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the payments association

Building a world class payments industry, together

The Payments Manifesto

Why a manifesto for payments?

The continued growth of the payments industry depends upon collaboration. Without public declarations of the aims and policies of collaborating industry participants, resources may be misallocated, conflicts of interest exacerbated and opportunities to innovate and work together missed.

This payments manifesto is such a declaration by The Payments Association, the industry body representing more than 200 companies across the payments value chain. It is for those running the institutions upon which the smooth operation of UK payments depends, including policy and law makers; also, more globally, the international card schemes and payment networks. It is for the many UK companies running both regulated and unregulated services in the payments industry. And it is for all public and private sector organisations and their customers who depend on the UK payments industry to pay and get paid, safely, securely and conveniently.

Its purpose is also to contribute to the independent review of the payments industry commissioned by the Chancellor Jeremy Hunt at Mansion House. And to provide delegates attending the political party conferences in the Autumn of 2023 with suggestions for impactful policies for their own manifestos.

Our aim, vision and mission for payments

Our community's aim is for the UK payments industry to lead the world in providing innovative products and services and, through the economic contribution our industry makes to the UK, to be a driver of social wellbeing and economic growth. Our industry will do this in a user-centric, resilient and cost-effective way that oils the wheels of commerce, includes vulnerable consumers, stops financial crime and promotes the UK as a great place to do business.

Our community's vision is that anyone can pay from any account they are authorised to access; with the type of payment device they choose; in any way that suits them and whenever they wish; regardless of their situation or social status; automatically and recurringly if they so wish; and irrespective of where they or the recipients of the payments are located.

Our community's mission is to enable consumers and organisations to pay and be paid securely, quickly, cheaply and conveniently, with an appropriate level of friction and a low risk of financial crime.

Our strategy: Focus on four building blocks to ensure firm foundations

There are numerous initiatives currently in flight to enable the UK payments industry to deliver better, cheaper and quicker payments more securely for its users[1]. These include the RTGS Renewal, G20 Roadmap for Cross-Border Payments, Consumer Duty, ISO20022, PSD3/PSR, New Payments Architecture, PSR's APP fraud prevention policy changes, the Financial Services Markets Act, Data Protection Legislation, the Digital Pound, JROC and open banking and the Smart Data Regulation Bill.
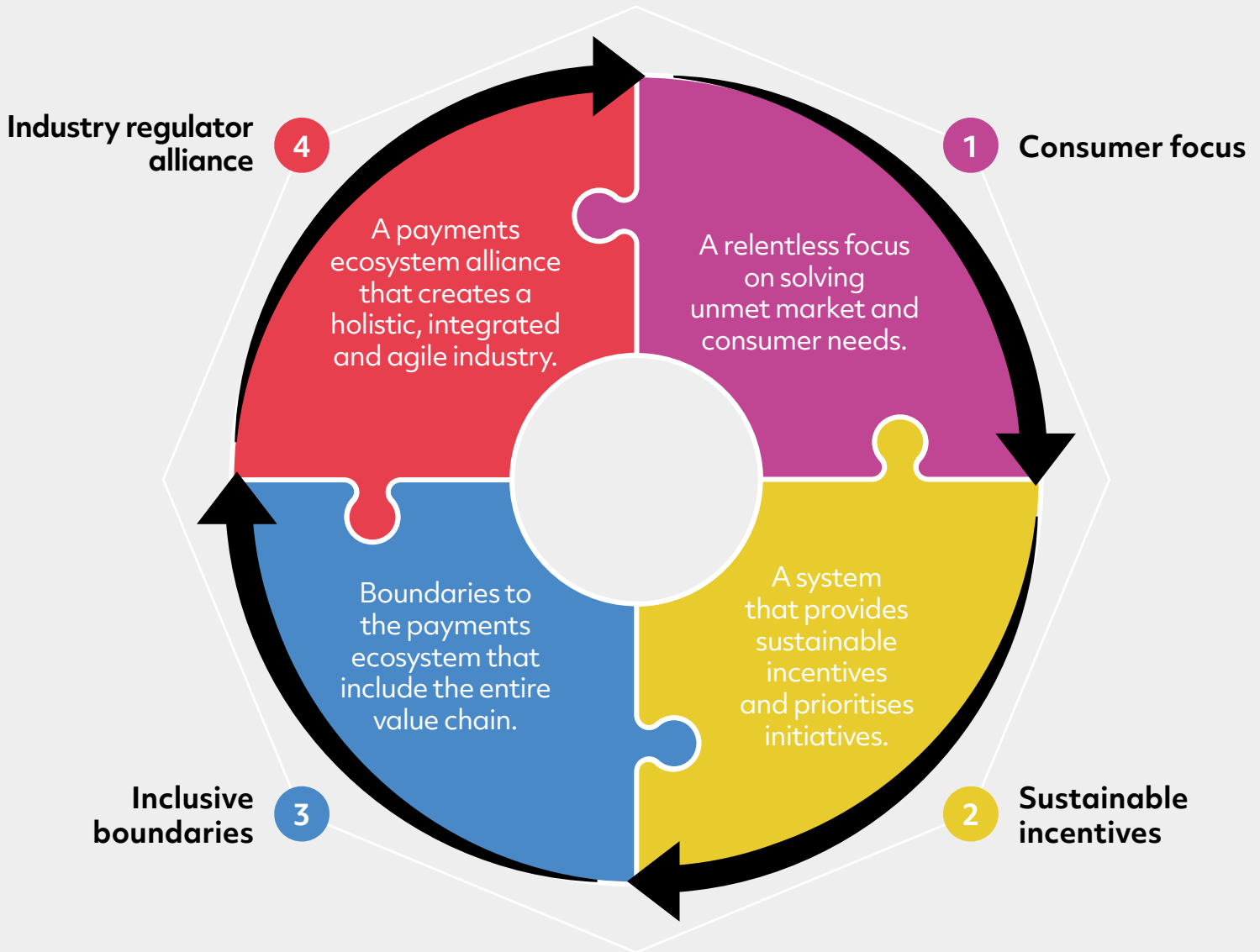
The problem is that these initiatives are often interdependent, occasionally conflicting and sometimes overlapping. This results in duplication of attention, effort and investment, which slows the pace of innovation and makes the UK a less attractive place to operate a payments business.

