

National Payments Plan

Consultation Response



R e l e a s i n g y o u r p o t e n t i a l

1 Executive summary

Payments do not exist in a vacuum and the payments industry addresses indirect demands – no one wants to buy a payment. Payments services have a critical role in the national economy to support economic activity nationally and internationally through the effective movement of value between parties. Whether this is to facilitate commerce, government or personal transactions the context and purpose of payments use needs to be understood for each type of economic activity so that the correct drivers for users and providers can be identified and addressed manage change in order to minimise costs, maintain trust and security and foster innovation.

Individual payment methods need to be considered in a co-ordinated fashion. The Payments Council should lead the development of the payment industry in a holistic way to ensure for example that volumes from one expensive method (e.g. cheques) are not simply migrated to another (e.g. cash). A clear set of cost metrics for the end to end economic cost of different instruments is difficult to develop, however, the Council, government and payments industry participants would benefit from such an ongoing set of measurements in order to demonstrate the cost benefit of proposed changes.

The National Payments Plan should take full account of other developments in other national and international schemes. The Payment Services Directive of the European Central Bank will become legally binding in UK before November 2009, and the emerging SEPA schemes establish standards for all euro-based transactions.

In order to foster innovation to achieve planned changes and develop substitutes to legacy payments instruments Banks and other payment service providers need to be able to offer new and innovative services and progress can not be restrained to the pace of the slowest. The role of the Council in this process should be that of a facilitator and observer given the competitive nature of the underlying business. In specific areas of major benefit to the National Plan there may be a case for a role as catalyst and source of reference information to facilitate the exchange of best practice. As with the development of schemes and standards this approach must take into account international developments wherever feasible.

One of the key ways to influence user behaviour is through pricing. Legislation must therefore not inhibit a Bank's ability to use price as a competitive and market-influencing mechanism. The Payments Services Directive already imposes improvements in price transparency on payments service providers and will apply in the UK during 2009. These changes may offer an opportunity to educate and inform stakeholders outside the banking industry on the fact that there are costs to making payments and the need to ensure a healthy market of commercial providers to meet the goals of the Council and to support the UK economy. Such a campaign would require the factual analysis of costs to support changes planned in the UK and coordination with government and regulatory bodies.

It is clear from recent studies that Cash remains king and that there are perverse economic advantages to stakeholders in its continuing use. Given that the full cost of cash remains probably the highest to the UK economy reducing cash usage will require specific analysis and targeting of

the rationale. Whilst complex the technological substitutes for a host of cash uses exist. Migration and cost reduction will require coordinated effort on substitutes and their relative benefits targeted at specific usage communities.

Growing focus on payments systems efficiency at the European Union is driving rapid change across all currencies in the EU. Together with the ambitious plans to migrate existing national payments in euro to a single set of SEPA schemes, pressure to manage down payments costs and to use and reuse standards in the European context exist and are growing. The Council must remain cognisant of these changes and the opportunities they offer to the UK industry to exploit investments made elsewhere or to reuse investments in UK payments across wider geographies

The creation of the Payments Council is a laudable step in providing UK wide governance and strategic context for the current rapid changes in payments systems both in the UK, Europe wide and globally. The key responsibilities of the Council must include preparation and management of a strategic plan for UK payments that takes into account wider changes, that manages stakeholder engagement and enables effective planning, that drives changes that benefit the widest community of stakeholders and that engages with the standards development and implementation process to maximise cost efficient reuse and UK specific requirements.

LogicaCMG is pleased to provide a response to the National Payments Plan. Contact details for further discussion of any points made in this paper should be directed to:

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Ref	Issue for Consultation	Response
Q1	<p>The Payments Council is minded to develop a proactive industry plan to manage what it sees as the irreversible decline in cheques. Do you agree that a plan for cheques should be developed?</p>	<p>Yes. A proactive plan to manage the “end-game” for the cheque is the best approach for all concerned. An understanding of the alternatives which are as easy to use, as well as the use of incentives, including pricing action, and compulsion need to be considered along with migration dates to achieve substantive change.</p>
Q2	<p>For which types of payment currently made by cheque do new alternatives need to be introduced?</p>	<p>Detailed information on the current usage of cheques is clearly required to identify specific user groups and to create effective substitutes.</p> <p>Satisfactory alternatives clearly need to be available and adopted for both personal and business usage. For some segments such as P2P and SMEs there are no current alternatives meeting their existing criteria. Technology exists today to enable value transfer models that meet parts of this need (such as mobile and electronic payments) but alternatives also need to be commercially viable for the Banks. Consideration needs to be given to non bank alternatives which may have time to market advantages. Lastly, moves internationally to address both web based and mobile payments approaches must be taken into account in developing and managing a strategic plan for the UK’s payments market.</p>
Q3	<p>Would it be acceptable for the National Payments Plan to include a target date of 2018 for the closure of the cheque clearing (on the assumption that acceptable alternatives to cheques have been developed)?</p>	<p>There is no technical reason why this target date or indeed an earlier one could not be used.</p> <p>Five to seven years should be an acceptable planning horizon.</p>

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Q4	What sort of education of users is needed to support the migration away from cheques?	Education will need to include the alternative payment methods available as well as inducements to change established habits and the safe disposal of redundant materials. Rational and emotional aspects both need attention. Clear and beneficial alternatives need to be provided and promoted.
Q5	Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the Cheque Guarantee Card Scheme?	Yes. This scheme is a key element in creating incentives for current behaviour and a determinant of the future usage of the cheque. An objective review should include an analysis of the costs and benefits of the scheme, in the context of an overall plan.
Q6	What other actions, if any, should there be in the National Payments Plan in relation to cheques?	<p>The plan for cheques needs to address all current users including those unfamiliar or uncomfortable with electronic technologies or banking services such as those who are unbanked or have poor credit records.</p> <p>The plan needs to encourage a shift to electronic payment rather than to cash which can result from pricing actions that are not coordinated across instruments.</p> <p>The plan should include the economic and political rationale and objectives, a target date as stated in Q3, and the key milestones.</p>
Q7	Do you agree that, as part of the National Payments Plan, there should be an objective review of the future of the paper credit clearing?	Yes. The same costly infrastructure is used for both cheque and paper credits and both should be eliminated at the same time, provided an effective substitute is available.

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Q8	<p>The Payments Council believes that the National Payments Plan should be developed on the assumption that cash will remain a major payment method for the foreseeable future. Do you agree?</p>	<p>Yes. Cash will remain a major payment method for the foreseeable future. Usage of cash is a social, cultural and educational issue. With limited objective data regarding the true cost of handling cash within the economy it is difficult to develop effective plans. The true usage needs to be established along with objective data regarding the cost of processing cash amongst all parties.</p> <p>The technology is available for alternatives although is unrealistic to expect change overnight. Clearly there are some uses of cash, such as the informal and illegal economy where aspects of the advantages of cash such as anonymity and peer to peer transparency with zero cost will make change a long term goal. Assuming economic benefits to a migration from cash to electronic means of payments any plan will have to be realistic in terms of moderating cash usage.</p>
Q9	<p>Should the issues of the supply and quality of notes and coin in circulation be within the scope of the National Payments Plan? If so, how should they be addressed?</p>	<p>Generally speaking no, it is believed this should be out of scope. An exception to this could arise if the Council wished to create inducements to avoid cash usage by making it less convenient.</p>

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Q10	<p>What other actions, if any, should there be in the National Payments Plan in regard to cash?</p>	<p>The plan should include actions to identify and monitor/exploit the development of alternative payment methods and to identify usage patterns for which substitute methods exist. This will enable market and educational processes to reduce usage over time.</p> <p>The number and scale of such areas of usage will expand rapidly as innovation and the use of new technologies reduces existing benefits to users of cash. These will need ongoing monitoring by the Council to adjust plan assumptions and trigger actions to manage further replacement of cash in the economy.</p>
Q11	<p>What improvements would lead to the greater take-up of direct debits by users?</p>	<p>Given the need for an end to end plan where payments services are managed to a clear end state reflecting cheaper, real-time exchange of value in a safe, open and efficient environment, the following are key considerations;</p> <ul style="list-style-type: none"> • The ability to set up DDs easier, including digital signature and bank ID infrastructure and regulatory approach matching PSD requirements. • Clear picture of usage of DD substitutes – especially cheques, enabling promotion, pricing and education to encourage migration away from the use of costly instruments • Clarity of roles of DD and CT. DD appeal to billers versus real time approach of e-billing and CT may further reduce barriers to migration to electronic.

