

UK-US financial innovation: digital payments



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Executive summary

The new Biden administration and the end of the UK's Brexit transition period present unique opportunities to establish a new gold standard in UK-US cross-border regulatory and supervisory cooperation, and there is consensus that financial innovation should sit at the heart of this transatlantic vision.

Regulatory and technological alignment is critical to leveraging the combined size, capitalisation, and technological sophistication of the UK and US financial services sectors. This alignment has the potential to significantly reduce cross-border barriers to entry for financial services providers, and allow businesses and consumers to make efficient and data-rich cross-border payments. As the two largest financial markets in the world, UK-US leadership in this area would serve as a model for global cooperation in financial services regulation and drive greater global alignment.

These are ambitious goals. Establishing a deep and successful digital payments market working for the benefit of both the US and the UK would be a remarkable achievement. Structural differences in UK and US approaches to financial services regulation presents obstacles. The sooner both countries can agree an approach for dealing with these challenges and establish a roadmap to achieving a mutually accessible digital payments market, the sooner the significant mutual benefits can be realised. Industry stands ready to support both governments by working in partnership and investing in the necessary innovation and technology to ensure the benefits of digital payments are available to all consumers.

Our recommendations for closer UK-US collaboration in digital payments, include:

1. Open Banking

Open banking has the potential to act as a catalyst for innovation and competition in payments services. This will depend on clear regulatory rules, industry cooperation, and the development of guidelines and standards that provide for safe access to consumer information, give consumers control and flexibility over how their data is used and by whom, and remain flexible enough to allow for further innovation.

US regulation must balance fostering industry-driven innovation with ensuring technical interoperability. The best way to achieve this would be through the development of a principles-based framework and a common technical standard. The US Consumer Financial Protection Bureau (CFPB) should work with other federal regulators to coordinate its rules across agencies.

A regular open dialogue between UK and US regulators with industry is crucial to help drive innovation in open banking and related payments solutions, based on sharing trends and lessons learned across both jurisdictions. Any approach needs to consider how it can sit alongside the current UK-EU regulatory equivalence, given the continued UK participation in the Single European Payments Area (SEPA).

2. Privacy and international data transfer

Clear and manageable rules regarding privacy, data use, and transfers of consumer data between the UK and US will be critical to driving innovation and collaboration between the US and UK in financial services, including in digital payments. The introduction of a federal law in the US could ease compliance uncertainty as it relates to data use and privacy for payments and other financial services companies.

Cooperative rules and guidelines should be put in place to make clear what is required for cross-border transfers of consumer data between the UK and the US. A bilateral arrangement between the UK and US governments/regulators should address the uncertainty resulting from the Schrems II decision, which invalidated Privacy Shield and casted doubt on the efficacy of Standard Contractual Clauses.

3. Licensing regimes

How the regulators in the UK, the US federal regulators and the regulatory bodies of the US states approach these existing complexities will be crucial. We believe an approach like the one taken by the US CSBS, in which member jurisdictions agree to accept findings by other members with respect to key licensing, reporting, and examination requirements, would lower compliance costs, inefficiencies and enable greater access for UK companies.

4. Cross-border payments

Both countries should establish multi-national payment councils with industry participation to explore the most feasible approach to achieving interoperability. The goal would be to explore interoperability between UK-US payment systems, to create a cross-Atlantic, always-on real time (or near real time) payment solution.

5. Financial inclusion

As countries continue to accelerate the use of cashless payments, regulators and industry in the US and UK should work together to ensure that future innovation in payments addresses the needs of the underbanked segments of our communities. This can be achieved through existing business and government forums such as the British American Finance Alliance (BAFA)

Introduction

UK-US trade and investment in financial and related professional services is significant. The US is the UK's largest single export market and both the US and the UK are each other's largest source of foreign direct investment. US investors are the largest international employers in UK financial services, covering banking, asset management, insurance and the law. It is estimated that the US exports around US\$16bn worth of financial services to the UK per annum and that the UK exports over US\$28bn in financial services to the US in return. This shared economic interest, combined with the two countries' position as the world's leading financial centres, common language, and high ratio of capital market finance provides a solid foundation for future cooperation.