To address this problem we recommended a strategy focussed on developing and maintaining four building blocks:

1 Relentless focus on unmet consumer needs.

2 Enhanced incentive and prioritisation models.

3 Boundaries that include all players.

4 An alliance across the payments ecosystem.

These four building blocks are described opposite. While there are trade-offs between them, all building blocks must be considered in equal measure - one is no more important than another.

The four building blocks

Industry regulator alliance (4)

Consumer focus (1)

Inclusive boundaries (3)

Sustainable incentives (2)

A payments ecosystem alliance that creates a holistic, integrated and agile industry.

A relentless focus on solving unmet market and consumer needs.

Boundaries to the payments ecosystem that include the entire value chain.

A system that provides sustainable incentives and prioritises initiatives.

1 See Inflight Initiatives Review from The Payments Association, September 2023

A relentless focus on solving unmet market and consumer needs

In order to succeed, the focus of these in-flight initiatives must be on improving end-user outcomes and solving for unmet needs in the UK market. Additionally, it must evolve to address new buying preferences and support new commerce platforms, such as peer-to-peer, marketplaces, social commerce, super-apps, metaverse and web3.

The UK payments industry should continue to innovate by focussing on satisfying customer needs. But it must now be supported by outcomes-based regulation as our existing, sometimes prescriptive, legislation has too often acted as a block to innovation.

Innovation should consider the existing maturity of UK retail payments journeys and our desire to make good on the industry's significant past, present and future investments, while reflecting the cultural context of the UK consumer and the imperative of combining competition with collaboration.