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Q12	<p>Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?</p>	<p>Yes, indeed pan EU harmonisation efforts within the PSD are encouraging this to enable common euro based DD standards and terms and conditions. The ability of national governments to exceed the minimum levels of consumer and user protection allowed in the PSD may enable a higher level of protection to be offered.</p> <p>However, any benefits anticipated through the creation of a more open market for payments across the EU would be at risk from variations between national legal and liability levels. It is not clear whether the actual use of the current rules for DD justifies such an approach and further work to analyse consumer usage of the current level of protection should be undertaken to justify any change in the rules associated with the implementation of the PSD.</p>
Q13	<p>If so, what time limit do you think would be appropriate?</p>	<p>A time limit that can be agreed across EU bodies, EC, Parliament, EPC and related industry bodies. This is principally an educational and political issue although objective analysis of the actual usage of guarantees would benefit the discussion and may justify further encouragement of government to improve financial education.</p>

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Q14	<p>What measures to improve the accuracy and end-to-end delivery of reference information, with internet and telephone banking payments and with other direct credits, could usefully be introduced?</p>	<p>Enforcement of a common standards based approach to payments reference data (e.g. replacing existing BACS standards for CT and DD) would enable the UK to exploit technology changes common across Europe, enable high levels of STP from end to end of payments and encourage banks and infrastructure providers to support effective transport of reference data through existing bank and inter bank systems.</p> <p>The new EPC developed CT and DD standards – based on the global standard ISO20022 – provides for the inclusion of reference information passed with the payment details. As an internationally based standard with agreement to implement across the EU and acceptance within the ISO process, this forms a good basis for implementation. In general the UK payments industry should benefit from what already exists rather than reinvent such standards.</p>

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Q15	Are there any other enhancements you think should be made to direct credits?	<p>As above, improving speed and accessibility of post dated or warehoused payments, and enhancing reconciliation data using existing standards wherever possible.</p> <p>As in a other parts of our response the process requires the ongoing analysis of reasons for usage and relative costs of substitutes, such as cheques, to the UK economy, in order to target specific usage types and communities (e.g. older people, small businesses, person to person payments) and to design packages of education, tailored substitute features and pricing models that encourage migration to efficient, modern instruments.</p> <p>Usage of technology to support this process may include mobile technologies for initiation, confirmation and information services and non-traditional physical access points such as ATMs and internet connections.</p>

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Q16	<p>What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?</p>	<p>The primary role of the existing ATM infrastructure is to provide access to cash, balance and transaction reporting and limited inter-account transfer services. These were introduced to reduce manual bank branch costs and to enable higher added value bank services. Additional services such as bill payment and mobile top up assist in increasing fee usage of ATM networks but have an adverse effect on availability for core services if ATMs become a bottleneck for users.</p> <p>As with other responses, the need to have a joined up approach to payments systems usage may require more or less ATM usage for cash withdrawal as –mobile top up substitutes and alternatives are developed in the wider interest. Alternatively, the ATM infrastructure could provide access points to mobile and e-cash services, bill payment and related payments initiation, review and management services for those citizens and legal persons unwilling or unable to use alternative channels.</p> <p>The ATM plan needs to reflect the overall National Plan goals, the process for amending and managing these goals and clarity of process for adapting and managing progress an open and competitive market. There is a political and social aspect to this, concerning the availability of ATMs and of their role within a national payments infrastructure serving all citizens and as a commercial competitive market for service providers and Banks. Pricing models for ATM usage may need to be managed if services are provided within the plan only on a commercial basis. Clearly government would have a role in this discussion.</p>

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Q17	Which other, if any, actions should there be in the National Payments Plan in relation to credit and debit cards and cash machines?	Actions to support a National Payments Plan to reduce the direct and indirect cost of payments in the UK and to link progress in usage of each instrument to an overall strategy, plan and milestones.

