



Weathering the Storm

The impact of COVID-19 and what the payments industry, government and regulators should do about it

Abstract

This paper sets out the Emerging Payment Association's assessment of the impact of changes to the economic, political and social environment following the arrival of COVID-19.

It also sets out the EPA's short- and medium-term recommendations on how to mitigate the damage that the disease might cause to payments and how people pay or get paid.

Andrea Dunlop, Tony Craddock and Neira Jones

With special thanks to the EPA Advisory Board, Angela Yore at SkyParlour, Alison Donnelly at fscm, Mark McMurtrie at The Payments Consultancy, Anna Tsyupko at Paybase, David Parker at Polymath Consulting, Anne Pieckelon at The Inclusion Foundation and Jessica Richards at NatWest – all true community contributors.

FOR INPUT OR SUGGESTIONS PLEASE CONTACT THE EPA THROUGH Malik.Smith@EmergingPayments.org

1. Introduction

Unfortunately, COVID-19 needs no introduction. But what does its arrival, and the significant economic, social and political changes taking place as a result, mean for the payments industry? And what does this mean for how people pay and get paid?

These are important questions in a society where the movement of money is critical to how it works. We felt that the only way to answer them was to talk to those in the front line, the members of the leading community of payments companies and their clients and customers. Our first discovery was that, unlike companies in many sectors, all the businesses we encountered in payments are still operating effectively, while rapidly organising themselves for the new reality. Their initial focus was on the wellbeing of their staff and how to get them into suitable homeworking environments whilst maintaining productivity.

This has now been resolved into a temporary 'new normal'. And the question has become, 'What now?' Companies in the payments industry and financial institutions are rapidly considering the implications of operating in a different and unfamiliar environment. They accept that the current crisis will change us forever: it will change the way we interact and the way we live, work, do business and exchange value. The Emerging Payments Association will try to help facilitate this transition, for its members, the industry, and all of us. We are committed to provide guidance and insights while facilitating collaboration, enabling the catalytic interpersonal reactions that make the world work. And we will employ ourselves to use innovative ways to do this.

We invite everyone who has a stake in how people pay and get paid, from regulators and banks, to technology companies and merchants, advisors and businesses, to use this document to shine some light on what would otherwise be a dark and murky future. We welcome additional input from members and non-members to help us gain a greater understanding of what this might mean and what can be done to mitigate the damage.

And then we urge readers to ask not, 'What can our community do for us?' but 'What can we do for our community?' We would like to understand what you and your company are already doing – or are prepared to do – to help. To help others in payments. And to help those who use payments (consumers, government, corporates and SMEs).

Some inspiring examples of what our members are doing are included in this document. More arrive every day. We intend to share all your stories of 'good news' and positive action widely, as well as influence government and regulators to do more. But most importantly, we want to encourage you and all our members to dig deep, take action and invest resources to help solve a major problem facing humanity.

Andrea Dunlop
Chair of the EPA

Tony Craddock
Director General of the EPA

Neira Jones
**CEO, Phoenix Edge Ltd &
EPA Ambassador**

Contents

1. Introduction

2. The likely impact of COVID-19

- a. Impact on society and the economy
 - On work, employment and family
 - On how people pay
- b. Impact on the payments industry
 - Operations
 - Financials
- c. Impact on regulatory compliance
- d. Impact on technology and infrastructure
 - Cyber risk and fraud
 - Infrastructure

3. What the payments industry can do in the short/medium term

- a. For society and the economy
 - Training, education and awareness
 - Financial inclusion
 - Payments technology and services
- b. For the payments industry
 - Operations
 - Financials
- c. For regulatory compliance
- d. For technology and infrastructure
 - Cyber risk and fraud
 - Infrastructure

4. What the regulators and government can do in the short/medium term

- a. For society and the economy
 - Education and awareness
 - Financial inclusion
 - Payments technology and services
- b. For the payments industry
 - Financials
- c. For regulatory compliance
- d. For technology and infrastructure
 - Cyber risk and fraud

5. Conclusion and a call for contributions

APPENDIX 1: CONTRIBUTIONS FROM THE INDUSTRY

APPENDIX 2: EDUCATION & AWARENESS RESOURCES

APPENDIX 3: TECHNOLOGIES THAT CAN HELP DURING THE CRISIS

APPENDIX 4: EPA COVID-19 RECOVERY HUB

APPENDIX 5: EPA OPEN LETTER TO THE INDUSTRY

APPENDIX 6: ABOUT THE EPA AND CONTACT INFORMATION

2. The likely impact of COVID-19

We can expect the following **trends** over the foreseeable future, all of which are relevant to payments companies, relating to their employees and how they work but also their customers and their payment transactions.

a. Impact on society and the economy

On work, employment and family

- Sickness, the need to provide care for others, and enforced social isolation will result in staff shortages and a demand for widespread **remote working**. New Stay at Home guidance will impact most businesses and individuals unless they are classified as essential services.
- Untrained staff working remotely will be exposed to **increased risk of phishing, fraud and cybercrime**, putting businesses at risk of cyber-attacks on their infrastructure.
- This will increase demand for **remote training** to cope not only with the new order, but also with day-to-day operations.
- Remote working may adversely affect the **mental health** of employees who may not be able to cope with extended isolation periods.
- **The risk of unapproved gaming transactions** will rise as more children are staying at home and remaining indoors.
- **More gambling and adult transactions** will arise from bored at-home or depressed adults (typically higher risk transactions).
- **Financial Inclusion**: many people, especially the 1,200,000 people who receive government benefits weekly on a Post Office Current Account, will be unable to pay for staples if they are not allowed to leave their homes due to illness. Not only are these people financially vulnerable but also many will be identified as high risk for COVID-19, with respect to age, underlying health problems, etc.
- We will see an **increased risk of lost income** for the self-employed, contractors and small businesses and an **increased risk that women will be hit harder than men** when working from home. Feedback from several women who are home with children (and husbands), shows that it doesn't appear to be an even load anywhere. There is a risk that women will slide backwards if the crisis lasts for long.
- A **reduction in demand for new hires** is likely, making it difficult for people to find new jobs during the crisis, also leading to an **impact on recruitment agencies**, especially those specialising in the payments industry.
- **More local community focus** will lead to greater support of neighbourhood shops and businesses.

