

Recommendations for Regulating and Supervising Bank and Non-bank Payment Service Providers Offering Cross-border Payment Services: Consultation report

Response to Consultation

Association of UK payments and Fintech Companies

Introduction

- 1. Do the definitions contained in the report provide sufficient clarity and establish the common understanding necessary to facilitate the practical implementation of recommendations proposed in this report?**

Yes it provides sufficient clarity

- 2. What adjustments are required to the draft definitions to improve clarity?**

NIL

- 3. What other terms should be defined in this section?**

Not applicable

- 4. Does the explanation regarding the scope of the report provide sufficient clarity to promote the intended understanding of the recommendations?**

Yes

Section 1: The role of banks and non-banks in cross-border payments

- 5. Do the descriptions of the roles of banks and non-banks in providing cross border payment services adequately reflect current practices?**

Yes. It is adequately explained, However it may be necessary to highlight the following issues

a) Aversion of Banks to offer payment account access has a potential impact on small players and eventual competition in the sector to the detriment of the consumer

b) There is a considerable aversion to cash by Banks in sending Geographies leading to small PSPs are not able to provide cash based origination of cross border remittances. It

may be necessary to address this issue also since a good number of migrant workers still looks for cash based transactions.

Section 2: Cross Border Payment Frictions and Risks

6. What additional risks or frictions, within the scope of this report, are created by potential inconsistencies in the legal, regulatory and supervisory frameworks applicable to banks and non-banks in their provision of cross-border payment services?

a) Some degree of friction will still arise since most of the risk assessments in sending geographies are activity based without differentiating the degree of risk posed by small value remittances (family maintenance) of migrant workers and large value remittances. Either national risk assessments to be structured to address these issues or the application agencies should be enabled to address the "proportionality " principle seriously.

b) Differentiating fiscal crime with Money laundering crime: It may be necessary to approach offenses under fiscal and Money laundering crime separately. Regulations have to address these issues effectively to avoid frictions arising in the procedures at PSPs

Section 3: Principles for developing recommendations

7. Do the identified principles provide sufficient support and appropriately frame boundaries for the recommendations in the report?

Yes. But would suggest to add "affordable and Inclusive" in the objectives

Section 4: Recommendations for improving alignment of PSP regulatory and supervisory regimes

8. Are the recommendations sufficiently granular, actionable, and flexible to mitigate and reduce frictions while accommodating differences in national legal and regulatory frameworks and supporting the application of proportionality?

Yes.

9. To what extent would the recommendations improve the quality and consistency of regulation and supervision of non-bank payment service providers (PSPs) active in cross-border payments services?

To a greater extent. However a good outcome depends on the degree of enforcement by National regulators particularly in respect of the following issues

1. Access to payment accounts for PSPs (particularly small PSPs) at affordable cost
2. Cross border clearing arrangements at affordable cost and speed
3. Foreign exchange services for PSPs (Banks are averse to provide such services)

- 10. For the purpose of identifying material areas to be addressed from a priority and effectiveness perspective, should the report categorise the identified frictions created by inconsistencies in the legal, regulatory and supervisory frameworks applicable to banks and non-banks in their provision of cross-border payments services in terms of focus or order in which they should be addressed?**

Yes. The proposed bifurcation will facilitate more focussed treatment of issues impacting each of these segments and to identify conflicts

- 11. Recommendation 5 focuses on domestic licensing. How and to what extent would licensing recognition regimes between jurisdictions support the goal of strengthening consistency in the regulation and supervision of banks and non-banks in their provision of cross-border payment services? What risks need to be considered?**

To a great extent. The main risks will be to balance divergent issues including AML related and other geo political issues prevalent in certain geographies

- 12. There are no comprehensive international standards for the regulation, supervision and oversight of non-bank PSPs and the cross-border payment services that they offer. Is there a need for such international standards?**

Yes. Very strongly agree

General

- 13. What, if any, additional issues relevant to consistency in the regulation and supervision of banks and non-banks in their provision of cross-border payment services should be considered in the report?**

Nothing in particular