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Q18	What improvements should be made to the way in which payments in the wholesale markets are carried out?	<p>Clearing and settlement infrastructures</p> <p>Although these do not represent the largest part of end to end payments costs, the wide spread of standards and formats impose costly processing on the Banks. The need for a number of different settlement models is driven by the underlying cost to Banks in terms of liquidity and settlement risk. More coordination and better interoperability between the market infrastructures would reduce the number of standards and formats needed. This would enable clearing, netting and settlement processes to be combined more easily to meet the service requirements cost effectively.</p> <p>Market service ‘silos’</p> <p>There would be greater flexibility, and through this reduced cost, if the practice of horizontal alignment of payment types with specific customer segments were to be abandoned. This could be encouraged by the development of standards for the definition of payments services that exposed and defined service aspects such as timing, priority, settlement risk, non-repudiation, related reference data, and conditional release. The Payments Services Directive is a start in this area. It already calls for pricing transparency, where the price must be seen to have a basis in service provided. Payments are not performed ‘cost free’ and cross subsidies should be exposed.</p> <p>Clearing and settlement are vital to the UK economy, enhancements in speed and the level of information could have benefits on working capital and therefore economic activity and within the banking industry could support reductions in operational risk and enhancements in credit availability.</p>

Ref	Issue for Consultation	Response
Q19	What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?	<p>Education and promotion to potential users of the new payments schemes especially to corporates operating in euro and sterling and to public authorities.</p> <p>Ongoing coordination with UK Banks and payments providers of key requirements into the development of SEPA schemes and Additional Optional Services and to emerging regulatory approaches for non-traditional payments service providers – the Payments Institutions of the PSD.</p>
Q20	What issues does SEPA raise for your use of payments?	<p>As a large international business that has recently acquired a number of European entities and which operates globally, SEPA creates an opportunity to centralise treasury and AR/AP operations, to reduce the number of bank accounts held and to review the costs of payments in the context of a single competitive market for euro payments processing. However, a lack of clarity in the migration in eurozone countries and our ongoing need for payments services in many currencies will mean balancing euro and non-euro requirements to ensure improvements in efficiency and cash management over an extended period.</p> <p>SEPA (and PSD) need to provide clarity of migration dates and implementation timescales to enable business cases and consolidation within any corporate. These are not yet in place.</p>

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Q21	What improvements should be made to cross-border payments?	<p>There is an issue with the term “cross-border” payments. In the SEPA the goal is that payments in euros are effectively domestic. Between euro and non-euro EU and many EEA countries there are changes and improvements mandated in the PSD. Outside the European environment the issues of cost of processing and the reductions in volumes resulting from euro introduction and creation of efficient pan-EU systems will result in consolidation.</p> <p>Cross border payments need the same features as any payment, cost efficiency, safety, openness, ability to provide related reconciliation information, visibility to counter parties during execution, appropriate speed and lower costs. In summary there is a need for convergence of standards and organisations driving standardisation, across the globe providing open payments infrastructure.</p>

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Q22	<p>What measures to enhance users' efficiency should be considered by the Payments Council?</p>	<p>Encouraging of the use of existing standards and the development of new standards to reduce cost, maintain openness and enhance competition are relevant measures to enhance users' efficiency. Key standards that are likely to form part of the emerging infrastructure include SEPA SCT and DD, e-mandate, B2B DD, IBANs, and ISO20022. Any emerging UK implementation needs to move towards these standards to reduce costs, improve interoperability, enhance user experience and enable policy and competitive activities that assist in driving the plan to improve the overall efficiency of payments services in the UK.</p> <p>However, given the pricing transparency (efficient use of standards), commercial pressures should have a major influence here. It is vital compliance end dates are used.</p>
Q23	<p>Do you agree that at the present stage of market development the contactless and prepaid card sectors are best left to initiatives from individual payment service providers and the card schemes?</p>	<p>Yes, the role for a National Payments Plan is to enable a competitive environment that is fair, inclusive and relevant to all.</p> <p>However, the potential need to manage down the usage of cash in the economy and the relative immaturity of the contactless and prepaid market may support objective analysis of the cost of legacy instruments such as cash and the sharing of experience with emerging technologies and their benefits.</p>