On how people pay

- A **drastic decrease in cross-border payments** has already happened, due primarily to the quasi-complete shutdown in business travel (and also consumer travel), but also because individuals increasingly prefer to shop locally. FX businesses and those relying on FX are at risk. The recent McKinsey report¹ highlights that ¼ of the total decline in revenues in the analysis is driven by cross-border payments, led by a 25% to 30% drop in cross-border C2B transactions. Cross-border business-to-business transactions have also been affected as supply chains and freight traffic are hit by the pandemic.
- A **drastic decrease in transactions in hospitality, events, leisure and travel** has already taken place. This will also lead consumers to ask for **refunds** or even initiate **chargebacks**. Within a sustained climate of economic depression, we would anticipate further chargebacks claimed against other retailer types too, from consumers who have bought goods and services that they later regret as cash gets tight. Some individuals may trigger fraudulent refunds ('friendly fraud'). In addition, the McKinsey report estimates that classic point-of-sale (POS) payments volumes could drop by as much as 30 to 40% in the short term, though online sales will be less affected. Sales at restaurants and hotels and for recreation, culture, and

¹ <https://www.finextra.com/newsarticle/35566/payments-revenue-to-enter-negative-territory>

travel have virtually collapsed. In 2018, these categories represented over 30% of EU household expenditures and an even higher percentage of POS transactions. We expect a long time to recovery.

- Online food ordering will increase dramatically. Generally, **online ordering will increase**. This may also have an impact on the income of delivery staff (and other staff), as giving of tips (usually paid in cash) may decrease due to the increase use of digital payments.
- In times of recession, we generally see a **shift from credit to debit or prepaid** as consumers reduce their risk appetite. However, the current crisis is expecting to generate a shift to debit for day-to-day purchases, **as well as a need for short/medium term funding** (from individuals and SMEs) to get over the peak of the current crisis, partially satisfied by the government's economic positive response to the crisis.
- Where people can pay for things other than on their mobiles/laptops, we will see a **significant uplift in 'clean' contactless transactions** using cards, wearables or mobiles at the POS, and a reduction in the use of 'dirty' cash/notes transactions by up to 50% (source: LINK). This in turn may negatively affect the poorest in society.
- **Greater use of mobile and online banking** and payment account apps will take place, due to travel restrictions and need for self-isolation
- We will see an **increased demand in 'Buy-Now-Pay-Later'** capabilities as people struggling financially look to spread the cost.
- An **increase in fraud attacks** is likely as criminals seek to exploit the current unusual circumstances. Changes in working practices may also inadvertently create weak points.
- **Use of personal financial management tools** to help with financial management and spend analysis will grow, as will the use of digital wallets.
- Increased risk to the economy may arise due to **potential takeovers of distressed UK assets** that could be snapped up very cheaply by cash-rich giants in the UK and globally.

b. Impact on the payments industry

We can expect the following **trends** over the foreseeable future.

Operations

- Staff shortages will represent a risk to service and resilience, and generally **adversely affect operations**.
- The increase in remote working will lead to **higher security and fraud risks**.
- Social distancing measures will lead to **more online transactions** and fewer instore transactions. Several members of the EPA are already seeing a substantial drop in physical 'card present' transactions using chip and pin, on a week-on-week comparison.
- Due to consumers cancelling holidays and other leisure/outside activities, organisation face the additional burden of **increased exceptions (e.g. refunds, chargebacks, etc.)**. This is an area fraught with reconciliation, reporting and communication challenges. There may not be adequate staffing levels to cope with this abnormal increase. Over the last two weeks, one EPA member has seen a spike of 14% above normal chargebacks with merchants in the UK/EU and 16% above normal with US merchants.
- We are likely to see **an increase in first party fraud** relating to fraudulent claims of non-delivery of product to justify fraudulent refunds.
- There will be **an increased risk of internal fraud by employees** who are economically vulnerable to exploitation or at risk of poor judgement because of mental health strain.
- We are likely to see a significant **uplift in 'clean' contactless transactions** using cards, wearables or mobiles, with one member reporting an 8% increase, and a **reduction in the use of 'dirty' cash/notes transactions** of around 50%. The industry itself may be conducive to this, as we have recently seen with the increase in contactless limits in some EU countries. We welcome the recent agreement to increase contactless transaction limits to £45 in the UK and similar initiatives across Europe.
- **Supply chain resourcing constraints** will make it challenging to replace payments terminals before the end of the PCI PTS v3 deadline. With shops being closed this would also necessitate delays. We therefore welcome the one-year additional time announced by the PCI SSC.

