Achieving a 'world leading' payment infrastructure

Facilitator Pack
16 June event

Welcome

Mary Starks

Interim Managing Director of Payment Systems Regulator

Event objectives

The objectives of the event will be to:

- Explore and understand the functional and technical outlook for the UK's payment infrastructures.

- Consider possible future infrastructure scenarios (focus areas), taking into account:

  - The strategic objectives of the PSR (competition, innovation and service user outcomes);

  - Costs and benefits;

  - Risk/ease of implementation; and

  - Relative impact on stakeholder groups.

- Discuss the role that the PSR could play in regulating the UK's payment infrastructures.

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Ways of working

Matt Sims

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Communities

Fliss Walton

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Evaluating our focus areas

INFRASTRUCTURE CONSOLIDATION — 1

AGENCY ACCESS (TECHNICAL) — 3

MESSAGE STANDARD CONVERGENCE — 2

COLLABORATIVE OVERLAY INITIATIVES — 4

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Focus area teams

Infrastructure consolidation	Message standard convergence	Agency access (technical	Collaborative overlay initiatives
Victoire Binchet	Katerina Soteri	Michael Chambers	David Core
Polly Quinn	Abu Uddin	Nick Davey	Sarah De Bunsen
Ellen Thornton	Pat Linehan	Hilary Plattern	Paul Pridmore
James McMorrow	Jeremy Kraft	Mark Hale	Phil Kenworthy
Peter Sparkes	Angela Thomas	Leslie Thwaites	Anoosha Livani
Anupam Sinha	Paul Dagnall	Norman Taylor	Mike Banyard
Nick Caplan	Craig Tillotson	Ian Ellis	David Saunders
Geoff Crang	Phil Curtis	Rajesh Dadhwal	Gary Brennan
Mark Broughton	Paul Nixon	Fiona Rooney	Dick Simmons
Olivier Bogaerts	Kenneth Andrew	John Howells	Janos Barberis
Sanjay Yadav	Graeme Donald	David Sephton	Duncan West
James Harborne	Richard Mould	Mike Roberts	Paul Ferris
Robert Sullivan	Amelia Fletcher	Nancy Johnson	Mary Starks
Rosalind Beaumont	Gareth Thomas	Steven Tokar	Nicole Williams
David Malley	James Whittle	Tim Yudin	Joss Wilbraham
Srinivasa Sarma Yadati	Al Mangan	Simon Newstead	Robert White
Mark Sim	Arun Aggarwal	Richard Young	David Rockliff
Resat Bilgin	Jacqueline Thornton	Paul Holehouse	Ian Smith
Nick Atkinson	Kevin Turner	Otto Benz	Gerry Allen
Sir John Gieve	Peter Davey	Chris Dunne	Timothy Ensor-Clinch
	Emily Marks	Robert Sullivan	Carlos Sanchez

Evaluation framework

Your task as a team is to deep-dive into your allocated FOCUS AREA and provide an outline evaluation of it against key criteria.

1. Step 1: Remind yourselves of the background information relating to your focus area

2. Step 2: Brainstorm and outline the desired scenario(s) for this area

3. Step 3: Evaluate the FOCUS AREA against the criteria outlined, completing the template provided.

You have approximately 60 minutes to complete this task, when you will receive further instructions

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Focus area 1: Infrastructure consolidation

Description

Simplify and consolidate the current infrastructures. There are a number of options for vertical and / or horizontal infrastructure consolidation; a couple are outlined below.

Scenarios

One push (credit) and one pull (debit) mechanism: The end state where a payment is handled based on the type of payment , e.g. a credit transfer or a direct debit. This approach might mean that all entities with a direct connection ultimately had to support 24x7 processing, or ensure a stand-in processing facility is available. This could also support settlement of cheque images. A variant scenario might be to retain a separate RTGS infrastructure that was reserved for very high value transactions.

Message migration: A capability to support legacy formats to ensure that innovation and any required migration is not constrained to the 'pace of the slowest'. For example, a message management facility could enrich a message for Entity A in a number of formats (ST18/ISO8583/ISO 20022 CGI or an ERP format) and send it on to Entity B in ISO 20022 XML, or vice versa. This type of capability could be an interim stage to facilitate a migration, to help overcome data management challenges and reduce the IT change burden on industry participants.

