

LLOYDS BANKING GROUP PLC

Payment Strategy Forum

Blueprint for the Future of UK Payments

Submission Date 22/09/2017

Response to Consultation Questions

1. NEW PAYMENTS ARCHITECTURE

1.1 Do you agree with our recommendations to move towards a 'push' payment mechanism for all payment types? YES/NO. If not, please explain why.

- (a) Yes. We are supportive of the push model in principle as this gives the customer more control over consent management and may provide increased payment options.
- (b) Whilst being supportive, in principle, we do however have a number of concerns;
 - (i) We would suggest further clarity is required in terms of what is being proposed for Direct Debit and Request to Pay overlay services, in particular the customer consent model. The consent model must be constructed in a way that is easy to understand by the customer. Further information is required on the impact on the legacy Direct Debit scheme and migration of Direct Debits to these new services.
 - (ii) Extensive customer communication and education will be required along with contractual terms and condition changes. As there will be more choice for consumers this may lead to more confusion particularly if current terminology is retained, i.e. a 'pull' Direct Debit.
 - (iii) Consideration should be given to multiple channels for creation of consent to protect customers, particularly vulnerable customers, who are not using on-line channels, but who will continue to need to set up mandates via physical (e.g. retail outlets, post) and telephony channels.
 - (iv) The customer impact if payments can be applied at any time during the day, moving away from the current sequencing where Direct Credits are applied to customer accounts before Direct Debits, as any sequencing changes could result in more failed payments.
 - (v) Optionality brings complexity and as a result could be costly for PSP's having to interact with multiple service providers. The complexity and end user impact is likely to result in increased costs of migrating from existing Direct Debit mandates to the new architecture.
 - (vi) The impact to Business, Charities and Corporate customers of moving from a pull direct debit to a push direct debit must be carefully understood if existing direct debit arrangements are to change. The scale, cost and complexity of change must be fully considered.

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 no or limited 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? YES/NO. If not, please set out any additional impacts that needs to be considered.

- (a) Yes, we support this new model, however, there has to be consideration of the complexity of the transition for customers and dependencies on bureaux to offer translation services. Further clarity is required beyond the high level information provided in the Blueprint.
- (b) We have concerns regarding the complexity and end user impact of migrating existing Direct Debit processing and mandates to the new Architecture. Further thought is needed as to whether there are any legal implications or considerations due to the complex mandate transition to an overlay service.
- (c) With regard to the adoption of ISO20022, Direct Debit submitters could continue to submit in existing format. Therefore, if these are the largest proportion of the volume, will this limit the ability to introduce Enhanced Data and therefore ultimately the benefits? With this in mind, we see a challenge around how the benefits of the rich data capabilities of ISO 20022 will be realised, if end users can continue to submit in existing format indefinitely (e.g. Bacs STD 18) if there is no driver or incentive for them to move. Further consideration would therefore be beneficial to understand how migration could be managed.
- (d) The NPSO may wish to consider the balance between the benefits that the simplification of the future process around bulk submissions are not outweighed by the short terms challenges as bulk collectors understand and undertake a new reconciliation approach.
- (e) Work will need to be completed on the liability model, to ensure customer protection currently in existence is matched or improved by the new scheme. The liability model therefore needs further consideration where there is no legislation underpinning the need to provide protection (i.e. PSD2 requirements may no longer apply).
- (f) As there will be more optionality, this will lead to increased complexity and cost for PSP's as we transition into the NPA. Consideration needs to be given to the processes and operating model around errors .e.g. Payment in Error, Recoveries, and Exceptions to support this transition until the process is completed. We do see benefits in the longer term once full transition is completed.

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? YES/NO.** If yes, please provide a description of those areas and why they are important to explore.

- (a) Yes LBG supports the use of ISO 20022 and JSON for APIs together with the approach in aligning with PSD2/Open Banking standards.
- (b) Design considerations that should be explored are detailed below:
 - (i) We would be keen, from a Helping the UK Prosper perspective, for the new message formats used within the NPA to have the capability to carry the required carriage data to allow the processing of the last leg of an international payment into the UK clearing as an alternative to RTGS. The payment should be able to contain the required information for sanctions and fraud screening, which is a current constraint of the current FPS messaging for Payments Originating Overseas.
 - (ii) The NPA should also be flexible enough to support future additional overlay services e.g. 'Request to Accept', where the beneficiary can chose to accept or reject an inbound credit. For example, in settlement of a dispute or claim, where acceptance of the payment acknowledges acceptance of the claim, as the customer control aspect could reduce the use of cheques in some use case scenarios.
 - (iii) Consideration should also be given to align the NPA with OB/PSD2 models where possible. For example, using industry technical standards, such as OAuth (although this brings additional complexity for corporates with more than one signature requirement). There will be a need to be able to transfer these mandates between ASPSP's to support account switching, as the PSD2/OB model does not currently support switching of mandates/consents.
 - (iv) Reducing the settlement cycle for existing Direct Debits from three day to less when transitioning to NPA.

1.4 **The nature of the layering approach enables new components to be added or updated with minimal impact on components in 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? YES/NO. If not, please explain why.

- (a) Yes. We are supportive of the layered architecture design for the NPA and the move to a common messaging standard, leveraging the approach taken for Open Banking/PSD2. We agree that this will simplify access and create opportunities to develop new or improved services for customers.
- (b) Whilst being supportive we have a number of considerations;
 - (i) Some of the overlay services proposed could potentially be delivered on the current infrastructure, hence potentially using the current FPS SIP.

- (ii) The design of the clearing and settlement layer must be flexible and tolerant enough to allow innovation and development of new overlays and access services where extra data is introduced into the payment message to avoid this layer acting as a constraint.
- (iii) The wording in future documentation should be consistent e.g. references to ISO20022 messaging standards possibly should be data/interface standards as not all interfaces will necessarily be based on traditional messaging,
- (iv) Careful consideration of the multiple 'look-up' directory services within each layer is required to ensure that there is no adverse latency in terms of message flow.

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? YES/NO.
If not, please explain why.

b. The right balance of managing risk versus competition has been achieved? YES/NO. If not, please explain why.

