

Minutes | FINAL

Meeting: Payments Strategy Forum

Date / Time: 13th November 2017 | 10.00am to 1.00pm

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

- Ruth Evans (RE) opened the meeting by welcoming the Forum members after the September meeting
- RE noted that Mark Lyonette; Thaer Sabri and Nilixa Devlukia, FCA had sent their apologies
- RE advised that the objectives of the meeting were to reach a consensus on the Forum response to the Blueprint; analyse the Blueprint consultation responses; circulate a letter of support to be signed by the Forum members

Ai.1 Minutes and actions

- The minutes from the 29 September 2017 were signed off without comment
- Actions were closed, on the agenda, or in progress ahead the 30th November meeting

Ai.2 Consultation Responses

- Hamish Thomas (HT) provided an update on the notable themes that have emerged from consultation response assessment, these were:
 - a mixed response to the transition to the push model due to the concerns around the future of Direct Debit and how it will operate in the New Payments Architecture (NPA).
 - the need for further analysis to understand the implications of adopting a 'push' payment mechanism.
 - the need for further understanding how the NPA will accommodate Bacs
 - broad agreement that a centralised clearing and settlement approach is the better option
 - a split response on the two Confirmation of Payee options resulting in a proposed hybrid approach
 - an update to the NPA implementation timeline
 - the costs within the business case were challenged by 22 organisations (21 stated they were too low and 1 said they were too high).
 - strong support for the Payments Transaction Data Sharing and Data Analytics and KYC Data sharing solutions
- RE noted that there was a specific call to action on whether Request to Pay (RtP) should be mandated in certain scenarios. HT advised this would be covered.

NPA design and transition

- Otto Benz (OB) provided an overview of responses and sought agreement from the Forum that based on the consultation assessment that the final Blueprint should acknowledge further work is required, specifically around how pull payments will operate over a push only rail, but that the NPA design remains the correct approach.
- The Forum agreed, highlighting that a proper assessment of the challenges raised during the Consultation and an effective communication approach is key. Paul Horlock (PH) agreed and advised the NPSO will take this forward.

Procurement

- Dora Guzeleva (DG) sought confirmation from the Forum that the NPA design will continue to be based on a single Clearing and Processing layer, therefore the NPSO would only run a single competitive procurement. The existing products and services, plus new products and services, will be delivered as Overlays and the NPSO would manage the rules and requirements for these.
- The Forum agreed. PH confirmed this is also the view of the NPSO and that he is working with the existing operators to align procurement activities.

End-user requirements

- Sian Williams (SW) reminded the Forum consulted on two options for Confirmation of Payee. Responses were split, with pros and cons identified for both options. To address this feedback, the NPA design hub has developed a hybrid solution. SW sought agreement from the Forum that this hybrid option should be included in the final Blueprint.
- The Forum agreed highlighting the need for the NPSO to consider and address the issues raised during the Consultation in the next phase of detailed design.
- SW noted that the slides distributed to the Forum asked if RtP should be mandated in certain circumstances. The Design Hub's recommendation was to not mandate based on concerns raised in the Consultation that RtP will replace Direct Debit. The Forum agreed this recommendation.

Implementation Plan

- Becky Clements (BC) discussed the NPA implementation timeline. She noted that there was broad agreement with the sequencing but two key changes are recommended:
 - Push implementation now scheduled for mid-2021
 - Extending the duration of the analysis of unattended payments (for example Direct Debit) by starting analysis earlier.
- It was noted that the timeline appeared to indicate that three separate procurements are required for the Attended, Unattended and Image Clearing System elements of the NPA. As agreed earlier, there will only be one competitive procurement for the Clearing and Processing layer and the timeline should be updated to reflect this.
- The Forum agreed to these changes but noted that the principles of stability and resilience are critical and therefore the NPSO may need to adjust the planning to address these.

Cost Benefit Analysis

- Mike Smith (MS) provided an update on the CBA responses. It was noted that although some of the costs were challenged the recommendation was that the CBA remains broadly unchanged in the final Blueprint. The rationale being:
 - despite the challenge on the costs no party has suggested the business case is untenable.
 - the organisations who challenged the costs were contacted direct. No specific costs were suggested and the challenges were broadly a matter of opinion.
- On the basis of the re-engagement the Design Hub recommended to keep the costs broadly the same on the following basis:
 - costs will be based on implementation within the API Open Banking ecosystem and these will be less than those of historical implementations
 - while it is acknowledged there have been cost overruns in some other similar developments in the industry, this should not be reflected in the cost estimates as these will therefore be artificially inflated.
 - more detailed work is needed before an updated cost model for implementation can be developed. Without the provision of more detail, cost challenges are more a matter of opinion than fact.
- The Forum agreed with this recommendation.
- Marion King (MK) requested an update on the Economic Approach and Commercial Models section of the Blueprint. HT advised responses were supportive of the approach and models. This was noted by the Forum.

