



National Payments Plan Consultation – Deutsche Bank’s Response

As the leading euro clearing transaction bank, provider of market leading US dollar clearing solutions, and one of the main members of the UK’s sterling clearing system, CHAPS, Deutsche Bank would like to give a perspective on the National Payments Plan consultation. Deutsche Bank is not a provider of retail bank services in the UK.

We applaud the approach being taken of looking to develop a long term strategy within which the UK payments infrastructure, in the collaborative space, will be developed. The outcomes should prove to be valuable to a wide variety of stakeholders.

Before responding directly to the questions raised within the document, we provide below some overarching themes and guiding principals that we believe should be reflected within the Plan:

Facilitating the move from paper to electronic – we support a move away from paper transactions to electronic where key stakeholders are not disenfranchised as a result, rather, key stakeholders are provided with clear incentives to use alternatives to paper. To this end we support the development of a scheme and infrastructure that supports a widely reaching mobile payments solution.

Business case imperative – any investments should be supported by a clear business case. We believe that the Payments Council can provide real value in facilitating the collaborative space and optimising resources. The reason for the failure of many payment related schemes in the past has often been the lack of ubiquity. Having a strong body, the Payments Council, that can create infrastructure with maximum reach will go a long way to addressing one of the key reasons for prior failure.

Maximising the value chain – there is much to be done in extending automation through the procurement process. The European Commission has recently set-up an expert group to review eInvoicing and it will be key for the UK to drive requirements that influence SEPA and to remain aligned with SEPA.

Driving global standards – UK payments will develop most effectively if the Payments Council drives global standards as required developments are determined. Globalisation means that many stakeholders have systems that not only connect with the UK but also with many other countries and areas around the globe. It is key that we develop in a global context.

Education – we believe that the Payments Council should assume responsibility for educating the UK public on matters related to payments. More education needs to be done so that a wider audience gets the most benefit out of new developments and also has a greater appreciation of, for example, the relative risks of competing options. If executed well, this will help facilitate the move from paper to electronic.

Information provision – for business to be able to make better informed decisions and drive down costs, the payments infrastructure must facilitate the carriage of more information in a stringently structured manner.

Level playing field and integrity – it will continue to be important that payment systems provide their users with the utmost confidence in their integrity. In order to achieve this it is clear that the regulations and controls applied to those members of a particular scheme must be equal and consistent.



Responses to the Consultation Questions

Where Deutsche Bank do not hold a particular view for submission into the consultation process we have marked “NPV” in the appropriate answers below.

3.1 - Cheques and the Cheque Guarantee Card Scheme

Q1	<i>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?</i>	Yes
Q2	<i>For which types of payment currently made by cheque do new alternatives need to be introduced?</i>	- person to person - person to SME - person to government body (e.g. local authority)
Q3	<i>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)?</i>	We agree that a target date should be set, but that the target date should be determined once a review is completed as to the appropriateness of the alternatives that will be in place and migration path is clear.
Q4	<i>What sort of education of users is needed to support the migration away from cheques?</i>	Coordinated and regular education on the benefits provided by the alternatives
Q5	<i>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?</i>	Yes
Q6	<i>What other actions, if any, should there be in the National Payments Plan in relation to cheques?</i>	Moves should not be made to make cheques more efficient

3.2 - The Credit Clearing

Q7	<i>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?</i>	Yes
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3.3 - Cash

Q8	<i>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?</i>	Yes
Q9	<i>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?</i>	NPV
Q10	<i>What other actions, if any, should there be in the National Payments Plan in regard to cash?</i>	Education. Education. Education

3.4 - Direct Debits

Q11	<i>What improvements would lead to the greater take-up of direct debits by users?</i>	Alignment to the SEPA Direct Debit Scheme (SDD)
Q12	<i>Would you support the introduction of a time-</i>	Yes. This also fits with our response to Q11.



