

**DRAFT FOR  
DISCUSSION  
ONLY**

payments  
strategy  
forum

**Work stream 3  
Implementation Plan – Industry Landscape**

Payments Strategy Forum  
April 2017

# Payments Industry Landscape

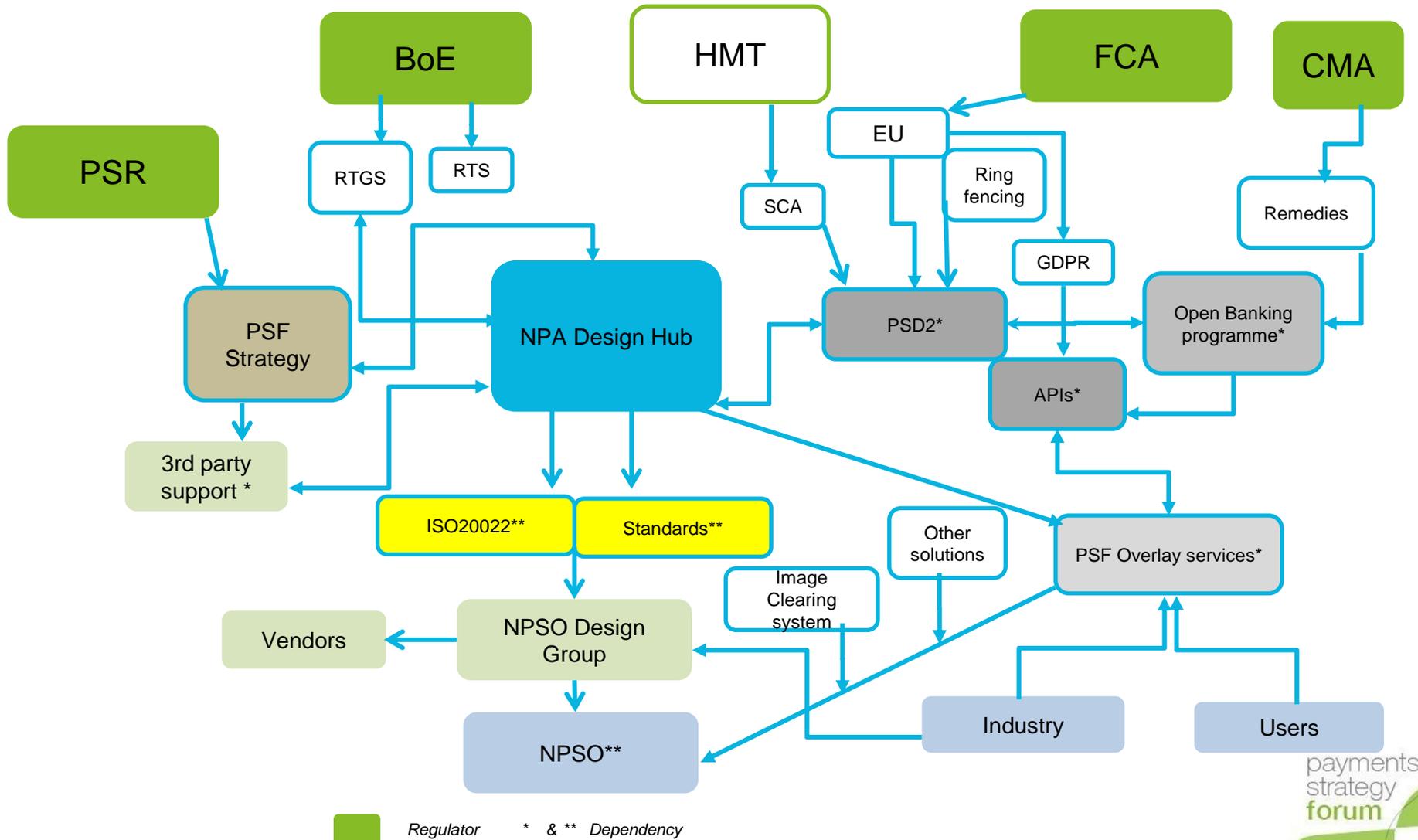
## NPA Implementation

- The purpose of this document is to provide a view of the change landscape for the payment industry over the next three years. It is a first draft and will be further refined as work progresses. It brings together a number of views in one document to help understand the change agenda. These are:
- Timeline – this lays out understanding of the changes currently underway or planned to be delivered, showing the duration and key milestones.
- Delivery Risk – this lays out our assessment of the delivery risk for the proposed changes.
- Change Capacity – Our assessment of the availability of change capacity, which is a combination of analytical, technical skills and management capacity to effectively deliver change.

NB: Financial information removed post the Forum meeting as further assessment required.