Financial Crime

- Faith Reynolds raised the risk that new consumer detriments could be created through the implementation of the NPA and the new end user services and it is important the NPSO and UK Finance consider how to deal with this.
- Paul Smith (PS) advised that as a part of the PSRs APP Scam report, UK Finance has agreed to provide updates on progress every six months.
- PH advised that the NPSO would closely monitor this risk as implementation progresses.
- The Forum noted the importance of the concern but agreed that the NPA has been designed in such a way to allow changes to occur quicker to address future detriments.
- HT concluded by advising that the Consultation had identified broad support for the two Financial Crime solutions.
- RE concluded this item by saying she is confident that there has been a careful consideration of the consultation responses and that there has been a broad understanding of the PSF Blueprint by the participants. The Forum agreed.

ACTION: The PSF Central Team to report back to the 30th November meeting with final agreed positions to the notable themes, reflecting feedback from the Forum.

Ai.3 Programme Plan

- The PSF Central Team provided an update on the latest activities. It was noted that all were on track and that handover activities were nearing conclusion.
- The Forum was also asked to agree that with the recommendation to handover the KYC Data Sharing and Indirect Access Liability Models work to UK Finance, and the Transaction Data Analytics to the NPSO. The Forum agreed. RE advised she would write to the two CEOs to advise them of this.
- PH added that the assessment period is considered crucial and that the technical teams from BPSL and FPSL have provided their expertise. He explained what the NPSO requires is a period of assessment and evaluation. Finally, he pointed out that resilience and continued collaboration of the industry should be a key principle.

ACTION: Ruth Evans to write to the Chairs of UK Finance and the NPSO to request they accept handover.

ACTION: PSF Central Team and PH to provide an update on handover readiness at the 30th November meeting.

Ai.4 Risk Assessment

- Rob Moore (RM) led the discussion around the latest risk assessment and the “fresh eyes” risk review conducted by Workstream 3.
- The Forum noted that a significant amount of work had been done. PH advised the risk work has been reviewed by the NPSO and will form a good basis for its own risk assessment.
- The Forum requested a presentation at the next meeting on the “fresh eyes” review.

ACTION: NPA Design Hub to present on its “fresh eyes” risk review at the 30th November meeting.

Ai.5 Forum 11th December event

- David McPhee (DM) provided an update on the 11th December event.

Ai.6 AOB

- RE sought confirmation from the Forum that it supports the robustness of the process followed and the content of the final Blueprint. The Forum agreed and committed to sign a letter confirming this.

ANNEX 1 – Attendance List

Apologies:

Mark Lyonette – Chief Executive, ABCUL
Thaer Sabri – Chief Executive, Electronic Money Association
Financial Conduct Authority

Attending:

Members

Ruth Evans - Chair, Payments Strategy Forum
Becky Clements – Head of Payment Operations, Metro Bank
Brendan Peilow - Crown Representative (Banking and Payments), Cabinet Office
Carlos Sanchez – CEO, Orwell Group
Faith Reynolds – Member, Financial Services Consumer Panel
James Emmett – Chief Operating Officer, HSBC
Katherine Horrell - Group Treasurer, Centrica
Marion King –Group Director of Payments, RBSG
Michael Maier – Chief Operating Officer, Fidor Bank
Mike Smith – Commercial Director, Raphaels Bank
Neil Lover – Head of Payments and Financial Crime, Coventry Building Society
Neil Rowan – Head of Enterprise Billing and Global Sourcing, BT
Paul Horlock – CEO, New Payment System Operator
Russell Saunders – Managing Director, Global Payments, Lloyds Banking Group
Ruth Wandhofer – Global Head for Regulatory and Market Strategy, Citi Bank
Sian Williams – Head of Financial Inclusion, Toynbee Hall
Steven Cooper – CEO, Barclaycard Business Solutions
Tony Shaw – Head of Treasury – Cash and Banking, Tesco

Observers

David Bailey, Bank of England
Dora Guzeleva, Payment Systems Regulator
Paul Smith, Payment Systems Regulator

Working Group Support

Andrew Wickham, PSF Central Team
Hamish Thomas, PSF Central Team
Patrick Seal, PSF Central Team
Jane Barber, RBSG
Richard De La Rue, Lloyds Banking Group
Otto Benz, NPA Design Hub Chair
Robert Moore, Nationwide and NPA Design Hub Workstream 3

Secretariat

David McPhee
Agapi Kasimati