Financials

- A **reduced risk appetite** will lead to more low value and fewer high value transactions.
- Reduced consumer and business confidence and less disposable income will result in **fewer purchases** and as a result, **fewer payment transactions**.
- The **reduction of interest rates will hit PSPs** relying on interest earned on balances in settlement accounts to support their operations. For the bigger players, this can be over £1m in lost profit contribution, which may threaten their viability or require them to change business model/increase charges.
- Many payment transactions for travel, leisure, hotels and events will require **refunds**.
- Some consumers and businesses will trigger **chargebacks**, both genuine and fraudulent.
- The likely **increase in first party fraud** (e.g. fraudulent refunds) will further hit the online and bricks & mortar retailer community.
- **Credit exposure:** Some acquirers are concerned about where they have greatest **credit exposure**, for example with purchases for long term goods such as travel. As a result, some acquirers are asking merchants for more collateral just at the time when they are in a weak commercial position, or are enforcing instant termination with some struggling merchants. This de-risking by acquirers will have an additional negative impact on merchants and their working capital to remain competitive. B2B issuers' number one priority is evaluating their credit exposures and taking action. This includes radically **slowing down new sales activity (and raising credit thresholds) and proactively managing back-book exposure**.
- **Reduced investment:** entrepreneurs and owners will have problems raising new funding. Many VCs have said they have stopped investing in new companies for the next two quarters. Redundancies and, in some cases, unpaid staff will be the result. There will also be fewer new companies coming into existence, especially since the Budget's change to Entrepreneur's Relief.
- **Cancelled contracts:** some deals are being cancelled due to the buyer reducing risk or being unable to follow-through. For now, RFPs are continuing to be processed as normal. But soon the projects sitting behind these RFPs are expected to experience delays as the funding parties (retailers, merchants and financial institutions) have lower working capital and fewer staff to manage and progress the new projects internally.
- **Revenue drop:** We expect to see revenue reductions for the majority of payment solution providers. Orders will be postponed at best but those on PaaS models will see permanently lost revenues.
- **Opportunity costs of cancelled events:** The payments industry uses conferences, meet-ups and events to facilitate transactions and deals. These stimulate innovation, enable investment and foster commerce. But all industry events have been cancelled in March, April, May and June. There is a cost of the opportunities forgone of attending these cancelled events for those in the payments industry.
- **Some events companies are likely to fail** and, as a result, a more limited choice of events will be available, other than in the second half of 2020 when a flood of postponed events are due to take place. Most event organisers (and the EPA) are developing digitally-enabled products to ensure the need for advice, content and connections continues to be satisfied, although it is not clear how many will succeed, nor how soon 'Video Conference Blindness' will set in.
- **Opportunity cost of missed international exports:** as international travel and business development is curtailed, fewer exports by UK payments and FinTech companies will take place.
- **Company liquidity:** as volumes of payment transactions fall, transaction volumes will suffer. This will have an impact on profitability, cashflow and employment levels. We can expect to see some company failures and some consolidation. There will be an impact on the growth of the paytech, fintech & regtech sectors.
- We may see **growing demand for cash** at ATMs from people 'putting money under the mattress'.

c. Impact on regulatory compliance

We can expect the following **trends** over the foreseeable future.

- The increase in remote working will also lead to **compliance risks**, such as, but not limited to **privacy and authentication lapses**
- **Open banking and open finance** is a core component of the future of UK financial services. The excellent work being done by Accenture on the future of OBIE is published, but its consideration, evaluation and implementation has been postponed. The pace of new policy development, for example with the Open Banking Future State Steering Group run by UKF, will slow.
- **Missed deadlines:** Companies are working rapidly to adjust their operations and commercial models to reflect a new operating environment. In some cases, especially in the emerging parts of payments, this may **preclude companies from resourcing regulatory compliance** or the development of new capabilities to hit regulator-defined deadlines, such as under the Regulatory Technical Standards on common and secure communication and strong customer authentication. Some companies may miss deadlines imposed by the regulator due to the immediate priorities of managing the flow of work with a limited workforce. The EPA notes that this shouldn't be the case because the work should have been sufficiently advanced as businesses have had ample time to prepare.
- Recruitment freezes and difficulties attracting staff to move from current position may mean businesses are **not able to fill vacant compliance and audit positions** in a timely manner. Also, illness among compliance teams may leave some businesses exposed.
- **Uncertainty is likely regarding regulatory audits** and how they might be conducted where physical visits to offices are restricted.

d. Impact on technology and infrastructure

We should anticipate the following **trends** in the foreseeable future:

Cyber risk and fraud

- For those organisations unfamiliar with remote working, this will present cyber security risks if the appropriate **security policies** are not in place and enforced.
- As individuals find themselves increasingly under financial pressure, companies will see a rise in **insider threats**.
- For those organisations unfamiliar with remote working, this will present cyber security and fraud risks if the appropriate **security technologies** are not in place and operating effectively.
- Existing fraud prevention and risk **processes may not be suitable for remote working**.

Infrastructure

- Some organisations may not have the **necessary infrastructure** to cater for the higher demand for remote working (e.g. laptops, connectivity, mobile phones, etc.).
- Some organisations may not have the necessary **collaboration tools** (e.g. Microsoft Teams, Slack, Zoom, etc.) in place to replicate current physical operational processes.
- Whilst most technology infrastructure can be managed and maintained remotely, it will still require some physical presence, creating **key man dependencies** on some IT personnel/suppliers.
- **Delays in supplies of new hardware** required to provide adequate access to systems/services remotely are likely.
- Technology infrastructure (e.g. servers, networks) may not cope with the **increase in online transactions**.
- Technology infrastructure may not be adequate to satisfy **regulatory requirements** (e.g. PSD2, MiFID, GDPR, AML, etc.) in a remote working context.
- Due to the increased demand on internet connectivity, **rural areas** may become severely stretched.

3. What the payments industry can do in the short/medium term

a. For society and the economy

The payments industry can play a role in mitigating the adverse impact on society and the economy. We are aware of the current related government and regulatory initiatives, and therefore we will concentrate on where the payments industry can deliver the most value, quickly.

