LINK's Response to the RPIB Consultation on the Design of the Future Retail Payments Infrastructure

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Introduction

1. LINK is a not-for-profit company governed by an independent board. It has a public interest objective to protect access to cash across the UK.
2. LINK sustains access to cash through maintaining the coverage of free-to-use ATMs in remote and rural locations as well as improving free access in deprived areas of the UK through the operation of its well-established Financial Inclusion Programme.
3. As part of its work, LINK manages the UK's main cash machine (ATM) network. LINK's network connects the vast majority of ATMs (both free and charging) in the country and allows customers of banks and building societies (card issuers) that are LINK Members to make cash withdrawals and balance enquiries with their payment cards at almost all ATMs. All of the UK's major card issuers and ATM operators currently choose to become Members of LINK. LINK processes around 1.3 billion transactions and dispenses £75 billion in cash each year through a network of around 42,000 ATMs.
4. LINK's access to cash role also includes acting as a coordination body. In this part of its role, LINK is notified by those firms that choose to participate in LINK's coordination arrangements of their intention to close facilities such as branches. LINK then assesses the impact of the closure on the local area. LINK will then recommend shared facilities such as banking hubs where required to maintain access to cash.
5. LINK's core infrastructure is a highly resilient 24/7 real time network provided by Vocalink, a Mastercard company.
6. LINK is regulated by the Payment Systems Regulator, and by the Bank of England as a systemically important payment system and is designated as such by the Treasury. LINK is also designated by the Treasury and supervised by the Financial Conduct Authority in its role as an industry coordination body.
7. LINK welcomes the opportunity to respond to this consultation and supports the important work being undertaken by the RPIB to design the next generation of retail payments infrastructure.
8. LINK has responded to the consultation questions below and is happy to provide more details as helpful.

Summary

9. LINK agrees with the use of payment journeys to focus this work. Cash in and out is a vital part of many of these journeys. So far, there has been limited consideration of cash, or of LINK as the main provider of cash access. Cash and LINK should now be included in the core of RPIB's work as it finalises the Blueprint.
10. LINK believes that as much as possible should be in the competitive space. However, specific components that need to be part of the core should be identified as part of the final stage of Blueprint work, as should the payment system operator structure to support that. Competing organisations will not be able to do that retrospectively.
11. To help finalise the Blueprint, LINK suggests setting up a new engagement forum on "Core Payment Journeys". This should bring together expertise to specify what should be part of the core infrastructure beyond basic switching and settlement.
12. LINK welcomes the inclusion of physical cash in the definition of interoperability. LINK will therefore now consider options to develop contactless at ATMs with its membership.
13. Infrastructure design thinking should include the impact of design options on existing critical services run by Vocalink. This includes LINK as well as FPS and Bacs.
14. To inform transition planning, a firm statement of the desired level of transition risk that is acceptable should now be provided by the RPIB.
15. The Blueprint will need to provide more detailed guidance on the future structure of payment schemes. LINK recommends that a "Schemes and Standards Design" engagement forum is set up to develop more granular guidance for the Blueprint, working alongside the new "Core Payment Journeys" engagement forum mentioned above. This "Schemes and Standards Design" engagement forum should include, amongst others, LINK, Pay.UK, Open Banking and UK Payments Initiative, drawing on their experience and helping to design-in interoperability and resilience across the various journeys.
16. To help this analysis, a full value chain analysis should now be finalised, considering both account-to-account at POS and ATMs. This should include the approach to contactless.
17. The UK aspires to a national POS account-to-account service with widespread acceptance. Some elements of this will need to be decided as part of the Blueprint. These should be identified now, as competitive organisations will find it hard to align afterwards, especially as international and commercial approaches to new technology are moving quickly.
18. Sovereign control over key UK payments is a likely requirement. The aim should not be to avoid using leading global suppliers such as the card schemes, apple and Google. Rather, to develop a scheme approach that allows proper sovereign management and control instead of today's fragmented approach.