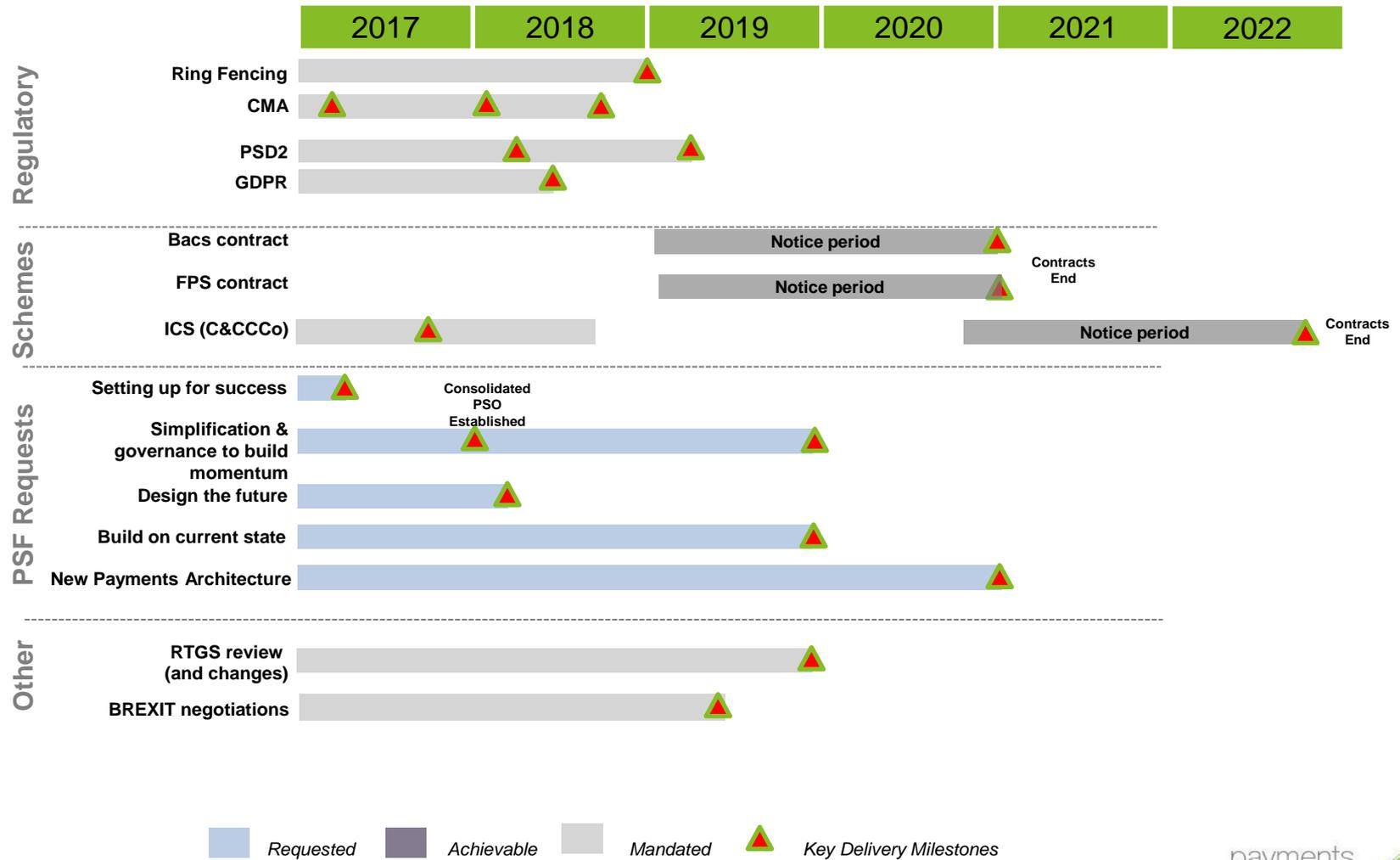
# Landscape

The Payments landscape has multiple dimensions: e.g. who, what, when, costs, benefits etc. PSF strategy is being developed in the context of a complex and sometimes inter-related eco system\*.