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Focus area 2: Message standard convergence

Description

An objective to reduce the number of messaging standards in payments, for example by increasingly adopting ISO 20022 XML, could provide efficiencies and support the use of a richer data set.

Scenarios

Potential implications for the UK payment infrastructures may include:

– **Bacs:** Message standard convergence could potentially mean a change to over 100,000 user end points, depending on the detailed approach (although some ERP systems may more easily support changes than others). Changes to Bacstel-IP may be required. There may also need to be some changes made to the central infrastructure.

– **Faster Payments:** Changes to gateways, central infrastructure messaging design and reporting systems.

– **CHAPS:** Currently uses SWIFT MT format messages. A number of High Value Payment systems serving other countries / markets are planning to move to ISO 20022 XML.

– **LINK:** Interoperability with other card schemes, such as UnionPay and Visa/MasterCard, could be impacted.

Richer data / Real Time Information (RTI): Data for government and corporates supporting remittances could be enhanced to provide potentially significant benefits.

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Focus area 3: Agency access (technical)

Description

> **Provide access to central infrastructures via a utility – to allow direct access and reduce technical dependency on sponsor banks. Technical concerns seem to primarily concern cheque clearing and FPS.**

Scenarios

Faster Payments: Interfaces and messaging formats may be specific to a sponsor bank, or have some availability constraints. Challenges are commonplace with posting and reconciliation of customer accounts in 24x7. Additional challenges may apply to Paym and any other extended services reliant on FPS.

Bureaux / utility / aggregator model: A facility could be provided which allows a number of agency banks to connect via a shared or central aggregator. This could potentially be set up and operated in a number of ways. The aggregator could allow access to multiple payment schemes. Alternative approaches may also be available to address concerns.

Cheque clearing: The migration to cheque imaging affords an opportunity to address challenges relating to cheques and sort code lead pairs. To improve access, the industry could enable full sort code portability or consider whether it is appropriate to adopt a new approach towards bank and account identifiers.

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Focus area 4: Collaborative overlay initiatives

Description

Provide new collaborative overlay initiatives. Some examples are below but this focus area also provides an opportunity for attendees to discuss additional ideas not shown below.

Scenarios

Mobile payments: Potentially this could include geo-location services and embrace the EU Directive on E-ID and ECB SecuRepay Recommendations.

Alias ID: Extend the current mobile proxy database to provide broader services. An alias identifier could provide abstraction for the service users' banking relationships. This could also support the EU Directive on E-ID requirement for a national scheme (or schemes).

Lowest cost routing / single gateway for all schemes: Rather than submitting payment instructions to a specific scheme, a service user could simply submit payment instructions which are then routed via the most appropriate means, based on pre-defined criteria (e.g. price, speed, size of remittance data).

Sort code management / account portability: Provide mechanisms to give agency banks sort code management and service users account portability. This might entail a revised EISCD or similar.

Authentication and anti-fraud measures: Collaborative work to reduce cost to industry for authentication and fraud reduction.

Reference data: Multiple approaches exist; there may be a case for re-engineering UK industry reference data.

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Focus area 4: Collaborative overlay initiatives

Objectives of the session:

- To develop the outline scenarios presented further in terms of their impacts and implications
- To gather robust evidence on the benefits and costs of each scenario.
- To gather robust evidence on the ease or challenges of implementation (technically and otherwise) of each scenario.
- To gather robust evidence on the impact of each scenario on different stakeholder groups, including schemes, PSPs and end users.

How will it work:

- Sessions are 20 minutes.
- Groups are divided in terms of a mix of stakeholders from banks, schemes, infrastructure providers and service users.
- There are four groups, which rotate four times. Each group will be facilitated by a KPMG SME and a helper.
- Key materials are the Call for Inputs excel spreadsheet detailing what the stakeholders have said about your option, U-Collaborate board, hypertile (where output can be written), your focus area detail and the evaluation framework
- Two graphic artists will illustrate scenario discussions
- Nagehan Tarim and Olivia Morris will document the output electronically and take pictures.

What do facilitators need to do?