Integral to the direction of any potential UK-US collaboration is the new Biden administration's emphasis on financial inclusion and several of the President's appointees to key financial services regulatory positions. Going forward, financial inclusion and expanding financial services to the unbanked and underbanked will be key policy priorities for FinTechs and the financial services sector. Innovation in payments and the growing movement of the economy from in-person and cash-based payments to ecommerce and digital-based payments has both the potential to reach a broader segment of the population currently underserved by financial services and the risk of further marginalising those individuals who continue to rely on cash. This risk of deepening marginalisation is particularly relevant where new payments services remain tied to traditional banking relationships. This risk has been highlighted during the Covid pandemic as several merchants moved to cashless payments.

The end of the Brexit transition period presents a unique opportunity to establish a new gold standard in UK-US cross-border regulatory and supervisory cooperation, and there is consensus that financial innovation should sit at the heart of this transatlantic vision. Against that backdrop, and in order to support the ongoing dialogue of the UK-US Financial Regulatory Working Group (FRWG) and the UK-US Financial Innovation Partnership (FIP), TheCityUK, in conjunction with Eversheds Sutherland, is publishing a series of six papers on financial innovation designed to provide policymakers with practical, outcomes-based, and industry-led observations for consideration in the context of that dialogue. These six papers will focus on:

- Digital payments
- Distributed ledger technologies
- The supervision of financial innovation
- Artificial intelligence
- Operational resilience
- Investment in financial innovation

Methodology

TheCityUK is taking soundings from a representative group of its members on these six topics in the form of workshops and one-to-one meetings led by Eversheds Sutherland. TheCityUK has also received input from relevant subject matter experts at Eversheds Sutherland in both the UK and the US.

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This paper addresses key opportunities and obstacles for closer UK-US collaboration in the area of digital payments, and issues which would encourage greater cross border access and innovation.

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1. Open banking

The journey to open banking

Open banking is a concept whereby third-party financial service providers (TPPs) are granted open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions through the use of application programming interfaces (APIs). TPPs are then able to utilise such consumer data for a multitude of purposes, including providing dashboards of such information across the different accounts of each consumer for their analysis and benefit. TPPs can also initiate payment transactions to and from such accounts on behalf of the account holders. Undertaking such activities requires the consent of the relevant account holder.

The adoption of the concept of open banking to accommodate a broader range of financial services offerings including insurance, pensions and asset management is known as 'open finance'. The inclusion of these other financial sub-sectors into this concept is far reaching and complex, including the treatment and use of consumer data. This precludes us from being able to include open finance within our analysis here, however, it will be of significant importance to this area as open banking itself becomes more widely accepted.

The UK's open banking regime has been in place for several years now, and has driven an impressive increase in consumer adoption of services based on open banking during the pandemic as they have turned to digital and mobile first solutions to shop and make payments. The US, however, has yet to adopt a form of open banking regulation. That is not to say that open banking related activity is not common and growing in the US market. Large data aggregators and financial services companies have built out expansive networks of API driven relationships with banks to facilitate consumer-permissioned access to financial data, and screen scraping remains widespread. Absent the regulatory mandated access to banking data and standard APIs that we see in the UK, however, cooperative data sharing in the US relies on individually negotiated agreements between banks and FinTechs or data aggregators. As such, the role of the financial data aggregator has become essential to provide data recipients with a one-stop-shop access point to hundreds or thousands of data sources.

Alignment of UK and US approaches

Regulatory and technological alignment is critical to leveraging the combined size, capitalisation, and technological sophistication of the UK and US financial services sectors. If fully realised, this alignment has the potential to significantly reduce cross-border barriers to entry for financial services providers, allow businesses and consumers to make efficient and data-rich cross-border payments, and serve as a model for global cooperation in financial services regulation. However, this vision requires complementary licensing and supervisory regimes, compatible operating rules for payments rails, and some degree of technological interoperability.

These are ambitious goals. Structural differences in the UK and US approaches to financial services regulation present perhaps the most fundamental obstacle. The US lacks a centralised governmental body with authority to regulate the financial system and payments rails. Instead, supervisory authority over depository and non-depository financial services providers is dispersed among several national regulatory bodies and the fifty states.

The only national US regulator with authority over both depository and non-depository financial services providers is the Consumer Financial Protection Bureau (CFPB). The CFPB is charged with ensuring that the US market in consumer financial services is transparent and competitive. In October 2020, the CFPB issued an Advance Notice of Proposed Rulemaking (ANPR) regarding consumer access to financial records.

