

Payments Strategy Forum - TransferWise response

Response submitted by:

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Answers to questions

Question 1.1

Do you agree with our recommendation to move towards a 'push' payment mechanism for all payment types? If not, please explain why.

Yes.

Question 1.2:

In the proposed transition approach it is expected that Third Party Service Providers including current independent software providers, bureaux and gateway providers will update their systems to enable existing payment formats to continue to operate with limited or no negative impact on the current users of services such as Direct Debit.

As a PSP or TPSP, do you agree we have identified the implications of adopting a push model adequately? If not, please set out any additional impacts that need to be considered.

No comments to add.

Question 1.3

As a potential vendor, participant or user of the NPA, are there any other design considerations that should be included in the NPA, especially with regards to considering the needs of end-users? If yes, please provide a description of those areas and why they are important to explore.

No comments to add.

Question 1.4

The nature of the layering approach enables new components to be added or updated with minimal impact on components in the other layers. We believe this will support greater levels of competition and innovation especially in the upper layers of the NPA.

In your view, as a vendor or service provider, will layering the NPA in this way simplify access and improve your ability to compete in the UK payments market? If not, please explain why.

No

The main difficulty in connecting to the network currently lies in setting up data centers that run a gateway software. It is expensive, time consuming and comes with overhead that can be difficult to justify going forward. With this point in mind, how much of the current network and setup is really necessary for the NPA. For example, are connections over MPLS necessary, is the benefit of having key exchange procedure in its current format justified.

A simple API using the ISO 20022 standard would be ideal for TransferWise.

Question 1.5

With the recommended centralised clearing and settlement option, as a participant or vendor who is accessing or delivering the clearing and settlement service, do you think:

- a. We have reached the right conclusion in recommending this option?
- b. The right balance of managing risk versus competition has been achieved?

If not, please explain why.

Yes

Question 1.6

Do you agree with our analysis of each of the clearing and settlement deployment approaches? Which is your preferred deployment approach?

Yes

The benefits of having multiple vendors is counterparty risk mitigation, mitigating the risk of monopoly pricing and enabling the speed of scaling the system. If these factors can be solved through a single vendor setup, then the lack of extra complexity makes the single vendor approach appealing. It does look however more difficult that solving the technical complexity that comes with distributed NSC management.

Question 1.7

As a vendor of services in any layer of the NPA, do you think that more work is required to prove any of the main concepts of NPA before embarking on the procurement process? If so, please explain which areas and why.

No

It looks like most of the proposed areas are indeed reasonable and the industry is already familiar with them. No proof of concept needed.

2.0 Collaborative Requirements and Rules for the End-User Needs Solutions

Question 2.1

As a payee,

a. Does your organisation serve customers who experience challenges paying regular bills?

No

b. Does your organisation experience unpaid direct debits?

Yes, but not in the UK

Please comment on the extent, to which you experience this and any trends you see in this area.

We are a facilitator that enables consumers to pay international bills to organisations including mortgages, energy, telephone etc. We do not measure whether they experience challenges paying them as our transactions do not allow for payment terms. An increasing amount of our customers would like to set up regularly occurring international money transfer that they could then fund with an automated bank transfer however we do not believe that direct debit is fast, safe or needed enough to fulfil this function adequately in the UK. In countries where the use of direct debit is more prevalent we do enable DD as a payment method (eg Germany) however this does expose us to the possibility that transactions will be recalled.

Question 2.2

Request to Pay provides visibility to payees on the intentions of a payer. Would the increased visibility benefit your business? If so, how?

Yes it would benefit our business and it would benefit our consumers.

For our e-money customers (those who hold multi-currency 'Borderless' accounts) this gives them increased visibility, or transparency, which is a core TransferWise value which our customers cherish. Any time this is not met either the payer contacts us or they contact us on behalf of the payee. Any lack of understanding on what is happening to our customers' money creates worry which we would naturally like to reduce.