- (a) On balance we support a centralised infrastructure model as we believe a centralised model is proven in reliability and efficiency, whilst providing a clear and manageable risk model which supports the prevention of systemic risk. It may also be more cost effective and potentially require less additional development to support the adoption of ISO20022 requirements.
- (b) At the same time as the PSF will be finalising the Blueprint the UK will be implementing cheque imaging based on a new central infrastructure that utilises modern international standards, is scalable and appears to have the capability to support all current UK payment services and the overlay services proposed in the PSF strategy. We would therefore encourage the NPSO to investigate whether or not the significant investment in this infrastructure can be leveraged to provide the core of the New Payments Architecture.
- (c) However, if we want UK payments systems to make the step change from world-leading to world class, a leap would be required to move towards a more distributed system. Whilst there isn't currently a live distributed model of this scale in operation anywhere in the world, LBG believes a distributed model would drive competition in a completely different way and the end user would almost certainly benefit from a wider range of overlay services, many of which will not have been thought of yet. These potential benefits would need to be carefully assessed by the NPSO against the risk and cost concerns.
- (d) That said, LBG could also support a distributed model provided this was built on the foundations laid down for Open Banking and PSD2.

1.6 **Do you agree with our analysis of each of the clearing and settlement deployment approaches? YES/NO. Which is your preferred deployment approach?**

- (a) At this stage of the analysis we are unable to determine the correct approach.
- (b) We understand the drivers to seek vendors to compete for the market; however, it seems unclear, whether the economics would be viable if there were to be just two vendors competing. Would it be more efficient to have a single vendor competing for the market provided there was resilience and scale to their solution?
- (c) Additional Considerations;
 - (i) An API based model to interact with the clearing and settlement layer allows for more optionality for the scheme to move between vendors or introduce complementary providers in the future, as it should be easier to change or swap out components.
 - (ii) Consider optionality around settlement and have an option for gross settlement as well as net settlement, for two reasons: gross settlement provides contingency for RTGS and it also provides payment optionality for customers that might benefit from real-time settlement. For example, a house purchase or for PSP's who could choose to route higher value transactions if they are nearing a net sender cap.
 - (iii) Another area for optionality is whether there should be one "scheme" supporting individual and bulk payments, or more than one 'scheme' where there are different instances providing an individual scheme and a bulk scheme, but using the same rules.
 - (iv) Introducing any optionality introduces potentially more scope for competition and contingency, however this must be weighed against the costs and benefits.
 - (v) The clearing and settlement solution chosen must provide sufficient resilience and scalability.

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? YES/NO. If so, please explain which areas and why.**

- (a) Yes, more work is required to understand the impacts of migrating existing Direct Debits and processing to the new Architecture. (See response to Question 1.2, 1.3, 1.5 and 1.6). This will include the differences between Request to Pay, 'push' Direct Debits and legacy Direct Debits.
- (b) This is a significant change and therefore it is inevitable that more work will be necessary to move from design to the detailed specifications necessary to support delivery.

2. **COLLABORATIVE REQUIREMENTS AND RULES FOR THE THREE END USER SOLUTIONS**

Please note that questions 2.1 to 2.10 have been answered as a PSP and Payee as LBG is also a DD originator.

2.1 **As a payee,**

a. Does your organisation serve customers who experience challenges paying regular bills? YES/NO.

(a) Yes

b. Does your organisation experience unpaid direct debits? YES/NO. Please comment on the extent to which you experience this and any trends you see in this area.

(a) Yes. Unpaid Direct Debits are very low in the context of our overall Direct Debit payment volumes. It may be useful to ask Bacs Co to provide industry statistics on the ARUDD volumes against each unpaid reason codes to help identify trends in this area. Drilling down to show sector data would also be beneficial.

2.2 **Request to Pay provides visibility to payees on the intentions of a payer. Would the increased visibility benefit your business? YES/NO. If so, how?**

(a) Yes. Increased visibility of our payer's intentions would always be welcome, as any customer interaction is beneficial.

(b) We should also be mindful of the impact of increased communication, particularly on smaller businesses as receiving notifications of an intention to defer a payment could have a detrimental impact on their administration, reconciliation and cash flow management.

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? YES/NO. If so, in what way?

(a) No. PSP's are used to communicating with customers across a wide variety of mediums today. However, any resource implications would also need to be clearly understood and managed to ensure there is no adverse impact to customer service.

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

(a) Increased communication may highlight a change in a customer's circumstances which we may have been unaware of.

c. Do you see any additional potential benefits resulting from Request to Pay other than those described? YES/NO. If so, which ones?

- (a) We believe that the flexibility of RTP may lead to a reduction in the number of unpaid direct debits. If customers awareness of a payment is increased this may also have a positive impact in the reduction of direct debit indemnity claims. It may also complement situations where there have been payment hiccoughs that need to be addressed (arrears, missed payments for mortgages etc.).
- (b) It is also important to consider any risks that are envisaged as a result of Request to Pay, particularly concerning vulnerable customers and the challenge in prioritising the right decision when faced with two requests to pay at the same time, i.e. choosing a satellite television subscription over an insurance premium or mortgage payment.

2.4 **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/NO.

- (a) Yes. We would work with industry parties and the NPSO to identify and ensure that minimum requirements are met with any developments of Request to Pay, including any other items of information with the payment request if there is a proven customer need to do so.

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/NO.

- (b) Business to business Request To Pay transactions may require additional information to aid reconciliation, an invoice for example. The security of any additional information provided within a Request to Pay message would also need to be considered.

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?**

- (a) We currently offer a broad range of payment frequencies and dates which are tailored to customer needs. We would work with industry parties and the NPSO to identify and ensure that minimum requirements are met with any developments of Request to Pay.

2.6 **Request to Pay will offer payers flexibility 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? YES/NO. If so, please provide more details as to how these plans are offered, their conditions and to which customers.

- (a) LBG offers a broad range of payment plans and the ability for customers to spread repayments based on the products that they use and their personal circumstances. The details that sit beneath these will be set out within the terms and conditions

for each product. If a customer was to fall into arrears for a loan or mortgage a flexible choice of options will be accommodated to allow the customer to repay or address the situation.

b. Do you have a predominant payment method used by your payers? YES/NO. If so, what percentage of customers use it?

- (a) b) The majority of our mortgage customers use direct debit as the predominant payment method; in excess of 65%.

c. Do you offer your payers a choice of payment methods? YES/NO. If yes, what determines how much choice you offer? If not, what are the barriers preventing you from doing this?

- (a) Yes, we offer a broad range of payment options to our customers and these available through our primary channels of branch, internet and telephony. Options include:
- (i) Additional loan or credit card repayments.
 - (ii) Early repayment.
 - (iii) Flexible repayment dates
 - (iv) Repayment holidays, subject to terms and conditions
 - (v) Amend the servicing account

d. Are there any incentives to use one payment method over another? YES/NO. If so, what is the rationale?

- (a) No. Customers will choose the payment method that is most suitable for them rather than incentive.

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? YES/NO.

- (a) Yes

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

- (a) Conditions and eligibility will be wide ranging and tailored to meet the customer needs. However, this could increase corporate collection costs through the provision of a new channel to manage and managing multiple collection periods and will need full engagement in order to gain their support to take up the service.