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Q24	<p>What support, if any, could the National Payments Plan offer to the development of contactless cards? In particular, is further action needed to ensure that the standards for contactless cards meet the needs of all sectors of users?</p>	<p>Standards for contactless cards should be open to ensure that entry to the market is not curtailed through closed standards use, leading to monopolistic practice. However, the National Payments Plan should also consider security trust issues and infrastructure as APACS has done in the past. Additionally it will be a useful catalyst to provide objective data on costs and take up issues. If the Council determines that cash replacement is a focus for planning and activity – there could be a case for targeted and specific pilots to be created to establish user attitudes and take-up, economic benefits to be published and to factor into ongoing planning for cash substitution at the UK level.</p>
Q25	<p>What support, if any, can the National Payments Plan offer to the development of prepaid cards?</p>	<p>The merit of prepaid cards should be looked at by establishing the benefits, as part of a plan of for cash migration.</p> <p>Use of the general access, Post Office or ATM (or electronic) style of engagement for over the counter cash deposit and top up, would be usefully sponsored through a national infrastructure, nominally available to all.</p> <p>See also Q24 in terms of general role of the Council to encourage the gathering and dissemination of factual analysis of costs and experience of innovations.</p>

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Q26	<p>What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?</p>	<p>In order to manage downwards, and in some cases to close legacy instruments, awareness of the need for and benefits of substitutes for cash and cheques is a potential role for the Council.</p> <p>The Payments Council should therefore act as a catalyst to industry change, engage with the development of European, UK and global standards with a view to assessing the risks of new approaches, track activities in the wider mobile payments marketplace.</p> <p>In specific areas of demonstrable benefit to the UK it may also be appropriate for the Payments Council to manage and sponsor specific activities to promote usage and to investigate take up rates.</p>
Q27	<p>In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?</p>	<p>It could be argued that Mobile Payments should not be limited to account to account transfer but to incorporate value assignment to the device and deposit mechanisms generally.</p> <p>However the ability to use mobile devices to perform certain limited payments transactions would reduce the load on both Bank branches and ATM networks and is likely to be a base from which other forms of payment initiation can be developed. Clearly the relative ubiquity of mobile phone usage amongst many demographic groups in the UK would support mobile as a key development in a strategic plan for UK payments.</p>

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Q28	What principal characteristics would users find attractive in a mobile payment service?	<p>Ubiquity, convenience, familiarity, and low, or acceptable, cost of access are clearly features of mobile technology today. Such features will be expected in subsequent services. Currently there is a wide debate about mobile payments services however there is a worrying lack of clarity on the meaning of and variations in requirements for such services.</p> <p>Mobile technologies can provide simple authentication and information services today that support the transfer of value. Such first steps may be significant in establishing the case for higher risk, true payments services where a mobile based service provides the vehicle through which secure transportation of cash value can be provided, broadly as a 'Value Transfer Vehicle'</p> <p>Ease of use is a key consideration, and if not achieved, such approaches will only be a relevant service for the technologically active generation.</p> <p>Allowing easy transfer of value is a key desirable benefit, along with low cost, security, transferability, ubiquity.</p>

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Q29	<p>What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?</p>	<p>The availability, on a single device, of multiple owner (accounts) value pools, enables ready access to secure value. The assumed 1:1 relationship of device to account should not be taken as a given or desirable design/solution constraint.</p> <p>The mobile device could be an enabler to reducing the need for cash in current volumes.</p> <p>Mobile devices could also help eliminate the use of cheques provided that value transfer is easy, visible and non retractable.</p> <p>Principally they can act as either or both initiation device and holder of value. The complementary role of mobile in supporting fraud prevention and authentication strategies may have been overlooked to date.</p>
Q30	<p>What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?</p>	<p>Standards, safeguards and usability are key elements required. These standards and procedures should address authentication, replacement technology, technology route map, channel access views and commentary and address the fundamental question of trust. These should be monitored as part of a National Plan and plan assumptions adjusted based on rapidly growing experience both in the UK and further a field. Perhaps of specific note is the EU wide activity to develop m-payments standards under the aegis of the EPC.</p>