The ANPR is significant because it signals a step by the CFPB towards promulgating open banking type regulations. The CFPB's rulemaking authority comes from Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which provides that financial institutions must give consumers access to information concerning their use of the financial institution's products and services (including transaction and usage data). Section 1033 also directs the CFPB to prescribe rules to implement this requirement, including standards to promote the development and use of standardised formats for information to be made available to consumers.

We believe the following recommendations contain the most important ingredients for the alignment of UK-US approaches to open banking:

(i) US regulation must balance fostering industry-driven innovation with ensuring technical interoperability. This will most likely require a principles-based framework that also requires use of a common technical standard.

Among the principles to be harmonised would be verification of payment orders and settlement cut-off times and processes. With respect to FedNow, many of these issues will be determined in operating circulars to be issued by the regional Federal Reserve Banks.

The adoption of ISO 20022 as the technical standard for FedNow, the US Federal Reserve's real-time, gross settlement system, is an important step towards technical interoperability. Approximately 70 countries currently use the ISO standard, which allows uniform transmission of not only clearing and settlement data but approximately 1,000 additional data fields. However, true interoperability will require more than a messaging standard. The well-regarded Financial Data Exchange (FDX) is working to create industry standard APIs, security and certification frameworks, and user experience guidelines.

(ii) Consumers should have control over how their data is used by third party recipients/users of that data. Critical to this principle are:

- (a) clear and complete disclosure to consumers regarding how and with whom it is shared
- (b) the ability for the consumer to specify the scope and duration of data permissions.

(iii) Consumer trust and market acceptance of the data sharing in an open banking regime depends on ensuring the security and privacy of consumer information. Currently, more lightly regulated non-bank FinTechs may not be subject to the same data protection, privacy and cybersecurity requirements that consumers have come to expect of banks.

(iv) The US CFPB should work with other federal regulators to coordinate its rules across agencies, including clarifying that financial institutions are not liable when they provide consumer data, at the consumer's direction, to downstream data recipients who then misuse that data.

(v) Any alignment of UK-US approaches would need to account for the impact this may have on current UK-EU regulatory equivalence and ensure this was not compromised given the participation of UK firms in the Single European Payments Area (SEPA).

Licensing and oversight of data recipients

In the UK, in addition to complying with the UK General Data Protection Regulation (GDPR) rules on personal data, a business must be licensed by the Financial Conduct Authority (FCA) (e.g. as an Account Information Service Provider) in order to provide services under open banking. Currently, the US has no equivalent national licensing regime for payment service providers, data aggregators, or other companies that receive consumer-permissioned data access. Licensing and supervision of non-bank payments companies is heavily centred on individual states. The primary regulators of data aggregators are not state or federal agencies but the banks that are required to oversee them as third-party service providers.

This lack of coherent supervision increases the risk inherent in opening up consumer banking data to non-bank participants. Citing this risk, US depository institutions have urged regulators to use caution in adopting any open-banking style regulation and to extend requirements regarding data use and security to non-bank participants in an open banking system.

Other industry participants have suggested that an industry body, such as FDX, establish guidelines for participants in the open banking system and could even develop a certification program under which data aggregators and other data recipients could demonstrate compliance with these guidelines (perhaps similar to how the PCI Security Standards Council operates with respect to participants in the payment card networks). This approach may be a more palatable approach than regulatory licensing in the US.

This possible different approach in licensing and oversight of participants in a US open banking system compared to the UK based open system will complicate collaboration across the two countries' respective open banking systems. We discuss in more detail below some of the complications that arise from the different approaches to licensing of payments companies in the UK and US.

What is the future for open banking in the UK and US?

Open banking has the potential to act as a catalyst for innovation and competition in payments services.

The efficacy of open banking as a catalyst will depend, in large part, on clear regulatory rules, industry cooperation, and development of guidelines and standards that provide for safe access to consumer information, give consumers control and flexibility over how their data is used and by whom, and remain flexible enough to allow for further innovation.

Open banking has more direct potential for payments services in the UK given the regulatory mandate around payment initiate service providers, which seems less likely to become a regulatory mandate in the US. US payments companies are likely, at least in the near term, to rely on banks for access to most payments rails. Only banks will have direct access to the new FedNow payments rail. However, even absent direct access to payments initiation services without a bank partnership, payments companies can still leverage the power of enhanced access to consumer financial data through open banking to develop richer, customer focused payments solutions.

We recommend an open dialogue among regulators and industry participants in the UK and the US to help further drive innovation in open banking and related payments solutions, based on sharing trends and lessons learned across both jurisdictions.