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

(a) Not applicable

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/NO.

(a) Yes. We would welcome all contact with our customers. A request to decline payment may alert us to an issue that we may not have previously been aware of, for example change of mandate, closed account etc. Giving the customer the ability to decline a payment may prevent the need for refunds and indemnity claims, for example if a direct debit for a gym membership is still being processed despite the customer giving notice to cancel their subscription.

b. Do you have any concerns about providing this capability? YES/NO.

(a) No. We would work with industry parties and the NPSO to identify and ensure that minimum requirements are met with any developments of Request to Pay. If a payment is declined we would deal with this in the same way that non-payments are handled today.

2.9 **Does the Request to Pay service as described address:**
a. The detriments identified in our Strategy? YES/NO.

(a) Yes

b. The challenges experienced by your customers? Does it introduce any new challenges? YES/NO. Does it introduce any new challenges?

(b) No. We foresee new challenges around making the end to end communication process transparent, as there would need to be an audit trail to ensure that all steps are clearly visible and can be evidenced in the event of customer complaint or enquiry.

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?

(a) It is difficult to provide an accurate response without undertaking a detailed impact analysis, but we believe that significant IT change to both our front and back-office systems will be required in order to provide an automated process that will provide a frictionless, positive customer experience. Additional resource may be required, or diverted from other operations, to ensure that increased reconciliations can be managed, whilst there will be amendments to terms and conditions supported by extensive communications to support customer education.

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

- (a) We do not expect challenges to be insurmountable. However, our IT will need to be scalable in the event that RTP gains traction and volume migrates from Direct Debit. We will need to review our product range to ensure that an RTP option is suitable for all product types and would not lead to unforeseen challenges, i.e. default of mortgage and loan repayment or insurance premiums.

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

- (a) Depending on more detailed study, we believe that a service could be delivered within two to three years. However, we are conscious of the significant industry and regulatory change and, as we have previously stated, developments will need to be properly scoped, costed and sequenced.

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?

- (a) Outlined in our responses to Q2.12 & 2.13

**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 would like to add? YES/NO.**

- (a) Yes. We believe there are a number of additional risks to consider;
 - (i) Payers could feel pressured to make a payment leaving them without the funds to meet other more critical needs.
 - (ii) The way in which the order of payment transactions are debited in the future may change, i.e. rules to help prioritise payments to protect the customer e.g. mortgage payments to be sent first would be helpful to mitigate any issues in unpaid critical payments. For example car insurance/mortgage/health cover/ child maintenance etc.
 - (iii) Customers may need to potentially manage or oversee their transactions more closely. This could be more of an issue for those in vulnerable or financially stretched customer groups. Ensuring that customers who are unable to respond to an authorisation request do not incur fees or charges will be vital.
 - (iv) We see the potential for an increase in customers not responding to request to pay messages which could increase the number of not paid payments.

- (v) We see the potential for an increase in more targeted fraud and phishing, particularly in the vulnerable customer space and especially an increase in 'junk' requests where individuals are bombarded with requests to purchase goods they do not want.
- (vi) Due to the multiple parties that potentially may be involved in the end to end services, Enquiries and Investigations will become more complex i.e. typically these exist mainly in the bank to bank space at the moment.

**b. Are there additional unintended consequences that we should consider?
YES/NO.**

- (a) Yes. PSPs could be viewed as pursuing payments on behalf of payees, changing how payers perceive their relationship with the PSP. Unintended consequences might be:
 - (i) An increase in more targeted fraud, particularly in the vulnerable customer space.
 - (ii) A risk for customers in financial difficulty, i.e. downstream impacts if a customer only pays part of the amount owed.
 - (iii) Customer stress; we see a need for a robust education piece to help prevent any additional strain on customers.
 - (iv) A customer unintentionally declining or accidentally deleting a Request to Pay. It would be useful to consider an option for customers to retrieve and make a payment in this scenario.
 - (v) The cost of managing and reconciling deferred payments could increase.
 - (vi) There may be impacts to terms and conditions to accommodate new services and timescales.
- (b) In reviewing Request to Pay we have identified a number of design considerations;
 - (i) We believe there should be an option for customers who decline or delete a Request to Pay accidentally, to retrieve and make a payment.
 - (ii) Consideration should be given on how Request to Pay will be offered to ensure uptake – auto enrolment and options to opt out.
 - (iii) The Request to Pay service should offer the ability for customers to set thresholds and rules around payments which could automatically be paid, whilst others referred, depending on the customer's individual needs.
 - (iv) It would be useful to expand the potential use case set to ensure any requirements are not missed in the design of the core clearing and settlement mechanism and allow PSPs to validate how we would implement.
 - (v) Consideration should be given to how the authorisation/token issuance would work for customers who were not using on-line channels, who will continue to want and need to set up mandates via physical (e.g. retail

outlets, post) and telephony channels, any offering should not disadvantage vulnerable customers.

- (vi) There may be opportunities to provide more intelligent solutions to help customers manage their cash flow; however we are mindful of the liability issues this may bring.
- (vii) This model gives the customer more control over their consent management. However, this will require extensive communication and education to allow customers to make informed decisions and avoid unintended consequences.
- (viii) Customers should be able to block all or individual Request to Pay senders.
- (ix) In use case 1, there is a requirement for the payee to know and show the costs and incentives associated with different payment methods as the payer may be charged by the payment service provider that they use. However, we believe this would be very difficult to achieve.
- (x) The payment period / amount needs to allow for multiple repeat payments that do not need the payer to authorise each time (i.e. it needs to match what is good about Direct Debits today for the payer and payee). It also needs to enable the payee to specify the amounts at each collection without having to check with the payer every time. It would be sensible to have an option for the payer to set a maximum value per transaction as part of the process for repeat payments.
- (xi) Reference ID. For repeat payments (that have only been authorised once as above), the ref ID should be unique to each individual transaction.
- (xii) The payee may not be in control of the charges for the payment mechanism used by the payer; this will need to be considered.
- (xiii) Consideration should be given to use cases and solutions in the B2B market where solutions can remove payment friction and improve working capital for SMEs and Corporates

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

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

- (a) As an end user of Request to Pay, common rules and principles will be required to outline responsibilities end to end and the regulatory framework in which it will operate.
- (b) We see one of the biggest liability concerns around where liability rests when something goes wrong; by nature the customer will approach their bank in the first instance expecting resolution.
- (c) Further work and clarification is required to ascertain the liability model and then ensure that it is easily understood from a customer perspective. It needs to be both fair and equitable for the industry parties involved.