For our traditional money transfer product, if TransferWise were able to issue requests to pay with every bank transfer pay-in then that extra information would help us to plan accordingly, process payments faster and conduct AML checks sooner etc.

Question 2.3

Request to Pay will result in increased communication between the payee and the payer. As a payee:

a. Would the increased communication present a challenge? If so, in what way?

Yes

We expect this would simply be a technical challenge to integrate and display ergonomically, but this would be one that we would happily solve for our customers.

b. What benefits could you envisage from this increased communication?

The more transparent the system is, the more our customers would trust non-bank PSPs who can often offer a more suitable service at a lower cost. Please see our answer to 2.2.

c. Do you see any additional potential benefits resulting from Request to Pay other than those described? If so, which ones?

Yes

From our experience ACH in the US is incredibly popular, likewise German Direct Debit, and this system would bring the consumer benefits of those system with increased consumer control with reduced unhappiness from delayed and recalled payments.

Question 2.4

A governing body will ensure the aims of the service are met and the end-users are protected. The governing body will ensure that the minimum end-user and technical standards are met by stakeholders and the service is not abused or used for fraudulent purposes. We expect this to be the NPSO.

We have recommended the minimum information that should be contained in a Request to Pay message. As a payee:

a. With the exception of reference ID, are you able to provide other items of information with every payment request?

Yes.

b. Is there additional information, specific to your business, that you would have to provide to payers as part of the Request to Pay message?

Yes

The key challenge for us is ensuring that the Request to Pay message reaches the specific person as accurate source of funds is essential.

Question 2.5

We envisage payees stipulating a payment period during which the payer will be required to make the payment. As a payee, how do you think this payment period might be applied within your organisation?

We would be unlikely to authorise a payment period as we require swift payment to release the funds to the payee.

Question 2.6

Request to Pay will offer payers visibility over payment time as well as amount and method. As a payee:

a. Does your business model support offering payment plans and the ability for payers to spread their payments? If so, please provide more details as to how these plans are offered, their conditions and to which customers.

No

b. Do you have a predominant payment method used by your payers? If so, what percentage of customers use it?

Yes

Most of our customers use card and FPS SIP to fund their payments in the UK.

c. Do you offer your payers a choice of payment methods? If yes, what determines how much choice you offer? If not, what are the barriers preventing you from doing so?

Yes.

The choice depends on the availability, speed and cost that we can carry on to our customers.

d. Are there any incentives to use one payment method over another? If so, what is the rationale?

Yes

Customers tend to choose between the most convenient, fast and cheapest payment methods. different customers value different aspects, and choose their method accordingly.

Question 2.7

A minority of payers may not be able to pay within the payment period.

Through Request to Pay they will be able to request an extension to the payment period. As a payee:

a. Do you currently offer your payers the capability to extend a payment period, request a payment holiday or make late payments?

No

b. What are the conditions and eligibility criteria under which this is offered?

N/A

c. If you currently don't, what are the barriers preventing you from offering this capability?

N/A

Question 2.8

Request to Pay will offer payers the option to decline a request.

The purpose of this option is to provide an immediate alert in case the request was received as an error or will be paid by other means. As a payee:

a. Would you find this information useful?

Yes

We would be able to cancel the payment earlier, and display that in the product earlier.

b. Do you have any concerns about providing this capability?

No.

Question 2.9

Does the Request to Pay service as described address:

a. The detriments identified in our Strategy?

Yes.

b. The challenges experienced by your customers?

Yes

Does it introduce any new challenges?

No.

Question 2.10

As a payee, considering the information provided in this document,

a. What is the extent of change you think you will need to carry out internally to offer Request to Pay?

Little, it will be like integrating any other new payment method.

b. What challenges do you see that might prevent your organisation adopting Request to Pay?

Lack of adoption by others.

c. What is the timeframe you think you will need to be able to offer Request to Pay?

Depends on the complexity of the technical standards however approximately 6 months would be reasonable.

