

Innovation workshop

18th July 2014

What is the role of the PSR?

- Competition objective
- Innovation objective
- Service user objective

What are today's objectives?

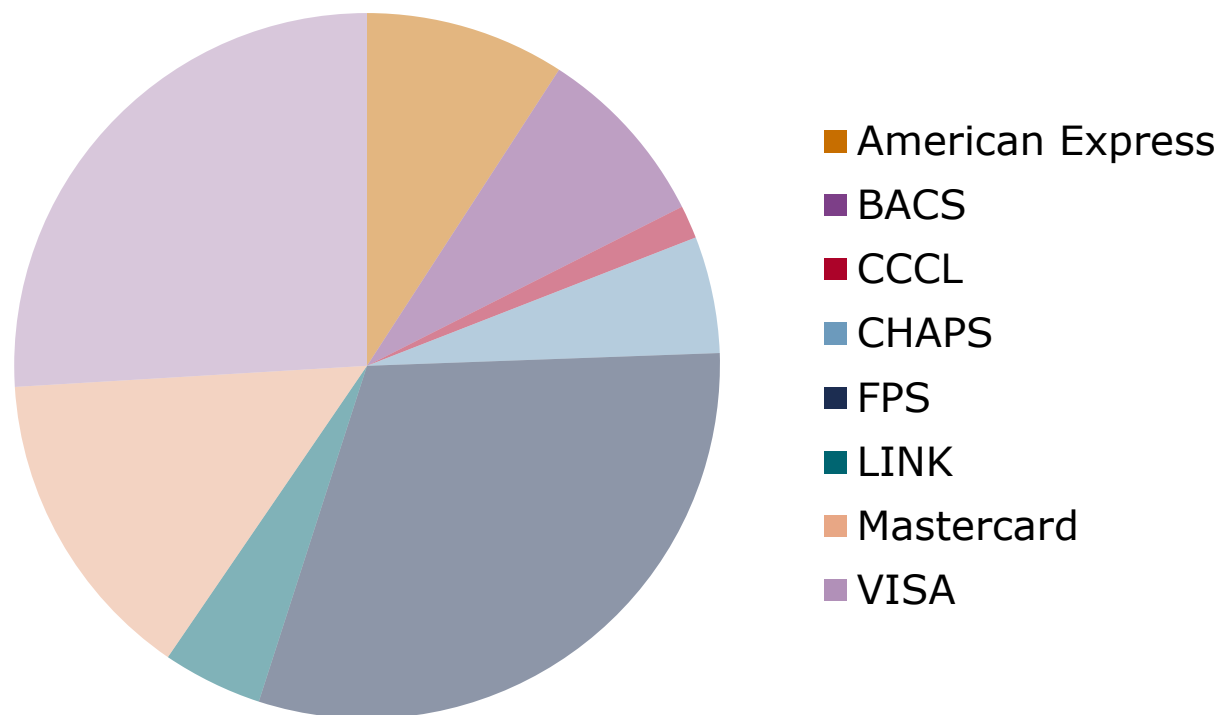
1. Share our work
2. Get your input - what are the barriers holding back innovation in payments?

What will happen today?

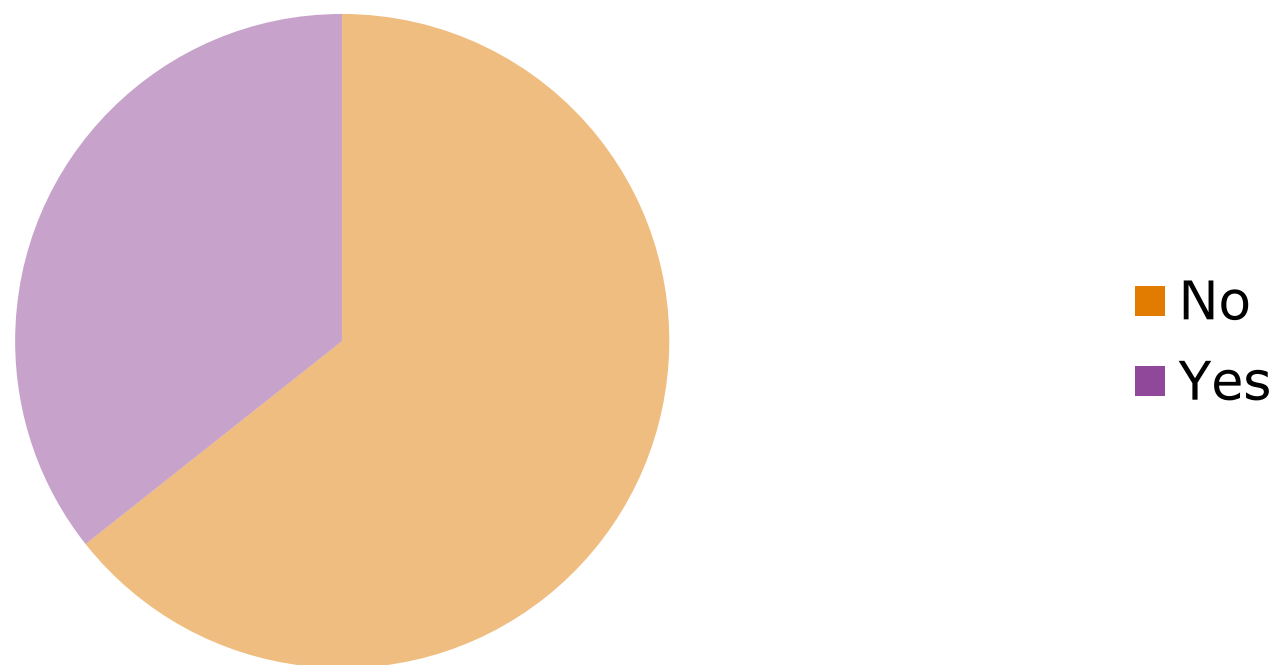
TIME	TOPIC
8.45am-9.30am	Registration with breakfast
9.30am-9.45am	Welcome from Hannah Nixon – Managing Director, Payment Systems Regulator
9.45am-9.55am	Objectives of the innovation workshop and workstream - Steven Tokar, Payment Systems Regulator
9.55am-10.25am	Key findings and deliverables – Michael Eagleton, Accenture
10.25am-10.35am	Call for inputs responses on innovation - Steven Tokar, Payment Systems Regulator
10.35am-11.30am	Start-up breakout one <ul style="list-style-type: none">What is required to help launch new innovations and propositions into the UK market?
11.30am-11.50am	TEA/COFFEE
11.50am-12.45pm	Mass adoption breakout two <ul style="list-style-type: none">What is required to drive mass adoption of consumer payments systems?
12.45pm–1.45pm	LUNCH
1.45pm-2.20pm	Playback session from breakouts – Steven Tokar, Payment Systems Regulator
2.20pm-2.30pm	Closing Remarks from Gareth Thomas – Programme Director, Payment Systems Regulator