So new infrastructure innovations should capitalise on contemporary and future technologies to help meet these end-user and market objectives. Work to introduce new infrastructure or technology and work on solving end-user problems should go hand in hand.
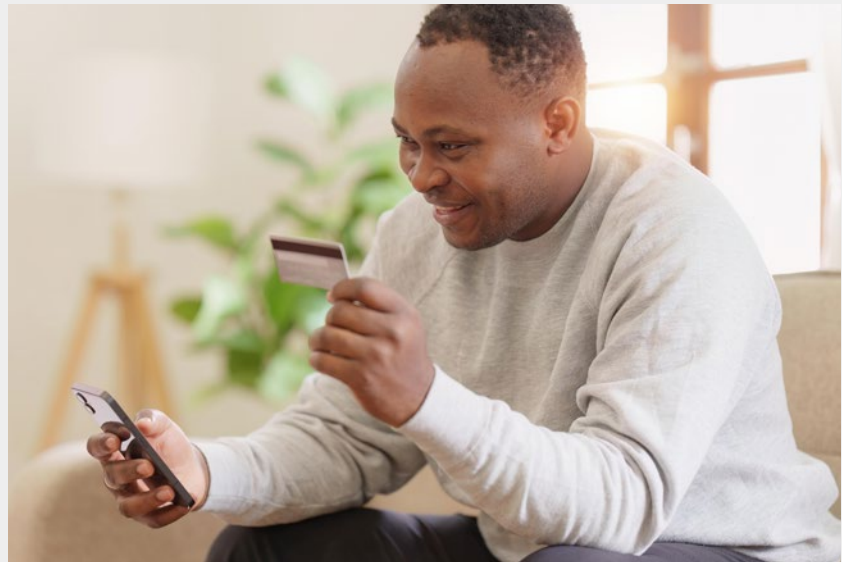
A system that provides sustainable incentives and prioritises initiatives

Greater alignment between current in-flight initiatives and future developments is required to set a holistic, strategic direction for the industry. Effective coordination of the objectives, resources and dependencies across the many competing in-flight initiatives, as well as extensibility to future developments or adjacent initiatives, such as smart data, the digital pound or open finance will accelerate and streamline innovation. Prioritisation of initiatives will also prevent activities from conflicting with one another, reduce duplication and wastage, and allow market forces to be operate fully.

A key pillar of this strategy should be the design of incentive models sufficiently plausible to enable industry-wide engagement and sufficient rewards for shareholders and investors. Alignment of incentives is the key to accelerating the development of the payments ecosystem, whereas currently incentives would seem to be aligned to the objectives of regulators rather than market participants.

In addition, all new initiatives amount to increased costs to the industry, so prudence should be deployed when setting out a business case for new initiatives, as well as consideration of how different initiatives should be prioritised against each other.

Boundaries to the payments ecosystem that include the entire value chain

Payments is inextricably linked to adjacent sectors of upstream and downstream users and suppliers and to other interdependent financial initiatives. These dependencies should not be ignored and we should reconsider what we consider as the 'boundary' of the payments ecosystem.

The future of payments in the UK, through a regulatory and strategic industry lens, should include these dependent or adjacent players in the value chain. For example, big technology platforms are driving much of the innovation and capturing much of the value. They are also contributing to challenges around fraud and data sharing; but they are not currently at the table helping to solve the problems their roles can create.

We need to define and work with an integrated, interoperable, and progressive payments ecosystem with world class governance that includes all relevant actors within its scope.

A payments ecosystem alliance that creates a holistic, integrated, and agile industry

There is a difficult balance to be struck between the need for regulatory/industry progress and the need for clarity about the industry's capacity for change and the time needed to properly solve the hard questions.

There is also a difficult balance to be struck between regulators providing clarity and direction to the industry, on the one hand, and over-prescription of process and priority on the other hand. If we get this balance wrong – and we think we have – then this hinders market-driven innovation to keep pace with changing customers' demands and behaviours.

We believe we need future-focused and agile regulation alongside long-term industry delivery programmes that can be extended and adapted to reflect new technologies, trends and customer demands. Meanwhile they should maintain momentum towards their original objectives,

scope and investment goals. We also need greater transparency and visibility of the costs, requirements, governance and outcomes of these in-flight initiatives in order to streamline innovation and ensure prioritisation of those initiatives and activities with the best return on investment for the industry.

To shift this balance and to achieve these outcomes we recommend that all stakeholders work together to identify how they can collaborate under a common banner to guide the industry towards common goals. With so many initiatives and demands, we believe it is crucial that stakeholders have a platform to calibrate progress regularly, in an environment where we are collectively able to balance service outcomes, risk appetite and the collective cost of delivery.

While mindful of the risks of creating 'another talking shop', we believe that with the right will, and the right degree of support by

the government, we can create a new alliance across the ecosystem to review, prioritise and align the numerous initiatives effecting the payments industry. Such an alliance would include representatives from consumers, government, regulators, industry, merchants and the third sector/charities, as well as interested trade associations.

