

# MONILINK RESPONSE TO THE NATIONAL PAYMENTS PLAN CONSULTATION

## Introduction

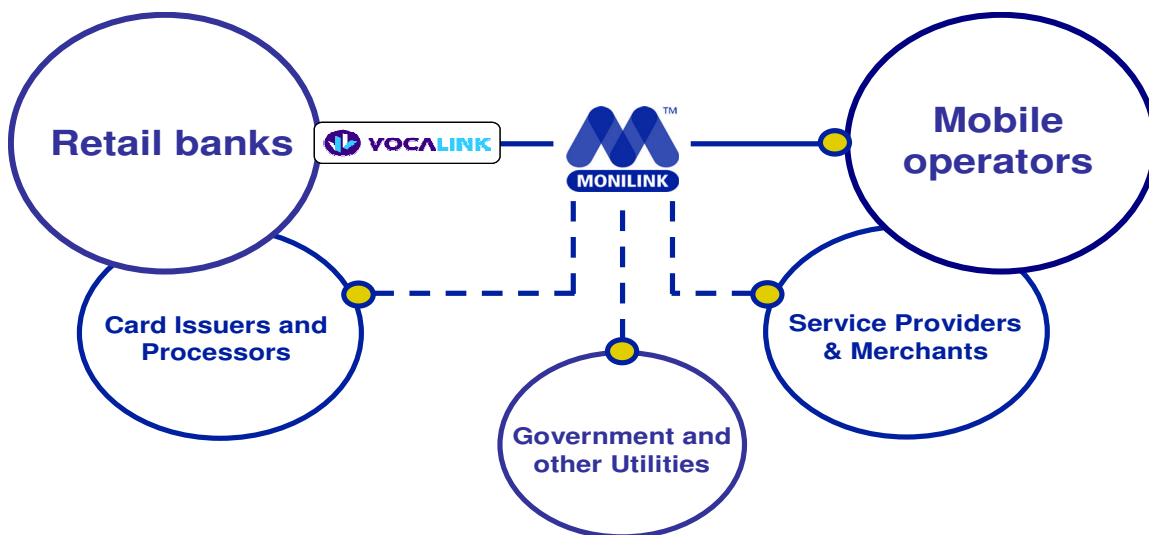
MONILINK is pleased to be able to respond to the Payment Council’s Consultation Document on the National Payments Plan. We believe that the Council, through this consultation exercise, has a unique opportunity to shape the framework for the UK payments and banking industry. Developments in technology and communications and changes in what society expects from the banking industry make this a crucial and timely exercise.

Financial and payment requirements have become far more fluid and dynamic in recent years and as the Council notes, cheque usage has been declining significantly while new channels to market are emerging that change the way in which consumers interact with financial institutions. Regulation, security and standards have tended to develop on a piecemeal basis to cope with specific new initiatives or threats, and the development of a National Payments Plan to co-ordinate the industry’s approach to all these developments will help to position the UK at the forefront of global payments and banking developments.

## MONILINK

Replicating existing successful banking and payments models, MONILINK has developed a collaborative model which brings together consumers, financial institutions, mobile network operators, and other members of the payments community into one mutually beneficial environment – the ecosystem.

Fig 1: The MONILINK ECOSYSTEM



MONILINK provides consumers with a secure connection to their banking and payments services from a simple, intuitive application on their mobile handset. The service is available across multiple banks and all major mobile operators.

The approach that MONILINK has adopted is low-risk and highly scalable because it leverages the technology, security, reliability and open standards of the existing UK payments infrastructure, namely VocaLink.

MONILINK has been live in the UK for over a year and major banks, including HSBC, first direct, Royal Bank of Scotland, NatWest, Ulster Bank and Alliance & Leicester have already chosen the service, with more financial institutions joining over the coming months.

MONILINK's product set, delivered through its ecosystem partners, includes: -

- **Mobile Banking**

- Management of financial accounts (bank accounts, credit cards, pre-paid cards)
- SMS alerts (account balance, account threshold alerts, transaction threshold alerts, transaction pattern alerts, direct debit set up, address change)
- Two factor authentication (internet banking, cardholder not present transactions)

- **Mobile Payments**

- Account transfers
- Peer-to-peer payments
- Bill payments
- International remittances
- Pre-pay account reload
- Near field communications (NFC) - contact-less payments)

MONILINK is a joint venture between VocaLink Ltd, Europe's largest payments processor and Monitise plc.