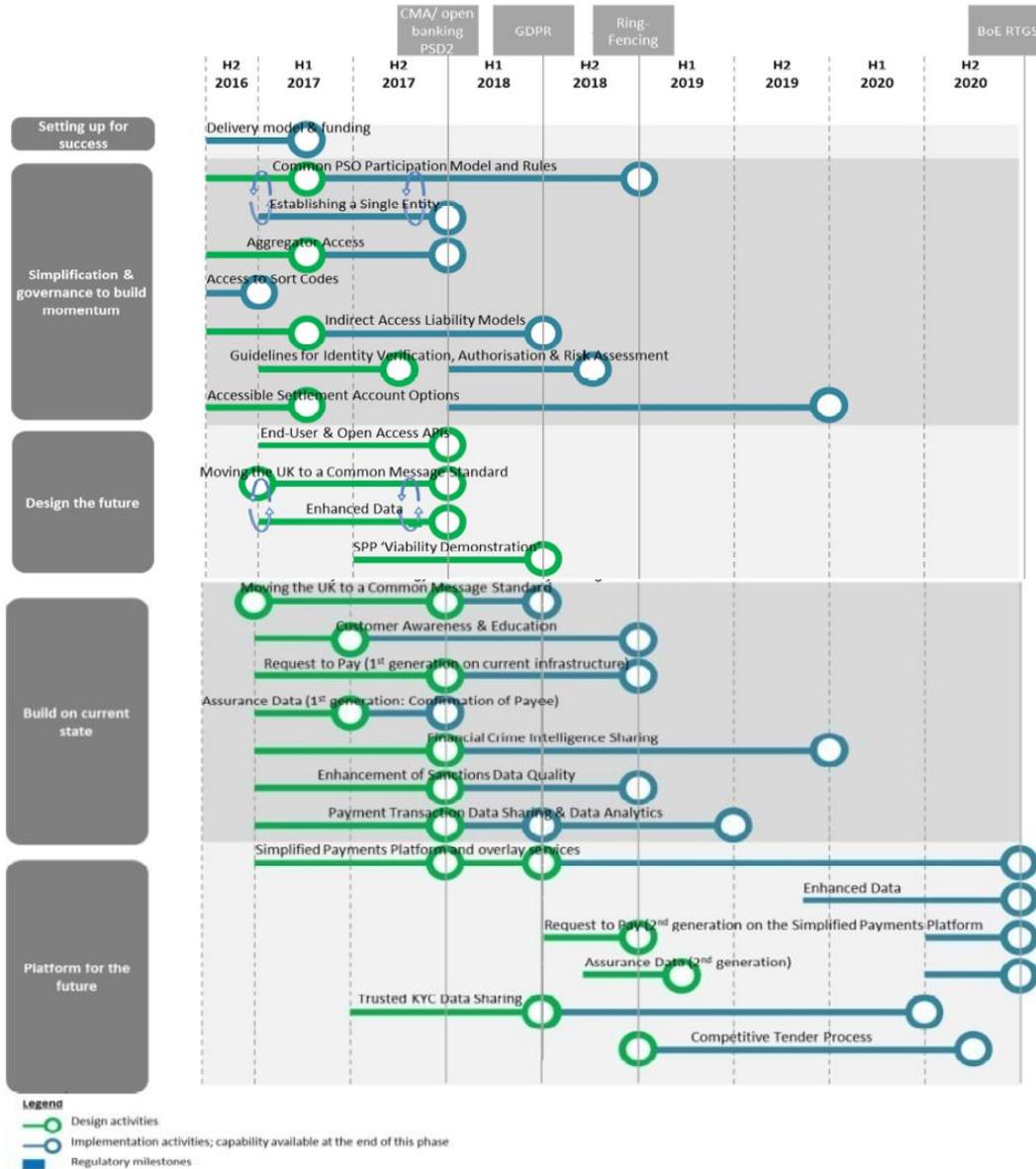


\*Example of eco-system dependencies

# Current Industry Timeline view



# PSF Requests



## TOTAL

25 initiatives

## 2017

16 Design completed

5 Implemented completed

## 2018

4 Design completed

7 Implemented completed

## 2019

1 Design completed

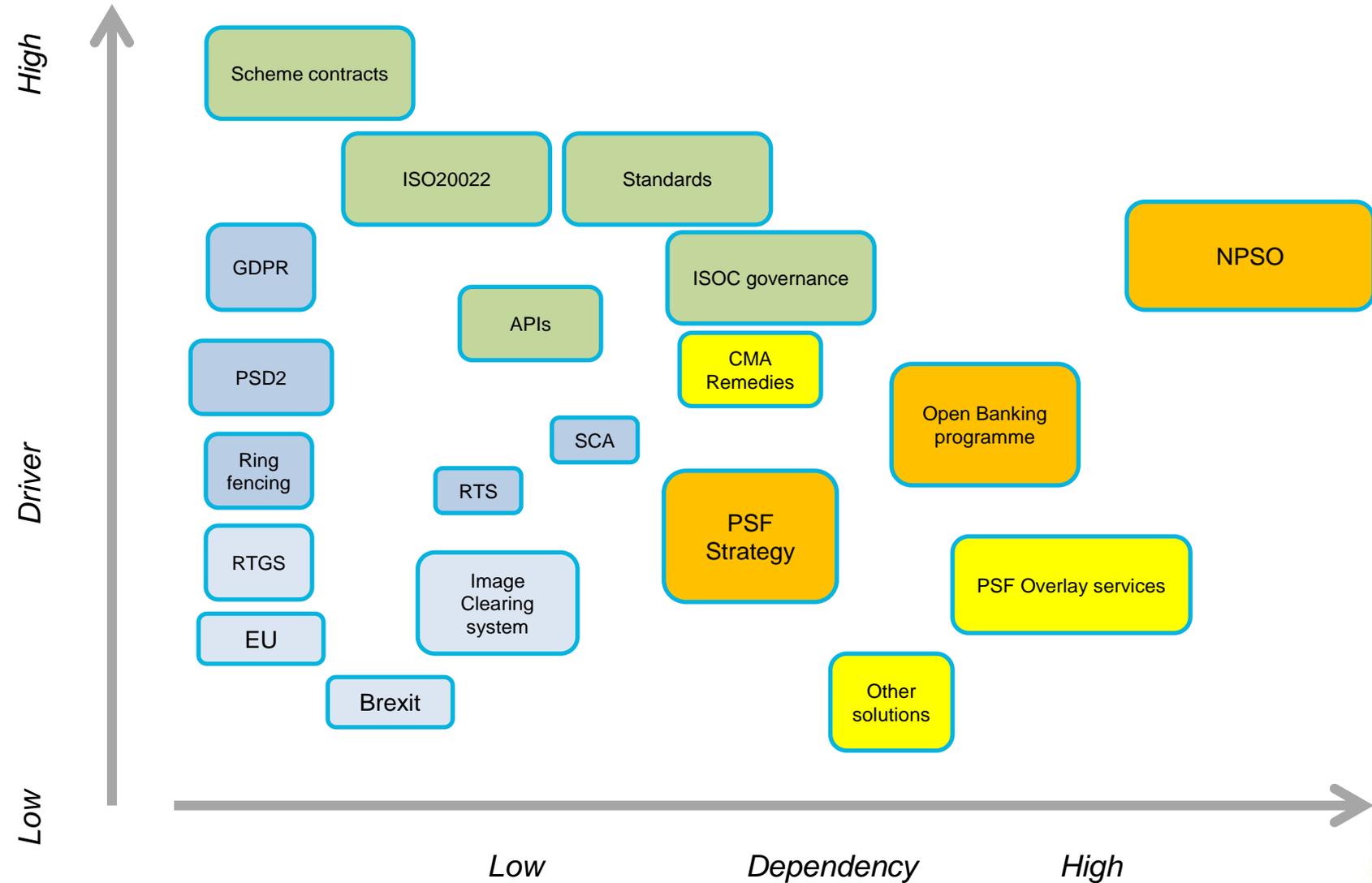
2 Implemented completed