Set up with the right purpose, constituents and governance, we believe that this alliance will help the UK to meet the difficult challenge of allowing the industry to innovate and develop. It will also help to ensure that policy aims (see Part two: Our policies) and in particular, consumer benefits are delivered over the long term. Co-created by those who care deeply about the future of our industry and its role in the UK, the alliance could become a forum to support and facilitate rather than seek to set strategy and a group with the collective strength to help course correct when the industry needs to act.

Our recommendation: Work together on Sprint Payments Alliance

To determine the feasibility and appetite for such a prioritisation mechanism, The Payments Association proposes to run a three-month sprint with the support of policy and lawmakers. It would involve all main market players including other trade associations, regulators and government stakeholders, as well as users from retail and big tech companies, that will: a) identify how such a prioritisation mechanism could work; and b) assess the following four options on their feasibility, suitability, acceptability and cost-benefit analysis:

1. Establish a new organisation to deliver this prioritisation mechanism.
2. Incorporate the mechanism within an established body.
3. Deliver an alternative approach, yet to be specified.
4. Continue with the current situation ('do nothing').

What's next?

We welcome feedback from our members and all other players in the industry on our vision, mission, aims and strategy; on the four building blocks; and on the policies that our Working Groups are committed to which are defined below.

We also welcome feedback from the Chancellor of the Exchequer on building block four, and the concept of establishing an alliance across the payments ecosystem. In particular, we welcome an indication of whether both main political parties are willing to endorse The Payments Association running Sprint Payments Alliance to help us to remove obstacles preventing us from **Building a world class payments industry, together.**

Our community's policies

The seven policy areas

Our community has identified a series of policies that will support the implementation of this strategy and they align with the seven stakeholder working groups of The Payments Association. They cover:

1. Financial crime;
2. Regulation, standards and compliance;
3. Financial inclusion;
4. Open banking, finance and data;
5. Cross-border payments;
6. Environmental, social and governance (ESG); and
7. Digital currencies.

Almost 150 members participate in our Working Groups and these policies have been developed, fine-tuned and signed off by the seven Working Groups, supported by the work of our Policy Expert Group.

To support our input to the Future of Payments Review, in August of this year we commissioned a study of perceptions of the current state of the payments industry held by industry professionals. Our goal was to accurately measure both the importance of various industry issues and to evaluate the performance of the industry ecosystem at this point in its development with these issues.

In all, 234 people took part in the study. Whilst a full-scale analysis is underway, we present here the seven key policy areas that will help provide direction in our joint efforts to strengthen and grow the payments industry in the UK. The positive news is that the current research reflects in a largely positive manner on the industry and its regulators. However, it also shows considerable room for improvement.

The graphic below shows the relative position of the UK's main areas of concern in payments

