

.Open Banking Payments Strategy Sprint 2:

Session Attendees and Discussion Summary

Attendees

Payments Expert Panel Members & Observers	Organisation
Adnan Chowdhury	Wise
Alice Mackay	PSR
Andrew McClelland	UK E-Commerce Association
Charlie Humphreys	Apple
Ciaran O'Malley	Trustly
Colm Lyon	Fire
Conor Tiernan	Klarna
Craig Tillotson	Ordo
Dan Morgan	Plaid
David Bailey	Santander
David Jones	Barclaycard
Duncan Cockburn	OneBanx
George Miltiadous	HSBC
Hannah Regan	BRC
Helene Oger-Zaher	FCA
Jack Wilson	Truelayer
Jeroen De Marteau	PSR
Jessica Bilcock	Monzo
Jim Wadsworth	Mastercard
Kris Lindquist	Amazon
Lynsey Rodger	NatWest
Mark Falcon	Independent Payments Expert
Mathew Lane	Visa
Michael Chambers	Answer Pay
Nicholas Senechal	Visa
Nigel Partington	Pay.UK
Paul Foster	GoCardless
Robert Sullivan	Token
Stuart Bailey	LBG
Stuart Barclay	Volt
Teresa Lam	FCA
Timothy Birts	Nationwide
Tony Herbert	Which?

Chair and Secretariat Attendees	Organisation
Bryan Zhang	SWG Chair
Alan Ainsworth	SWG Secretariat
Daniel Jenkinson	SWG Secretariat
Deborah Horton	SWG Secretariat
Matthew Wallace	SWG Secretariat
Richard Mould	SWG Secretariat
Simon Marsh	SWG Secretariat

Introduction

This note is a summary of the Payments Expert Group Sprint 2 discussion session which took place over Microsoft Teams on 11 November 2022.

This is a summary created by the SWG Secretariat Team including an overview of the key points of discussion, but without attributing comments to individual participants.

Initial discussion

The Chair welcomed the members and thanked them for their written submissions, totalling 23 to date, and set out the objectives and meeting ground rules for participants. The method of analysis was based on a combination of thematic prioritisation, consideration of sequencing, responsibilities for implementation and potential timescales of activities, identified from written evidence collected. Short term was defined as 12 – 18 months, with long term recognised as being more than 18-months, in line with the guidance used by the Committee.

Identified short-term priorities

Secretariat presented the prioritised themes identified in the evidence submissions.

Several TPPs queried whether transaction limits were included and if so in which priority area they were included. Secretariat clarified that this was included in the theme related to “balancing friction and fraud”. There was a concern that this critical issue (transaction limits) was not being adequately highlighted. The Chair clarified that this was just a discussion session and that the Draft Final Report would be more comprehensive and include feedback received in this session.

Another TPP highlighted an interesting contrast between the bank and TPP views relating to the ‘friction and fraud’ theme, with banks focusing on Transaction Risk Indicators as a solution, whilst TPPs focus on effective solutions to high-value payments, noting that they are two sides of the same coin. The broadening of VRPs was also highlighted as a priority on the TPP side.

One platform was surprised that consumer protection was not given a higher priority. Secretariat confirmed that this was the 6th priority, but was typically considered a longer-term area in responses.

The Chair reminded the group that the data presented is illustrative based on content received and will be updated once all submissions have been received and ahead of being shared with JROC. Where numbers are included in the analysis, these represent the numbers of submissions received and have not been weighted by the number of members represented. Numbers should therefore only be considered to be indicative not definitive.

Priority 1: Data collection (fraud and performance)

- The Secretariat gave an overview of the evidence presented, underlying the importance of more granular data on several key topics, such as fraud and performance.
- A bank reinforced that to get a true picture of what is happening in the ecosystem, data from both TPPs and ASPSPs would be required.
- A TPP clarified that fraud and performance data should be separate considerations and that there are important differences between the two. On performance, TPPs may be a more valuable and helpful data source, whereas fraud data is more likely to come from ASPSP sources. The clarifying TPP encouraged Secretariat to consider fraud and performance separately.
- A TPP advised that if the goal is to have clear, whole of market data, then there would be a need to define fraud and align data between TPPs and banks as there could be examples where an ASPSP and TPP could disagree on whether a particular incident should be classed as fraud.
- A bank challenged the focus on data collection without being clear on what this data collection is for.

Priority 2: Striking balance between friction and fraud prevention

- The Secretariat gave an overview of the evidence presented.
- A TPP highlighted that the short-term priorities should include action by regulators to address any issues in terms of PSD2 compliance. A TPP also clarified that “equivalence” in regard to payment limits doesn’t mean that rules must be consistently applied. It sets a minimum threshold, whereas we should seek to move to a world in which ASPSPs are able to apply risk-based policies when presented with additional contextual information, for example through TRIs.
- The role of COP and CRM was debated. One TPP suggested that they “have no place” in open banking journeys and others that in many cases COP and CRM will have limited relevance as PISPs will already have verified account details and payee identity and would create needless friction.
- An independent expert suggested that Pay.UK should lead on liability rules and endorsed a recent report by Santander which focused on the need for the Faster Payments Scheme to address APP fraud.
- Whitelisting was put forward by a TPP as an additional short-term priority. The TPP questioned whether there is an opportunity to whitelist large merchants and exempt them from fraud checks to avoid those parties being discouraged and limiting participation.
- Another TPP emphasised that business accounts are typically lower risk for APP fraud, reinforcing the suggestion that whitelisting could have significant potential.
- One bank voiced concern that without clarity on the future entity and its designated role, it is very difficult to express a clear opinion.