## 2020

0 Design completed

6 Implemented completed

# Dependency and Risk Heat Map



# Delivery Risk

## The types of risk that each change in the plan will bring to the industry are:

- **Mandated projects** – must be delivered to avoid serious reputational damage and financial penalties.
- **Requested projects** - once in the public domain give rise to reputational damage if the industry does not deliver – or offer a suitable alternative that achieves the same requested outcome.
- **Agreed industry projects** – are not in the public domain but non-delivery may still impact industry efficiency and fail to realise long term benefits.

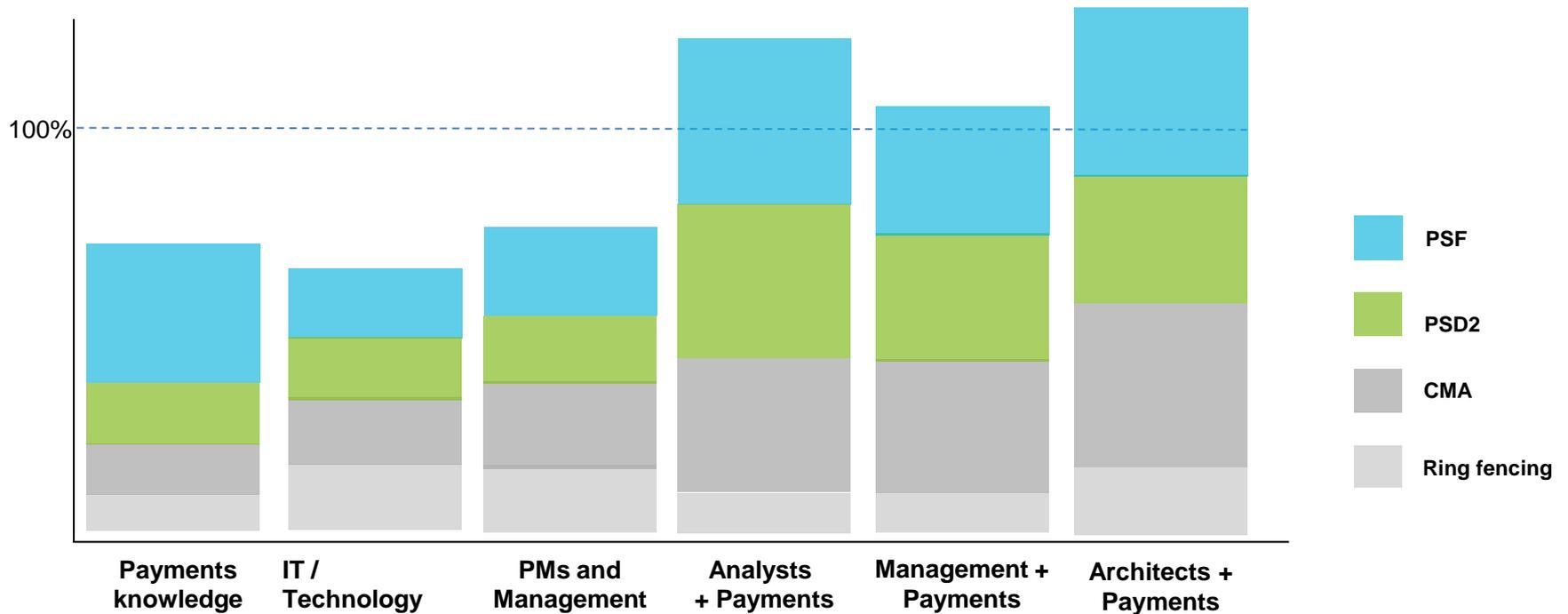
The projects on the delivery plan:

***ICS, CMA, PSD2 and Ring fencing are all mandated projects with clear end dates.***

***The PSF requested projects have been allocated timescales, however since design work has not been completed, the implementation dates may need to be changed.***

# Change Capacity (illustrative only)

Taken in isolation the industry should have adequate capacity, but when capabilities across all programmes are added together the industry may not have sufficient people with the requisite knowledge and skills to deliver all of the mandated and requested changes.



Source: Payments UK industry assessment

# Summary and Conclusions

## Conclusion

The industry is currently faced with a number of activities, which are not yet fully coordinated, whose delivery risks are not fully understood, for which funding is not yet agreed and are competing for the same resources.

The PSF Implementation Plan must be developed in the context of other change activity to arrive at a co-ordinated rolling delivery plan that is achievable

The industry must pinpoint the critical activities upon which ultimate sequencing will depend e.g. FPS/Contract Renewal in 2018, CMA Registry

Socialisation and stakeholder agreement to the Rolling Delivery Plan must be obtained prior to hand over to the NPSO.

# Next Steps

## Next Steps

Continue to work up the effort and costs details for each item

Detail dependency mapping required as part of the implementation planning

The implementation plan will need to be specific about testing and alignment expectations to ensure quality and safety of delivery

The integrated plan will need to understand what negotiation is required with interested stakeholders to understand the trades offs that may be necessary between value, safety, resilience and consumer outcomes.

The plan will need to be clear on stakeholders and their expectations and an appropriate plan drawn up, agreed and executed.

# Appendix

# CMA Retail Banking – “Open Banking”

<b>Summary description</b>	<p>Stimulate competition by requiring the 9 largest retail banks (incl N.I.) to implement, by Q1 2017, remedies to result in significant changes to the operation and structure of retail banking markets. To result in a more informed and engaged customer base (PCA &amp; BCA) and encourage entry and expansion by new market players that may use fundamentally different business models to traditional banks. Access to transaction data and third party payment initiation to support PSD2 requirements</p>
<b>Expected outcomes</b>	<ul style="list-style-type: none"> <li>▪ Informed customers who can readily compare costs and other service metrics across the BCA and PCA market through the provision of open banking/account data (Open API banking standard, service quality information).</li> <li>▪ Enhanced switching for PCA and BCA. Incl. standard BCA opening procedures (opening and switching)</li> <li>▪ Customers who are ‘prompted’ to consider switching or alternative products (customer prompts).</li> <li>▪ Customers who are more aware and confident in CASS and when needed can rely on an extended (permanent) redirection facility (CASS governance, extended redirect, customer awareness and confidence).</li> <li>▪ Access to Transaction data history (min 5 yrs) to aid switching (transaction history).</li> <li>▪ Simplified and transparent PCA overdraft arrangements (alerts, grace periods, monthly maximum charge).</li> <li>▪ SME banking comparison tools and data (SME comparison tool, sharing SME information, loan rate &amp; eligibility transparency).</li> <li>▪ Payments Initiation capability via third party</li> </ul>
<b>Collaborative touch points</b>	<ul style="list-style-type: none"> <li>▪ Require the largest banks in GB and the largest banks in NI to provide third party access to product information, the reference data and ‘Midata’ data sets via open APIs by Q1 2017.</li> </ul>
<b>Emergent collaborative strands</b>	<ul style="list-style-type: none"> <li>▪ Open API banking standard (account and product data)</li> <li>▪ Data standardisation of service metrics and other reference data</li> <li>▪ CASS capabilities (extended redirect &amp; switching overdraft facilities)</li> <li>▪ Minimum 5 year transaction history linked to wider concept of credit passport</li> <li>▪ Common identity and security standards</li> <li>▪ Customer education</li> </ul>
<b>Common industry capabilities</b>	<ul style="list-style-type: none"> <li>▪ Open API banking standard (account and product data)</li> <li>▪ Standardisation (data/API)</li> <li>▪ Trust and liability framework (scheme)</li> <li>▪ Permanent CASS redirection</li> <li>▪ Funded delivery entity</li> <li>▪ Identity of authorised Third Parties</li> </ul>