As operator of the direct debit, direct credit, standing order and ATM switching infrastructures, VocaLink processes up to 9 billion transactions per year for the UK payments industry with a value in excess of £3 trillion. The imminent introduction of Faster Payments through VocaLink will significantly enhance the payments capabilities of the MONILINK service.

Monitise is one of the world's leading mobile banking and payments companies, with platforms now live in the UK and the USA; and the delivery of services in a number of other countries is already well advanced. Monitise was recognised as a "Technology Pioneer" by the World Economic Forum in 2006 and is the current holder of the "Mobile Innovation of the Year" award from The Banker Magazine, "Innovation of the Year" award from Banking Technology Magazine and the "Innovation in Messaging" award from the Mobile Messaging Association.



## Mobile Payments and Commerce

Existing mediums of exchange – particularly physical cash and cheques - have been successful for many years, but are expensive to produce, distribute, handle, store and use. New technologies have introduced the concept (and reality) of electronic or digital cash, which has the potential to reduce costs significantly for consumers, banks, merchants and governments, thus delivering significant economic benefits to society as a whole.

Mobile phones are destined to play an important role in this coming transformation for a variety of reasons including:

- **Ubiquity** – almost everyone has one (115% penetration in the UK). Penetration of subscribers is now at 90% of those aged 13 and over, and 10% of all households are 'mobile only'. (Sources: DNS, Ofcom and MMetrics)
- **'Always with me'** – numerous studies suggest that it is the first item people ensure they have when they leave home
- **Capability** – increasing processing power enabling more and more functions to be delivered to the handset
- **Security** – the fact that it is a 'personal' device (unlike the PC), that it has remotely identifiable components (such as SIM) mean that it has inherent capability for strong authentication including two factor and, in due course, three factor.

In the developed world, convenience will be a key adoption factor since we have the luxury of multiple channels through which to manage our finances, although the growth in non-cash transactions will heighten the demand for an 'always on' ability to monitor recent account activity. However, in emerging countries, the mobile is the only realistic way in which the mass market will have access to the benefits (both social and economic) of secure financial management.

We see four key elements in the evolution of mobile financial services in the developed world:

- **Information and Alerts** – critical account alerts (e.g. low balance), marketing and sales messages from banks
- **Remote payments** – peer to peer payments, remittances
- **Proximity Payments** – contactless payments through near field communication (NFC) technology on the handset
- **M-Commerce** – adapting existing forms of commerce to the mobile and the creation of new forms of commerce enabled by the mobile

There is plenty of evidence that mass market adoption of the first of these is underway, and 2008 will see the development of remote payments as well. Mobile proximity payments are dependent on the availability and adoption of NFC handsets, which are predicted to reach mass market levels of penetration in the next 3-5 years.



However, to deliver mobile payments successfully to the mass-market it is essential that the industry collaborates around the following core principles:

- **Re-use of existing infrastructures:** leveraging existing information and payment infrastructures is far more efficient than creating brand new ones
- **Interoperability:** the ability to make payments to another person regardless of who they bank with and which mobile handset/operator they have
- **Collaboration:** engagement of all key stakeholders (banks or other account managers, merchants, operators) helps ensure the evolution of non-disruptive models
- **Aggregated connection hub:** if each bank has to make separate connections to every operator and every merchant, the resulting 'spider's web' is inflexible and will hold back evolution
- **Avoid dead-ends:** solutions need to have 'line of sight' from information and alerts through to remote and proximity payments and other future developments
- **Ecosystem approach:** models which engage, and create value for all stakeholders (including banks, operators and merchants) encourage co-operative approaches to drive adoption and usage
- **Security:** strong end-to-end security models are needed to build and maintain trust
- **Reach:** the mobile channel has great appeal for a wide range of segments - personal, SME, underbanked/low income, etc. It is not the sole preserve of high-tech early adopters.

This analysis advocates a collaborative and industry-wide approach to offer mobile banking and payments in a single, integrated offering – which have been the strategic principles underpinning MONILINK. Such an approach also enhances the rigour and strength of the regulatory environment, as it has the following benefits:

- **Transparency**
- **Allows for competitive differentiation** without compromising the basic principles of compliance and consumer charters
- **Reduces fragmentation of mobile financial services;** as bank account management, remote payments and proximity payments are offered within the same framework, it is easier to adopt and adhere to compliance procedures and security requirements
- **Consumer-oriented:**
  - single interface and provisioning process makes it easy to use for even non-technical consumers, making it more accessible for all sections of society
  - reduces the potential for unfair practices such as exclusive or locked-in offerings with a higher direct or indirect cost to consumers.