	<i>limited guarantee for direct debits in place of the current unlimited guarantee?</i>	
Q13	<i>If so, what time limit do you think would be appropriate?</i>	See our response to Q11

Increasing direct debit usage is one of the pillars that facilitates a move away from paper. Therefore, a root and branch review should be conducted to include, amongst other things a new scheme with features such as

- mandateless
- maximum amount of transaction
- same day debit and credit

We believe that above features could increase usage by SMEs in particular, both in terms of the attractiveness of the scheme and in terms of banks increasing the availability of direct debit services to SMEs.

3.5 – Direct Credits

Q14	<i>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?</i>	A stringent, single set of standards around content and structure.
Q15	<i>Are there any other enhancements you think should be made to direct credits?</i>	NPV

3.6 – Credit cards, debit cards and cash machines

Q16	<i>What opportunities would you identify to exploit the ATM infrastructure for non-cash transactions? How should these be reflected in the National Payments Plan?</i>	NPV
Q17	<i>Which other, if any, actions should there be in the National Payments Plan in relation to credit and debit cards and cash machines?</i>	NPV

3.7 – CHAPS and the Wholesale Markets

Q18	<i>What improvements should be made to the way in which payments in the wholesale markets are carried out?</i>	<p>A review should be conducted to establish if there is a business case to provided a high value payments infrastructure that, in addition to today’s functionality and integrity:</p> <ul style="list-style-type: none"> - has wider hours of operation - provides better levels of information, such as: <ul style="list-style-type: none"> - enabling a member to see full details of all payments pending to be paid to them by other members - enhanced content and structure - helps to remove liquidity bottlenecks e.g. a facility to link a payment from one member to a payment to another payment pending to be made to that member, so that a payment versus payment release can be achieved
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3.8 – SEPA and Cross-Border Payments

Q19	<i>What should the Payments Council do to ensure that users in the UK can take best</i>	Payments Council should continue to make sure that it drives for the most effeicient and effective infrastructure. This is analagous to the
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	<i>advantage of SEPA?</i>	UK's approach to TARGET2 where there was no business case for a UK link into TARGET2. The UK needs to maintain an effective influence but should not, unless there is a clear business case, cause a proliferation in infrastructure.
Q20	<i>What issues does SEPA raise for your use of payments?</i>	For our customers, it will provide them: -with more reliability as to the end to end payment chain - better information flow -more opportunities for automation in terms of the use of better structure in the messages and related returns information - reduced costs
Q21	<i>What improvements should be made to cross-border payments?</i>	The key here is to ensure that the UK develops in the context of global standards. Many customers transact in more than one country and their needs are to be able to interface their systems simply, effectively and reliably. As customers move to ERP systems, the need for payments to operate within a single set of global standards continues to increase.

3.9 – Measures to enhance users' efficiency

Q22	<i>What measures to enhance users' efficiency should be considered by the Payments Council?</i>	Looking at responsibilities relevant to the Payments Council, which do not infringe on the competitive space, then the emphasis here has to be on the promotion and driving of global standards, and then education in relation to those standards.
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Section 4: Innovation

4.1 – Contactless and Prepaid Cards

Q23	<i>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?</i>	No. There is an opportunity to provide a single set of clear standards and potentially a single, collaborative infrastructure.
Q24	<i>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?</i>	Yes. Please see our response to Q23.
Q25	<i>What support, if any, can the National Payments Plan offer to the development of prepaid cards?</i>	By providing a single Scheme. However, it should be noted that as far as the UK is concerned, we see pre-paid cards as relatively low on the list of priorities in terms of the components that will truly drive a reduction in cash and cheque usage.