- (d) Legislation from PSD2 limits liability to unauthorised payments and processing errors. This legislation will ensure that responsibility for clearly communicating how much is due and when will sit with the RTP requestor.
- (e) Clarification would also be needed to provide guidance on who would take on contested liability claims, e.g. the Financial Ombudsman Service

b. Would you be interested in working with the Forum to define, at a high level, the liability considerations for Request to Pay? YES/NO. If so, please contact us as soon as convenient through the Forum website so we can get you involved.

- (a) Yes. We would be interested in working with the Forum to define, at a high level, the liability considerations for Request to Pay.

2.14 **As a PSP: Do you currently offer real-time balance information to your clients? YES/NO.** What information do you offer them? If not, what are the constraints?

- (a) Yes, We offer real time balance information across our current account range, i.e. details of available cleared balance [including earmarked funds], overdraft and any pending transactions, through various channels (branch, telephone, online, mobile, etc.). Offline transactions such as some contactless payments will not show immediately.
- (b) Certain accounts in our product range such as credit cards, loans and currency accounts do not receive real time balance information.

2.15 **We have presented two CoP response approaches (Approach 1 and Approach 2).**
a. As a payer, what would be your preferred approach? Why?

- (a) Not applicable

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

- (a) As a PSP we support Confirmation of Payee in principle but can see issues with both options;
 - (i) Option 1 gives us concerns around any potential liability associated with the "fuzzy matching" logic that the Payees PSP would need to have in place to cater for slight name differences, misspellings and complexities of commercial account names. For example, if a 'Yes' response was provided against a 90% match threshold this could create a position where a PSP may be liable if the "matched and confirmed" account is later found not to be the intended Payee.
 - (ii) Option 2 gives concerns around data privacy and fraud conflicts. As a general principle we do not want to divulge further customer details where only a sort code and account number are provided by a payer.

- (b) In considering both options outlined in the Blueprint we have identified a potentially alternate hybrid approach where:-
 - (i) A payer provides the payee name or other suitable identifier
 - (ii) If identifiers match past a certain threshold, then the full payee name is provided back.
- (c) This may reduce the data privacy concerns with option 2, whilst allowing the payer to make a well informed decision that is not available with option 1. This solution would ensure that a robust matching logic is applied across PSPs.
- (d) Additionally, consideration of alternative data sources may also be helpful such as wallet/social media address identifiers that may help with secure combinations of mobile number, address/contact details etc.
- (e) With this in mind, it would also be useful to understand if the use of existing databases has also been considered to help with Confirmation of Payee, such as a wider more open general use of the Billers Database (currently a commercial product), and/or possible join up with other data sources, such as the PAYM database, Companies House data, VAT registration data etc.
- (f) We recommend that a common approach is taken to ensure consistency across the industry for CoP results and to encourage focus on data quality within the data sources.
- (g) Furthermore, additional types of use cases should be categorised between information which is public (e.g. large corporates appearing on the Billers Database) versus information which is private e.g. SMEs / individuals. Each may have different considerations in relation to disclosure, liability, data protection etc.
 - (i) Considerations
 - (A) Fraud concerns: giving more information back to a potential fraudster over and above that which is available in today's processes. To help mitigate this the PSF should liaise with PayM and their Pay a Contact service – the customer registers using the telephone number, it returns the name of the person before the customer presses the send button, but the sort code and account number are not displayed.
 - (B) There may also be data protection impacts if the customer opts in and out of the service.
 - (C) Customer considerations must be robustly challenged and market research undertaken to ensure that products and services are developed to meet these requirements and which can be easily understood.
 - (ii) Safeguards
 - (A) It is important to consider the protection required to safeguard the customer if a payment passes all COP checks but still goes to the wrong payee.

- (B) There should be absolute clarity on the customer's responsibilities in the process.
- (C) Further work is required to produce guidelines on naming conventions to apply an industry consistent approach. This should include how to deal with account names with extraordinarily long names if they exceed the characters available.

c. As a regulator,

I. What are applicable considerations that must be made for each approach?

II. What safeguards must be put in place for each approach?

Not applicable

2.16

As a PSP:

a. Would you be able to offer CoP as described to your customers? YES/NO.

- (a) Yes. We would support functionality to allow payers to have confidence that they are paying the intended payee. However we have concerns about both options detailed to deliver Confirmation of Payee (please see our response to Q2.15 on an alternative approach).

b. What is the extent of change that you would need to carry out internally to offer CoP?

- (a) We see the main change for outbound payments being the need to incorporate CoP across all our delivery channels. For inbound payments, we would need to receive the API, perform the matching logic and provide a response. We feel this would be a medium level change in terms of complexity, cost and scope.
- (b) Furthermore, we feel that an industry rule that sets and standardises the matching criteria would be key to the success of Confirmation of Payee.
- (c) We must ensure that we learn from recent examples such as the delivery of the Current Account Switching Service where matching and validation of customer account information gave rise to a significant number of issues.

2.17

The successful delivery of CoP is largely dependent on universal acceptance by all PSPs to provide payee information. As a PSP:

a. Would you participate in a CoP service? YES/NO.

- (a) Yes. We would participate in a CoP service.

b. Are there any constraints that would hinder you providing this service? YES/NO.

- (a) We do feel that there are certain constraints that would hinder the provision of this service as outlined in our responses to Q2.15 & 2.16. It is important to have a clear understanding of responsibility and liability. It would also be useful for the

PSR or the FCA to review if a change in the law is required to provide certainty around data privacy issues that may impact Confirmation of Payee.

2.18 **The NPA will fully support the functionality for PSPs to provide payment status and tracking.**

a. As a PSP, what is the extent of change you think you will need to carry out internally to offer Payments Status Tracking?

- (a) As a PSP we are supportive of providing this functionality as customers do contact us (through telephone/branch) to check if payments have been made. We therefore see this as an improved experience for some of our customers.
- (b) We anticipate this would be a medium level change, in terms of complexity, cost and scope, for our core customer base. However,

b. What challenges do you see that might prevent your organisation adopting Payments Status Tracking?

- (a) There will be a significant challenge regarding supporting Payments Status Tracking to indirect participants.

We see these additional challenges as follows

- (i) Dealing with payments that are returned – a conflict with getting a confirmation but then the payments are returned because they couldn't be applied. Consideration will be required to deal with the communication in this scenario.
- (ii) Further consideration will also be required concerning accounts where we cannot track to final destination e.g. Head Office Collection Accounts for utility companies. The issue will be when payment is finally applied to the account (and not just received at the payee bank).
- (iii) Clarification required as to the appropriate payments types that this would apply to – for example as Faster Payments are made within 2 hours this would negate the need for these payments to be included with such functionality.
- (iv) International payments however, provide a good example of when track and trace would be most beneficial as these payments give our customers the most anxiety in assuring safe receipt.
- (v) Complete industry coverage would be required to maximise the effectiveness of this service – mandatory commitment would help this and encourage all to share and support this initiative.
- (vi) If consideration was given to the design of future payments so that they are designed in such a way that status is built into the process, this would mitigate the need to have a bolt-on that gives that tracking. We understand that FPS are looking at additional enhancements to support this.