The payments industry, and members of the Emerging Payments Association in particular, has a wealth of resources that can prove valuable in the current crisis, and the following have been identified as our top recommendations:

Training, education and awareness

- EPA to create **an online hub** on its website that contains, at least, the following: [IMMEDIATELY FEASIBLE – See Appendix 4]
 - ✓ EPA to **promote understanding of, and confidence in, digital payments** to those unfamiliar with them. This should help people understand the types of digital payments that are right for them and could be funded by members, government or other institutions.
ACTION: Seek funding and/or resources from schemes and larger members to generate content that others can use to promote the use of digital payments during the crisis (this is not an immediate action for the EPA given the level of resources available).
 - ✓ EPA to **make its own training available online** and to **deliver webinars on hot topics** in the coming months. The EPA will make the next session of its own Payments 101 training in May 2020 available for free to all.
ACTION: This is immediately feasible and in progress.
 - ✓ EPA to **publish list of free remote training resources and other resources on website**.
ACTION: Feature list of training resources in the **EPA Recovery Hub** in Appendix 4. This list should be regularly updated as more contributions are received at the EPA.
 - ✓ In order to address the potential **'at-home' workload imbalance** that would affect women, EPA to provide more sharing of best practice. EPA to build on the the work of the EPA's **Project Women in PayTech** and the EPA's partnership with the **European Women in Payments Network** to share best practice, either with a new EPA project or other means, on the **EPA Recovery Hub**.
ACTION: Andrea Dunlop to source contribution(s).
- **EPA Members/Sponsors/Benefactors to consider providing the following:**
 - ✓ EPA members to **make available any remote training resources** they are able to share with the wider community.
ACTION 1: This can be done immediately. EPA to write an **EPA Open Letter** to its members and the industry to seek contributions. See Appendix 5 for suggested content.
ACTION 2: This can be done immediately. EPA member **Eversheds Sutherland** free training, webinars and briefings on COVID-19 issues and wider issues affecting the payments industry during this time to assist if key compliance resource is not available.
 - ✓ EPA members to **share best practice and success stories in their deployment of remote working** at digital events and between each other using social media.
ACTION: This can be done immediately. EPA to include in **EPA Open Letter**. See Appendix 5 for suggested content.
 - ✓ **EPA members to be asked what they can do to facilitate more remote interactions** to provide content/guidance/networking, as physical interactions disappear.
ACTION: EPA to include in **EPA Open Letter**. See Appendix 5 for suggested content.
 - ✓ EPA members to **prioritise phishing, anti-fraud and cybercrime training for remote workers**. See Appendix 5.
ACTION: EPA to include in **EPA Open Letter**. See Appendix 5 for suggested content.

Financial inclusion

- EPA to work on the following:
 - ✓ The EPA's **Project Inclusion** in conjunction with **The Inclusion Foundation** to provide resources to help mitigate the impact on the financially excluded. For example, many events are now being delivered remotely, which will give an opportunity to showcase some of the solutions that can help with the crisis and also encourage the endorsement of SignPostNow.²
ACTION: EPA to initiate this work and determine timescale.
 - ✓ To **work on the creation of an inclusion fund** for big companies to contribute subsidies for financially excluded people.
ACTION: This is a medium-term initiative, and larger members should be approached for funding/resources (e.g. Mastercard, Visa, FIS).
 - ✓ **EPA to engage with LINK and UK Finance** to share best practice to help with financial inclusion.
ACTION: EPA to connect the Project Inclusion team and The Inclusion Foundation to LINK and UKF.
 - ✓ Council benefit payments may be stress-tested. Although this is a niche issue, we need to ensure that issuers in that space are able to **support unusual levels of additional emergency card issuance**.
ACTION: EPA to ask AllPay to contribute to this and develop ways to enable easy access to new funds.
- **EPA to ask larger members** such as NatWest, Barclays, Lloyds, FIS, Mastercard and Visa to see what they can do **to facilitate the provision of payment accounts** to all eligible individuals. And perhaps to go further, to provide financial compensation for vulnerable and excluded consumers.
ACTION: This is a medium-term initiative. EPA to ask larger members how they can help, in addition to what they are currently doing.

Payments technology and services

- EPA to work on the following:
 - ✓ EPA and industry to **promote the use of payment acceptance on end user devices** to help SMEs and sole traders, as this will not require additional investment in specialist hardware to be able to accept digital payments. EPA to publish any guidance on a new **EPA Recovery Hub**.
ACTION: EPA to ask the card schemes for funding and/ or resources to generate content that others can use to promote the use of digital payments on end-user devices during the crisis as this is not something the EPA can take on given the level of resources available.
 - ✓ Work with schemes to consider **relaxing the thresholds and policies in relation to chargebacks and fraud levels** (as these have been recently tightened) and sharing best practice. A related issue is that of the **increase in declines** due to increased unavailability of funds.
ACTION: This can be done immediately. EPA to ask the schemes for best practice and relaxation of rules in relation to chargebacks and declines.
 - ✓ EPA to draw up a list of **technologies and services that can help with the current crisis** and publish on the **EPA Recovery Hub**. See Appendix 4.
ACTION: This can be done immediately. EPA to include the list provided in Appendices 1, 2 & 3 on the EPA Recovery Hub (Appendix 4), and to keep it up-to-date as more contributions are made.
- **EPA Members/Sponsors/Benefactors to consider providing help for others in the community** (e.g. resources and expertise, services, payment holidays, fee reduction, delayed payment etc.):
 - ✓ For those EPA members operating in the chargebacks space, see if they can offer any **resources to help organisations with the expected rise in chargebacks**, and exceptions.
SEE APPENDIX 1 for examples of what EPA members are offering, over and above what they would normally offer, in light of the current crisis situation.
 - ✓ EPA members to consider **providing technology/ services to help others in the community**:
SEE APPENDIX 1 for examples of what EPA members are offering, over and above what they would normally offer, in light of the current crisis situation.

² <https://signpostnow.org/>

- ✓ To consider **limiting the number/value of gambling/gaming/adult transactions** in a given period (or introducing other friction) to help with potential addiction and general wellbeing.
ACTION: This is to be done immediately. The EPA is aware that many financial services institutions are already doing this, but we should still include this in the **EPA Open Letter** - see Appendix 5.

b. For the payments industry

The payments industry can play a role in mitigating the adverse impact on the operations of its members and the payments ecosystem. We are aware of the current related government and regulatory initiatives, and therefore we will concentrate on where we think we can deliver the most value, quickly. The following have been identified as our top recommendations.