- Facilitators need to manage, capture and time-control the conversation in their group. It is important that facilitators end up with a complete evaluation criteria framework for their focus area by the end of the lunch. A consolidation round will occur over lunch to finalise the framework output so that it can be presented back to the group.
- Facilitators will follow these steps:
1. Introduce yourself, your background and the objectives of the session.
2. Solicit a quick show-of-hands for what types of stakeholders are represented in the group.
3. Outline your focus area to the group by discussing the topic at a high level
4. Introduce the evaluation framework, including the criteria:
    1. Impact on benefits and costs (and relative magnitude)
    2. Impact on user outcomes, competition, innovation
    3. Ease of implementation/challenges
    4. Impact on stakeholder groups

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Debrief

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Focus area deep dive

Working lunch

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Focus Area Deep Dive: Team Assignment

Your task as a team is to deep-dive into your allocated FOCUS AREA and provide an outline evaluation of it against key criteria.

Step 1: Remind yourselves of the background information relating to your focus area

Step 2: Brainstorm and outline the desired scenario(s) for this area

Step 3: Evaluate the FOCUS AREA against the criteria outlined, completing the template provided.

You have approximately **60 minutes** to complete this task, when you will receive further instructions

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Focus area teams

Infrastructure consolidation 1	Message standard convergence 1	Agency access (technical) 1	Collaborative overlay initiatives 1	Infrastructure consolidation 2	Message standard convergence 2	Agency access (technical) 2	Collaborative overlay initiatives 2
Victoire Binchet	Katerina Soteri	Michael Chambers	David Core	Polly Quinn	Abu Uddin	Nick Davey	Sarah De Bunsen
Ellen Thornton	Pat Linehan	Hilary Plattern	Paul Pridmore	James McMorrow	Jeremy Kraft	Mark Hale	Phil Kenworthy
Peter Sparkes	Angela Thomas	Leslie Thwaites	Anoosha Livani	Anupam Sinha	Paul Dagnall	Norman Taylor	Mike Banyard
Nick Caplan	Craig Tillotson	Ian Ellis	David Saunders	Geoff Crang	Phil Curtis	Rajesh Dadhwal	Gary Brennan
Mark Broughton	Paul Nixon	Fiona Rooney	Dick Simmons	Olivier Bogaerts	Kenneth Andrew	John Howells	Janos Barberis
Sanjay Yadav	Graeme Donald	David Sephton	Duncan West	James Harborne	Richard Mould	Mike Roberts	Paul Ferris
Carlos Sanchez	Amelia Fletcher	Nancy Johnson	Mary Starks	Robert Sullivan	Gareth Thomas	Steven Tokar	Nicole Williams
Rosalind Beaumont	James Whittle	Tim Yudin	Joss Wilbraham	David Malley	Al Mangan	Simon Newstead	Robert White
Srinivasa Sarma Yadati	Arun Aggarwal	Richard Young	David Rockliff	Mark Sim	Jacqueline Thornton	Paul Holehouse	Ian Smith
Resat Bilgin	Kevin Turner	Otto Benz	Gerry Allen	Nick Atkinson	Peter Davey	Chris Dunne	Timothy Ensor-Clinch
Sir John Gieve	Emily Marks						

Payment Systems Regulator: Infrastructure Event
Evaluation framework

Evaluation Framework			Does it promote…			Impact on…							
Benefits	Costs	Ease of technical implementation	Effective competition?	Innovation?	Positive / desirable service user outcome?	PSR	Sponsor bank Agencies	Banks	Infra. provs	Corporate s	Schemes	Users	
Solicit a description of the particular types of benefits and who would benefit. Prompt questions: What are the benefits in terms of: • efficiency? • Functionality? • innovation ? • Speed? • Cost reduction? How would infrastructure providers, PSPs, banks, challenger banks, end users benefit?	Solicit a description of the particular types of costs and who would bear them. Prompt questions: What types of costs would be associated with this scenario? • Transition/migration costs? • New system/standard costs? • Implementation costs? • Costs to suppliers/customers/end users? • Opportunity costs?	Solicit a description of the implementation challenges or barriers that would need to be overcome. Prompt questions: How challenging/long would the migration path be? What would be the technical implications and challenges of transition or change? What would make this option optimal or easier to implement? How could they be overcome?											