MONILINK's design and approach to mobile banking and payments has been developed on the basis of the above analysis.



## **Issues for Consultation**

### **Efficiency**

#### **Cheques and The Cheque Guarantee Card Scheme**

**Q1 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?**

The management of phasing cheques out will be a critical and strategic element of the National Payments Plan. We agree that cheque usage is in decline, and increasing numbers of retail outlets no longer accept cheques as a means of payment. A point may come when the cost of handling and clearing cheques become unaffordable without corrective action. There is therefore a requirement to manage this decline, potentially with the intention of phasing out cheques over a reasonable period. If this route is followed, the Payments Council will need to ensure that issues around financial inclusion are not exacerbated and that fully acceptable alternative payment methods are available to those affected.

Cheques are embedded in current payment systems and are still widely used by certain segments of society; the advantages of cheques are their ubiquity and acceptability. If they are to be phased out, broad scale infrastructural replacements are required. Replacement payment mechanisms will therefore require the same attributes and utilise mechanisms that can be accessed by all. Clearly, the mobile handset is a device that is now all-pervasive and when payment enabled can provide a major alternative to cheques.

Furthermore, the imminent implementation of faster payments will provide significantly enhanced functionality for electronic payment mechanisms by delivering guaranteed non-repudiable funds, same day settlement and certainty for payer and payee regarding the status of the transaction. The growth in the popularity of the electronic channel will, as a result of this, generate a corresponding rise in demand for services which allow consumers to quickly check on the status of their accounts – e.g. online and mobile banking.

**Q2 For which types of payment currently made by cheque do new alternatives need to be introduced?**

The primary payment types currently made by cheque that will need to be replaced are by individuals and small to medium sized businesses:

- Person to person
- Person to business and business to person.

There are likely to be different alternatives according to the value of the payment – high value versus low value (values to be defined). Such alternatives could include existing direct credit and direct debit, mobile, internet. However, it should be stressed that to be successful, these alternatives need to be readily accessible and the mobile handset, given its penetration, is well placed in this respect.



**Q3 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)?**

Mobile payments will be well established by 2018, and would therefore be able to support such a target. MONILINK believes absolutely in the need to plan strategically for the phasing out of cheques. The Payments Council cannot afford to leave this solely to chance and market forces, and it therefore has to be managed in a clear, sensible and controlled manner.

However, there will almost certainly be consumers and small businesses who prefer to continue using cheques, and this population will need to be supported and carefully managed through the change-over process.

**Q4 What sort of education of users is needed to support the migration away from cheques?**

Education on new channels (particularly those involving technology) is essential to gain acceptance from users. The approach needs to be market led, and should include a broad number of stakeholders and influencers. The Payments Council is ideally placed to guide this and to develop the overall industry framework.

**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?**

MONILINK has no comments on this question.

**Q6 What other actions, if any, should there be in the National Payments Plan in relation to cheques?**

Alternative payment methodologies to cheques will need to have common standards established to protect the integrity of payments systems and also provide uniformity in the user experience, thus encouraging mass market acceptance.

Any target date for the phasing out of cheques and the introduction of alternative payment methods will need to support financial and digital inclusion initiatives.

**The Credit Clearing**

**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.

Paper clearing systems are inherently expensive and time consuming. Electronic cash is far more efficient, secure and cheaper for the economy. With the advent of faster payments, consumers will have greater control and timing over the transmission and receipt of funds. Electronic bill presentment and payment via the internet and mobile provides genuine alternative to the paper credit clearing system and provide genuine ease of use and control for consumers.



## Cash

### **Q8 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?**

The drivers for replacing cash with electronic money are the same in all countries – cost reduction, security, convenience – and there will be economic advantage to those countries which bring this about more quickly. The UK, through the Payments Council, is ideally placed to be at the forefront of these developments and to take advantage of the benefits that will be derived.

However, there are many advantages to the use of cash – particularly convenience and anonymity. Indeed, cash may be a cheaper medium of exchange than electronic payments in certain circumstances, particularly if it stays in the same environment. Therefore, it is our view that cash will remain a crucial payment method for the foreseeable future.

Nonetheless, increasing usage of alternative electronic and mobile payment methods for low value transactions is likely to result in some proportionate decline. Cash remains an expensive payment method and its production, circulation and storage adds a significant cost to the economy, while also increasing the difficulties of monitoring money laundering.