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Q31	Do you agree that the Payments Council should indicate support for the work of the European Commission Steering Committee on e-invoicing and associated activity, including the development of international standards that facilitate supply chain efficiency?	Yes. As stated the key here is common and commonly used standards, authentication and legal recognition are also needed to support the adoption of e-Invoicing. The potential benefits are substantial across supply chains and the role of banking and payments in facilitating such benefits still emerging. The primary beneficiary of this development of standards will be the issuers and recipients of invoices, the role of the payments industry and banking will certainly be to facilitate reconciliation and to support management of working capital and supplier finance.
Q32	What role should the National Payments Plan play in moving this agenda forward?	The Council should act as a catalyst, promote standards and as a Government lobbyist for the industry to ensure the UK interest and view is correctly represented to international legislative bodies.
Q33	What other actions should be included in the National Payments Plan?	As an enabling body less should be seen as more here. The remit should be limited to standards, legislation and innovative enablement with an inclusiveness brief, promotion and education remit only.
Q34	What other payment innovations requiring action at industry level should be considered by the Payments Council?	Innovations such as the emergence of non-bank payments services from technology, transport, telecommunications and other non bank providers requires ongoing review and consideration of market initiatives and experience. Legal issues should also be monitored.

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Q35	What gaps are there in current financial educational initiatives in regard to payment matters?	<p>General financial education in the UK would benefit from specific elements covering the issues of movement and management of “cash”.</p> <p>For users of costly existing instruments there is a need first to understand the issues preventing the use of efficient instruments for specific user communities. Tailored education and promotion of the benefits and safety of efficient alternatives, together with industry wide effort to ease issues of accessibility of services would begin to move behaviours over time. The Payments Council should publish clear and straightforward information on the types and nature of payment schemes in the UK.</p> <p>Across the industry in the UK – within Banks and users – knowledge and understanding of the PSD implications are woefully inadequate given the plan to transpose into law across the EU before November 2009.</p> <p>Understanding of SEPA for specific user communities including business, private and public authorities is also poor, though largely the preserve of the commercial Banks. This lack of knowledge is not helping UK financial institutions to respond to the fundamental changes underway in our largest trading partner.</p> <p>The planned introduction of the Faster Payments Service in the UK also offers users new and substitute services in part responding to regulatory pressures but also offering service levels and efficiencies previously only accessible at high cost to users. Take up rates will be dependent on education.</p>

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Q36	<p>What role can the Payments Council play in promoting the education of consumers about the choice of payment methods available to them?</p> <p>What other bodies should it work with to deliver this role?</p>	<p>See above – glossaries, events, publications, joint work with regional and stakeholder groups (BCC, CBI, regional authorities), specific work with government to improve awareness and understanding.</p>
Q37	<p>What role can the Payments Council play in promoting financial inclusion?</p>	<p>This can only be done through enabling easy to use, trusted and available products through readily accessible, trusted and available channels. The use of ATM, Web, Mobile as initiation mechanisms are important in promoting the inclusiveness of positive balance accounts. It is important to ensure that payments are not tightly coupled with banking products such as current accounts.</p> <p>Credit issues should be outside this plan.</p>
Q38	<p>What other bodies should it work with to deliver this role?</p>	<p>Government bodies in UK such as Education, APACS and EBA. It is recommended the Payments Council needs to have a view beyond national borders. However, this area should largely depends on the nature of the plan</p>