- (vii) Consideration would be required to how the tracking confirmation is passed or shared with the customer.
- (b) There are many reasons why a payment may be delayed. Consideration will need to be given to the level of transparency and education as to why payments may be delayed. Communications will need to be appropriately designed to meet customer's needs.
- (c) There are emerging industry solutions around tracking which could be adopted for end user experience and operational efficiencies; for example Chaps Track and Trace.

2.19 **We have highlighted several considerations relevant to the delivery of Assurance Data. As an end-user of Assurance Data:**

a. Are there any risks that we have not addressed or highlighted that you would like to add? YES/NO.

- (a) Yes. We see that there is a risk that we will not see clarity on PSP liability responsibilities in the case of dealing with data protection and proceeds of crime cases unless it is clearly established and underpinned by the appropriate regulation (i.e. PSD2).
- (b) With more data being available we see the potential for increased cyber security threats, phishing for example

b. Are there any unintended consequences that we should consider? YES/NO.

- (a) No. However, we have highlighted potential issues regarding dual running of schemes and possible truncation of data and the failure to capture the full benefits of Enhanced Data due to the lack of full functionality. We would recommend further engagement with Agency and Correspondent banks to understand any challenges they may face.

2.20 **As a payer:**

a. How would you use Enhanced Data?

- (a) We see the use of Enhanced Data differing between customer segments and as such the benefits seem to lean more to commercial and corporate clients as Enhanced Data would allow the customer to send additional data that currently needs to be sent as a separate advice.
- (b) From a personal customer perspective we don't see the need arising in business to person and person to person transactions. Furthermore, we would need to ensure that all parties are able to support increased amounts of data and that we have clarity on how customers can access it when needed.

b. What Enhanced Data would you add to payments?

- (a) Further consideration is required to understand what Enhanced Data we would add to payments given our concerns detailed above.
- (b) Additionally we believe there are further industry considerations as follows;

- (i) Whilst we understand and support the principle of future proofing payments and bench marking against what's available in other European countries, it is important to ensure that we have a sound rationale and strong demand to support any future development.
- (ii) Reference fields that sit within Faster Payments today have not historically been opened up because a need to do so has not been identified.
- (iii) Standardisation should ensure that enhanced data fields cannot be truncated as this could prevent the payee being able to read the information

2.21 **As a payee:**

a. How would you use Enhanced Data?

- (a) N/A – PSP response not required

b. What Enhanced Data would you add to payments?

- (a) N/A – PSP response not required

2.22 **Does the Enhanced Data capability as described address the detriments identified in our Strategy? YES/NO.**

- (a) Yes, we believe that the Enhanced Data capabilities described address the detriments of lack of sufficient data, lack of structure in the existing data and lack of a common standard format.
- (b) However, in our experience the requirement for sufficient data differs significantly across customer groups.

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?**

- (a) In principle we would welcome any additional payment-relevant data that is added to the message to support increased certainty, transparency and security for customers.
- (b) The New Payments Architecture will support the delivery of enhanced data, and whilst substantial investment required, it is considered a worthwhile investment.
- (c) The PSF should consider lessons learned from previous similar initiatives in this space: LBG's Bill Manager service (Check Free / One Vu) where take up was low.

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? YES/NO.

- (a) Yes. We see additional risks as:
 - (i) The potential for the integrity and purity of the payment message to be affected if the data that is not related to the payment is included within the payment message itself. Therefore, should be available separately
 - (ii) Potential for the consistency of messages could be affected. It would be prudent to place some reasonable limits around the ability to add multiple or extended free format data fields to reduce variability between payment messages.
 - (iii) Data privacy considerations, if customers do not wish to share additional data e.g. invoices with their PSP.
 - (iv) Consideration must be given to any liability for Financial Crime and Anti Money Laundering transaction screening, PSP's may screen data within the payment message, however could not screen any data held externally that they were not party to.
 - (v) GDPR considerations if a customer wishes to delete their data could be a challenge if it is stored in multiple places across PSP's/TPSP's.
 - (vi) Poor user experience arising from the incorrect use of Enhanced Data. For example, a payer may fail to provide the data or attach incorrect data.
 - (vii) Clear communication and customer education to payers and payees should ensure a positive customer experience and take up of the service

b. Are there any unintended consequences that we should consider? YES/NO.

- (a) Yes. We do believe that the unintended consequence that would require further consideration would be the ability to include additional free format data and our concern that this may result in the attachment of malware or viruses.

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?

- (a) We would recommend further engagement with the PSR to identify and resolve issues. For instance, PSD2 legislation is silent on where liability rests regarding data, but our view is that customers will approach their PSP's in the first instance when encountering a problem. PSR support would help in resolving the issue of TPP's obtaining indemnity insurance, as required under the legislation.
- (b) The risk of a data breach needs to be managed to ensure that customer confidence and trust is maintained in a new service.

- (c) Issues will need to be worked through and we believe that a significant customer education work stream will be required to support the service.

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/NO. If so, please contact us as soon as convenient through the Forum website so we can get you involved.

- (a) Yes. We would be interested in working with the Forum to define the various liability considerations required for Enhanced Data.

3. IMPLEMENTATION PLAN

3.1 **Are there any additional principles you think we should add or significant amendments that should be made to those already stated? YES/NO.**

- (a) Yes. Our assumption is that the implementation plan must deliver customer benefits from day 1, however, we are not clear what the transition states look like for the customers and what benefits will be delivered when.
- (b) We are supportive of the transition approach which defines clear phasing of activities and subsequent closure of existing scheme infrastructure and responsibilities. Whilst it is a given that each transition state should clearly demonstrate the successful launch and migration to NPA, it would be beneficial to ensure that the benefits of scheme closure are clearly visible at each transition state. The transitional arrangements and sunset period for the existing infrastructure need to strike a careful balance between big bang, moving at the pace of the slowest and creating customer detriment.
- (c) On reviewing the Implementation Plan it appears the transition states seem industry centric and the impacts to the customer are not as visible. We would suggest the customer benefit/impact roadmap is overlaid on the industry roadmap.