New technologies such as near field communication (NFC) are designed to make it easier to store, exchange and process non-cash forms of value, while delivering a greater measure of convenience to all the stakeholders. There are currently a number of services utilising contactless cards and NFC technology for low value payments. Examples of these include Visa payWave and Oyster, which has been successfully deployed by Transport for London.

This technology is in its formative stages, and is being tested in several markets with a view to proving its suitability for the purpose. It may reasonably be expected that, over the next 5-10 years, NFC payments will become a major non-cash payment method.

### **Q9 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?**

MONILINK has no comments on this question.

### **Q10 What other actions, if any, should there be in the National Payments Plan in regard to cash?**

Cash is a primary means of transacting for un/under-banked people and for elderly and disabled citizens. It is also a current pre-requisite for emergency payments, many of which are for disadvantaged citizens.

MONILINK recommends that Payments Council ensures that any changes to payment services, including potential reductions in the use of cash, take full account of the un/under-banked, the elderly and the disabled.



It is therefore essential that the Government and the Payments Council ensure there is easy access into the banking system for any disadvantaged citizens and to reduce barriers to the adoption of electronic cash by such citizens.

## **Direct Debits**

### **Q11 What improvements would lead to the greater take-up of direct debits by users?**

Direct debits are one of the more efficient means of transferring funds. MONILINK believes that one of the concerns that customers have over authorising the use of direct debits for payments is the perceived lack of control, with a direct debit payment potentially taking them into an unauthorised (and expensive) overdraft.

The mobile handset can provide a greater degree of control for consumers in a number of areas:

- Low balance alerts
- Pre-payment notification for direct debits via the mobile
- Summary of bills paid by direct debit on the mobile
- Notification on the mobile of a direct debit having been set up
- Potentially controlling date ranges within which direct debits may be taken.

### **Q12 Would you support the introduction of a time-limited guarantee for direct debits in place of the current unlimited guarantee?**

MONILINK has no comments on this question.

### **Q13 If so, what time limit do you think would be appropriate?**

MONILINK has no comments on this question.

## **Direct Credits**

### **Q14 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?**

MONILINK has no comments on this question.

### **Q15 Are there any other enhancements you think should be made to direct credits?**

MONILINK has no comments on this question.



## **Credit Cards, Debit Cards and Cash Machines**

### **Q16 What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?**

The attributes of the ATM infrastructure provide many benefits for non-cash transactions:

- Non-repudiability
- Security
- Same day settlement
- Open standards set providing flexibility of functionality
- Nearly all banks are connected
- A proven way of delivering other transaction types – mobile, pre-pay phone top-up.

This infrastructure is now being utilised to provide mobile banking and payment services for a growing number of banks, and it makes market entry for banks into the mobile channel far simpler, easier and cheaper.

ATMs provide a quick means of accessing cash and certain account information. Whilst there may be opportunities to introduce new transaction types through ATMs, MONILINK's view is that for general payments, channels other than ATMs can deliver non-cash transaction services more effectively, efficiently and as securely.

MONILINK's strategy remains that existing infrastructure should be leveraged and re-used wherever possible. In the short term this has been an enabler for market entry; in the longer term it is a strong mechanism for moving forward, particularly with the imminent introduction of faster payments, enabling further value to be extracted. There are clearly massive advantages in utilising and leveraging such infrastructure.

### **Q17 Which other, if any, actions should there be in the National Payments Plan in relation to credit and debit cards and cash machines?**

MONILINK has no comments on this question.

## **CHAPS and the Wholesale Markets**

### **Q18 What improvements should be made to the way in which payments in the wholesale markets are carried out?**

MONILINK has no comments on this question.



## **SEPA and Cross Border Payments**

### **Q19 What should the Payments Council do to ensure that users in the UK can take best advantage of SEPA?**

The Payments Council should ideally lead industry discussions to identify the best way in which UK payment systems can sensibly and fully participate in SEPA, taking into account the interests of UK plc whilst recognising our current non-participation in the Euro zone.

### **Q20 What issues does SEPA raise for your use of payments?**

An issue for any mobile banking and payments service is that the use of mobile handsets in other countries is classified as roaming which incurs additional costs and potentially, restrictions. While SEPA is essentially about the relative homogenisation of payment systems across the EU, the continued application of roaming charges could be an inhibitor to the development and expansion of mobile banking and payment services across SEPA.