Importance vs performance of the UK's main areas of concern in payments
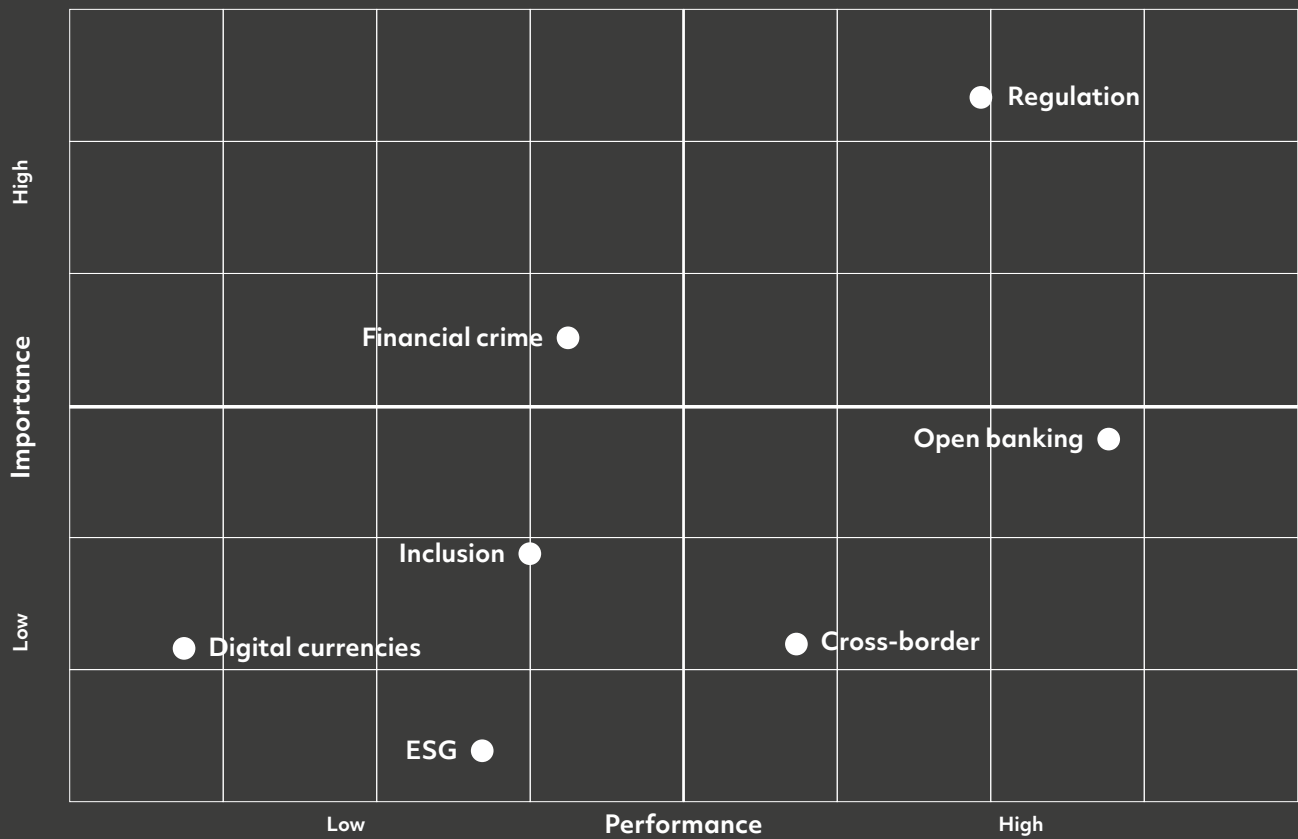
The study measured salience and performance on three to four of the policy initiatives described later in this section under each of the seven Working Group areas. This provides an indication of, not just how well the industry is doing, but which elements are most critical to efficiently fostering ongoing improvement.

Relative performance is better on the right side of the matrix. This indicates that industry professionals view open banking, regulation and cross-border as better performing areas. Similarly, the top half shows areas of relatively greater importance than the lower half.

The matrix, or simply listing the data points on the individual dimensions, provides some evidence of the need for increased efforts on this part of industry.

The matrix and the mismatches on the table provide some direction as to where investment can have the greatest impact. Financial crime, with its higher relative importance rating and its middling or lower performance rating appears to be the best target for efforts to improve. Conversely, the data indicate ESG and digital currencies are not particularly productive targets for investment unless their salience can be raised.

As a last note, there is great confidence in the quality of the data collected for this research. However, the discussion above considers only the relative positions of the seven Working Groups. The absolute values of the performance evaluation are, on the whole, very low, averaging less than the mid-point on a 5-point scale which was labeled "middling". Thus, there is clear need for, and clear room for, improvement across the board.

Rank	Performance	Importance
1	Open banking	Regulation
2	Regulation	Financial crime
3	Cross-border	Open banking
4	Financial crime	Inclusion
5	Inclusion	Cross-border
6	ESG	Digital currencies
7	Digital currencies	ESG

Detailed policies

The policies developed by our community's working groups align with the main issues faced by the payments industry

We are committed to tackling any weaknesses identified in payments that enable criminals to commit fraud or other economic crime and launder the proceeds.

This means the payments industry will:

1.1.
Champion engagement with other parts of the ecosystem involved with **APP fraud**, including social media giants where most APP fraud originates, and merchants where they are part of the payments journey.

1.2.
Encourage **big tech** companies to support Stop Scams UK and shoulder their share of the burden of fraud by collaborating with the payments industry and law enforcement agencies.