Operations

- EPA members to consider the following:
 - ✓ To **share best practice** in dealing with the adverse operational impacts related to the current crisis. As businesses need to pressure test and update **business-continuity and disaster-recovery** plans to cater for the new working conditions, EPA members should be asked if they could offer expertise to, and/or share best practice in this area with, less fortunate organisations, especially SMEs.
ACTION 1: This can be done immediately. The EPA to direct organisations to the FCA guidelines on operational resilience <https://www.fca.org.uk/firms/outsourcing-and-operational-resilience>. This should be included in the Online Hub.
ACTION 2: This can be done immediately. EPA to ask members if they can contribute to the **EPA Open Letter** and sign it.
 - ✓ To **share best-practice to address workforce management**, informed by service criticality and exposure risk. EPA members to share specific plans they have implemented for contingent and contract workforce, as well as for suppliers (e.g. critical services, collaboration, supply chain, etc.)
ACTION: This can be done immediately. EPA to include in the **EPA Open Letter**.
 - ✓ To **share best practice** in relation to their experience and deployment of **collaboration tools** (e.g. Microsoft Teams, Slack, Zoom, etc.) in place to replicate current physical operational processes.
ACTION: This can be done immediately. EPA to include in the **EPA Open Letter**.
- **EPA to publish all best practice on the EPA Recovery Hub.**
ACTION: This can be done immediately. See Appendix 4 for suggested content.

Financials

- **EPA members to share best practice in relation dealing with the adverse financial impact related to the crisis.**
ACTION: This can be done immediately. See Appendix 5 for suggested EPA Open Letter content.
- **EPA to work on the following:**
 - ✓ To produce best practice on the impact of the crisis on **company liquidity**.
ACTION: This can be done immediately. EPA to publish on online hub (Andrea Dunlop).
 - ✓ **To publish all best practice on the EPA Recovery Hub.**
ACTION: This should be an ongoing activity going forward.
 - ✓ To ask the global schemes (Visa, Mastercard and Discover) what help they can provide in relation to dealing with the adverse financial impact related to the crisis.
ACTION: This can be done immediately. EPA to ask the cards schemes to perhaps relax collateral requirements as these are exceptional circumstances and some companies maybe seeing a period of higher chargebacks. EPA to ask the card schemes to work with payment companies to put in place bank bonds or trust agreements to mitigate additional cash collateral.

c. For regulatory compliance

- **PSD2 Strong Customer Authentication:** businesses may see the current crisis as an excuse not to meet the current (and already extended) deadline. With the increase in remote banking and many more services offered digitally, fraud prevention mechanisms become even more paramount and **we ask our members not to procrastinate.**
ACTION: This can be done immediately. See Appendix 5 for suggested **EPA Open Letter** content.
- **PSD2 Secure Communications:** many ASPSPs are still not delivering working interfaces to allow TPPs to access payment accounts. Whether the interface is a dedicated public API, or the modified online banking customer interface, failure from ASPSPs to provide secure access to TPPs will hinder the adoption of Open Banking, and therefore stifle innovation. **The EPA urges ASPSPs to prioritise the provision of working interfaces** in line with their regulatory obligations.
ACTION: This can be done immediately. See Appendix 5 for suggested **EPA Open Letter** content.
- **EPA to publish best practice in terms of when to contact the regulators in times of crisis.** We are aware that smaller companies are sometimes reluctant to talk to regulators for fear of penalties. The EPA wants to encourage early and 'grown-up' conversations with the regulators as these are preferable that waiting for a 'cliff-edge' situation, when very little can be done.
ACTION 1: This can be done immediately: EPA to create blog/paper to highlight sensible conversations with the regulator (Alison Donnelly at fscom has offered to help). EPA to include content in Online Hub.
ACTION 2: This is more medium term: EPA to consider whether they want to become an intermediary between smaller organisations or those that are struggling (generally shy with the regulators) and the regulators to facilitate conversations.
- **EPA members to consider providing resources and services to help the community:**
ACTION 1: This can be done immediately: EPA member **Eversheds Sutherland** will provide the following during the crisis:
AI contract review to assess COVID-19 position – cost effective as uses technology to analyse the contractual position associated with COVID-19
Interim resource (working remotely full or part time) – cost effective and can be set up quickly in the event of sickness or diversion of resource elsewhere
Free initial advice on urgent issues to sense check payments related issues while team members may be out of action.
ACTION 2: This is more medium term: EPA to consider whether they want to become an intermediary between smaller organisations or those that are struggling (generally shy with the regulators) and the regulators to facilitate conversations.
- **PCI DSS Compliance:** it has been common practice in the acquiring space to charge smaller merchants a **PCI DSS non-compliance fee** (sometimes called PCI DSS Admin Fee) as part of their monthly bill. The EPA thinks this fee should be reconsidered during the current crisis.
ACTION 1: This can be done immediately. Acquirer members of the EPA (and other acquirers) should consider giving holidays to merchants that are subject to PCI DSS non-compliance fines during the crisis, especially as the affected merchants are exclusively SMEs.
ACTION 2: Card schemes to consider relaxing any mandates regarding acquirer merchant portfolio compliance thresholds (if any are applicable currently) during the crisis.
- **EPA to publish updates on PSD2/Open Banking and other compliance matters on the EPA Recovery Hub.**
ACTION: This can be done immediately: EPA to include content in Online Hub and update regularly.

d. For technology and infrastructure

The payments industry can play a role in mitigating any adverse impact on technology and infrastructure. We will concentrate on where we think we can deliver the most value, quickly. The following have been identified as our top recommendations:

Cyber risk and fraud

- **The EPA to work on the following:**
 - ✓ To **publish a list of available resources to address cyber risk and fraud on the EPA Recovery Hub**. See Appendices 1 & 2.
ACTION: This can be done immediately. EPA to include content in Online Hub and update regularly. See Appendix 4 for suggested EPA Recovery Hub content
 - ✓ To **publish available resources and best practice in relation to DMARC deployment** by its members.
ACTION 1: This can be done immediately. EPA to include content in Online Hub and update regularly. See Appendix 4 for suggested EPA Recovery Hub content.
ACTION 2: This can be done reasonably quickly. EPA to work with the Global Cyber Alliance (Neira Jones is a partner and can provide all contacts) as they offer free tools, webinars, etc.)
- **EPA members to provide technology/ services to help others in the community.**
ACTION 1: This can be done immediately. EPA member **Buguroo** will offer to organisations concerned with fraud related to Covid-19 and that are not currently customers: zero integration fees, zero upfront costs, zero transaction commitments, zero cost 24/7 support and immediate access to our platform until June 30th 2020.
- **EPA members to deploy Domain Message Authentication Reporting (DMARC)** to address phishing, Business Email Compromise (BEC) and resultant Authorised Push Payment (APP) Fraud. As this is not a competitive matter (the DMARC standard has been around for a few years) and given the success already achieved in the public sector, this should be prioritised. See Appendix 5.
ACTION: This can be done immediately. See Appendix 5 for suggested **EPA Open Letter** content.

Infrastructure

- **EPA members to consider the following:**
 - ✓ **Sharing of resource:** these can be human resources, or technical capabilities, such as sharing of licenses, training, hardware capacity to alleviate cloud storage shortages, network connectivity, etc.
ACTION: This can be done immediately. See Appendix 5 for suggested **EPA Open Letter** content.
 - ✓ **Sharing of best practice.**
ACTION: This can be done immediately. See Appendix 5 for suggested **EPA Open Letter** content.
- **EPA to publish all available resources and best practice on the EPA Recovery Hub.**
ACTION: This should be an ongoing activity.

4. What the regulators and government can do in the short/medium term

a. For society and the economy

We are aware of the current related government and regulatory initiatives, and we welcome the continued dialogue. We are committed to transparency and openness and offer our help and support in any activities that could help with the current crisis. We are currently gathering together initiatives from our members that demonstrate their commitment to supporting the economy and society in general. These are our top recommendations for the regulator and government regarding society and the economy.

Education and awareness

- That the Government develops and disseminates educational campaigns for the safe use of cash.
- That the Treasury ensures that arrangements are in place to preserve the use of cash at retail merchants so as not to disadvantage those unable to use digital payments.
- That Government and regulators put together a formal taskforce to address financial inclusion in the current crisis.
- That the FCA allows additional time before enforcement of new regulations and delays market reviews and consultations.
- That the FCA maintains focus on timely delivery of Confirmation of Payee.

Financial inclusion

- That Government places a moratorium on any ATM closures or branch closures for the next six months. If people are told to travel as little as possible, it is not helped if their local cash machine or branch are no longer available.
- That Government supports card issuers and acquirers to enable cardholders to withdraw funds over the counter at local shops, whether via the LINK network or the card schemes, without requiring a purchase.

Payments technology and services

Regulators such as the FCA are working closely with the EPA to ensure there is a close dialogue between the FCA and both regulated and non-regulated companies in payments. These are our additional recommendations for the regulator and government regarding payments technology and services.

- That the FCA develops and implements activities to help the hardest hit SMEs with the use of digital payments technologies as their customer-facing businesses disappear.
- That the FCA helps with the expected increase in chargebacks. EPA to facilitate connection between **Chargebacks911** and the FCA.

b. For the payments industry

The following have been identified as our top recommendations for government and regulators regarding the payments industry.

Financials

- That the FCA **considers providing any help/advice in relation to de-risking by acquirers and issuers**, which in turn has a negative impact on merchants and their working capital. Perhaps the provision of a good practice guide to curtail the natural tendency of acquirers to de-risk their portfolios by enforcing delayed settlement tactics or increasing collaterals. Acquirers should be working on a case by case basis with merchants during this challenging time.

c. For regulatory compliance

Compliance is central. These are our recommendations for government and regulators regarding compliance.

- That the **FCA creates a joint taskforce with the industry** to work on the following:
 - ✓ **Enforcement of the implementation of working interfaces to allow TPPs to access payment accounts**, so as not to hinder Open Banking and stifle innovation, especially as the current crisis is driving more and more people to access accounts digitally.
 - ✓ **Implementation of SCA**, as we believe any delays to implementation would make the new ecosystem even more conducive to fraudsters and cyber criminals, especially during the current crisis.
 - ✓ Helping TPPs to understand what interfaces are available to use to access the ASPSP's customer accounts by providing **a list of ASPSPs** and the type(s) of secure communications interface they provide. This can take the form of a dedicated public API, or a modified online banking interface, or both. Open Banking Europe already provide such a facility.
 - ✓ Providing a simple way for TPPs to **report ASPSPs that do not offer working interfaces**.
- That the FCA endorses messaging sent by the EPA to its members encouraging those companies that feel they are unlikely to meet the deadlines to engage proactively with the FCA now to avoid cliff edge situations.
- That the FCA, and possibly other regulators, to consider examining whether the **PCI DSS non-compliance fee** (some call it a 'PCI DSS Admin Fee) levied on SME merchants monthly is **fair practice**. (see section 3.3).

d. For technology and infrastructure

The payments industry can play a role in mitigating adverse impact on technology and infrastructure. We will concentrate on where we think we can deliver the most value, quickly. The following have been identified as our top recommendations.

Cyber risk and fraud

- That the **FCA promotes/encourages DMARC deployment in financial services** (and other essential services) in a push similar to that observed in the public sector.
- That the **FCA accelerates the deployment of Confirmation of Payee** instead of delaying it.

5. Conclusion and a call for contributions

The EPA's response

This paper is for those passionate about the payments industry who believe in its power to positively impact the world around us. It provides an understanding of what the crisis created by the arrival of COVID-19, and the changes to the economy, politics and society that this stimulated, may mean to the payments industry and those who use it to pay and get paid.