### **Q21 What improvements should be made to cross-border payments?**

Logically and idealistically the objective should be to ensure that customers can operate their mobile banking transaction services in the same way wherever they are within SEPA. The Payments Council is in a position to provide support and guidance to clearing hubs, to ensure they operate on a SEPA compliant basis.

## **Measures to Enhance User's Efficiency**

### **Q22 What measures to enhance users' efficiency should be considered by the Payments Council?**

There would be operational benefits from greater consistency of PANs and check-sum digit algorithms.



## Innovation

### Contactless and PrePaid Cards

#### Q23 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?

Individual payment service providers in these sectors have already started to stimulate the market and are gaining increasing consumer acceptance. However, if the market is to flourish and develop, common and open standards need to be established. The danger of moving forward without standards is that the market will become fragmented to the detriment of the consumer. Examples of this fragmentation are the Oyster card used for London transport, which cannot be used outside London and local authority smart cards that cannot be used outside the specific locality.

Such fragmentation results in relatively small groups of consumers being able to use any particular card. Payment services can only become efficient when mass volumes can be passed through the system; this will only be achieved in the contactless and prepaid sectors when there is a commonality of standards across the country.

It should be noted that many prepaid and contactless cards are adhering to the worldwide EMV standards, which are well established and implemented by all sectors within the industry. These initiatives should continue to be encouraged and supported with the individual payment service providers and card schemes.

Contactless transactions could soon be migrated to mobile phones using NFC technology. While the potential benefits of NFC technology are numerous for the financial services industry, as with any new form factor there are bound to be disparate implementation models for NFC as well. To some extent, that natural competitive process will act as the mediator in this matter. However, in the interests of the consumer and the financial services industry, the National Payments Plan should establish best practice recommendations for NFC. The main concerns to be addressed include:

- **Exclusivity and 'lock-down':** there is the possibility of service providers attempting to limit customers from holding more than one debit/credit card credential on an NFC mobile phone & SIM. This could seriously compromise the freedom of choice that is a fundamental part of the current financial services environment. Ideally, such moves should be discouraged. Consumer choice should be based on the competitiveness/attractiveness of the offerings – as currently occurs in the cards and payments industry.
- **Loss of control and information accessibility:** with contactless payments set to reduce the proliferation of receipts for purchases, and the easy nature of 'beep and go' transactions, a significant portion of the consumer base may fear losing control of their finances. It is vitally important to give consumers a way to access their account details on the move and view recent transactions to stay in control.
- **Security fears:** as NFC becomes a regular feature, there are genuine security concerns around theft and fraud of NFC phones. It is imperative to give consumers a way to view and stay in control of their NFC transactions, which include offering the following:
  - An easy-to-use and transparent provisioning process, with help and support available during and after



- Management of the credit/debit card held on the phone in a banking-grade, passcode-protected, secure environment, including setting limits, preferences and temporary disablement of the payment facility in certain circumstances
- Facility to block immediately the use of an NFC phone in the event of suspected fraud or theft.

**Q24 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?**

MONILINK believes that the Payments Council (working with the industry) should develop a framework for contactless transactions (not only cards but also mobile handsets) that meet the needs of all sectors of users.

Some specific areas that need further development are application selection and life cycle management, customer control (balance alerts) and best practice guidelines on usage limits and risk exposure.

**Q25 What support, if any, can the National Payments Plan offer to the development of prepaid cards?**

MONILINK believes that the Payments Council (working with the industry) should develop best practice recommendations for the various forms of prepaid schemes and their related transactions.

Best practice guidelines would involve recommendations for Know Your Customer (KYC) requirements, usage limits and risk exposure. Implementation aspects could include guidance around account servicing and risk controls through various channels that include retailers, call centres, internet and the mobile channel.

The prepaid market is growing, but without some degree of influence from the Payments Council it could become an unstable alternate payment mechanism which would affect customer confidence in this sector.