**Regulators or Authorities in scope**

CMA (Lead)  
HMT  
PSR  
FCA

**Delivery timescale**

- Q1 2017 – early 2018

**Key Dependencies**

- PSF overlay services will utilise Open banking API/Registry

# PSD II

<b>Summary Description</b>	<p>This is a significant legislative development for Europe and UK and will lead to a paradigm shift in terms of accessibility of customer data to third parties. PSD2 is intended to promote the emergence of new players (e.g. FinTechs) and the development of innovative mobile and internet payments in Europe to encourage EU competitiveness worldwide.</p>
<b>Expected outcomes</b>	<ul style="list-style-type: none"> <li>▪ Increase competition in the provision of payment services centred around account data and payment initiation through measures aimed at establishing a level-playing field in an already competitive payments industry.</li> <li>▪ Enhance customer protection and security.</li> <li>▪ Ensure that all PSPs active in the EU are subject to supervision and appropriate rules.</li> <li>▪ Enable a market of new merchant based services offered by third parties with authorised access to customer accounts</li> <li>▪ Increase innovation across the Digital Single Market in Europe.</li> </ul>
<b>Emergent collaborative strands</b>	<ul style="list-style-type: none"> <li>▪ Open API banking standard for payment initiation and read/write account access</li> <li>▪ Common secure and open standards of communication for the purpose of identification, authentication, notification, and information, as well as for the implementation of security measures, between AS PSPs, PISPs, AISPs, payers, payees and other PSPs</li> <li>▪ Framework combining rules, standards and liabilities – defining trust</li> <li>▪ Real time register of EU wide authorised Third Parties</li> <li>▪ Complaint handling and dispute resolution</li> <li>▪ End to end payment referencing</li> <li>▪ Strong customer authentication between customer and ASPSP and TPP</li> <li>▪ Confirmation of funds</li> </ul>
<b>Common industry capabilities</b>	<ul style="list-style-type: none"> <li>▪ Open API banking standard (PIA, PIS read/write access)</li> <li>▪ Standardisation(data/security authentication)</li> <li>▪ Trust and liability framework (scheme)</li> <li>▪ Reference data - real time register of authorised Third Parties</li> <li>▪ Enhanced data - Payment referencing</li> <li>▪ Customer authorisation/constant</li> <li>▪ Central collaborative function (delivery)</li> </ul>