The paper also identifies what could be done by the members, patrons and benefactors of the Emerging Payments Association to help mitigate this impact. And some things we would ask of the regulators to help while preserving the security, integrity and effectiveness of payments.

The EPA itself is developing new, digitally enabled membership packages based on delivery of content and connections using virtual tools. We have already offered the industry the opportunity to nominate their products and services for the Emerging Payments Awards, normally priced at £300, at zero cost this year. We hope that this will encourage everyone to remember that when all this is over, we will want to get together for the best party of the year, on October 7th, in the Great Room at Grosvenor House Hotel, Park Lane, London. We will be celebrating our amazing achievements as we recover from this stormy period. The EPA is also providing price and payment flexibility for members struggling with the burden of cashflow or revenue challenges.

It's time to step up

The Emerging Payments Association invites members of the payments community to come together. In this way we can offer support for those in the industry and those who use it who are disadvantaged by and/or suffering as a result of COVID-19. See Appendix 1 for some inspiring and creative examples of contributions that EPA members are already making.

This is an opportunity to show that the payments industry is a proactive catalyst for good so that even with the impact of COVID-19, payments works well for everyone. If there is ever going to be a time to step up to the challenge, this is it.

See www.emergingpayments.org or for more information. To get involved, email malik.smith@emergingpayments.org.

APPENDIX 1: CONTRIBUTIONS FROM THE INDUSTRY

We have called on the EPA members for their contributions (e.g. resources and expertise, services, payment holidays, fee reduction, delayed payment etc.) and have received the following examples. Members wishing to add to this list are welcome to send them to malik.smith@emergingpayments.org.

ACTION 1: This can be done immediately: EPA member **Chargebacks911** is offering chargeback management services to acquirers, PSPs and merchants: to help those in need, with no setup fee, month to month contracts, non-technical integrations, with a paid-on-performance model.

ACTION 2: This is a medium-term action: the EPA will become a referral partner for **Chargebacks911**, The EPA would ring-fence any funds that came from this and then use this to support crisis-related project implementation work.

ACTION 3: This is to be done immediately. As a response to COVID-19, EPA member **Eazy Collect** will waive the Eazy Collect Setup Fee, offer free onboarding (24 hour due diligence/KYC), waive the monthly fee for 6 months and discount the transaction fee applied for their Eazy Managed DD services. Eazy Managed DD services: standard non-branded service allowing SME to collect direct debit payments from customers whether for an interim basis for a simple fixed monthly 'maintenance service continuity fee' to keep their base service or amended service rolling or an adoption of a new service that the client may wish to quickly launch.

ACTION 4: This can be done immediately: As a response to COVID-19, EPA member **Eazy Collect** would waive the Eazy Collect Setup Fee, offer free onboarding (48 hour due diligence/KYC), waive the monthly fee for 6 months and discount the transaction fee applied (based on a minimum estimate of transactions over 100 per month) for their Eazy Corporate DD services (as above, but fully branded with company/organisation name).

ACTION 5: This can be done immediately: EPA member **Eazy Collect** will Provide Eazy Collect Service to collect direct debit or credit card donations for EPA's chosen charitable Covid-19 beneficiary or selection of up to 3 charities (allowing donor to choose). Based on a joint promotion by EPA and Eazy Collect. Eazy Collect will absorb the Eazy Collect Setup fee to the EPA, absorb the onboarding fee, absorb the monthly fee for 12 months and apply a discounted fixed transaction fee. There would be an option at end of the pandemic period to continue with a donation option or close the account down.

ACTION 6: List in **EPA Recovery Hub** immediately the offer from EPA member **W2** to organisations it doesn't currently work with who want to ensure their business continuity: zero integration fees, zero upfront costs, zero transaction commitments, zero cost 24/7 support and immediate access to its platform/services.

ACTION 7: List in **EPA Recovery Hub** immediately the offer from EPA patron **Choice International**, whose technology allows 150 small money service businesses in the UK to enable consumers to send money internationally, especially Africa. UK law enforcement is not recognising the fact that these small businesses are core financial services and (in many instances) forcing them to close. So Choice is stepping in by underwriting the disputing of these fines in court as well as any potential confirmed fines. This will allow them to continue to service vulnerable people who are often financially excluded.

ACTION 8: List in **EPA Recovery Hub** offer from EPA Member **BlueTrain** to write entries for the Emerging Payments Awards at a 50% reduction in their normal fee.

ACTION 9: List in **EPA Recovery Hub** EPA member **Buguroo's** offer to provide to organisations concerned with fraud related to Covid-19 and that are not currently customers: zero integration fees, zero upfront costs, zero transaction commitments, zero cost 24/7 support and immediate access to their platform until June 30th 2020.

ACTION 10: Encourage members to call on the extensive support being provided by banks, such as EPA member Natwest. Its support for NHS workers, customers and society is extensive, including converting parts of its offices to distributing food to the homeless, launching a fundraising appeal (National Emergencies Trust) and suspending dividend distribution and share buy-backs. It has also set up a dedicated crisis financial advice careline and offered changes to its interest rates, application criteria and payment terms on several product lines, including for SMEs. And finally, it has made some strong recommendations for what the industry and its regulators should do to ease the way to a stronger recovery, regarding CoP, NPA, CHAPS and PSD2.

ACTION 11: List in EPA Recovery Hub EPA Member **K&L Gates** “Responding to COVID-9 Resource Centre”.
<http://www.klgateshub.com/categorylisting/?series=Responding+to+COVID-19>

APPENDIX 2: EDUCATION & AWARENESS RESOURCES

Cyber Security & Fraud Prevention Resources

<https://www.ncsc.gov.uk/report/weekly-threat-report-20th-march-2020>

<https://www.nist.gov/blogs/cybersecurity-insights/preventing-eavesdropping-and-protecting-privacy-virtual-meetings>

<https://workfromhome.globalcyberalliance.org/>

<https://www.infosecurity-magazine.com/news-features/infosec-compassionate-covid19>

<https://www.cyjax.com/download/>

<https://www.tripwire.com/state-of-security/security-awareness/free-cyber-safety-resources-during-covid-19/>

Other Training resources

<https://thefintechtimes.com/temenos-offers-customers-free-access-to-its-digital-learning-platform-during-the-covid-19-crisis/>

Eversheds Sutherland free training (TBC).