Registration questions

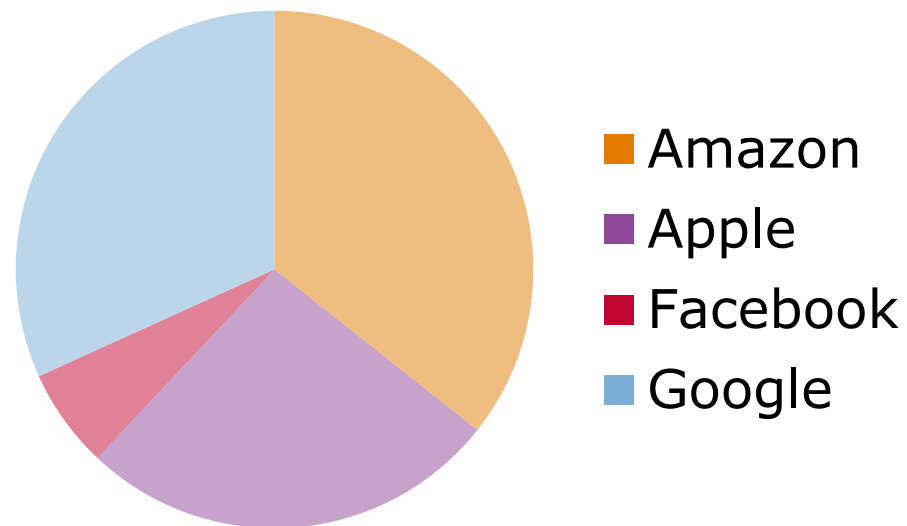
Best at promoting/facilitating innovation



Satisfaction with UK payments innovation?



Which most likely to be running its own payment system?



Which payments innovation would you like to see in the UK?



Review of Call for Input Responses

18th July 2014

Background

- 5th March – PSR published Call for Inputs
- Aims
 - Understand UK payments industry concerns
 - Help develop regulatory approach
 - Identify early priorities for action

Who responded? - examples

Payment System Operators



Direct Member Banks



Service users



Third party service providers



Infrastructure Providers



Indirect Participants



Trade bodies



Consultants and lawyers



What were the main issues raised?

Direct/Indirect access

- Direct access concerns
 - Criteria unduly restrictive
 - Technical connectivity options unduly costly and/or constrained
- Indirect access concerns
 - Uncertainty of supply
 - Transparency

Governance/ownership

- Concerns over incumbent banks' control of payment systems
- Inter-related governance and ownership problematic
- Support for enhanced representation of service users including indirect participants

Views on innovation

Positives

- UK has advanced and innovative payment systems
- Recent innovations show effectiveness of collaboration
- Lots of innovation in card payments

Negatives

- Innovations are due to government pressure
- Regulatory change uses innovation capacity
- Regulatory uncertainty reduces incentives
- Access issues restrict innovation
- Ownership/governance structures reduce incentives

What are the barriers to innovation?

Access	<ul style="list-style-type: none">• Direct - difficult/expensive to get access to interbank systems• Indirect - uncertain service and reliance on a competitor
Ownership/ governance	<ul style="list-style-type: none">• Limited incentives to innovate in interbank systems
Revenues/ costs	<ul style="list-style-type: none">• Interbank systems are cost, not revenue generators• Innovation is expensive and time consuming
Collaboration	<ul style="list-style-type: none">• Need to collaborate to obtain network effects• Collaboration slows innovation
Two sided markets	<ul style="list-style-type: none">• Need to overcome consumer trust/inertia• Need to incentivise merchants
Regulation	<ul style="list-style-type: none">• Heavy regulatory burden• Regulatory uncertainty inhibits innovation

Breakout sessions

Question 1:

- what are the challenges when launching payment innovations in the UK?

Question 2:

- what are the challenges of mass adoption in the UK?