Response to Consultation Questions

Q1. Are the end user payment journeys presented sufficient to inform the design of the core infrastructure?

a: Are there any additional or alternative payment journeys that should inform the design of the core infrastructure? If so, please specify what these are.

b: Are any of the payment journeys not appropriate as inputs to the design of the core infrastructure? If so, please specify what these are.

19. LINK agrees that the RPIB's use of payment journeys is helpful as it grounds the design in the experiences of consumers and businesses.
20. The inclusion of today's journeys from FPS and Bacs is also sensible as it is essential that these critical journeys are protected, supported and have the opportunity for improvement. **The approach to "particularly" focus on just these journeys now needs expanding to include LINK.** This is because cash acquisition, deposit and recycling via ATMs are high volume payment journeys and critical for today's consumers and businesses. They will remain a vital part of current and future journeys for decades to come. They should be protected and supported as part of this work.
21. The use of future journeys is also sensible in order to future-proof the work. Whilst the list in the consultation is not intended to be exhaustive, it helpfully includes concepts such as programmability and deferred payments which have promising use cases to support digital payments inclusion and economic growth.
22. Interoperability is also usefully included, as this supports both overall ecosystem resilience and payments inclusion. For LINK, the specific inclusion of interoperability with cash in the definition of interoperability on page 51 is helpful as it supports the introduction of contactless at ATMs. **Given that ATMs are the dominant channel for obtaining cash, and that devices are replacing cards, this is a necessary development to maintain the viability of physical cash. LINK will therefore now consider options to develop contactless at ATMs with its membership.** The UK's ATM estate also provides an opportunity to set up a key mechanism for the "ramp on" and "ramp off" of digital currencies to fiat and vice versa.
23. No existing or proposed journeys should be dropped.

Q2. Do you have any views on the key considerations that should guide migration timelines and product roadmaps for delivering the PVDC's outcomes?

24. **Going forward, LINK believes that key infrastructure considerations should include the impact of design options on existing critical services run by Vocalink. As noted above, this should include LINK as well as FPS and Bacs.**
25. LINK's infrastructure is currently run by Vocalink, and it is not possible to make choices for one Vocalink infrastructure element without affecting the others. Cheques, although only critical for a minority, should also be included. Vocalink's operation of the Post Office counter service, the Current Account Switching service (including the 36-month post-switch account redirection functionality) and the sort code database are also essential steps for the operation of today's critical payment journeys and should be included.
26. The consultation reflects on a number of options for transition and notes that options should be executed in an orderly and well managed way. **A useful RPIB output would be a firm statement of the desired level of transition risk that is acceptable.** This is a supervisory matter rather than an industry choice. It will be needed to inform the industry's decision about what options are likely to be acceptable in terms of risk and cost, as the acceptable level of transition risk is the key driver of the time and cost of transition.
27. Any transition plan should consider existing access to cash requirements covered under

FSMA so that community free access to cash coverage is not placed at risk by an infrastructure migration.

Q3: Do you agree with the list of proposed design principles?

a: Are there any additional design principles that should be included? If so, please specify and explain.

b: Are there any alternative design principles that should be included? If so, please specify and explain.

28. LINK agrees that the design principles are sensible. However, it would now be useful to develop the thinking about those elements of the payments journey that need developing as part of the core infrastructure design. For example, to develop core infrastructure recovery mechanisms for payments in dispute (noted as part of the core infrastructure in the consultation) it will be necessary to understand overall consumer redress. Further work to develop the thinking of what actually needs to be part of the core is needed for the Blueprint.
29. Well established and successful payment systems such as LINK and Bacs do not separate infrastructure completely from product, service and scheme. This is an area where the Blueprint should give guidance before being handed to the industry, which will typically find it hard to reach consensus as it is made up of competing organisations.
30. The consultation notes that the RPIB may wish to set up new engagement work to develop required areas of thinking to contribute to the Blueprint. **LINK would suggest setting up a new engagement forum on "Core Payment Journeys". LINK should be part of that.** This is because interoperability with cash is and will remain a vital part of a number of core payment journeys. Contactless also needs cross-cutting development as part of the core, as what happens at ATMs is necessary to develop alongside contactless at account-to-account as these payment journeys will often be initiated in the same consumer app.

