

Payment Strategy Forum,
25 The North Colonnade,
London,
E14 5HS

25th September, 2017

To whom it may concern

Open Banking Implementation Entity's (OBIE) response to the PSF Consultation on the 'Blueprint for the Future of UK Payments'

The purpose of this letter is to provide OBIE's response to the PSF Consultation. Open Banking (OB) is the retail banking industry's response to the UK Government's request for fairer, more transparent banking and financial services, and follows the Competition and Markets Authority (CMA) investigation into the supply of personal current accounts (PCAs) and of banking services to small and medium-sized enterprises (SMEs). OB is a private entity, funded by nine UK banks¹ that was created to enable innovation, transparency and competition in UK financial services. To achieve this, it is tasked with delivering the Application Programming Interfaces (APIs), data structures and security architectures to make it easy and safe for individuals and SMEs to make payments and share the financial information held by their banks with third parties. Given this remit, our response is intended to reflect the wider interests of all our stakeholders and not solely the nine UK banks.

In summary, OBIE welcomes the vision for the future of payments articulated by the PSF and is supportive of the inferred role for OBIE as a provider of Directory services and API Standards within the New Payments Architecture (NPA). As the OBIE does not naturally fit in any of the entity categories defined in the consultation, we have chosen to focus our response on a small number of questions that are most pertinent to the OBIE. These are addressed below.

Q1.4 and Q1.7 which relate to the NPA's 'layered' Architecture and Approach

OBIE agrees that the layered approach set out in the NPA could help simplify access and promote competition in the UK payments market. We welcome the NPA's recognition of the use of JSON alongside ISO20022 in the Open Banking standard for Payments and Account Information which will further support, third-party usage and therefore, end-user adoption.

OBIE notes that the governance and oversight of Directory services and API Standards is envisaged in longer term as being provided by the New Payment Service Operator (NPSO)². In order to facilitate a transition approach, we agree with the PSO DG's recommendation that *"the NPSO Board collaborates with the leadership of the Open Banking Implementation Entity to*

¹ The nine mandated institutions, referred to as the "CMA9", are AIBG, Bank of Ireland, Barclays, Danske, HSBC, Lloyds Banking Group, Nationwide, RBS and Santander.

² See Section 1.4.3 Layers (p.13) and Section 2. Directory Services p.16 of "Blueprint for the Future of UK Payments"

*establish whether this initiative should become part of the NPSO's responsibilities and, if so, what are the appropriate timing and practical steps?*³

Further clarity on the NPSO governance model would be helpful as we explore and understand the timelines and approach of transitioning to the NPSO target operating model over the medium-term.

Q3.3 Do you agree with the sequence of events laid out in the implementation plan? If not, what approach to sequencing would you suggest?

Overall, OBIE looks forward to working with the NPSO on developing a medium-term transition plan. Some enhancements to the OB infrastructure would be required to support certain aspects of the NPA requirements (e.g. overlay services such as Request-to-Pay if expected to be operated through API connectivity), however, OBIE can see no impediments to these being delivered within the envisaged timeframe.

Q2.13, 2.25 and 6.7 - Need for a data sharing framework and liability considerations

The description provided is similar to the OB approach, however, we note the need to refer to the roles of the data controller and data processor as defined under GDPR. OBIE agrees on the need to establish a framework for the sharing and exchanging of a core set of SME and customer data overseen by a governance body.

As it develops a liability framework and dispute resolution framework for Open Banking, OBIE would be interested in working with the Forum on defining the liability considerations for the envisaged Confirmation of Payee, Request to Pay and Enhanced Data services. OBIE may also be able to support the NPSO in delivery of the data portability requirements envisaged under GDPR.

Q5.6 Do you agree with our assessment of the End-User Needs Solutions?

OBIE recognises that both the Request-to-Pay and Confirmation of Payee services are likely to be competitive market solutions. Subject to further enhancements, the OBIE infrastructure may be able to support these services.

In summary:

The OBIE recognises the merit of building its capabilities in alignment with the formation of the NPSO and its objective to simplify access and governance to payment services for consumers, vendors and service providers. The OBIE also recognises the merit of aligning itself with the NPA and for NPSO to promote a governance structure that recognises the best interests of all our stakeholders⁴. We look forward to discussions around the future of the OB initiative and its relationship with NPSO as the latter begins to take on the responsibility for the delivery of the NPA.

Yours faithfully,

Open Banking Implementation Entity

³ New Payment System Operator - Payment System Operator Delivery Group Report. Final Report: 4th May 2017

⁴ OBIE will remain mindful of the fact that some Open Banking stakeholders expect OBIE to consider and evaluate a broad range of alternative governance and oversight options as part of its ultimate transition process.