1.3.
Encourage institutions to set up a **central means of sharing data** on fraudsters and their victims or to contribute to a proven, secure and well-run database to share financial crime data to identify

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criminals and help to prevent fraud. Work with partners, such as UK Finance and Pay.UK, to: a) arrange appropriate access to data sharing initiatives; b) resolve any legal challenges associated with data sharing; and c) change perceptions of the chances that legal data sharing will result in fines.

1.4.
Promote the development and adoption of a data passport, or an equivalent **digital identity framework,** for both consumers and SMEs. Such a framework will be interoperable with EU electronic identification (EIDAS) and trust services regulation while minimising the chances that financially excluded consumers suffer.

1.5.
Highlight concerns on several aspects of the **Payments Systems Regulator's (PSR) proposals** to reduce Authorised Push Payments fraud, including:

1.5.1.
The ongoing 'moral hazard' of **consumers not taking as much care** with payments if nearly 100% of

them are reimbursed from APP scams;

1.5.2.
The risks that the **proposed 50/50 liability split for APP scams** will lead to unintended consequences, including reduced competition from smaller companies and reduced availability of accounts for those who are financially excluded;

1.5.3.
The risk that account providers, to avoid incurring the additional costs of reimbursing fraud losses, start to: a) **de-bank customers,** i.e. close their accounts, b) **adjust the rules** on the volume, value and velocity of receiving payments from certain types of individuals, based on their enhanced risk profile and c) **increase the due diligence levels** for opening accounts with potentially riskier or more costly customers;

1.6.
Promote the use of: a) **effective compliance tools and techniques** using the latest technology; and b) **artificial intelligence to onboard customers** safely, identify and track fraudsters effectively and spot money mules more easily.

1.7.
Support the **upgrading of Companies House** to be fit for the purpose of identifying criminals committing fraud or laundering money.

1.8.
Encourage regulators to **support risk-based approaches to payments,** allowing friction to be added by the industry to those few payment transactions deemed to be at high risk of being a scam, while ensuring a seamless real-time payments experience wherever possible for the majority.

2 Regulation, standards and compliance

We are committed to the UK being known as the best place in the world to run a payments business, while striking the right balance between fostering innovation, encouraging competition and protecting consumers.

This means the payments industry will:

2.1.
Encourage the FCA and PSR to employ a more **measured, proportionate approach to regulating payments firms** – one that is both agile and flexible in order to enable innovation and attract investment in the UK payments industry.

2.2.
Invite regulators to clarify **which industry bodies,** including Open Banking Ltd, **are responsible for setting standards** and which bodies manage those standards. Seek clarity on whether these are to be done on a commercial and competitive basis or a not-for-profit basis.

2.3.
Support the development of an **equivalent regulatory regime to that of the European Union (EU) for payments in the UK,** while supporting the positive components of the EU's work towards the third Payment Services Directive (PSD3). This includes merging EMD2 and PSD2, developing a regulatory regime for stablecoins, offering deposit protection to customers and transforming open banking into open data. Additionally, we encourage regulators to ensure banks are fair and transparent in their decisions to "de-risk' consumers and businesses by withdrawing their account services.

2.4.
Urge the government to **hold the FCA to account** for providing high standards and consistent supervision of EMIs and Payment Institutions (PIs).

2.5.
Urge the **FCA to invest in additional staff and resources** to provide a more effective authorisation system for new EMI and PI licence applications and change of control requests, while creating an environment that is inclusive to both established and emerging players.

2.6.
Encourage the adoption of the **Consumer Duty** where required by law while **preventing its adoption from constraining the industry's** ability to service consumers and businesses profitably.

2.7.
Support other institutions in the development of clear, interoperable and accessible industry standards and **API frameworks** to help drive innovation, adoption, and competition.

2.8.
Create a forum with other leading trade associations to investigate:

2.8.1.
The application of **artificial intelligence (AI)** to payments.

2.8.2.
The adoption of **'embedded finance',** particularly for mobile-initiated payments, machine-to-machine payments and in-person payments at the point-of-sale.

3 Financial inclusion

We are committed to being an industry that takes its impact on society seriously, especially on the financially disadvantaged or excluded.

This means the payments industry will:

3.1.
Promote accounts for both consumers and businesses that go beyond just providing access to a payment account, to providing access to a payment account that is of the highest quality and relevance and **reflects the consumer's values, needs, faith, sexuality, gender and race.**

3.2.
Promote the benefits to consumers and the economy of digital payments and a move towards a **lower-cash society,** thereby ensuring that everyone has **access to the benefits of a digital economy** and that they avoid the cash premium. Meanwhile, acknowledge that some consumers and retailers prefer to use and accept cash when paying and that, for many consumers, cash is an acceptable store of value.

