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## INSIGHTS FORUM ™

# Collaborating to Deliver Payment System Innovations

This Roundtable was held during the 2023 Point Zero Forum. Francesca Hopwood Road (Head of the London Centre) and Chris Hackworth (Advisor at the London Centre) moderated the session convened by the BIS Innovation Hub's London Centre. The session brought together 15 experts from central banks, private sector financial and legal firms and academia to understand how collaboration between them can support payment systems innovations.

This note summarises the themes from the conversation and calls to action. The discussion was held under Chatham House rules and comments are not attributed.

The opinions expressed herein are the personal views of the Roundtable participants and do not necessarily reflect the official views of the hosts or participants' respective organisations.

**Key Takeaways:**

Four key considerations came across from the conversations to ensure disparate stakeholders achieve the most from either new or existing initiatives to deliver payment system innovations.

1. **Agree on common objectives –** get agreement on objectives from an innovative programme, gain buy-in for the approach and align incentives.

2. **Maintain open conversations –** create an environment that allows everybody to be open and transparent to help teams from multiple organisations quickly identify emerging issues or opportunities and adapt.

3. **Understand the range of stakeholders involved in delivering innovations –** digital innovation has broad implications that require input from a wide range of stakeholders to identify and overcome challenges.

4. **Keep the user front and centre –** maintain a focus on the service for businesses and households to support the building of common objectives despite the different roles of collaborators.

**Substantive discussion**

Results from a survey conducted for the roundtable provided a backdrop for the discussion on how to get the most from collaboration. Even with the best intentions, evidence suggests that a vast majority of people who participate in innovations feel that collaborative efforts could be more effective.
The discussion went on to highlight four areas that improve the efficacy of collaborations. Considering them earlier during an innovative process will probably make them more effective.
But it isn't a once and done: as projects progress, those involved should constantly challenge themselves to ensure the needs and perspectives of those not in the room are heard and met.

## 1. Agree on common objectives

Building common objectives was agreed to be one of the most fundamental contributors to successful collaboration. As well as agreeing on the desired outcomes, collaborators need common ways of working and to have an understanding of the incentives of all collaborators. The rewards from innovation – such as how the ownership of intellectual property rights are distributed – need to be balanced with the risks being taken. How to incentivise existing industry players, who might lose market share, is an important question.

Several practical ideas were shared during the session that can help align collaborators. Public sector-led initiatives could find ways to actively invest in private collaborators, for example, by allowing them to co-author publications, such as consultation papers. Sandbox environments are another approach that can support collaboration by providing a safe space for controlled experimentation and discussion. They can allow the identification of promising innovations that can graduate to market or to identify questions for further consideration.

## 2. Maintain open conversations

Openness and transparency between partners were the second themes that emerged from the conversation. It helps build a team focused on achieving good outcomes for everybody, and over time will foster trust between partners that can lead to long-lasting and repeated collaborations. Trusted environments will also support more project agility: potential challenges will be shared sooner, allowing for alternative approaches to be adopted to mitigate bad outcomes.

The limits of openness were also discussed given the fundamental difference in the objectives and incentives of public and private organisations. Public authorities need to be careful not to provide confidential information related to

meeting their public good remit; and private companies will bring their own intellectual property, which needs to be treated with sensitivity. Careful agreement over the two-way flow of information and objectives from collaboration is vital.

## 3. Understand the range of stakeholders involved in delivering innovations

Digital innovation can have wide-ranging implications that affect many stakeholders, who all need to support the changes. Identifying this diverse set of people, including those not in the room, was a third core theme of the discussion on making innovations successful. Two specific groups that can sometimes be overlooked were discussed. First those ensuring that different government departments are aligned. Digitisation touches on data privacy and digital inclusion, which are generally considered in different parts of government to payment systems and financial regulation. Providing a common forum to discuss specific issues is needed. A second group considering the implication for legal frameworks at an early stage needs engaging. Legal frameworks vary across jurisdictions and take time to change: engaging stakeholders early will support the identification of where change might be needed. The approach in some jurisdictions was thought to be supportive of innovation by providing flexibility in laws. In the United Kingdom, for example, legislation allows the application or disapplication of specific laws in a sandbox environment.

## 4. Keep the user front and centre

The final theme was to keep in mind

who the innovation is intended to benefit: households and businesses. Maintaining a focus on making payments less costly, quicker, more transparent and accessible was noted several times during the discussion. From a private innovator's perspective, the focus on households and businesses offers a useful lens to consider the risks that concern regulators. To support constructive conversations with regulators, it was noted that private innovators needed to present innovations with clear business cases and solutions to help the regulator understand how the innovation introduces new risks – for example – to financial stability or consumer data protection. In turn, the end user interests and motives of the private sector provide regulators with a useful lens to consider the implications of new payment services.

## Future outcomes and continuing the conversation

The ultimate success of collaboration will be felt by households and businesses through access to a wide range of payment options that meet their needs. Ensuring this happens will require ongoing conversations. Projects need to ensure the four issues above remain at the centre of innovations. Within organisations, champions of collaboration should share their virtues and benefits with their colleagues. And between different players in the ecosystem to hear other perspectives, with everybody bringing authentic options and solutions, and humility around gaps in their knowledge.

How this is achieved will in practice vary between different projects. It will be for people in each project to identify and agree approaches that work for them. To deliver innovations that offer the

greatest benefits, in the most effective way key ingredients will include:

— innovation leaders making time and space for open and honest conversations throughout project to understand motivations, objectives and responsibilities of those involved;

— ensuring strong relationships are built between core people from different organisations so problems or blockers can be discussed in a trusted way; and

— challenging the team to think about the needs of those not in the room – both stakeholders and the ultimate beneficiary of the project at the early stages of a project, and validating these throughout the development work.

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