3.2 **Are there any additional assumptions you think we should add or significant amendments that should be made to those already stated? YES/NO.**

- (a) See answer to 3.1

3.3 **Do you agree with the sequence of events laid out in the implementation plan? YES/NO.** If not, what approach to sequencing would you suggest?

- (a) Yes. We are supportive, in principle, of the implementation plan, but we believe that further refinement is required to remove risk from the plan;
 - (i) Transition state 2 in the paper covers migration of all FPS & Bacs bulk payments which we believe is high risk given the likely significant complexities of Bacs migration. We would therefore recommend that the

NPSO give further consideration to changing the sequence of transition states so that the migration of Bacs should not commence until all FPS transactions have migrated. This would create a new additional transition state which would follow after the Image Clearing System in Transition State 3. Bacs migration should also ensure that Bacs credits are transitioned ahead of and separately to Direct Debits.

- (ii) We would see the lowest risk order of migration as follows;

Transition State 1 – FPS, in our opinion given the volumes involved we would recommend commencing with SIPs.

Transition State 2 – Bacs Credits

Transition State 3 - Image Clearing System

Transition State 4 – Bacs Direct Debits

Transition State 5 – Close down of legacy services completed

- (iii) We recommend that the PSF should also look and not rule out a co-existence where direct debits remain as a pull payment. DDs work really well for the vast, majority of users today and care needs to be taken to ensure that the changes made do not undermine confidence in the existing mechanisms. A further and more detailed understanding would be useful of the potential implications and costs for businesses and Direct Debit originators of a move to a push only model for the payments infrastructure.
- (iv) The final implementation approach should also consider the impact of major regulatory and market driven changes as well as identifying other projects and initiatives that may need to be delayed or cancelled to free up resources and capacity to implement the Blueprint safely. It is critical to identify any mandatory changes that underpin the successful delivery of the blueprint. In finalising the approach it would also be useful to understand the initiatives that are prioritised as providing an enhanced user experience for customers.

3.4 **Do you agree with the high-level timetable laid out in the implementation plan? YES/NO.** If not, what timing would you suggest?

- (a) Yes. In principle, we agree to the high-level timetable, and acknowledge the right dependencies have been noted. However, we have key concerns around slippage of any of those hard dependencies and as such we feel it would be prudent to set an industry 'Go/No Go' decision in 2019.
- (b) Additionally, as PSP's and the industry have a finite capacity to undertake change safely to its payments infrastructure, it is critical that there is effective prioritisation and sequencing of the PSF strategy with other significant regulatory change.

3.5 **Are there any significant potential risks that you think the implementation plan does not consider? YES/NO.** If the answer is yes, then please provide input about what they are and how we can best address them.

- (a) Yes, here are a number of risks the implementation plan has not considered, see below:
 - (i) Some participants may not be ready to receive SIPs from the NPA for the start of Transition Period 1, therefore, delaying start date for all participants.
 - (ii) Due to the multiple players across the layered architecture, the complexity may introduce delays or additional cost.
 - (iii) If implementation dates move out, budgets will overrun/run out, or some of the NPA elements will not be delivered.
 - (iv) There may be a requirement to extend dual running for the transition of Direct Debits resulting in higher costs.

3.6 **Do you agree with our proposed transition approach? YES/NO.** If not, please provide your reasoning.

- (a) Yes. In principle, we agree with the transition approach, however, with the caveats we mention in Q3.2, we feel further consideration must be given to Direct Debit transition.

4. **COST BENEFIT ANALYSIS OF THE NPA**

4.1 **Are there any material quantifiable benefits that have not been included? YES/NO.** If so, please provide details.

- (a) Whilst the solutions included within the benefits summary appear reasonable there is little evidence to justify the benefits being claimed

4.2 **Do you agree with the cost assumptions with regards to the NPA and each of the overlay services (Request to Pay, Enhanced Data, Assurance Data)? YES/NO.** If not, please state your reasons and, if possible, suggest alternatives analysis.

- (a) Whilst the cost assumptions seem reasonable the numbers stated seem high – it is difficult to challenge specifics without the lower level detail that clarifies the basis of the calculations made.
- (b) We understand that the NPA business case is largely predicated on the following key assumptions and outcomes:
 - (i) Significant benefits will be realised from the overlay services RTP, Assurance Data and Enhanced Data. There is little evidence to justify the benefits being claimed.

- (ii) The overlay services RTP, Assurance Data and Enhanced Data can't be delivered on the existing infrastructure once it is upgraded to ISO20022.
- (iii) The cost of the NPA will be broadly the same as upgrading Bacs and FPS to ISO20022.
- (c) LBG recommends that the NPSO undertakes due diligence to validate these key assumptions.

4.3 **Do you agree with our description of the alternative minimum upgrade? YES/NO.**
If not, please explain your reasoning.

- (a) Whilst we understand that costs will be higher than a comparison against the NPA because the legacy systems will require individual upgrades, the costs quoted seem high without an understanding of the lower level detail.

5. **NPA COMMERCIAL APPROACH AND ECONOMIC MODELS**

5.1 **Does our competition framework adequately capture the types of competition that may exist in payments? YES/No.** Please explain.

- (a) We broadly agree with the competition framework set out but would query whether further analysis/ market testing is required to determine which type of competition each service falls into, before determining the future procurement model. For example, NPSO could consider seeking input from vendors on whether switching and settlement could be carried out efficiently and securely by multiple vendors, rather than a single vendor as today.

5.2 **Do you agree with the NPA competition categories described? If not, please explain why. YES/NO.**

- (a) Yes. Please see comments in Q5.1

5.3 **Does our framework capture the dynamic roles the NPSO may play in the market? YES/NO.**

- (a) Yes. Whilst we feel that the framework captures the roles that the NPSO may play in the market, it is not sufficiently clear on the process and governance around identifying and categorising new payments initiatives – this would be a helpful consideration.
- (b) It is important to strike a balance between the NPSO's role in catalysing improvements when there is a genuine case and user demand, versus the risk of throw-away cost and time at NPSO and PSP level in the event it tries to launch unsustainable new services. In some cases, it may be appropriate for the NPSO to have a risk appetite for potential solutions to fail at an early stage, rather than pushing them through.

- (c) In respect of accreditation, the NPSO could consider “accrediting accreditors”. I.e. instead of having vendors pay for accreditation by NPSO, some aspects of accreditation could be certified by third parties (e.g. auditors) from a list authorised by the NPSO. This would encourage efficiency.
- (d) In addition, one possible NPSO role could be to facilitate switching where competition is “for the market” by owning the underlying infrastructure assets or negotiating step-in rights, so that a new operator could replace an incumbent supplier on the existing infrastructure while minimising switching costs and disruption for PSP’s and end-users.

