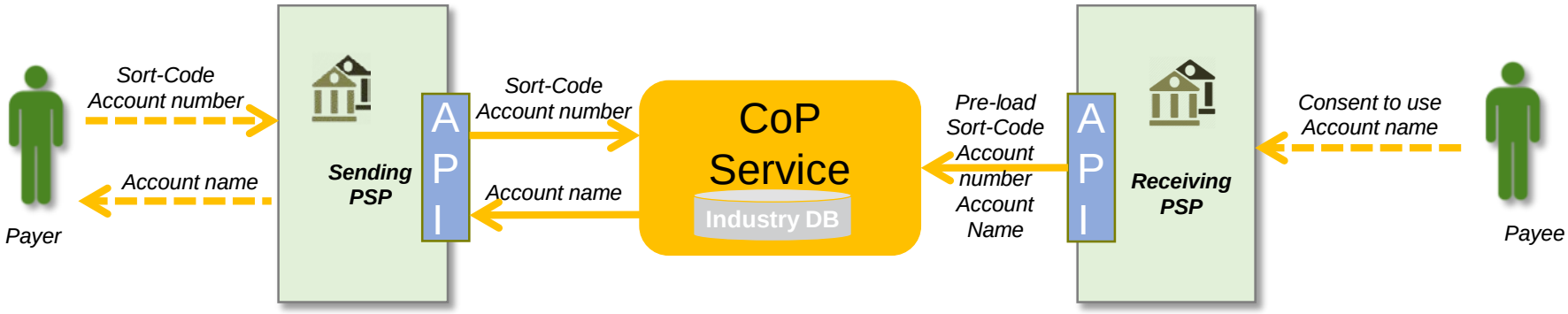
Corporates / Gov't

Charities

Identified Use Cases

- Setting up a biller
- P2P Payments
- Payment Requests
- Insurance Payouts
- B2B Payments
- Small Business Payments
- Rent & Mortgages
- Charity Donations
- DWP payments
- Salaries
- One-off Requests

CoP Delivery Approach – Current Thinking



Key Assumptions

- Only share name with consent
- Only used when a new payee is set-up
- Used in conjunction with the biller database
- Only accessible via regulated TPP, PSP etc to support payments

Why this Approach

- Proven approach – a similar industry DB exists today
- Simplicity – one place to go to find the name of the payee
- API based – easy to use
- Flexibility to extend to other account proxies
- Secure & performant

ED – Use Cases

Our R&A research identified a variety of use cases for Enhanced Data, covering all customer segments