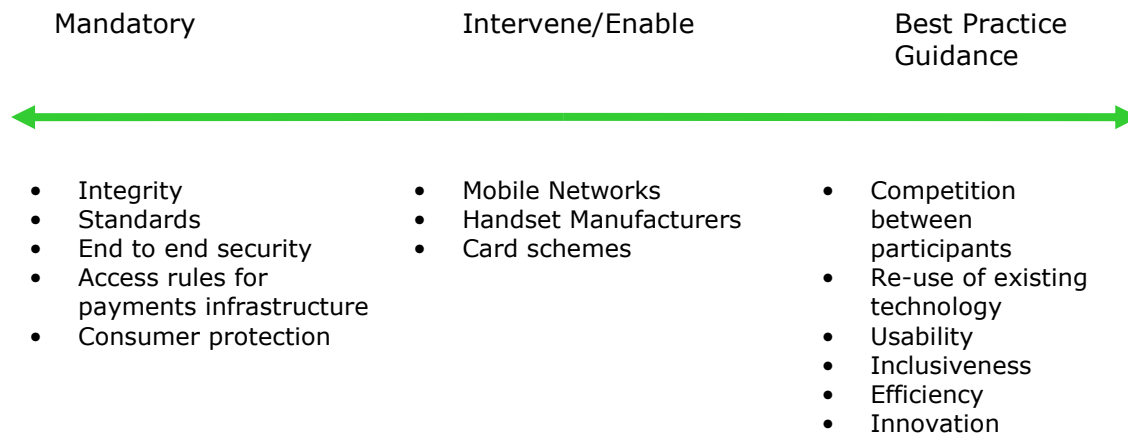
**Mobile Payments**

**Q26 What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?**

The potential of managing money using a mobile phone appeals to all sectors of society, and the Payments Council has a crucial role to play in the development and coordination of mobile banking and payment services



MONILINK sees the Payments Council’s role for mobile payments splitting into three categories (see diagram below). The first covers those issues where mandatory rules should be created (e.g. security standards). In the second category, the Council is well placed to represent payments industry relations with mobile operators and equipment manufacturers for introducing the concept of bank grade standards. The third area is one where guidance only should be given (e.g. areas of competition between banks).



The Payments Council will need to ensure minimum security requirements for mobile payments and other banking services. Without security standards, consumer trust and confidence in the services will be lacking and mass market take-up will not occur. For the mobile to become a genuine alternative channel for banking and payment services, it must have high integrity (be secure and trustworthy) and convenient (in terms of ease of use and inclusiveness), delivering what consumers require.

Furthermore industry adoption will be dependent on these common and open standards being in place, enhancing competition and reducing fragmentation through ‘point solutions’ being implemented (i.e. where one bank, for example, agrees with one mobile network operator to implement a solution that will benefit only a relatively small subset of consumers). The absence of common standards runs the risk of creating a plethora of different consumer interactions with attendant confusion, and consequent damage for the development of a mass market mobile payments service.

It is for these reasons that MONILINK considers such areas should be mandatory.

A fully consumer centric mobile banking and payments service will only work with the co-operation and collaboration of all the stakeholders – banks, mobile network operators, card schemes, merchants, regulators and not least, the consumers (the ecosystem) otherwise efficiencies in costs through leveraging existing payments platforms (e.g. Faster Payments) will not be realised.

By extending its role into those areas where we see influence and guidance taking place, the Payments Council is ideally placed to create the required environment.



**Q27 In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?**

Yes.

MONILINK strongly believes that the success of mobile banking will come about through full interoperability, irrespective of bank, mobile operator, handset type or location. While the focus of this question is on mobile payments, it remains true that the supporting services such as balance enquiry, authentication, is equally relevant.

**Q28 What principal characteristics would users find attractive in a mobile payment service?**

Market research undertaken by both MONILINK and banks already participating in the MONILINK service suggests that consumers want quick answers to simple questions (have I been paid, what is my balance) and be able to stay in control (alerts, balance information, make payments, transfer money). The service has to be simple to use, secure and be a natural extension to existing payment services. This analysis of consumer requirements has underpinned the development of the MONILINK service.

The main characteristics for consumers are:

- Manage their accounts from which payments are made, whether mobile or server based, for balances, mini-statements, rewards, preferences, alerts.
- Access their sources of funds, such as bank accounts and credit cards, to reload stored value accounts and wallets
- Initiate payments, such as bill payments, peer-to peer, remittances
- Make proximity payments with NFC enabled handsets for low value transactions.

Underpinning these services is the absolute need for trust and security, and the ability to enhance the security of other transaction types such as cardholder not present (CNP) internet and telephone transactions, and two factor authentication.

Convenience for the consumer is also vital; many of the transactions undertaken through the mobile channel will be 'snacking' – when the consumer is on the move or has a few minutes free. For this to work, the services need to be available via a single application on the handset.