4.2 – Mobile Payments

Q26	<i>What role should the Payments Council play in the development of mobile payment services, including setting the standards for mobile payments?</i>	It is clear from the proliferation of mobile phone payment offerings today, none of which have achieved ubiquity, that the mobile phone payments space will benefit from the Payments Council providing a single scheme. In addition, aligned to underlying strategy of facilitating the move away from paper to electronic, we believe that the Payments Council can benefit the UK by providing a scheme with a core aim of achieving ubiquity.
Q27	<i>In particular, do you agree that the National Payments Plan should support the development of mobile payment services between bank accounts?</i>	Yes. The need for funds deposited to be held at an institution subject to strict regulation in terms of deposit taking is clear.
Q28	<i>What principal characteristics would users find attractive in a mobile payment service?</i>	- Ease of use - ability to track transactions and achieve quick and easy certainty of



		payment and receipt - secure and reliable
Q29	<i>What role do mobile phone payments potentially play in providing alternatives to traditional forms of payment?</i>	A very important one, potentially. Along with keys and wallet/purse, a mobile phone is probably the next most frequently carried item. Given the availability of the mobile to an individual is could be readily available to be able to effect payments provided that the user finds it easy to make those payments and the receiver can quickly an easily validate receipt of the funds.
Q30	<i>What other actions, if any, should there be in the National Payments Plan in regard to mobile payments?</i>	Ensure appropriate alignment to any SEPA schemes that emerge.

4.3 – Supply Chain

Q31	<i>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?</i>	Yes.
Q32	<i>What role should the National Payments Plan play in moving this agenda forward?</i>	Provide industry expertise and consensus input around requirements as appropriate.
Q33	<i>What other actions should be included in the National Payments Plan?</i>	See views expressed at the start of this document.

4.4 – Other Innovations

Q34	<i>What other payment innovations requiring action at industry level should be considered by the Payments Council?</i>	See views expressed at the start of this document.
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Section 5: Other Issues

5.1 – Education in Payment Matters

Q35	<i>What gaps are there in current financial educational initiatives in regard to payment matters?</i>	Work needs to be undertaken to provide the consumer with a better understanding of risk.
Q36	<i>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?</i>	The Payments Council must take on the role of being the sole coordinator of education provision in respect of payments and related matters.

5.2 – Financial Inclusion

Q37	<i>What role can the Payments Council play in promoting financial inclusion?</i>	Continue it’s work involving all interest group at the Forum level to ensure that the requirements of all members of the community are considered in the creation of new schemes and infrastructures.
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Q38	<i>What other bodies should it work with to deliver this role?</i>	NPV
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5.3 – Payment System Integrity and Contingency

Q39	<i>What are the main challenges to the integrity of payment systems that need to be addressed collaboratively?</i>	- contingency planning and testing
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5.4 – Fraud and Security

Q40	<i>How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?</i>	NPV
Q41	<i>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?</i>	The Payments Council can set minimum standards. Payment providers should be free to move beyond those standards as part of the competitive space.
Q42	<i>Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/mandated?</i>	See answer to Q41. The corollary must be that users accept liability for instructions meeting the defined security standards.
Q43	<i>How should the National Payments Plan address new technologies, such as biometrics, which may contribute to customer security?</i>	As a supporter and recommender.
Q44	<i>What actions, if any, should the National Payments Plan include in regard to data sharing?</i>	NPV
Q45	<i>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?</i>	NPV
Q46	<i>What role should the Payments Council play in raising the profile of fraud and security issues and in lobbying government and the public authorities?</i>	The Payments Council should work to encourage government and public authorities to become the leaders of standards rather than being the followers. SEPA adoption and cheque usage are two prime examples where such entities need to play more of a leading role.

5.5 – Standards

Q47	<i>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?</i>	See previous answers. Clear, stringent, single standards are important but they must be developed in a global context and in recognition of the move towards ERP systems interacting with multiple countries.
Q48	<i>What, in particular, should the National</i>	It should be a supporter and recommender in working with other

	<i>Payments Plan say about messaging standards?</i>	bodies, such as the European Payments Council, in helping to transpose new laws and regulations into how they specifically impact message requirements and in determining the standards that payment providers will then apply to meet those requirements.
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5.6 – Payment Costs

Q49	<i>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?</i>	We would support such initiatives as they individually arise to support business cases. We would expect such information to be treated on a confidential basis as cost and efficiency of operation is clearly within the competitive space.
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