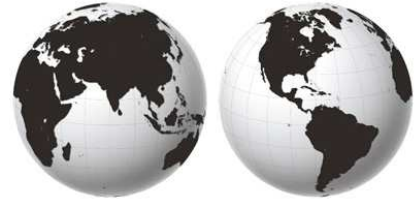
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Q39	<p>What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?</p>	<p>There are publicly recognised challenges and some more substantial but less visible challenges. The primary visible challenges are trust, reliability and availability.</p> <p>Customer concerns over trust are addressed by the evaluation and certification of techniques and technology for protection (of customer identity; of customer accounts; and of finality of payments received).</p> <p>Customer concerns over availability of service can be addressed by service providers without national intervention, except for inclusion</p> <p>For the less visible but more substantial challenges, such as disaster planning and the risk of member Bank failure, there may be benefits in National planning. Standards for resilience and recovery in Bank and central infrastructures can stabilise the costs, and mutual support services can be encouraged.</p> <p>Finally, with respect to the prevention of fraud and money laundering, common standards are already available, but the delegation of responsibility to central infrastructures remains unacceptable to the authorities. Sharing of solutions is a concept but no one system is able to see all.</p>
Q40	<p>How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?</p>	<p>The main value of a national body might be in the sharing and communication of detected frauds and patterns of fraud amongst the recognised institutions in the industry. Risk and likelihood against cost of prevention is always a consideration.</p>

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Q41	How can the National Payments Plan assist with issues of customer authentication? To what extent do these need to be addressed across the payments sector?	Customer ID authentication is a shared issue. Security is an overhead costs to all in the industry. Some shared research and certification of solutions might be helpful.
Q42	Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?	<p>Authentication of transactions represents an overhead cost to transaction processing. Most people operate on a balance of risk (no-one bothers to check the authenticity of coins in their small change). It is not appropriate to impose the same standard of protection on all payments irrespective of value and context. But it is necessary for customers to understand any risk they choose to incur.</p> <p>Put simply a minimum standard should be recommended depending on the value and risk assessed, and depending on where the risk sits. However a minimum standard should be not imposed.</p>
Q43	How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?	New technology investment is based on commercial risk. There is no place for National Planning in innovative research and development. The role of the National Plan is to set levels of service expectation and to establish National standards for evaluation of solutions. However there may be a place for the National Payments plan to encourage technology proof of concepts.

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Q44	What actions, if any, should the National Payments Plan include in regard to data sharing?	<p>One key facet of data sharing that has not yet been resolved is the basic rule that access to a database should not assume access rights to all the data within it. Too many recent cases of data loss illustrate the poor practice of distributing data fields unnecessarily, even if not requested by the recipient. The general rule should be that every data element that is to be shared should be separately justified. The National Payments Plan can be the catalyst to start the process of analysing appropriate data sharing responsibilities and activities, with various bodies.</p>
Q45	How can the National Payments Plan help ensure that the burden of fraud prevention is shared equitably across payment service providers and users, including SMEs?	<p>The simplest principle is that the service provider is responsible for the 'burden of fraud prevention' with respect to the service in question, and there is no reason why others should carry that burden. Customers pay via the pricing of services. This may vary for different payment models, e.g. Customer not present.</p> <p>On a general basis, structures should be developed that cover a fair assessment of the risk responsibility at each point in the supply chain. Risk should be appropriate to income received.</p>
Q46	What role should the Payments Council play in raising the profile of fraud and security issues and in lobbying government and the public authorities?	<p>If the Payments Council can collect, prove and present national opinion or requirements, then it can have a role, on social and political grounds.</p>

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Q47	<p>What should be the role of standards in the National Payments Plan?</p> <p>Are the current principles as agreed by the Board a suitable base from which to start?</p> <p>What role should the Payments Council play in influencing international standards developments?</p>	<p>Standards are fundamental to enabling progress. The principles outlined provide a good starting point.</p> <p>The Payments Council should influence and be influenced by the development of international standards.</p>
Q48	<p>What, in particular, should the National Payments Plan say about messaging standards?</p>	<p>This should form part of a coordinated plan and strategy, see Q47.</p>
Q49	<p>Would you support an initiative, led by the Payments Council, to establish a better understanding of the costs of UK payments? If so, how do you think this should be taken forward? What supporting information do you think would be relevant for such an exercise?</p>	<p>A better understanding of costs would be beneficial in establishing and supporting charges and eventually in making fees more transparent.</p> <p>Such an initiative would require the support of a majority of the Banks, who would understandably be reluctant to share proprietary data.</p> <p>An independent third party (such as ourselves) could provide a service in this regard. From our observations unit costs are hard to derive, and there may be commercial issues which prevent this better understanding being reached.</p>

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