5.4 **Are there any other important criteria that we should use to assess the funding options we have identified? YES/NO.**

- (a) Yes. We believe the criteria could be clarified and more detailed in some respects, for example:
 - (i) Efficiencies – could include the value of economies of scale or scope.
 - (ii) Competition – it is important to recognise the impact on downstream competition. This includes accessibility, but also includes the importance of a level playing field downstream and of efficient pricing to support competition and low prices for end-users.
 - (iii) Purpose of investment – e.g. innovation projects might be more suitable for higher risk/ return funding (e.g. equity funding), while core services are likely to present lower financial risk and be more appropriate to fund via debt/vendor finance or from participants.
 - (iv) Financial risk – NPSO should have regard to the potential role of the Special Administration Regime to reduce the risk associated with key vendors.
 - (v) Duration of investment– i.e. time period to set up/ implement/ and return investment. It will be important to understand the profile of return on investment for determining the type of funding (e.g. equity versus debt/ type of investment).
 - (vi) Criteria could also distinguish between external and internal BAU costs (e.g. NPSO overheads vs external vendor costs).

5.5 **Do you agree with our NPA competition assessment? If not, please explain why. YES/NO.**

- (a) Please see comments above in question 5.4

5.6 **Do you agree with our assessment of End-User Needs Solutions? If not, please explain why. YES/NO.**

- (a) Yes. Whilst we appreciate that the assessment is only based on the two specific examples of Request to Pay and Confirmation of Payee, we would typically expect to see a more generic framework adopted in future assessments.

5.7 **Do you agree with our list of funding stakeholders? If not, please explain why. YES/NO.**

- (a) Yes. We agree and feel that the scope for retail investment is fairly limited. It would also be useful to clarify where a PSP would sit, although we would assume as a market participant.
- (b) Furthermore, although PSO's have typically been not-for profits, i.e. BACS/ CHAPS, the funding framework seems to cater for profit making initiatives. If the NPSO envisages not-for profit initiatives in the future, it should consider this in the funding stakeholder/ funding alternatives sections. i.e. if not-for profit, equity investment (and potentially debt) from private markets would not be suitable

5.8 **Are there other significant sources of funding or types of funding instruments the NSPO could secure that have not been described? If not please explain why.**

- (a) Yes. One option not listed, would be to call upon the existing guarantors on the NPSO to fund (it may be included under 'self-fund' option). In some cases, this would likely be preferable to VC/investment funds, which typically demand high investment returns.
- (b) Also, NPSO guarantors would likely be eventual participants in the new initiatives

6. IMPROVING TRUST IN PAYMENTS

6.1 **Do you agree with the outlined participant categories identified for the Payments Transaction Data Sharing and Data Analytics Strategic solution? YES/NO. Are there other categories that should be considered for inclusion? YES/NO. Please explain your response.**

- (a) Yes, we agree with the outlined participant categories that have been identified. Prior to the development of the Blueprint recommendations, we felt that the industry overall lacked a cohesive and clearly articulated data sharing strategy. As the PSF hands over to other industry bodies to deliver the Blueprint solutions it is critical that engagement continues with CIFAS, Credit Bureaux, National Hunter, FISS etc.
- (b) No, at this time we have not identified any other participant category, but recognise that new categories may emerge in the future and encourage any solution to be scalable and flexible.

6.2 **What is your opinion on the role non-payments industry participants should have as part of the Payments Transaction Data Sharing and Data Analytics strategic**

solution? (This could include Government, Law Enforcement, or others). If appropriate, please outline your views on the usage of the system, provision of data to the system, and legal considerations for participation.

- (a) We are supportive of engagement with other non-payment industry bodies or agencies which may support the solution, subject to appropriate caveats and suitable safeguards, i.e. other government bodies.
- (b) We note that further work is planned to fully understand and consider the liability model in the event of any claims arising. We recognise that the PSF will have taken consideration of the challenges that FFA UK experienced in implementing its Fraud Intelligence Sharing System (FISS).
- (c) We would also support early engagement with the relevant authorities, particularly if it is anticipated that legislation will be required to achieve the full benefits solution.
- (d) Data usage and data sharing is an industry hot topic and expected to be a subject of regulatory scrutiny. We do see a potential risk around whether consolidated data stores become a target by cyber criminals attempting to obtain large amounts of data. There are many customer benefits in allowing data to be shared but there is an inherent tension with current legislation that supports increased data protection and data privacy.
- (e) We would expect that any commercial usage would be remunerated and chargeable at commercial rates.

6.3 **Do you agree with the potential use cases outlined for the Payments Transaction Data Sharing and Data Analytics strategic solution? Yes/No.** If not, please provide your reasoning. Please indicate if there are other potential uses for the system that should be considered.

- (a) We are supportive of the potential use cases, in principle, as the solutions recommended will benefit our customers. However, we do recommend that careful consideration is given as to how the proposed solution is utilised to support wider use-cases such as SAR's and Benefit Fraud where legal and reputational issues need to be worked through to avoid any inadvertent impact.
- (b) Further, we recognise that speed is likely to be a major determinant of system build and cost. We therefore advocate a 'right-time' approach, rather than near real time, dependent on the use case. As previously stated, the solution should be flexible and scalable to allow for future proofing.
- (c) We are pleased to note that the industry collaboration has successfully joined together to combat fraud and are supportive of the current initiatives to prevent fraud and financial crime.
- (d) Initiatives such as Open Banking will allow customers to benefit from a single customer view of data.
- (e) However, the solution in itself will not deliver the capabilities and benefits outlined and are dependent on PSP's ingesting and using the data to produce insights. This will require a critical mass of PSP's to realise the full benefits of the solution.

- (f) We believe that funds repatriation is a complex issue that needs careful consideration. However, we acknowledge and welcome the ongoing work to deliver the tactical solution and have confidence that it will provide learning that can be applied to benefit and successfully develop the strategic solution.
- (g) We would recommend that use cases are reviewed to ensure that the solutions recommended are compliant with legislative requirements; i.e. alongside the EU's 5th AML Directive (5AMLD), Criminal Finances Act 2017 and Proceeds of Crime Act.

6.4 **Do you agree with key principles we have outlined for the implementation of the Payments Transaction Data Sharing and Data Analytics Strategic solution?**

- (a) We are supportive of the high-level key principles and find them to be sensible and appropriate. We would like the PSF to ensure that the pricing and funding model is equitable between all participants of the service.
- (b) We would encourage the regulators and industry bodies to build on the successful collaboration to date to ensure that the solutions are used effectively.