2. Privacy and international data transfer

Clear and manageable rules regarding privacy, data use, and transfers of consumer data between the UK and US will be critical to driving innovation and collaboration between the US and UK in financial services, including payments.

In the UK, payments companies can look to the UK GDPR and the Data Protection Act 2018 as the primary sources of legislation governing use of consumer data. In the US, however, the rules around privacy and data use are more complicated. Payments companies will need to consider both federal laws (such as the Gramm-Leach-Bliley Act, which may or may not apply) and state-level legislation regarding privacy, data use and cybersecurity (such as the California Consumer Privacy Act, Virginia's Consumer Data Protection Act, and looming new data privacy legislation in New York). This patchwork approach in the US to regulation of consumer data and privacy rights makes compliance more difficult, particularly as more states adopt their own comprehensive data privacy laws. This could result in payments and other financial services companies having to assess their data use and privacy policies under multiple different laws, which may not even be consistent with each other.

This year, however, may be the year for a comprehensive US federal data privacy law which could preempt the emergence of a patchwork, state-by-state approach. **The introduction of such a federal law in the US could ease compliance uncertainty as it relates to data use and privacy for payments and other financial services companies.** This would be particularly important for UK payments companies that want to enter the US market and are not as accustomed to navigating multiple federal and state legal regimes.

What are the key issues concerning privacy and data usage between the UK and the US?

With respect to cross-border transfers of consumer data between the UK and the US, **cooperative rules and guidelines should be put in place to make clear what is required for transfer of such data.**

While ultimately, an EU-UK-US arrangement may be necessary, **the uncertainty resulting from the Schrems II decision invalidating Privacy Shield and casting some doubt on the efficacy of Standard Contractual Clauses should be remedied in a bilateral arrangement between the UK and US governments/regulators.**

3. Licensing regimes

Centralised model in the UK vs federal and state-by-state regimes in the US

Having left the EU, the UK can now pass all its own laws rather than having to enact new EU directives. To the extent that the EU could be said to operate as a system of federal government across its Member States, it no longer has or exercises direct jurisdiction over the UK.

The agencies responsible for the UK's financial services licensing regimes including those providing payments services, are the Prudential Regulation Authority (PRA) which is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms, and the FCA which focuses on regulating the conduct of both retail and wholesale financial services firms. A further body, the Payment Systems Regulator (PSR) was created by the FCA in 2015 to 'promote competition and innovation in payment systems'. This regulatory structure is far less complex than the federal and state-based regimes which exist in the US making it difficult to form an easy comparison between the two countries.

In contrast to the UK, the US has a number of banking regulators (excluding other payment service providers) solely at the federal level including the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (FRB). State regulation of state-chartered banks and certain non-bank affiliates of federally-chartered banks may then apply in addition to federal regulation. Many non-bank payments and other financial services companies may also be subject to federal registration and state level licensing and supervision as money transmitters. These money transmission licensing requirements exist on a state-by-state basis, potentially requiring a separate license from 49 of the 50 states in the US and thus creating a

complex web of licensing, compliance, and supervision requirements. Recognising this problem, the Conference of State Bank Supervisors (CSBS), a voluntary association of US state financial services regulators, has proposed model rules and begun implementing a streamlined, cooperative licensing and examination process for payments companies. That initiative has signed on 29 of the 50 US states and significantly reduced the regulatory burden for new and existing payments companies. The CSBS has accomplished this primarily by reducing duplicative filings and information requests during the licensing process and allowing larger companies to submit to only one annual examination.

Although a UK entity seeking to provide payment services into the US could take advantage of this somewhat simplified licensing process, it would still need to determine, based on its business model, which states would require it to be licensed and likely engage in significant back-and-forth activity with multiple state regulators. A US entity undertaking the reverse journey might find the authorisation process for its UK market entry refreshingly less complicated than what it may face when offering its services in a new state in the US.

Establishing a deep and successful payments market working for the benefit of both the US and the UK would be a remarkable achievement. How the applicable regulators in the UK, the US federal regulators and the regulatory bodies of the US states approach these existing complexities will be crucial. **We believe an approach similar to that taken by the CSBS, in which member jurisdictions agree to accept findings by other members with respect to at least a few key licensing, reporting, and examination requirements, would lower barriers to US entry for UK companies.** However, this type of cooperation may be more difficult to achieve across national borders.

