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Chris Hemsley
Managing Director
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Email to: PSRNPA@psr.org.uk

27 April 2020

Dear Chris

Re: EMA response to PSR CP 20/2 Call for input: Competition and Innovation in the UK's New Payments Architecture

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide that provide online payments, card-based products, electronic vouchers and mobile payment instruments. They also include a large number of smaller Payment Service Providers, including startups. The majority of EMA members are authorized in the UK, and operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

We welcome the opportunity to respond to the PSR's Call for input on competition and innovation in the UK's New Payments Architecture. We have not addressed the specific questions in the Call for Input, but instead taken the opportunity to raise a number of points about the importance of ensuring the technical design of the NPA does not perpetuate the competition risks inherent in FPS and BACS.

I would be grateful for your consideration of our concerns.

Yours sincerely

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA response to the Call for Input

The EMA welcomes the opportunity to respond to the PSR's call for input at an early stage of policy development on the future regulation of the New Payments Architecture (NPA). We agree with the competition scenarios in relation to the NPA Central Infrastructure Provider (CIP) as set out in the Call for Input and support the proposed mitigating actions.

We would also like to suggest that the PSR consider a couple of additional broader competition risks in relation to the development of the NPA and the selection of the NPA CIP as follows.

As set out in the PSF Strategy (2017) and the PSR's 2017 Direction to Pay.UK, the replacement of the BACS and Faster Payments (FPS) clearing and settlement layer is at the heart of the NPA. However, the scale and complexity of upgrading these payment schemes means there is significant risk that the scope of the NPA is reduced over time due to time and cost pressures for incumbent scheme participants. The two-tier payments infrastructure this would inevitably create, with Faster Payments using the NPA and BACS on legacy systems, will restrict the speed and scale of innovation in the UK payments market.

Curtailing the scope of the NCA would also likely increase the risk that the NPA becomes a like-for-like replacement of BACS/FPS functionality which may introduce legacy competition issues into the NPA ecosystem. For example, connectivity options to FPS currently attract significant setup and on-going operational costs for participants who are required to establish a direct physical connection to the FPS CIP or route via an intermediary.

In addition, currently the FPS CIP requires that participants access, and pay for, transaction data as an ancillary service to core transaction processing, via a separate technical connection. Transactional data is a fundamental part of performing payment reconciliations and all FPS participants are therefore compelled to use this extra service at additional costs.

The above examples illustrate that historical technical design decisions made regarding FPS and implemented by the FPS CIP have led to down-stream competition issues by placing cost barriers for smaller payment providers entering and participating in the ecosystem.

To mitigate against the risk that the NPA, and its operation by the CIP, perpetuates these competition risks we urge the PSR to consider the mechanisms that will be put in place to ensure that the NPA CIP, and NPA technical scope and design, will create a payments architecture that is open, fit for purpose, and drives competition and innovation in the UK payments market.

List of EMA members as of April 2020:

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[Airbnb Inc](#)
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