Customer Segments

Retail Customers

SMEs

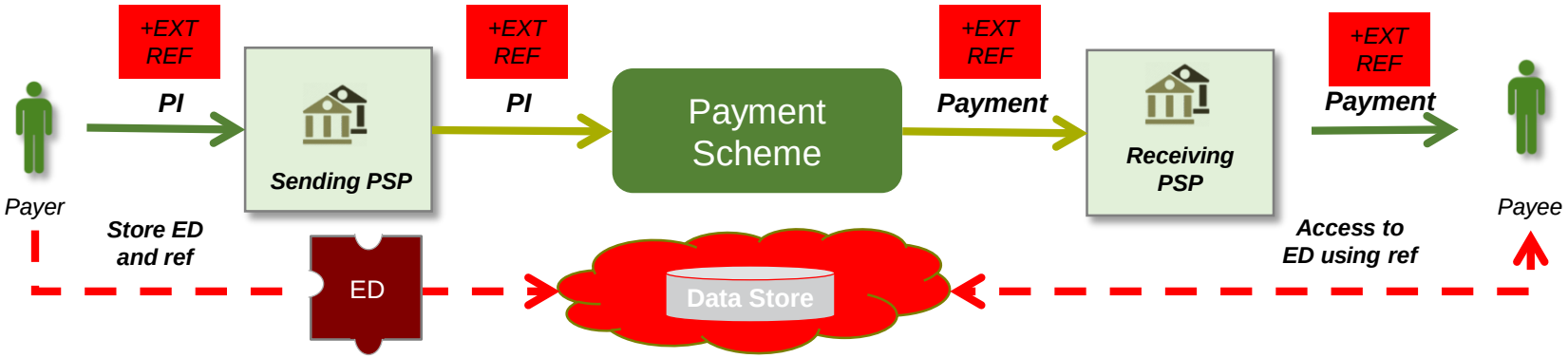
Corporates / Gov't

Charities

Identified Use Cases

- Pay Slips
- Welfare Payments
- Request to Pay
- Utility Bills
- Expenses
- Gift Aid
- Insurance
- P2P
- Tax
- B2B Invoicing
- SME Payments

ED Delivery Approach – Current Thinking



Key Assumptions

- All payments will carry an extended reference (requiring changes to PSPs and schemes)
- Enhanced data repositories will be created competitively by 3rd parties and PSPs
- If the extended reference is a URL, the data can be accessed and scanned by the PSP

Why this Approach

- Data is not a payment and therefore does not need to be sent down the same rail
- Minimises the impact on existing collaborative infrastructure
- Flexible and promotes innovation
- Promotes competition in the provision of new services

RtP – Use Cases

Our R&A research identified a variety of use cases for Request to Pay, covering all customer segments

Customer Segments

Retail Customers

SMEs

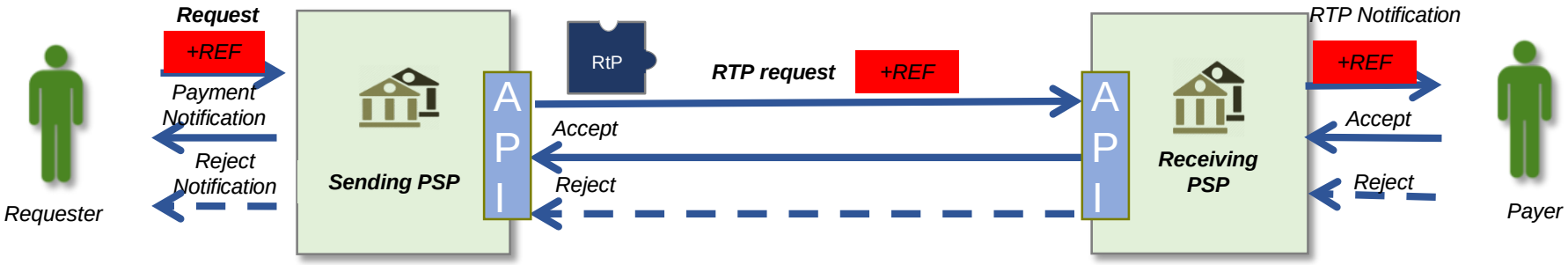
Corporates / Gov't

Charities

Identified Use Cases

- P2P Payments
- Tax Rebates
- Utility Bills
- Recurring Payments
- B2B Payments
- Small Business Payments
- Expenses
- Charity Donations
- Insurance Payouts
- Gift Aid
- One-off Requests

