

Faster Payments

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Note Taker: Jaskaran Sangha, Accenture

Concerns identified by stakeholders

Direct access

High infrastructure costs to meet scheme technical requirements

VocaLink relationship with FPS and PayM together with bank ownership of VocaLink creates conflicts of interest and may create barriers to access for new payment services providers

Indirect access

Limited number of sponsoring banks providing access

Not all sponsors will engage with non-banks

Queries regarding the large difference between direct and indirect participants' access costs

Difficult for providers with small volumes to find a cost-effective access solution

Lack of 24/7/365 real-time connectivity option for indirect participants.

In terms of product proposition, differences in connectivity levels are exacerbated further by developments such as PayM.

On-going and potential developments

On-going developments

FPS implementing cash prefunding by end 2014

Other potential changes raised by stakeholders

Potential for requirements and costs for smaller direct members to be reduced through the adoption of a more risk-based approach

Some proposals for 'infrastructure lite' options

Some support for access solutions to be designed into infrastructure provision through a central hub (including potentially across schemes).

Other potential aggregation options have also been raised as a potential way of reducing the costs of smaller direct participants

Other interbank systems (Bacs, CHAPS, C&CCC, LINK)

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Bacs

Concerns identified by stakeholders

Direct debit guarantee (unlimited in time and amount) creates increased risks to sponsoring banks when providing indirect access

Limited portability of sort codes increases switching costs

Complexity and information availability regarding access options

On-going and potential developments identified by stakeholders

Implementing cash prefunding by end 2014 to remove the operational complexities, residual credit and liquidity risks and requirement for shared losses in the current collateral based settlement liquidity and loss sharing arrangements.

Issue of sort code portability with respect to Bacs largely addressed by most sponsoring banks

CHAPS

Concerns identified by stakeholders

Complexity and cost of requirements for direct membership

On-going and potential developments identified by stakeholders

Some stakeholders pointed to the potential for a more risk-based approach to CHAPS requirements to reduce cost and complexity

CHAPS Board has endorsed a revised risk-based participation model that will result in 3 categories: anticipated that any challenger institutions would be in Category 3, given their volume/value mix

Anticipated that – following a review - Category 3 participants will need to adhere to only a subset of CHAPS' requirements, reducing internal participation costs

CHAPS reviewing its funding model arrangements.

CHAPS will be launching its Affiliates Group in July 2014



Concerns identified by stakeholders

Switching agency provider very difficult: lack of portability of sort codes
Inability of agency participants to influence the level of costs in the system
Perceived higher cost of participation for indirect participants than direct members
Initial joining charge raised as a significant issue as it takes account of the cost other members expect to incur from admitting the member
Potential conflicts of interest caused by sponsor bank ownership of processing companies

On-going and potential developments identified by stakeholders

Increased information and engagement from C&CCC
Initial joining charges: Review of current member costs for new member joining
Annual charges: Review of minimum 2% charge for company call
Publication of information on membership costs under consideration
Development of a future clearing model with cheque imaging

LINK

Concerns identified by stakeholders

Basic Bank Account customers do not have access to LINK ATM network:
distorted the economics of LINK

Concern that current interchange fees and structure provides excessive
profit to members with large ATM networks

Perceived lack of investment in infrastructure (e.g. banks not upgrading
ATM software)

View that VocaLink relationship with LINK together with bank ownership of
VocaLink creates conflicts of interest and may lead to barriers to access for
new payment services providers

Potential developments identified by stakeholders

Formal separation between the LINK scheme and VocaLink to increase
independence and limit conflicts of interest