3.3.
Encourage the government to **prioritise innovation funding for financial inclusion services** under a model that promotes the involvement of innovators in partnership with the third sector.

3.4.
Curate thought leadership and education for the media, government and policymakers to ensure an **equitable, sustainable and inclusive design** for financial services that are fit for today's consumers.

3.5.
Review the regulation of **data use** in financial services, such as **affordability checks,** to drive

innovation in products and services that match the flexibility of modern work and life for all consumers regardless of income.

3.6.
Encourage the government to create a **Universal Credit Sandbox** that innovators can use to build new products and services without the need for government commissioning.

3.7.
Set policy and advise on regulatory frameworks for **customer-led data sharing between services,** especially in the area of AI-powered debt and money advice, allowing more non-traditional providers to offer early intervention tools.

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4 Open banking, finance and data

We are committed to the UK having secure, API-enabled access to the most advanced, data-enabled systems in banking, the rest of the financial services industry and other sectors. This will ensure that consumers benefit from better quality and value, financial crime is reduced, and there is a level playing field for banks, payment schemes and other payment service providers.

This means the payments industry will:

4.1.
Support the **JROC's ambitions** to create a competitive and sustainable open banking ecosystem that delivers alternative payment options for merchants.

4.2.
Support the **development of equitable commercial models** for the open banking ecosystem that are aligned to the JROC recommendations that can be rolled out across open finance. **Support member firms in the roll-out of VRP payments** as an early example of an effective commercial application for open banking.

4.3.
Develop a system for open banking payments that provides appropriate **consumer protection** and a **dispute resolution** service that protects all open banking stakeholders, supported by the appropriate economic model.

4.4.
Support the appointment of a body to create, publish and update **open data standards** to facilitate the provision of the customer and business data required to be published under the Data Protection and Digital Information Bill. The standards should be interoperable with those already created for open banking. We encourage the government to create a clear

timeline for requirements of each economic sector to provide data.

4.5.
Shape a **new funding model** and governance of Open Banking Ltd that enables innovation, competition and consumer benefit without being dominated by any party.

4.6.
Work with public sector organisations, such as the Crown Commercial Service that is responsible for 40% of the UK's payments by value that are processed in the public sector, **to access the cost savings and data enhancements derived from open banking** as proven by HMRC.

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5   Cross-border payments

We are committed to adopting a risk-based approach to cross-border payments that balances the removal of friction with the addition of controls that prevent crime. Our objective is to reduce the cost of international payments so moving money becomes cheaper, faster, more inclusive and more transparent through a more globally connected, harmonised and interoperable cross-border payments ecosystem.

Such an ecosystem, benefitting from enhanced tax efficiency and reduced compliance costs of both small and large transaction values, will also reduce financial crime and financial exclusion and help to realise our ambitions of regional economic integration initiatives like the African Continental Free Trade Area.

This means the payments industry will:

5.1.
Encourage increased **harmonisation of global standards** (including ISO20022) **and Application Process Interfaces** (APIs) to enable interoperability for everyone involved with moving money across borders.

5.2.
Promote the cross-border use case during the development of **Central Bank Digital Currencies (CBDCs)** and other commercial banking digital currency arrangements, while remaining very cautious about ambitions for a global CBDC regime.

5.3.
Set out to improve, identify and increase awareness of ways to transform the cross-border payments ecosystem for the benefit of its consumer and business users and service providers, including through the use of new technology such as **blockchain.**

5.4.
Support the work of the **G20 Roadmap for Enhancing Cross-border Payments,** in partnership with Emerging Payments Association Asia and the International Institute of Finance.

5.5.
Join with the **institutions championing change** in cross-border payments (such as the Financial Stability Board and the Bank for International Settlements (BIS) Committee on Payments and Market Infrastructures).

6 Environmental, social and governance (ESG)

We are committed to ensuring that all payments products reflect our impact on the world and to making ESG journeys commonplace in all payments companies.

