



## Payment Strategy Forum Handover Event - speech by Stephen Jones, CEO

11 November 2017

### CHECK AGAINST DELIVERY

It's a pleasure to be here today speaking at such a significant event in the payment industry's calendar. Today marks a milestone – and celebration - of the industry's hard work to progress a delivery programme of improvements for all those that use and rely on the UK's payment systems.

The payments industry thrives on collaboration – it's the backbone to our existence and the critical factor in making payments a success. What we have seen with the process of the Payment Strategy Forum is the art of collaboration in practice – competitors working together with customers and infrastructure providers to develop a plan of actions and improvements to benefit all.

Since the Forum was launched by the PSR in March 2015, there has been extensive engagement and consultation with all parts of the industry and its customers to understand what needs and requirements exist and what can be done to meet them.

With that process coming to a close, the industry is now ready to see the fruits of its labour being delivered, which brings me on to the role of UK Finance in the next phase.

I'm thrilled that UK Finance has been asked to continue the excellent work of the Forum. We have now accepted the ownership and progression of six initiatives from under the Improving Trust in Payments workstream, which are:

- Customer Education and Awareness;
- Financial Crime Data and Information Sharing;
- Guidelines for Identity Verification, Authentication and Risk Assessment;
- Enhancement of Sanctions Data Quality;
- Liability Models for Indirect Access; and
- Trusted KYC Data Sharing.

The fact that UK Finance has been asked to progress so many initiatives under this banner is testament to the expertise and reputation that my fraud and economic crime, banking and payments colleagues have built up over the years in their predecessor organisations and I'm proud to be heading up this new organisation that encompasses all that history.

We understand the contribution that these initiatives will play in engendering trust in safe and certain payments through using the collaborative power of the industry to prevent financial crime.

So how are we approaching this work?

UK Finance clearly isn't the PSF – we are a trade body that operates according to the mandate and support of our members – but it's important to us that we continue in the same spirit of openness and inclusivity in taking forward these initiatives. We shall be engaging far beyond our membership – working with a broad spectrum of stakeholders and other trade bodies as we progress with the work. The benefit of UK Finance is that we bring together in one place a far wider policy input and network of contacts than as the previously siloed representative bodies. We also have our small business and consumer advisory panels to get input and provide a two-way dialogue on our work, and who will also hold us to account for delivering it in the right way.

So taking the initiatives in turn...

On Customer Education and Awareness, we already have an established and respected campaign called Take Five in place to arm customers with the information they need to protect themselves from fraud. Take Five is backed by government and delivered with and through a range of partners in the UK payments industry, financial services firms, law enforcement agencies, telecommunication providers, commercial, public and third sector organisations. The campaign continues to have a high profile, with a second phase of the campaign having been launched in October 2017. The Forum endorsed Take Five for its customer education and awareness raising, and we are working to engage more sectors of the wider payments market in it.

The sharing of data and intelligence is fundamental to the prevention and fight against all types of economic crime such as fraud and is already common practice in the industry – for example, the sharing of fraud intelligence is something that we already help facilitate at UK Finance.

The proposed Financial Crime Data and Information Sharing initiative will build on the different models that already exist for sharing information on fraud and financial crime, and it will aim to break down silos and have an intelligence picture that covers the full breadth of economic crime. We recognise that we cannot do this alone, and will need to build on the existing public private partnership approach. Given the growing agreement between government, industry, regulators and law enforcement of the need to improve information and intelligence sharing on economic crime, I am confident this initiative will be one that will deliver real world outcomes for both the financial sector, but more importantly the public.

The Guidelines for Identity Verification, Authentication and Risk Assessment will address fragmented guidance, regulation and good practice examples that currently exist in a wide range of places. At a time of considerable change in the ID world, a more flexible and dynamic document could help firms to understand and keep pace with change. This will be of particular value to smaller PSPs, new entrants and FinTechs. We have undertaken our due diligence work on the handover documents and are now ready to go to market early in the new year to commission legal support to work with our in-house expertise in this area, and remain on track for the guidelines to be ready for June 2018.

Moving onto Enhancement of Sanctions Data Quality. UK Finance has an active sanctions panel that is widely recognised as being at the forefront of global sanctions implementation and thought leadership matters. It is currently working on a range of data quality issues and has active relationships with UN, US, EU and UK sanction setting bodies. This piece of work complements our panel's existing commitments and will offer a structured framework for dialogue with these sanction authorities. During the first half of next year, we will produce a White Paper on Enhancing Sanctions Effectiveness to further set out: the challenges of sanctions screening implementation; opportunities to reduce false positives; creating an appropriate regulatory environment; and a roadmap for effectiveness.

The last two initiatives – Liability Models for Indirect Access and Trusted KYC Data Sharing – are new additions to the UK Finance workplan, having only agreed to take them forward at the end of November.

Our members are clear that indirect access is an important issue that needs attention. The work of the Forum has been wide ranging and in depth, and has marked a clear step forward in the sector's understanding of the concerns. Our engagement with members concluded that this is, in essence, an access to banking issue. The nub here is that if a firm is told that it cannot be banked, then it needs to know why and how it might move forward. As a trade body, we can't influence individual providers' risk and commercial appetites, but we can ensure there is improved communications to help facilitate such market conversations. We have, very successfully, done something similar in the past with crowd funders and pawnbrokers, helping to address misunderstandings on both sides and create more informed parties. Importantly, through focusing our efforts on improved communications to set 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, we are seeking to achieve the same outcome as the Forum is looking for and to help facilitate the market to work better and more effectively.

Trusted KYC Data Sharing very much chimes with our own strategic interest and ongoing work on KYC in financial services. Our members support and recognise the value and potential of minimum standards for data sharing. The Forum's proposal was that the initial focus for the framework should be SMEs. This is an important customer sector that can sometimes be overlooked and therefore needs specific attention. However, when engaging the subject matter experts within our membership on this, it was felt that starting with the wider personal customer community would actually ultimately achieve a more robust solution for SMEs. A key reason for this is that a large proportion of the SME 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. This is by no means a message that there will not be a focus on SMEs, particularly given our existing body of work on this market including to standardise and simplify Business Current Account opening procedures – known as Project Bulldog. This is about ensuring a comprehensive model is built and is one that delivers the best outcome most effectively.

Given how new these last two initiatives are to the UK Finance 'to do' list, we are still considering the timescales for delivery, alongside our other PSF commitments and related work arising from PSD2 implementation and other regulatory requirements. We will need to spend some time in the early part of next year reviewing how we will approach the tasks and our process to engage outside our membership.

We plan to publish updates on our work across all of these six initiatives via our website in order to be transparent on our approach and progress, and will be keeping the PSR updated on progress as part of our regular meetings with them.

I'd like to finish where I started by congratulating all those who have been involved in this work to develop the Blueprint for the Future of UK Payments. The dedication and collaboration shown by everyone is something that we should all quite rightly be proud of. UK Finance will do its utmost to discharge its duties in taking forward these initiatives in the continued spirit of the Forum by engaging with a broad spectrum of stakeholders and acting in a transparent and inclusive way. And of course, working closely with the new Payment System Operator to ensure that as an industry, we are joined up in our efforts to be as effective and efficient as we can be.