Priority 3: Improvements of Standards and consistent implementation

- The Secretariat gave an overview of the evidence presented.
- A TPP highlighted that the issue of software statements was important but was probably not as high a priority as expressed in the Secretariat summary.
- A bank advised that the suggestion of uniformity requires a broadening to TPPs as well as all ASPSPs, for example TRIs to build that consistency.
- An expert highlighted that the only way to really achieve uniformity is through scheme rules.

Priority 4: Expansion of VRP functionality to non-sweeping use cases

- On pricing, a TPP argued that competitive pricing is not possible because ASPSPs have a monopoly in the provision of VRPs to their own customers. Capped pricing is problematic as it is regulated pricing. A third way is possible, using the pricing model of Direct Debits, which is a competitive pricing model that could be applied.
- A TPP emphasised that bilateral agreements are not ideal for the market and therefore need a future entity to be established which could in turn then create a framework. This was supported by a retail bank as was the need for regulatory intervention.
- A TPP highlighted the importance of multilateral agreements (MLA), with a thin rule book, particularly in the short-term, enforced or governed by the future entity. The thin rule book would be essential on both sides of the market.
- An independent expert highlighted that a key theme is the comparison between open banking payments and those of card payments, and that JROC is striving to create competition to the latter. However, the “elephant in the room” is the interchange fees on card payments and to create asymmetry with those would require regulatory intervention.
- Feedback suggested that there is consideration within the retail community around commercial VRPs with the aim of enabling customers to transact in a frictionless manner across the whole ecosystem.
- Another bank also supported MLAs and economically led pricing intervention; however, they highlighted the need to avoid protracted uncertainty in the marketplace and suggested that regulatory or legislative intervention would be required to avoid pitfalls seen in other areas such as interchange. The desire to move forward with speed and clarity was supported by several participants. Other comments also highlighted that bilateral agreements are complex and time consuming to set up and can result in asymmetrical outcomes.
- A platform also highlighted the importance of joining up thoughts on TRIs and fraud with the VRP commercialisation and that the price needs to reflect the operational costs incurred.

Identified longer term priorities

- The Secretariat highlighted the areas identified as long-term priorities.
- A platform couldn't understand how consumer protection could be addressed only in the long-term, given that it is a short-term priority and must be addressed as part of any MLA.
- The Chair stated that long-term priorities may in many cases reflect the long duration in implementation, not necessarily that they should be delayed for the longer term, but agreed that the point should be further clarified.
- A number of participants highlighted the need for clarity from the regulator on the consumer protection issue. Without this clarity, progress will be significantly held back.
- A TPP wanted to highlight the role that open banking can play in terms of access to cash, an area which has not been properly considered. To enable this, in the view of this TPP, card-based consent should be considered.

Priority 5a: Purchase protection

- The Secretariat gave an overview of the evidence presented.
- A bank highlighted the point that there are limitations in the Consumer Rights Act, in relation to the new ecommerce market landscape, and that the Act is outdated, doesn't cover ecommerce peer to peer and that it would be useful to consider that as part of any future landscape.

- It was noted by a bank that there are also legislative barriers in place relating to fraudulent merchants and breach of contracts, which may need to be looked at to ensure a sustainable ecosystem can be realised.

Priority 5b: Consumer protection, disputes, and liability

- The Secretariat gave an overview of the evidence presented.
- A TPP suggested that the best dispute system is to have a single point of contact for the consumer and that should continue to be their bank.
- A TPP highlighted that different types of goods and services present very different levels of risk and therefore a one size fits all may not be appropriate. Also cautioned against mirroring protection on other payment types.
- An independent expert acknowledged the complexity but from a user point of view suggested that the benchmark must be card payments. A large retail bank supported this view.

Industry structure

- The Secretariat gave an overview of the evidence presented.
- A TPP highlighted the urgency of setting up a future entity and shared experiences in recent interactions with OBIE where 20 change requests to the Standards have been identified, but OBIE is increasingly finding it hard to move forward on issues raised given the limitations of the Open Banking Order.
- A TPP highlighted confusion between terms and areas of responsibility: for instance, schemes, payment arrangements, frameworks. The suggestion was made that a great output from this exercise would be a glossary which provides definitions and clarification.
- A TPP suggested that Pay.UK cannot take on additional responsibilities given their existing role running critical national infrastructure. Open banking is an overlay service and should be managed by an alternative body.
- An expert endorsed the view that there should be a separation between Pay.UK and open banking.
- A TPP clarified that they also support the creation of a balanced and viable commercial model but suggested that the view of TPPs needs to be reframed and made clearer when presented to JROC.
- The future entity, in the view of a TPP, needs to have “teeth” to ensure it can enforce and mandate both change and performance. That would be key to ensure success.
- A TPP cautioned that any discussions on commercial model should not threaten the current free model for payments for consumers.
- A TPP urged that open banking remains agnostic to payment rails, particularly for cross border and that focus of aligning with Faster Payments should be discouraged. It should, in the view of some, be in effect a unified interface to multiple payment rails.
- As the NPA potentially creates new account to account payment channels, the need for open banking to remain payment rail agnostic is increased.
- To broaden the future competitiveness of open banking (in comparison to card payments), cross border and international payments were highlighted by some parties as being key for consideration.

Closing comments

The Chair closed the meeting and thanked the participants for their contributions and advised that the summary from the meeting would be made available in due course and that distribution of those materials would be via the [SWG website](#).