6.5 **Other than those already listed what stakeholders should be consulted and engaged during the design and implementation of the Payments Transaction Data Sharing and Data Analytics Strategic Solution?**

- (a) We support the general principle that a holistic view that incorporates interactions and links with other data sources will improve hit rates and that these may be expanded over time. For instance, Card schemes and large merchants hold significant transaction and customer data.

6.6 **Do you agree with the high-level timeline for the Payments Transaction Data Sharing and Data Analytics strategic solution? YES/NO. If not, what timing would you suggest and why?**

- (a) At this stage we do not feel able to accurately assess whether timescales are sufficient, however, we feel that they are reasonable and allow for the design and delivery phases to incorporate requirements arising from current legislative changes such as PSD2 and GDPR.
- (b) The timeline will of course be dependent on wider PSP engagement and the successful development of a compelling business case to justify the investment.
- (c) We are strongly supportive of the principle of returning fraudulently obtained funds to customers and we must continue to work together to oversee developments that ensures that all parties can act quickly and to the benefit of the customer in order to return funds.

6.7 **Do you agree with the establishment of the recommended framework for the sharing and exchanging of a core set of SME customer data Overseen by a governance body? YES/NO.** If not, please explain your reasoning.

- (a) Yes we agree with the establishment of the recommended framework which is rightly ambitious. We understand that further work will be required to develop the use cases and to establish a robust governance framework; but acknowledge the intent to develop a faster and more efficient customer on-boarding process.
- (b) We note and acknowledge the benefits collaboration for customer education to guard against fraud and deliver good outcomes and recommend that this should be extended to SME's.
- (c) We note and welcome that further work will be undertaken to fully understand the liability model in the event of any claims arising.
- (d) We believe that the devil will be in the detail and welcome that further workshops are planned in the Autumn to 'discuss and agree the approach to establishing the most appropriate entity(ies) to lead and take responsibility for implementing the KYC Data Sharing Framework'.

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/No. If not, please explain your reasoning.

- (a) As stated, we are supportive of developments with a clear customer benefit, but believe that checks and balances should be undertaken to ensure that customers are fully aware of how their data is being utilised, stored and how consent is obtained.
- (b) However, we do recognise that a standardised data approach may support both PSP and customer in the account opening process.
- (c) This is particularly relevant for the promised value – added services and 'the development of a market for the provision of KYC services as well as a wider range of services supporting other business activities'.
- (d) We would re-state that the provision of banking services remains within the risk appetite of the PSP and a decision may result from many different factors. However, core data standards should be beneficial.
- (e) Finally, standardised data, in itself, will not deliver the capabilities and benefits outlined but are dependent on PSP's ingesting, analysing and using the outputs.

b. Which other business activities could be supported by / benefit from the described sharing and exchanging a core set of SME customer data?

- (a) We believe that there may be further use cases that would benefit from standardised core data sharing, such as where exchange of information is required between two parties; Insurance, landlord & tenant, vehicle leasing.

- (b) Reference should be made to organisations such as the Federation of Small Businesses for further examples of use cases to understand the SME user need.
- 6.9 **Do you agree that the topics covered by the standards will provide sufficient guidance in order to implement the data sharing framework without being too prescriptive? YES/NO.** Are there additional topics you believe should be included?
- (a) We agree that the topics are sensible, although we acknowledge that there is a balance to be struck to avoid the framework being too over-prescriptive whilst still adding value.
- 6.10 **To engender trust in the sharing and exchanging of a core set of SME customer data, are there other responsibilities you would expect the governance body to have oversight over?**
- (a) No, although these are likely to become more apparent in the next stage of the consultation process.
- 6.11 **In your view, do any existing bodies (industry or other), already perform this oversight role? YES/NO.** If not, is there an existing body you believe should perform this role, or would you expect a new body to be established?
- (a) We do not believe that a current entity completely provides this oversight role although we understand that UK Finance is evaluating their involvement currently which we support. Consideration and liaison with, CIFAS or the Credit Reference Agencies may help in sharing best practise.
- (b) We believe that CIFAS and FFA UK maintain their own standards for their particular data sharing schemes and may provide useful insight into requirements for the role.
- (c) The PSF should not limit itself to payments organisations; e.g. the LSE provides LEI registration services. Within the wider European environment, organisations such as the ISO and eIDAS may be able to perform this role.
- 6.12 **Do you think a temporary testing environment as described is the right approach? If not, please explain your reasoning. YES/NO.**
- (a) We strongly support the proposal to implement a Sandbox that can support innovation and increase speed to market of new services and solutions.
- 6.13 **Are there any other key features you would expect in the temporary testing environment? YES/NO.**

- (a) No, although we recognise that functionality will become clearer through the proposed workshops that will enable the stakeholders to focus on determining the requirements.
- 6.14 **Do you agree that value-added service providers would benefit from the data sharing environment enabled by the framework? YES/NO.**
- (a) N/A – RESPONSES BY VENDORS ONLY
- 6.15 **Are the arguments put forward compelling enough to encourage net data providers to engage? YES/NO.** If not, please provide examples of what else would be required to make them participate.
- (a) Yes we are supportive of initiatives that will benefit and provide an improved customer experience.
- (b) We acknowledge that current legislative changes will highlight, and most likely lead to, the development of new and increased demand for data services. This may provide threats and opportunities for participant PSP's and we are aware that work is ongoing across the industry to determine the use-cases for data.
- (c) It is important that customers can trust that their data is being securely stored and processed with protection against fraudulent operators. A clear liability framework will be key to ensuring customer trust and ultimate success of new data services and we acknowledge that focus to develop this will continue.
- 6.16 **Do you see other advantages or challenges for net data consumers that were not listed above? YES/NO.** Please explain your answer.
- (a) No we do not currently see any additional advantages or challenges, however in any emerging customer service, issues may not be immediately apparent until a later time.
- (b) It is important that customers are fully aware of the consent that is being given and their rights and responsibilities in relation to how data is managed.
- 6.17 **Do you agree with the high-level implementation timeline for the Trusted KYC Data Sharing solution? YES/NO.** If not, what timing would you suggest and why?
- (a) Yes although the timelines are rightly ambitious. Given the industry willingness to deliver a solution and progress to date, focus and momentum achieved to date will stand the industry in good stead to achieve the timelines set.
- (b) We suggest that the challenges may lie in the ability to sign-up participants to the framework.

6.18 **Are there other initiatives with a similar focus that should be considered in order to deliver the Trusted KYC Data Sharing solution?**

- (a) We believe that there may be merit in reviewing the Global LEI System (GLEIS). The LEI Operating Units (LOUs) handle the registration, validation and maintenance of reference data. The LOU's charge a registration fee and an annual maintenance fee to the registrant on a cost recovery basis.