**Regulators or Authorities in scope**

HMT(Lead)  
 FCA  
 PSR (access)  
 EBA

**Delivery timescale**

- Q1 2018 – Q4 2019

**Key Dependencies**

- PSF overlay services will utilise Open banking API/Registry

# Ring-fencing

<b>Summary Description</b>	<p>Banking groups which take over £25bn in deposits must develop plans to ring-fence their retail banking arms, or undertake not to participate in prohibited activities. Affected banks will have to put their investment banking operations into a separate legal subsidiary from their high street banking operations.</p>		
<b>Expected outcomes</b>	<ul style="list-style-type: none"> <li>▪ Make systemically important banks safer and more resolvable.</li> <li>▪ Reform of the banking system and promotion of stability and competition through structural and related non-structural measures.</li> <li>▪ Make ring fenced banks better able to absorb losses.</li> <li>▪ Make it easier and less costly to sort out banks that still get into trouble.</li> <li>▪ Curb incentives for excessive risk-taking.</li> </ul>		
<b>Emergent collaborative strands</b>	<ul style="list-style-type: none"> <li>▪ Access to payments infrastructure by new members and scheme on-boarding capability and bottlenecks</li> <li>▪ Payments reference data (sort code and BIC availability and assignment)</li> <li>▪ Impact on CASS redirection volume</li> <li>▪ Clear customer education</li> </ul>	<b>Regulators or Authorities in scope</b>  HMT (lead) FCA PRA BoE	<b>Delivery timescale</b> <ul style="list-style-type: none"> <li>▪ Jan 2019</li> </ul>
<b>Common industry capabilities</b>	<ul style="list-style-type: none"> <li>▪ Reference data (sort code/BIC)</li> <li>▪ Customer education</li> <li>▪ CASS redirection volume</li> <li>▪ Coordination via ISOCC</li> </ul>		

# Image Clearing System (ICS)

<b>Summary Description</b>	Introduce cheque imaging, an innovation that cuts down cheque clearing times by sending a digital image of the cheque for clearing, rather than the paper cheque itself. Providing greater opportunities for banks and building societies to innovate and provide new services. While preserving the essential characteristics that define the cheque system for users – and which make it such a vital payment method for millions		
<b>Expected outcomes</b>	<ul style="list-style-type: none"><li>▪ An innovative environment for cheque clearing capable of delivering benefits of efficient operation for all users.</li><li>▪ Provide a payment systems which facilitate open access and competition, including to new entrants based on reasonable commercial terms.</li></ul>		
<b>Emergent collaborative strands</b>	<ul style="list-style-type: none"><li>▪ Clearing capability with enhanced data</li><li>▪ ISO 20022 based payment system</li><li>▪ Removes restrictions on assignment of Sort Codes (modulus checking)</li></ul>	<b>Regulators or Authorities in scope</b>  HMT (lead) PSR BoE	<b>Delivery timescale</b> <ul style="list-style-type: none"><li>▪ Oct 2017</li></ul>
<b>Common industry capabilities</b>	<ul style="list-style-type: none"><li>▪ Standardisation (ISO 20022)</li><li>▪ Enhanced data (image)</li><li>▪ Reference Data - sort code range allocation</li><li>▪ Customer education</li><li>▪ Central delivery</li></ul>		<b>Key Dependencies</b> <ul style="list-style-type: none"><li>▪ Ring Fencing (re: sort codes)</li></ul>

# PSR Market Review Infrastructure Competition

<b>Summary Description</b>	<p>Stimulate competition in the provision of central infrastructure services to the retail interbank payment schemes with the benefit of reducing cost of supply and increasing competitive innovation of service supply. To encourage entry and expansion by new market players in the supply of infrastructure services to the retail internal payment schemes.</p>		
<b>Expected outcomes</b>	<ul style="list-style-type: none"> <li>▪ a 'virtuous circle' of competition and to better outcomes for service-users.</li> <li>▪ Value for money through competitive market engagement as a means to drive down cost.</li> <li>▪ Increased quality of service through competition through wider market choice.</li> <li>▪ Innovation in infrastructure to drive benefits to PSPs and their customers.</li> </ul>		
<b>Emergent collaborative strands</b>	<ul style="list-style-type: none"> <li>▪ Competitive procurement design across all PSOs</li> <li>▪ Data standardisation ISO 20022</li> </ul>	<b>Regulators or Authorities in scope</b>  PSR (Lead) BoE	<b>Delivery timescale</b> <ul style="list-style-type: none"> <li>▪ Contract breakpoint or renewal, so 2018</li> </ul>
<b>Common industry capabilities</b>	<ul style="list-style-type: none"> <li>▪ Standardisation (ISO 20022)</li> <li>▪ Procurement design</li> </ul>		

# Example disconnect

There is a dependency on some of the CMA and PSD2 deliverables to implement the Forum request for Confirmation of Payee. This just one example of a number of timeline disconnects