Question 2.11

What are the features or rules that could be built into Request to Pay that would make it more valuable to your organisation, or more likely for you to adopt it?

Ability to ensure that only the payer could fund the request to pay.

Question 2.12

We have highlighted several risks and considerations relevant to the delivery of Request to Pay. As an end-user of Request to Pay:

a. Are there any risks that we have not addressed or highlighted that you would like to add?
Yes.

Identification of payer, and the risk that it is not the expected payer.

b. Are there additional unintended consequences that we should consider?
No.

Question 2.13

We recognise that additional work needs to be done in identifying safeguards including liability considerations associated with Request to Pay. As an end-user of Request to Pay:

a. What are some of the liability concerns that you may have?

N/A

b. Would you be interested in working with the Forum to define, at a high level, the liability considerations for Request to Pay? If so, please contact us as soon as convenient through the Forum website so we can get you involved.

Yes

Question 2.14

As a PSP:

a. Do you currently offer real-time balance information to your clients? What information do you offer them?

Yes

b. If not, what are the constraints?

We offer live balances in multiple currencies and are limited by when our international partners can give us accurate information on when the funds have reached the recipient. At best currently we can only tell them when the funds have arrived with us or left us which can be very disatisfactory for consumers when there is a delay that is not down to us.

Question 2.15

We have presented two CoP response approaches (Approach 1 and Approach 2).

For all of these sections we would suggest approach 2 because we often see issues with perfect match as set out in approach 1.

Two examples:

1. Approach one would require for payers to exactly specify our account name which can change depending on the bank

2. Individuals have different names according to different account facilities eg Ms Jane Doe vs Miss J P B Doe vs Miss Jane Prudence Doe

An example where this is done well is the Nigerian payments system

a. As a payer, what would be your preferred approach? Why?

b. As a PSP, what would be your preferred approach? Why?

c. As a regulator,

i. What applicable considerations must be made for

each approach?

ii. What safeguards must be put in place for each

approach?

Question 2.21

As a payee: a. How would you use Enhanced Data?

We would very much value enhanced data, particularly for our business customers who may

use TransferWise for multiple payees and would like it to appear as if it came from them not us. Likewise if they are receiving multiple TransferWise payments from payers it would help them.

Question 2.22 Does the Enhanced Data capability as described address the detriments identified in our Strategy?

Yes

Question 2.23 Some changes will be required to enable the loading and retrieval of Enhanced Data. For example, corporates will need to modify their internal systems. As an end-user, what internal change will be needed to allow you to add and receive Enhanced Data through the NPA?

We would make the necessary changes as they would enhance our product for consumers.

Question 2.24 We have highlighted several considerations relevant to the delivery of Enhanced Data. As an end-user of Enhanced Data: a. Are there any risks that we have not addressed or highlighted that you would like to add?

No

b. Are there any unintended consequences that we should consider?

No

Question 2.25 We recognise that additional work needs to be done in identifying safeguards including liability considerations associated with Enhanced Data. As an end-user of Enhanced Data: a. What are some of the liability concerns that you may have?

N/A

b. Would you be interested in working with the Forum to define, at a high-level, the various liability considerations required for Enhanced Data?

Yes

Question 3.1 Are there any additional principles you think we should add or significant amendments that should be made to those already stated?

No

Question 3.2 Are there any additional assumptions you think we should add or significant amendments that should be made to those already stated?

No

Question 3.3 Do you agree with the sequence of events laid out in the implementation plan?

Yes

Do you agree with the high-level timetable laid out in the implementation plan?

Yes, but of course we'd love it to be quicker. It will be great for consumers.

Question 3.5 Are there any significant potential risks that you think the implementation plan does not consider?

No

Question 3.6 Do you agree with our proposed transition approach?

Yes

Question 6.8 We are keen to get your input on the benefits provided by the framework. a. Do you agree that the focus on sharing a core set of SME customer data is beneficial for the KYC processes in your organisation?

Yes