19

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Plenary report back

Matt Sims and Liz Oakes

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Assignment: role of the PSR

1. *Work as a team to consider the role of the PSR in enabling the UK to achieve a world leading payments infrastructure.*

2. As you do so consider the following:
   - An overview of the PSR's role specifically in regard to regulating the UK payments infrastructure
   - Key areas of infrastructure policy to focus on
   - Ways of working with the industry on infrastructure matters
   - Key ongoing and long term factors that are key to the UK payment systems

3. You have approximately 40 minutes to complete this task, when you will receive further instructions

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Plenary report back and synthesis

Matt Sims and Liz Oakes

Role of the PSR

Facilitators

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Focus area teams

Bank 1	Bank 2	Bank 3	Scheme 1	Scheme 2	Infrastructure provider 1	Infrastructure provider 2
Polly Quinn	Abu Uddin	Pat Linehan	Victoire Binchet	Katerina Soteri	Sarah De Bunsen	Norman Taylor
Nick Davey	Paul Pridmore	James McMorrow	Michael Chambers	David Core	Jeremy Kraft	Ian Ellis
Hilary Plattern	Anupam Sinha	Paul Dagnall	Ellen Thornton	Phil Kenworthy	Geoff Crang	Phil Curtis
Anoosha Livani	Gary Brennan	David Saunders	Mark Hale	Angela Thomas	Dick Simmons	Sanjay Yadav
Rajesh Dadhwal	Fiona Rooney	Mark Broughton	Peter Sparkes	Nick Caplan	Janos Barberis	Nancy Johnson
Paul Nixon	David Sephton	Olivier Bogaerts	Leslie Thwaites	John Howells	Carlos Sanchez	Mary Starks
Graeme Donald	Mike Roberts	Duncan West	Mike Banyard	Steven Tokar	Robert Sullivan	Richard Young
Richard Mould	Amelia Fletcher	David Malley	Craig Tillotson	Rosalind Beaumont	Arun Aggarwal	Peter Davey
Joss Wilbraham	Nicole Williams	Robert White	Kenneth Andrew	Tim Yudin	Kevin Turner	Timothy Ensor-Clinch
Al Mangan	Simon Newstead	Mark Sim	James Harborne	Nick Atkinson	Chris Dunne	Emily Marks
Srinivasa Sarma Yadati	David Rockliff	Ian Smith	Paul Ferris		Sir John Gieve	
Jacqueline Thornton	Paul Holehouse		Gareth Thomas			
Resat Bilgin	Otto Benz		James Whittle			
			Gerry Allen			

Payment Systems Regulator: Infrastructure Event
Instructions for facilitators

Objectives of the session:

- To discuss the role of the PSR in relation to payments infrastructure
- To gather opinions how the PSR should operate in relation to payment infrastructure and
  - Competition
  - Innovation
  - Service user outcome

How will it work:
- The session is 60 minutes.
- Groups are divided into banks, schemes, infrastructure providers and service users
- Each group will be facilitated by a KPMG SME and colleague
- Key materials are the call for inputs excel spreadsheet, detailing what the stakeholders think the PSR should be doing
- Two artists will illustrate the discussions
- Nagehan Tarim and Olivia Morris will document the discussions electronically.
- An integration team made up of sponsors will walk around and pick up on what stakeholders say, to present back to the group

What do facilitators need to do?

- Facilitators need to manage, capture and time-control the conversation in their group. I
- Facilitators will follow these steps:
1. Introduce yourself, your background and the objectives of the session.
2. Solicit a quick show-of-hands for what types of stakeholders are represented in the group.
3. Facilitate the discussion

Possible prompts for discussion –

- What should the PSR prioritise?
- How should the PSR regulate?
- Where should the PSR focus?
- What are the quick wins vs longer term options?

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Assignment: Role of the PSR

Work as a team to consider the role of the PSR in enabling the UK to achieve a world leading payments infrastructure.

As you do so consider the following:

- An overview of the PSR's role specifically in regard to regulating the UK payments infrastructure

- Key areas of infrastructure policy to focus on

- Ways of working with the industry on infrastructure matters

- Key ongoing and long term factors that are key to the UK payment systems

You have approximately **40 minutes** to complete this task, when you will receive further instructions

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Report out and summary

Gareth Thomas, PSR

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Next steps and close

Oliver Kirby-Johnson, KPMG

Gareth Thomas, PSR