RtP Delivery Approach – Current Thinking



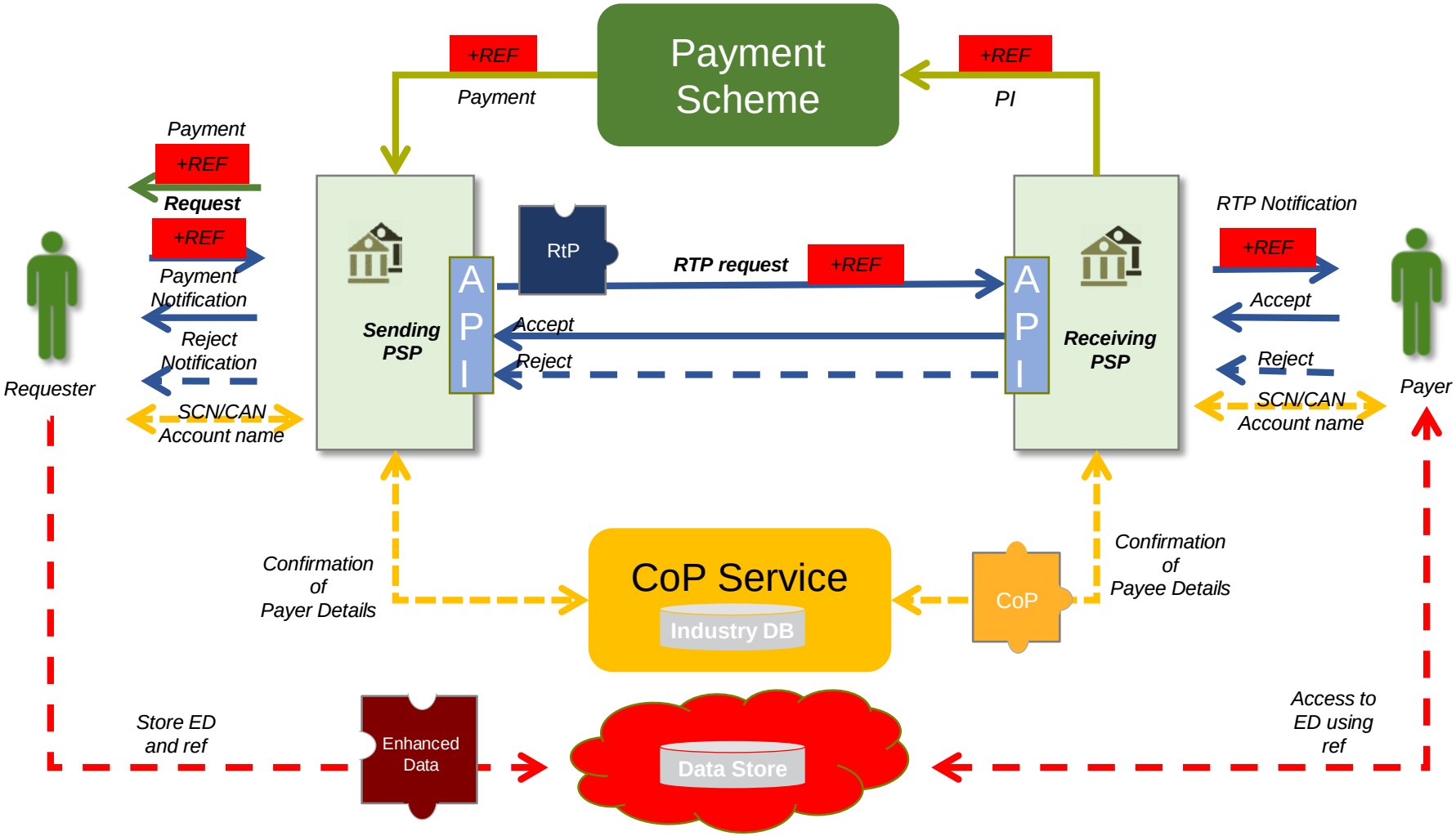
Key Assumptions

- Only accessible through PSP or accredited 3rd parties
- All service users must be registered
- Confirmation of payee/requester will be in place
- The ability to integrate with enhanced data (e.g. an invoice) is in place

Why this Approach

- Request to Pay is not a payment and therefore does not need to be sent down the same rail
- Minimises the impact on existing collaborative infrastructure
- Aligns with new API model

How it can all work together



What is emerging from the PSR Strategy Forum?

- Access
  - A series of steps to improve and simplify
- End User Needs
  - Customer Assurance
  - Customer Education
- Financial Crime
  - Better data sharing
  - Better intelligence sharing
- Horizon Scanning
  - Common standards and use of APIs
  - Longer term – simpler, layered structure

The Industry Challenges

- Agreeing on what should be delivered collaboratively
- Gaining consensus on the solution(s)
- Agreeing the timescales for delivering change in an already crowded change environment

And then…

- Managing the priorities between:
  - Bank of England
  - Competition and Markets Authority
  - FCA
  - HM Treasury
  - Payments Systems Regulator
  - The Industry's own needs

Questions?

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