(1) How can regulators cooperate to help licensed entities?

The payment sector continues to grow in both economic and innovative terms, at exponential rates globally, not just in the US and the UK.

To encourage and sustain this growth, UK and US regulators should cooperate to create a gold standard licensing and regulatory system which recognises and allows such innovation without stymying growth nor allowing fraud to occur in any meaningful way, and that is effective at preventing money laundering, terrorist financing and other illicit use of money or monetary value.

The sharing of regulatory data and agreement on approaches to monitoring regulated activity and enforcing regulatory breaches across both countries would be an ideal.

Analysing the changes that need to be made to the existing regulatory infrastructure (including applicable privacy laws) and successfully lobbying for these changes are substantial challenges to be faced by both industry and regulators as part of this process. The development of cross-border sandboxes (including US federal and state borders) would be subject to the same challenges.

Establishing a methodology for approaching these challenges will need to occur at national and state levels.

(2) Can reciprocal licensing arrangements between certain US states and the UK be introduced to enable authorized entities to passport into other jurisdictions from their home jurisdiction without repeating an almost identical licensing process?

For the reasons outlined above, the passporting of services into each other's jurisdictions is not currently feasible for either country, due to the fundamental differences between the regulation of financial markets in the UK and the US at both federal and state levels. There would need to be complete alignment on rules and regulation (such as exists within the EU) for this to be viable. This is a highly ambitious goal given the variety of legal requirements not only between the UK and US, but also among US states.

(3) What key steps can be taken to facilitate better authorised access to UK and US payment markets?

There may be scope to achieve some form of consensus of authorisation requirements for UK market participants in certain US states, and vice versa where the supervisory approaches adopted were consistent by the relevant regulatory agencies. These would also need to be accepted at all applicable levels of government in both countries. Even if full reciprocity is not achievable between the UK market and those US states, regulators could explore a fast-track licensing process for licensed entities in one jurisdiction who desire to enter the other jurisdiction based on mutual regulatory and compliance principles, trust and communication among the regulators.

To achieve a more level playing field between the UK and the different jurisdictions within the US, an analysis of the regulatory architecture at both federal and state levels in the US would need to be undertaken. How rules (such as via industry codes) and payment and settlement infrastructure (through aligned system architecture and rules) could be more harmonized would also form part of this analysis. The continued participation by UK firms in the SEPA network is highly valued and reliant on the perception of complete regulatory congruence between the UK and the EU. Any future alignment between the US and UK markets would be based on similar priorities.

4. Cross-border payments

- (1) How can UK and US payment systems become more interoperable with each other to enable more real-time cross-border payments to occur between each country?

Both countries should establish government cooperation initiatives such as multi-national payment councils or forums, including industry participants, to explore the need for interoperability and the most feasible approach in achieving it. This would include more direct and/or indirect membership across relevant systems from participants in different jurisdictions. The Committee on Payments and Market Infrastructures (CPMI) located at the Bank for International Settlements is currently developing a program for enhancing cross-border payments globally. The CPMI issued its stage 2 report to the G20 on this area in July 2020. Steps taken bilaterally between the US and UK on cross-border payments will need to be cognisant of the CPMI's current program.

Which payment systems would be appropriate for greater interoperability, extending their operating hours (see below), and how they are to be regulated are key questions to be considered.

- (2) Can the operating hours be extended between the UK and US to enable more payments to be made despite the time difference?

In June 2016, CHAPS, the UK's real time gross settlement system (RTGS) for processing high value sterling payments extended its operational hours by over one and a half hours to 18:00 UK time. One of the key reasons for this change was to increase accessibility to the North American market. The Bank of England announced in April 2021 the introduction of an omnibus account for holding wholesale settlement funds on behalf of payment system participants outside of RTGS operating hours. By enabling required

liquidity to be pre-positioned in the omnibus account prior to RTGS closing, this initiative will now allow relevant payment systems to operate outside of RTGS operating hours providing further opportunities for conducting UK-US payment transactions. The Faster Payments Service (FPS), one of the UK's payment systems designed for high volume, low value payments already operates domestically on a 24/7 model.

- (3) What other steps could be taken to increase the flow of cross-border payments between the US and the UK?