Q4: Are there any design principles which you would prioritise over others? If so, please explain why.

a: What are the key trade-offs to consider, and what are their implications for design choices (for example, in relation to performance, scalability, and cost)?

31. **LINK believes that the UK's payment system needs at a minimum to be secure, resilient and usable by all. These therefore should be set as base design principles.** Given the aspiration for the system to be modular, LINK notes the potential trade-off between undue complexity and the risks that this could bring to cross-site operational resilience.

Q5: Do you agree with the proposed conceptual architecture? If not, please explain why and what changes you would propose.

32. LINK agrees that the architecture is a sensible framework. As the consultation identifies, there is a risk that the horizontal layering and the focus on the bottom layer leads to critical components in higher layers that also need developing as part of the core being missed. The consultation helpfully asks for commentary on what these areas might be and makes some suggestions. The payment journeys will help with that analysis.

Q6: Does the architecture draw boundaries between the layers appropriately? If not, please explain why and what changes you would propose.

33. **There is not enough detail on how the various payment schemes, both new and existing, should work together.**
34. **LINK recommends that a “Schemes and Standards Design” engagement forum is set up to develop more granular guidance for the Blueprint, working alongside the new “Core Payment Journeys” engagement forum. This “Schemes and Standards Design” engagement forum should include, amongst others, LINK, Pay.UK, Open Banking and UK Payments Initiative drawing on their experience and helping to design in interoperability and resilience across the various journeys.**
35. LINK notes that well-established payment system operators such as LINK, Bacs and cheques contain agreements with participants to manage ongoing product layer development and innovation alongside core infrastructure. Therefore, the Blueprint should be explicit on what the new payments system operator should have in scope. Competitive companies will not be able to collaborate easily should the scope change later. (a key reason why a National Payments Vision of sufficient useful detail is required).

Q7: What are the baseline services that should be delivered within the core infrastructure? Please include an explanation of why.

36. LINK suggests priorities for inclusion are the following:
    i. Whether some level of common branding should be built into the core (to avoid the issues that contributed to the failure of PayM).
    ii. The approach to security in the access layer to ensure that consumers are not confused by fragmentation. Good models to learn from include the use of PINs at ATMs.
    iii. The level of common consumer redress required (it is fragmented today and not well understood by consumers or businesses, other than in point parts of the system such as Direct Debits, ATM withdrawals, and credit cards at POS).
    iv. What elements of journeys need to be developed as part of the core to deliver financial inclusion for those consumers where there is insufficient profitability for the competitive market to solve alone. This is an area that initiatives such as Project Nemo are already usefully exploring and could be taken into the consultation’s thinking. The separate PVDC document on roles and responsibilities notes that this work will also need to consider how to make these commercially sustainable. See section 4 “the commercial models of the core infrastructure scheme and product level arrangements…should be consistent with the wider objectives relating to…supporting inclusion and good outcomes for customers with vulnerable characteristics”. LINK’s Consumer Council and Financial Inclusion Programme are good examples of the sort of sustainable commercial arrangements that support broad inclusion in a manner that the core scheme and its membership can sustainably support.
    v. Whether a national wallet should be part of the infrastructure, as is the case with a number of well-respected payment systems in countries across Europe (Wero and Swish, for example). This approach to wallets will need to ensure that the UK’s design provides a viable alternative to other dominant global providers such as apple and Google. Other sovereign schemes, such as Canada’s Interac, give good models of how to do this.
    vi. The approach to contactless. There are a range of fundamentally different options to build from such as initiation from apple and Google wallets versus initiation from banking apps, EMV-based versus some other standard, and NFC versus QR codes. Contactless-initiated payment journeys will often start in the same wallet. So it is necessary, for example, to design a common approach

across access points such as ATMs and account-to-account. This issue also has strong links to payments sovereignty and how to control key elements of the supply chain, such as wallet provision, token service provision and underlying rails without creating unmanaged single points of control with large and successful global suppliers such as the card schemes, apple and Google. The consultation notes some aspects here including a universal kernel and QR code standards.