Recent consumer research (source: TNS, November/December 2007) has indicated that the key services required by consumers who expressed an interest in mobile banking (where they would undertake one or more transactions per month) are:

- Balance enquiry – 80%
- Recent transactions – 78%
- Account alerts (e.g. low balance) – 72%
- Transfer money – 60%
- Bill payments – 62%
- Mobile phone top-ups – 53%
- Purchases – 50%

MONILINK's payments service will operate by securely associating bank details to mobile phone numbers. Without the need for consumers to record/remember all account details of recipients, the service will thus be more convenient, inclusive and efficient, while also protecting consumers from the unnecessary dissemination of personal bank information.



**Q29 What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?**

Certain forms of payment are already in proportionate decline – in particular cheques and cash. The mobile handset is a ubiquitous device with extremely high penetration (69 million SIM cards in the UK, and 90% of those aged 13 + have at least one mobile handset) that has already been developed for mobile banking and transactions in a secure and user friendly fashion.

Without doubt, this form of payment and transacting will play a major role in providing an alternative for consumers as other payment methodologies decline. It has the additional advantage that mass utilisation of the handset for transactions will drive the cost of transacting down, which is to the benefit of the consumer and the economy as a whole.

MONILINK believes that within a relatively short space of time, the mobile will itself become a 'traditional' channel and means of payment.

**Q30 What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?**

The key actions within the National Payments Plan for mobile payments should be the establishment of a framework, not only within the UK, but also within SEPA, the card schemes and internationally. Further, the best practice recommendations for NFC mentioned earlier in this response (Q23) could become a valuable point of action for the National Payments Plan.

**Supply Chain**

**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?**

One area that will facilitate supply chain efficiency is to extend e-invoicing to m-invoicing. This is particularly relevant for small and medium enterprises many of whom tend not to be office-bound. MONILINK is aware that a number of banks are already looking into this, and is developing its current platform to support this function.

**Q32 What role should the National Payments Plan play in moving this agenda forward?**

It would be sensible, in the interests of smaller businesses in particular, to identify a framework for m-invoicing which can be established alongside the creation of an m-payments environment.

**Q33 What other actions should be included in the National Payments Plan?**

MONILINK has no opinions on this question.



## **Other Innovations**

### **Q34 What other payment innovations requiring action at industry level should be considered by the Payments Council?**

The Payments Council should consider a framework of customer authentication for two factor authentication for internet banking and other CNP transactions. The mobile handset is already being used for two factor authentication and a number of banks have introduced their own hardware based solutions. While this must clearly be done on a competitive basis, MONILINK firmly believes that there are clear advantages to interoperability in order to ensure that consumers do not have to use separate devices for different accounts.



## **Other Issues**

### **Education in Payment Matters**

#### **Q35 What gaps are there in current financial educational initiatives in regard to payment matters?**

MONILINK has no views on this question.

#### **Q36 What role can the Payments Council play in promoting the education of consumers about the choice of payment methods available to them? What other bodies should it work with to deliver this role?**

New payments services need to be ubiquitous. It is therefore essential that consumers are provided with necessary financial education and advice to give them the confidence to use them. Education will need to cover all ages and socio-economic groups to ensure that no sector of the community is excluded. The Payments Council is ideally placed to support and co-ordinate an industry approach to educational activity between providers of financial services, established bodies such as IFS and PFEG, and also with Government for inclusion in school curricula. Potentially the Council could be the custodian of a "Trustmark" for education in payments.

### **Financial Inclusion**

#### **Q37 What role can the Payments Council play in promoting financial inclusion?**

Financial and digital inclusion is not just an issue for emerging countries, it is also a major issue for the UK. New technologies and channels to market must ensure that these problems are not exacerbated. Key in the promotion of financial inclusion is strong financial education and advice, the development of products and services that are relevant to all the different segments of society, and delivery channels that meet the changing needs of consumers.

MONILINK believes that the mobile channel will be crucial in helping to enhance financial inclusion - the mobile handset is ubiquitous and penetrates across all age groups and socio-economic strata. It is equally relevant to those who are un/under-banked, as it can be used to manage and make payments from stored value accounts and pre-paid debit cards. Of particular importance to the underbanked is that transaction costs will be minimised.

For example, working with appropriate partners in the utilities sector, the mobile handset can be used to micromanage utilities usage, and make payments electronically. This in principle should be able to provide the same unit cost for gas and electricity as those who pay by direct debit.

For this to come about, the Payments Council needs to ensure that common open standards are adopted for the new and emerging payments channels. These services should leverage existing infrastructure wherever possible, thereby minimising integration costs.

