

Note



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To CMA
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From Payments Council

CMA – RETAIL BANKING MARKET INVESTIGATION – UPDATED ISSUES STATEMENT - PAYMENTS COUNCIL RESPONSE

About Payments Council

Payments Council is the body with responsibility for ensuring that payment services work for all those that use them in the UK. This unique role ensures that we listen to a wide range of stakeholders to drive innovation in payments and implement change so that individuals and businesses have access to payments for their current and future needs.

At the end of June, Payments Council will be replaced by a new trade association for the payments industry. The new organisation will represent its members and engage on their behalf with the CMA on this market investigation.

Introduction

Following the publication of the CMA's Updated Issues Statement, Payments Council is submitting some comments to the CMA on a small selection of the issues raised.

Comments

Paragraph 65: *"In our further analysis we will consider the implication of future developments that may potentially impact transparency of information and enhance comparability of accounts, such as: an open API standard, the role of digital banking and the implementation of the EU PAD. We are inviting parties to submit their comments on these or other potential developments that are relevant in this regard."*



Payments Council comments: We are pleased to note that the CMA has highlighted some of the recent market developments that are likely to impact on transparency of information and potentially enhance the comparability of accounts. Payments Council has been engaging with its members, HM Treasury (HMT), the Payment Systems Regulator (PSR) and the Financial Conduct Authority (FCA) on the implementation of the Payment Account Directive (PAD). From an industry perspective, the British Bankers Association leads on the aspects of the Directive relating to transparency and comparability; Payments Council has focused on the account switching aspects. We understand that the FCA will shortly be issuing a Call for Input concerning services linked to a payment account, while HMT will issue a consultation on the draft Regulations implementing PAD. As regards the UK's Current Account Switch Service (CASS), we believe that the Government's policy intention remains to maintain the existing CASS system while payment service providers (PSP) outside CASS will be required to comply with at least the standards provided for in PAD. We support that approach.

On the topic of Open APIs in banking, this is something that Payments Council has been closely involved with, particularly because of the strong correlations between this and the nearly finalised Payments Services Directive 2 (PSD2). HMT's March Budget Statement announcements on the implementation of APIs in banking were based in part on a report published by Fingleton Associates/ODI in Autumn 2014. That report mentions the CMA's Review and highlights that one of the benefits of more open data and APIs might be better opportunities for customers to understand their data and use it for comparison purposes. Payments Council believes the API proposals could have benefits for customers, fintechs, businesses and financial institutions if implemented in the right way, and could indeed help to further enhance transparency and comparability. The introduction of APIs may also offer a range of other benefits for customers, and the Fingleton Report highlights its ability to enhance competition more widely.

We therefore agree with the CMA noting these two developments – they have considerable potential to change the market and therefore their impact should be recognised as part of any analysis.

Paragraph 124: *“It may be the case that other types of regulation could inhibit entry and expansion and we will be mindful of this as we progress our analysis. For example, regulation could chill innovation and thereby create a barrier to entry and expansion by banks/other providers that may otherwise have been able to compete effectively through differentiation. The research Deloitte is undertaking on innovation and its possible implications for competition in the UK retail banking market will consider evidence from*



multiple countries and seek to draw insights from this into possible drivers of success or failure, including if relevant the contribution of regulation.”

Payments Council comments: We are pleased to see that the impact of regulation generally has been highlighted by the CMA. The financial services and payments environments have been subject to a large volume of regulation and rule-making over the past years and this is set to increase. Inevitably this does challenge the industry in terms of resources, not only as regards compliance but also the opportunity cost of efforts diverted away from other projects. Regulatory compliance absorbs resources for all financial services firms, but in particular we see that the regulation can often be a bigger burden for smaller and challenger institutions, whose organisational resources may make it challenging to review, interpret and implement all of the new rules and procedures. For example, European legislation like PSD2 has a very broad application – applying to all payment service providers, ranging from large financial institutions to small building societies. The new text is likely to bring in several potentially onerous requirements that these organisations, regardless of their business plans or market strategies, will need to implement, e.g. firms that currently only offer sterling payments might be forced to offer multi-currency payments.

Paragraphs 140-150: *On access to payment systems.*

Payments Council comments: We are pleased to note that the work already being undertaken by Payments Council with the PSR on the development of a Sponsor Bank Code of Conduct is recognised by the CMA. We will continue to work closely with the PSR as the Code of Conduct is developed to ensure that it meets the PSR’s expectations of scope and implementation.

The Code of Conduct will be hosted on www.accesstopaymentssystem.co.uk. This website acts as an information repository on access, and was set up to help organisations such as banks, building societies or other payment service providers wanting to access payment systems. It provides them with an information resource setting out their options for connecting to payments systems, including information on both direct and indirect access, and directs them to the relevant payment scheme’s and/or indirect access provider’s website. It was developed after analysis we undertook identified a lack of transparency on information regarding access. The information provided is, we believe, particularly helpful to new entrants to banking who need to provide one or more payment services as part of their customer product offering.



The PSR has recently begun a Market Review into Indirect Access. We support the PSRs objectives around improved technical access provisions. The Payments Council is currently running a project to understand customer requirements and what the capabilities of a 'World Class' payments environment would be. As part of the World Class Payments project, the Payments Council (and the new trade association for the payments industry that will replace it this summer) will be assessing what is required to enable PSPs to have fair and transparent access to payment services with common technical standards, rules and practices, where it is not already the case. We recognise that many institutions choose to access the payment systems through other institutions because it suits their business requirements, and the payments landscape must acknowledge and enable that to happen seamlessly. We also note that the CMA made reference to the work being undertaken by the Faster Payments Scheme, which is focused on the development of technical access solutions.