37. **A full value chain analysis should now be finalised, considering both account-to-account at POS and ATMs. The aim should not be to avoid using leading suppliers such as the card schemes, apple and Google. Rather, to develop a scheme approach that allows proper sovereign management and control rather than today's fragmented approach.**

Q8: What payment-enabling or value-add services should be delivered separately from the core? Please include an explanation of why.

38. **LINK believes that as much as possible should be in the competitive space. However, specific components that need to be part of the core should be identified as part of the next stage of Blueprint work, as should the payment system operator structure to support that. Competing organisations will not be able to do that retrospectively.**
39. For that reason, LINK recommends setting up the following engagement forums for the next stage to help finalise the Blueprint, including LINK as a member:
    i. A Core Payments Journeys engagement forum.
    ii. A Schemes and Standards Design engagement forum.

Q9: What opportunities and challenges could digital identity frameworks and the use of credentials (eg Legal Entity Identifiers or other verifiable credentials) present in enhancing retail payment journeys?

40. Digital identity frameworks and the use of credentials is a market that is developing in the competitive space in the UK at present. The need is for the core infrastructure to maintain capability to respond to these developments. This includes flexibility in message standards to support the development of any future core digital ID requirements. This is already commonplace for existing schemes such as LINK, which has a generic message standard supporting verification build into its current specification, and a forward scanning capability as part of its development function.

Q10: Are there other cross-cutting, architecture-wide issues that should be considered to meet the PVDC outcomes, that go beyond the core infrastructure layer? If yes, please explain.

41. Already covered above.

Q11: Do you agree with the proposed approach to interoperability? Please explain your reasoning.

42. **LINK agrees with the interoperability aim as it is essential for resilience and inclusion.** Development of the proposed approach to interoperability is suggested in the answer to the question on interoperability design and governance below.

Q12: What are the potential trade-offs between different settlement models in terms of *speed, payments certainty, liquidity management for participants, operational complexity, and scalability?*

43. **LINK believes that settlement in central bank money as described, is a core requirement that transcends this work.** The Bank's RTGS is already a well-managed and strategic activity well placed to develop this aspect and starts from a robust and well thought out base. We note that existing settlement in central bank money is achieved by either net or gross movements across RTGS accounts held by Payment Service Providers at the Bank (with the existing main payment systems recognised by the Bank for settlement finality protection). If the intent is for all forms of future retail payment settlement to take place in central bank money, it is not clear from the consultation how that might work for transactions where one or both legs might involve stablecoins. Would these, by necessity, be excluded from the overall intent for central bank money settlement or would some form of pre-funding in central bank money be required (such as for Faster Payments)? We further note that the consultation does not cover finality of payments (under the various settlement finality provisions) but believe this is also another core attribute that should be present in the new system to ensure all payments processed by the system are protected to the same degree.

Q13: What additional design, governance and operational issues would need to be addressed to achieve interoperability?

44. The consultation notes generally that achieving interoperability is a cross-cutting issue and suggests that some of this can be achieved by the issuers of different forms of money aligning at scheme level. However, this is not yet sufficiently detailed for the Blueprint as specific interoperability requirements will also require decisions at a cross-scheme level on the approach to use. For example, the choice of wallet versus banking app for account-to-account and ATM contactless, EMV versus a new and as yet undeveloped standard, and NFC versus QR code. **Interoperability is essential, and the core design will need to address how this is achieved as part of the Blueprint or fragmentation will occur and interoperability will not be effective.**

Q14: Do the architecture and core infrastructure design choices outlined in this consultation capture the key considerations necessary to support account-to-account payments at PoS, both online and in-store? If no, please specify and explain why.

a: Are there additional opportunities or challenges that should be taken into account? If yes, please describe them and explain why.