Free Training for Children:

<https://cyberschool.ac/>

<https://www.siliconrepublic.com/companies/minecraft-education-coding-history-marine-biology>

APPENDIX 3: TECHNOLOGIES THAT CAN HELP DURING THE CRISIS

Payments:

<https://thepayers.com/mobile-payments/uk-fintech-sumup-to-waive-fees-on-mobile-payments--1241326>
<https://ibsintelligence.com/ibs-journal/ibs-news/truelayer-offers-open-banking-solution-for-reducing-the-impact-of-covid-19/>
<https://www.fintechdistrict.com/coronavirus-the-power-of-fintech-community/>
<https://www.techuk.org/insights/news/item/17112-covid-19-offers-of-support-to-local-government>

Funding

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>
<https://www.finextra.com/pressarticle/81898/fca-sets-out-new-guidance-for-mortgage-providers-and-for-lenders>

Compliance & Regtech:

<https://www.igamingbusiness.com/news/w2-latest-waive-fees-amid-covid-19-pandemic>
<https://www.biometricupdate.com/202003/yoti-offers-free-digital-identity-verification-for-organizations-fighting-coronavirus>
<https://www.finextra.com/pressarticle/81913/jumio-donates-identity-verification-service-to-battle-covid-19>
<https://www.finextra.com/pressarticle/81947/aire-opens-up-credit-insight-service-to-help-lenders-keep-pace-with-financial-uncertainty>

Cyber Security & Fraud Prevention

<https://www.bleepingcomputer.com/news/software/list-of-free-software-and-services-during-coronavirus-outbreak/>
<https://gcatoolkit.org/>
<https://dmarcguide.globalcyberalliance.org/#/>

To support the loss of income for the self-employed:

<https://www.finextra.com/newsarticle/35506/self-isolating-fintech-coders-build-app-to-support-5m-self-employed-over-covid-19-income-loss>

To support mental health:

<https://www.mind.org.uk/information-support/coronavirus-and-your-wellbeing/>
<https://www.finextra.com/newsarticle/35523/starling-adds-positive-friction-to-gambling-block>

APPENDIX 4: EPA COVID-19 RECOVERY HUB

The EPA can immediately create an online hub to support the crisis effort. The following is a list of items that should be included:

- Content related to the promotion of understanding and confidence in digital payments.
- EPA training
- Recordings of webinars on hot topics being produced for its members in the coming months. The EPA will make the next session of its own Payments 101 training available for free to all
- List of technologies and services that can help with the current crisis
- Direct organisations to the FCA guidelines on operational resilience <https://www.fca.org.uk/firms/outsourcing-and-operational-resilience>
- Best practice on the impact of the crisis on company liquidity
- Blog/Paper from fscom: how and when to talk to the regulators
- Regular updates on PSD2/Open Banking
- List of available resources to address cyber risk and fraud. See Appendices 1 & 2 for initial list.

APPENDIX 5: EPA OPEN LETTER TO THE INDUSTRY

The EPA can immediately create an **EPA Open Letter** to the industry to support the crisis effort. The first call to action will hopefully generate more contributions. The following is a list of items that should be included in the **EPA Open Letter**:

- Contributions of remote training resources
- Contributions of best practice and success stories in deployments of remote working
- Contributions in the facilitation of remote interactions (e.g. content, guidance, networking, technology, etc.)
- Contributions of best practice in relation to their experience and deployment of collaboration tools (e.g. Microsoft Teams, Slack, Zoom, etc.) in place to replicate current physical operational processes
- Contributions of best practice in workforce management (informed by service criticality and exposure risk. EPA members to share specific plans they have implemented for contingent and contract workforce, as well as for suppliers (e.g. critical services, collaboration, supply chain, etc.)
- Contributions of help related to operational resilience
- Contributions of help related to financial resilience
- Contributions in the sharing of infrastructure resources: these can be human resources, or technical capabilities, such as sharing of licenses, training, hardware capacity to alleviate cloud storage shortages, network connectivity, etc.
- Contributions in best practice for the management of infrastructure resources.

In addition, the **EPA Open Letter** will:

- Invite operators to consider limiting the number/value of gambling/gaming/adult transactions in a given period (or introducing other friction) to help with potential addiction and general wellbeing.
- Ask members and the industry not to procrastinate in their deployments of Strong Customer Authentication, despite the delayed timeframe
- Ask members and the industry not to procrastinate in their deployments of working interfaces to TPPs despite the delayed timeframe
- Ask acquirer members to re-consider the levying of PCI DSS monthly non-compliance fee (sometimes called PCI DSS Admin Fee) on their SME merchant portfolios.
- Ask members and the industry to deploy Domain Message Authentication Reporting (DMARC) to address phishing, Business Email Compromise (BEC) and resultant Authorised Push Payment (APP) Fraud. As this is not a competitive matter (the DMARC standard has been around for a few years) and given the success already achieved in the public sector, this should be prioritised



APPENDIX 6: ABOUT THE EPA AND CONTACT INFORMATION

For more information about the EPA, visit www.emergingpayments.org. To find out more about joining the EPA as we weather the storm together, contact Keri.Farrell@EmergingPayments.org.

To share examples of what you are doing to help address the current crisis, or for media enquiries and input, contact Malik.Smith@EmergingPayments.org.

To contact Andrea, Tony or Neira, please liaise with Malik.Smith@EmergingPayments.org.