This means the payments industry will:

6.1.
Help all UK companies to use **data** to encourage more sustainable and responsible spending.

6.2.
Professionalise payments, raising standards through **education and training** of payments people at all levels and across all functions.

6.3.
Actively encourage the creation of an **inclusive diverse, flexible and dynamic employment market** in the payments industry that reflects both the 'levelling up' agenda and differences in gender, sexuality, race, age, religion and disability.

6.4.
Actively recruit people from **outside the industry,** especially those living outside London and the South East.

6.5.
Create an **apprenticeship programme** that creates opportunities for people who wouldn't usually engage with companies in payments.

6.6.
Show how companies with more advanced **ESG strategies** embedded into their businesses are attaining **better outcomes** for investors, partners, customers, staff and partners.

6.7.
Facilitate the development of an **industry standard to measure the environmental impact of payment processing** and require The Payments Association members to set ambitious targets and reach them by 2026.

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7 Digital currencies

We committed to bringing the UK payments industry fully into the digital world and to create a flourishing, innovative digital currencies ecosystem that interoperates globally.

The payments industry will:

7.1.
Set out to **make the UK a global hub** for companies enabling the tokenisation of money and the application of distributed ledger technology (DLT).

7.2.
Work across institutions to ensure the delivery of a **clear and balanced regulatory framework** that supports innovation and competition for digital currencies, protects end-users, enables financial inclusion, and gives regulatory certainty to banks and PSPs.

7.3.
Work with global bodies such as BiS to create **international standards** to ensure interoperability between traditional banking rails, card payments, stablecoins and CBDCs.

7.4.
Explore how a future **digital asset ecosystem** that provides seamless transactions, secure storage, efficient governance and widespread acceptance should develop.

7.5.
Explore the development of new **CBDC and stablecoin solutions** that are interoperable at the national and international levels, both among themselves and traditional payments systems.

7.6.
Ensure that UK **payments infrastructure,** for example the Bank of England's Real Time Gross Settlement (RTGS) and Pay. UK's New Payments Architecture (NPA), **interoperates with digital**

currencies, enabling the industry to capitalise on the potential for tokenised deposits.

7.7.
Many members believe we should encourage the development of a new **Financial Markets Infrastructure** (FMI) to manage the issuing, clearing and settlement of stablecoins. This FMI would sit at the heart of a new digital currency ecosystem similar to the e-money ecosystem and would allow many new and stable digital currencies to be tested and launched, leading to the widespread adoption of programmable money and the reduction of payments-related fraud.

Conclusion

This manifesto has been produced with the active involvement and voluntary input of members of The Payment Association's Advisory Board and members of its Working Groups, for which we are very grateful. However, the interests of our members sometimes diverge, and so this manifesto does not claim to be the voice of all the association's members.

We welcome feedback on the Payments Manifesto and the idea for running Sprint Payments Alliance. To provide such feedback or to express interest in participating in the Sprint, please contact the Director General, Tony Craddock, tony.craddock@thepaymentsassociation.org.

Overall, this manifesto provides a backbone for our industry in the years ahead. And by implementing the policies in this manifesto, we are confident we will be capable of **building a world class payments industry, together.**

Tony Craddock
Director General
The Payments Association

About The Payments Association

The Payments Association is a community for all companies in payments, whatever their size, capability, location or regulatory status. Its purpose is to empower the most influential community in payments, where the connections, collaboration and learning shape an industry that works for all. It works closely with industry stakeholders such as the Bank of England, the FCA, HM Treasury, the PSR, Pay.UK, UK Finance and Innovate Finance.

Through its comprehensive programme of activities and with guidance from an independent Advisory Board of leading payments CEOs, The Payments Association facilitates the connections and builds the bridges that join the ecosystem together and make it stronger. These activities include a programme of monthly digital and face-to-face events including an annual conference, PAY360, The PAY360 Awards dinner, CEO roundtables and training activities.

The Payments Association also runs seven stakeholder working project groups covering financial inclusion, regulation, financial crime, cross-border payments, open banking, digital currencies and ESG. The volunteers in these groups represent the collective views of the industry and work together to ensure the big problems facing the industry are addressed effectively. The association also conducts original research which is made available to members and the authorities. These include monthly whitepapers, insightful interviews and tips from the industry's most successful CEOs.

For more information about The Payments Association, visit **www.thepaymentsassociation.org.**