45. **The UK aspires to a national POS account-to-account service with widespread acceptance. Open Banking will be an important but not, as yet, sufficient enabler. Other elements also need to be decided as part of the Blueprint. Competitive organisations will find it hard to align afterwards, as evidenced by the failure of PayM.** Issues to resolve for the Blueprint include:
    i. Whether a national brand should be built into the core.
    ii. The approach to security from a consumer journey perspective.
    iii. The common consumer redress required.
    iv. What elements of journeys need to be developed as part of the core to deliver financial inclusion for those consumers where there is insufficient profitability for the competitive market to solve alone. Also, how this will be paid for in a sustainable way.
    v. Whether a national wallet should be part of the infrastructure.
    vi. The approach to contactless, common core elements required, and what core elements of the value chain to build versus buy from best-in-class suppliers. This

set of decisions is required for the Blueprint in order to optimise the intended attractiveness of the approach over other international options for UK consumers.

Q15: What are the key design considerations for the next-generation infrastructure that could help solve existing challenges with cross-border payments?

a: What are the most appropriate solutions to target?

46. Noting the presence of existing industry-owned FX settlement entities such as CLS, it is not clear from the consultation what specific use cases (or payment journeys) the system would be aiming to support (given some form of FX exchange would ordinarily be required at an intermediary or participant level). The consultation does, however, highlight some of the challenges around cross-border payments. At this stage, there may simply be a need to ensure that the initial system design does not preclude such payment journeys at a future date (eg, to ensure that the core infrastructure runs to international standards such as ISO20022, supports new forms of money as well as existing, and is flexible in terms of the adoption of new innovations).

Q16: What functional requirements would next-generation infrastructure and the wider next generation ecosystem need to meet to enable programmable payments at scale, while maintaining resilience and user trust?

47. LINK expects programmability to be developed in a separate organisation in the competitive space. For example, tokenised bank deposits will be a vital area for the UK to develop, and programmability will be an important benefit for consumers from this area. For example, journeys such as delegated authority can be enabled by this and will bring valuable inclusion benefits. However, other than the interoperability requirement between systems, this will not require enabling within the core. Interoperability between different bank deposit tokens will be achieved within the separate tokenised bank deposit scheme arrangements.

Q17: What capabilities or functions would the next-generation infrastructure need to support the safe provision of agentic payments?

a: What barriers to their development or adoption would need to be addressed?

48. As above. LINK also notes that agentic payments will require a robust certification process addressing issues such as how can agents be trusted and who completes the testing and certification.

Q18: Which consumer protection and fraud-related capabilities should be prioritised for inclusion in the core infrastructure, and why?

49. LINK believes that the consultation provides a useful and comprehensive overview of what is required in the core in relation to consumer protection and fraud.
50. LINK is conscious that, notwithstanding all of the industry-wide efforts and associated expenditure incurred to date, payment fraud levels within the UK remain unacceptably high. The design of the new retail payments system is an opportunity to take a significant step forward to address this.
51. This in turn will reduce fraud within the system rather than the current approach that addresses compensation rather than targeting the fraud itself. Given the high levels of digital fraud now being seen, this will be a vital component as otherwise the cost of consumer redress will make the new approach more expensive than existing international card schemes and undermine the hoped for attractiveness necessary for

the UK's payment ecosystem to be adopted at scale by consumers and businesses.

52. One of the challenges of existing approaches is that Payment Service Providers can only see the data being sent or received by themselves (plus using information provided by industry schemes such as CIFAS). With advances in AI and machine learning, there are opportunities (with the assistance of specialist partners) from also scanning payments centrally within the core infrastructure (where the entire payments picture is visible, including the audit trails of past transactions) so that payments can be intercepted prior to settlement taking place.
53. The infrastructure to support consumer protection and fraud needs to sit above both new and legacy systems, including cash out, to ensure that fraudsters cannot exploit holes in the system through inadequate breadth of scope. **A cross-cutting access layer will be required as well as the core switch and as part of the overall core infrastructure. Such an access layer can also enable other useful functionality including interoperability to support overall system resilience, and a coherent approach to consumer redress.**

Equality Act 2010

54. LINK notes the protection of Age as a characteristic in the Equality Act. Whilst no provisions of this new architecture are likely to be directly discriminatory, older people, along with other potentially vulnerable people are one of the groups more likely to rely on cash and cheques. The impact of any design on these people should be considered carefully.

Ends