The un/under-banked market is a large one, and is capable of development by the financial services sector, providing the services and channels are appropriate to, and affordable by, these consumers.



### **Q38 What other bodies should it work with to deliver this role?**

There are many bodies involved in financial inclusion, including the major banks and building societies, Credit Unions, charitable organisations, Local and Central Government, Regulators. One significant issue observed by MONILINK is that there is little coordination between these disparate groups. We believe that the Payments Council can play a vital role as a coordinator for the different activities currently being undertaken and provide a massive impact for the un/under-banked in the UK.

### **Payment System Integrity and Contingency**

#### **Q39 What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?**

Insofar as the mobile channel is concerned, MONILINK believes that collaborative action needs to cover security, consumer protection, issue resolution, business continuity and contingency arrangements. The re-use of existing infrastructure will minimise additional activity required in this area.

### **Fraud & Security**

#### **Q40 How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?**

The Payments Council should ensure that minimum acceptable standards are set for end to end security, that are proportionate and do not bring schemes into disrepute.

Consumer trust in any payment mechanism is paramount for mass market adoption and the enduring success of that mechanism. The security employed to protect the mechanism is therefore vital in minimising fraud. Such security has to evolve continuously to meet changing circumstances.

The design and development of any new service/channel must have security as one of its main concerns. Such security has to be subject to regular internal and external audits, and must meet agreed and acceptable standards.

The fight against fraud is always evolving in order to keep ahead of fraudsters. It is essential, therefore, that security remains at the cutting edge of innovation. For any innovation, security issues will be a key attribute of the design and development processes, together with external independent auditing, to ensure that the innovation is fit for purpose.

#### **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 authentication is an ongoing challenge as new channels emerge and consolidate. Increasingly MONILINK believes that further strengthening of customer authentication will be required - particularly for internet based transactions, and for other channels as they emerge (for example mobile payments).



With regards to mobile payments, MONILINK believes that a key component in the end to end security model is the level of authentication of the payment initiator. The Payments Council could consider setting specific standards in this area.

The mobile handset now has the necessary characteristics to enable secure self-authentication from a personal device. The Payments Council should consider a framework of customer authentication as a minimum for two factor authentication for internet banking and other CNP transactions. Banks are already introducing their own solutions and these clearly need to be done on a competitive basis. The mobile handset is also being used for two factor authentication, and MONILINK firmly believes that there should be inter-operability in order to ensure that consumers do not have to access multiple devices for different accounts.

**Q42 Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?**

MONILINK believes that common standards will benefit consumers and reduce confusion, particularly if a customer has accounts with a number of different institutions, each requiring a different token and method of authentication. Such standards should not be prescriptive as to solutions, since this is a competitive area between service providers.

MONILINK believes that the mobile handset has the potential to become the mass-market authentication method for internet banking and other CNP transactions, by virtue of its ubiquity and convenience.

**Q43 How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?**

Any security model should be able to adapt to changing conditions in order to remain secure, and therefore should be designed to be future-proofed as much as possible. The MONILINK service has been designed to incorporate easily other mechanisms for customer authentication - such as biometrics.

**Q44 What actions, if any, should the National Payments Plan include in regard to data sharing?**

MONILINK believes that data sharing will assist the fight against fraud. This is not a competitive issue, and all members of the ecosystem need to collaborate. The Council is well placed to develop the necessary frameworks and facilitate industry collaboration. We believe that a central collaborative system can play a significant role, re-using existing infrastructure.

**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?**

MONILINK has no comments on this question.



**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?**

The Payments Council should adopt a high profile role, and the primary requirement of the Council should be to continue providing guidance in this area.

**Standards**

**Q47 What should be the role of standards in the National Payments Plan? Are the current principles as agreed by the Board a suitable base from which to start? What role should the Payments Council play in influencing international standards developments?**

The National Payments Plan should articulate a standards framework for new and existing payments systems. The current principles appear to be a reasonable base from which to start, and given the increasing internationalisation of payments, the Council should be actively involved in influencing the development of international standards.

**Q48 What, in particular, should the National Payments Plan say about messaging standards?**

As with other standards, messaging standards should be common between institutions and providers, and internationally. Messaging standards should be sufficiently flexible and adaptable to cater for current and emerging requirements – for example, ISO8583 may not always be sufficient for the increased complexity of transactions, and the Council should actively work to ensure the adoption of new standards which better meet requirements.

**Payment Costs**

**Q49 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?**

MONILINK has no comments on this question.

**Please address any questions on this submission to**

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