Following Brexit, there is further incentive for the UK to align itself even more with the US market and further extensions to CHAPS and other applicable financial markets infrastructure could be considered to allow more transactional activity to occur. Certain US systems could also consider the feasibility of providing earlier operational windows to encourage more UK-US payment flows. The Clearing House's Real Time Payments (RTP) Network, which launched in the US in 2017, and the US Federal Reserve's FedNow real time gross settlement payment system, expected to be available in 2023, are both 24/7 payments systems, and FedNow is already taking steps to work towards interoperability with RTP, including adopting the same ISO 20022 standard for transaction messaging (a key building block in the CPMI's program mentioned above). In conjunction with FedNow, the Federal Reserve is also introducing a liquidity management tool to facilitate instant payments. A future state goal could be to explore interoperability between UK payment systems such as CHAPS and FPS and one or both of FedNow and RTP, and the feasibility of expanding CHAPS to a 24/7 system, to create a cross-Atlantic, always-on real time (or near real time) payment solution.

5. Financial inclusion

The Atlanta branch of the Federal Reserve has formed the Special Committee on Payments Inclusion, consisting of representatives from various industry participants to study how financial innovation in payments affects the underbanked. The Atlanta Fed expressed concern that when new non-cash payments solutions rely on bank accounts or require the internet, persons who rely on cash (i.e. because they are unbanked) or who do not have reliable access to internet risk being further marginalised. Part of the new committee's work involves encouraging solutions that shift part of the focus for financial inclusion to digital payment technologies that do not require a formal banking relationship. News reports in the UK have also acknowledged the challenges that movement to a cashless society can have on those segments of the population who are underserved by traditional financial services providers.

As societies continue to move towards cashless payments (a trend that is not likely to reverse), regulators and industry participants in the US and UK should focus on how innovation in payments and other financial services can better include the underbanked segments of our societies in financial services. This could be via alternative and novel ways to underwrite and onboard customers (for example, that do not rely on traditional credit scores), and different ways to fund and receive payments that do not rely on having a traditional banking relationship. For example, US FinTech firms have begun to offer financial services specifically geared towards recent immigrants, younger consumers, and others who may have a short or undocumented financial history.

'Mobile first' FinTech solutions seem particularly well positioned to be effective in this effort given the proliferation of mobile devices throughout all segments of our society and based on the success of mobile based payments solutions reaching underserved segments of societies in other parts of the world. Central bank digital currencies (CBDCs) made available to individuals could offer solutions to making money available to the unbanked/underbanked by:

- (i) having the capacity to be stored on mobile devices without the need for a traditional bank account
- (ii) being directly transferrable to other payment service users offline via near field technology
- (iii) making transactions anonymous below a certain value.

These proposals can provide CBDCs with several of the attributes of physical cash at a time when its decline appears inevitable. They also offer ways by which the Federal Reserve Banks and the Bank of England as central banks can maintain better control over monetary policy at a time when the increased use of card schemes and crypto currencies for conducting payment transactions is making such control more and more complex to exercise. The implications for the introduction and utilisation of CBDCs in a broader context outside financial inclusion parameters will be considered in the later papers in this series.

How important is improving financial inclusion to enhancing the use of digital payments within and between the UK and the US?

Improving financial inclusion is not in itself a prerequisite to further initiatives to develop UK-US digital payments markets and transactions. However, both national governments have separately committed to improving access to financial services for the unbanked and underbanked in their respective countries. It would therefore seem somehow disingenuous if financial inclusion did not also form a key tenet of the rationale for growing a UK-US digital payments market.

Conclusion

There are significant mutual benefits to be attained, including substantial growth, for both the UK and the US by working together to expand access to each other's markets in digital payments. There are also several headwinds.

The UK's relationship with the EU in financial services remains uncertain following the agreement of the EU-UK Trade and Cooperation Agreement (TCA) in December 2020. As both the UK and the EU respond to broader social and economic changes it is inevitable that their regulatory regimes will evolve. Given the different governance structures change is likely to be at differing speeds, however, the industry is clear that where appropriate the EU and UK should avoid unintentional fragmentation and friction and focus on regulatory outcomes.

Developed data protection and privacy laws in the US are substantially behind the UK at a national level and diverse and patchwork at state level highlighting another difficulty – the complexity of state and federal regulation to be navigated by UK firms wishing to access any of the US 50 state markets.

The rapidly evolving nature of digital payments and the ability of regulators to keep track of them presents yet another challenge. The sooner both countries can agree an approach for dealing with these challenges and establish a roadmap to achieving a mutually accessible digital payments market, the sooner the significant mutual benefits can be realised.

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