

30<sup>th</sup> November 2017



Ruth Evans  
Chair  
Payments Strategy Forum  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

5th Floor  
1 Angel Court  
London, EC2R 7HJ

[www.ukfinance.org.uk](http://www.ukfinance.org.uk)

0203 934 1774

07770 496 832

[stephenjones1@ukfinance.org.uk](mailto:stephenjones1@ukfinance.org.uk)

Dear Ruth,

Following my letter of 21 November, I am now writing to respond formally to your request for UK Finance to take over responsibility for the Payments Strategy Forum initiatives of Trusted KYC Data Sharing and Liability Models for Indirect Access.

As I have previously made clear, it is my duty to ensure that UK Finance is the right organisation to take on this important work, and we only undertake tasks when commissioned and funded by members to do so. We have now completed our due diligence exercise internally and through member engagement to understand appetite for us accepting this work and the implications of us doing so.

I am pleased to confirm that we agree to take forward the progression of these two initiatives. We do this with some caveats as set out below, which are based on considered feedback from members and to manage the extensive amount of change currently being implemented by the financial services industry, and by the payments sector in particular. This includes prioritising work that is a regulatory requirement, such as PSD2 and GDPR, and which will potentially have an impact on the timescales for delivery.

### **Trusted KYC Data Sharing**

The Forum's proposal on KYC data sharing chimes well with our own strategic interest and ongoing work in this space. Our members recognise the value in the potential development of minimum standards for an API-enabled data sharing environment to support a market for KYC value added services.

As a result, we are happy to provide a home for this particular strand of the PSF's work and to progress and evolve this initiative as part of our wider workplan, subject to our continued member support for the need, feasibility and benefit case for such a framework.

Importantly, UK Finance, as a trade body, would not expect to be the ultimate governance body for the industry standards and framework, nor would it expect to influence members' commercial decisions on whether ultimately to utilise such a service or to change individual firm risk appetite on KYC processes.

Our members have challenged the initial focus of the initiative on the SME community and we will therefore progress this work with the wider personal customer community as well. A key reason for this is that a large proportion of this sector will be sole traders and micro-enterprises that would undergo the KYC process as individuals, and all SMEs in any case would follow the same process as a personal customer as a minimum.

## Liability Models for Indirect Access

The PSF's work on this issue has been wide-ranging and in-depth. It considered both legal and regulatory requirements imposed on the providers of access as well as the difficulties faced by indirect PSPs or potential users that would like to gain access to payment systems.

Our view is that this is an access to banking issue. If and when a firm is told that it cannot be banked, it is critical that it knows why and how it might move forward. The regulatory requirements being imposed on Indirect Access Providers (IAPs) under FSBRA, PSD2 and the POND principles of access it enshrines will help to move this forward, as has the IAP Code of Conduct. As UK Finance, we cannot influence individual providers' risk and commercial appetites nor provide assurances that we can shape the legal and regulatory landscape.

However, our view is that there is scope for improved communications – potentially some form of guidance - that sets out what indirect participants should expect, what they need to prepare, what areas they will need to make clear to their direct provider, and the kind of liability concerns that their provider may have. This would also aid the indirect PSP in understanding what might be expected from providers and how they could successfully progress with discussions and negotiations. The Payment Services Regulator's Specific Direction on Sponsor Banks to publish information about their access services is a helpful start, but does not provide all the information as set out above that indirect PSPs need.

This is ultimately about making the process clearer and helping indirect PSPs understand the nature of the relationship they will enter into with IAPs. The industry has done similar things in the past for pawn-brokers and crowd funders, helping to address misunderstandings through workshops and joint communications. Having guidance in place does not necessarily mean there will be more accounts, but having more informed parties should help facilitate the market to work better and more effectively.

We are therefore comfortable to accept the development of further dialogue to achieve this outcome. However, we must be clear that our focus would be on providing practical support to the user (or indirect PSP) rather than developing the legal or regulatory requirements or the IAP commitments/requirements, which we do not see as being within the gift of a trade association. We will work in an open and transparent way to develop this to reflect the interests of all Indirect and Direct PSPs and in communication and discussion with a range of relevant trade associations.

However, given the importance of the detriments in this space we do recommend that the PSR consider the related legal and regulatory issues raised in the work of the PSF as part of its provision to review the effectiveness of the indirect access developments in their ongoing access programme of work.

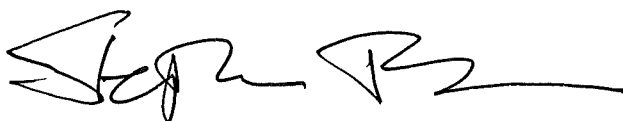
We also note that although there is an action in your letter to invite the FCA to identify suitable case studies, we understand that this is no longer in the workplan.

We will need to give further consideration to the timescales by which we believe we can achieve these two pieces of work once we have determined what resource can be allocated to it. This will include consideration of related work arising from PSD2 implementation and other regulatory requirements.

As with the other four PSF initiatives that we have already agreed to take forward, we will ensure engagement beyond our membership. We will also keep all relevant stakeholders informed of our approach and progress on these additional two pieces of work through updates on our website, and update the PSR as part of our regular meetings with them.

I look forward to seeing you at the PSF Handover Event on 11 December.

Yours sincerely,



Stephen Jones  
Chief Executive