

## Form A - General Direction 2

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 2 (2.4, a-f). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

### a) Self-assessment by the operator on compliance of its access requirements with the obligation in Direction 2.1 throughout the 2016/17 period.

*I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 2.1 over 2016/17.*

*You should cross reference a statement of compliance from a responsible person.*

#### **Statement of Compliance**

FPSL's access criteria are the minimum necessary to ensure a safe, secure and resilient payment system which operates a 24\*7 for the benefit of all service users. All our access and eligibility criteria are objective and risk based, an important consideration for a systemically important Financial Market Infrastructure (FMI), and are publicly disclosed on our website [here](#).

As an FMI, designated under the Banking Act 2009, FPSL has to comply with the Committee on Payment and Market Infrastructure (CPMI) and International Organisation of Securities Commissions (IOSCO) Principles for FMI (PFMIs). These principles underpin our access requirements. FPSL is also the designated Payment Systems Operator (PSO) under the Financial Services (Banking Reform) Act 2013 (FSBRA) for the Faster Payments System (FPS).

In January 2015, FPSL began an ambitious and innovative access and development programme to expand the ways in which Participants are able to access the payment system and minimise the challenges faced by new Participants.

To deliver the vision of the New Access Model and to achieve the targets listed in FPSL's White Paper, "Faster Payments: A vision for a New Access Model" by the end of 2016, FPSL succeed in:

1. creating a competitive market of FinTech vendors enabling direct connection into the Faster Payments system. There are now seven Fintech vendors accredited to the Scheme; and

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	<p>2. creating an accreditation process for such FinTech vendors allowing potential new Participants in the system quicker and easier processes to gain the capability to access the Faster Payments system.</p> <p>FPSL's access and development projects for the reporting period 2016/17 are described within this compliance report (Form A).</p> <p>FPSL considers that the organisation complies with the obligation in Direction 2.1 as detailed in the statement of compliance.<sup>1</sup></p>
<p><i>II) Please provide us with an explanation and evidence of why you consider that your access requirements comply with General Direction 2.1.</i></p>	<p>FPSL's access criteria are the minimum necessary to participate in the system whilst maintaining a safe, reliable and resilient payment system for service users, supporting financial stability in the UK, enabling competition and innovation in the payments ecosystem and growth in the payments market.</p> <p>Within the last year, FPSL has started creating a new and additional method of participating: directly connected non-settling participation. This is to enable the participation by potential service users that are unable, or for whom it does not fit with their business model/area of expertise, to obtain a settlement account at the Bank of England.</p> <p><b>DIRECTLY CONNECTED NON-SETTLING PARTICIPANT</b></p> <p>This participation method will require the Directly Connected Non-Settling Participants (DCNSP) to enter into a Participation Agreement with FPSL, and to partner with a Directly Connected and Settling Participant (DCS Participant) to settle its payments transfers for it within the Faster Payments System. This enables more and different types of participants to directly connect into the Faster Payments system and provide services to more and different end users.</p> <p>The benefits of this new and additional type of participation are that it opens up access to a greater number of institutions, and it gives such institutions a direct relationship and communication channel with FPSL, enabling full interaction, access and participation. This type of participation does not require becoming a member of the company. Our first DCNSP is working to go live in January 2018.</p>

<sup>1</sup> All historic FPSL access projects are detailed in its previous compliance report submissions to the PSR.

	<p><b>The access criteria for a DCNSP is as follows:</b></p> <p><b>be an authorised Payment Service Provider</b></p> <p>FPSL is the systemic risk manager of the Faster Payments system. In this capacity, it conducts assurance on participants to ensure they have requisite processes and controls in place to participate in a systemically important payment system and be part of an eco-system of payment providers. A direct participant is providing a payment service, and needs to be allocated a unique sort code, it therefore needs to be a Payment Service Provider (PSP), and regulated as such. All interested parties in the pipeline for 2018 are PSPs in any event and should a corporate wish to connect, there are other fitting methods available such as DCA and indirect access via a PSP. We will keep this under review.</p> <p><b>be able to settle through a DCS Participant</b></p> <p>Settlement of payment transfers through the Faster Payments system three times per day is fundamental to our current deferred net settlement system. This model eliminates the need for each and every participant to have this capability itself.</p> <p><b>have, or be eligible to hold at least one unique sort code</b></p> <p>The reasoning is the same as for a DCS Participant as explained below.</p> <p><b>be able to comply on a continuous basis (i.e. 24*7) with the technical and operational requirements of the system</b></p> <p>The reasoning is the same as for a DCS Participant as explained below.</p> <p><b>be compliant with all applicable laws, statutes, bye-laws, regulations, orders and regulatory policies</b></p> <p>This is a statement reflecting what any DCNSP would be bound to do in any event; there is no additional requirement by virtue of this criteria. The DCNSP needs to be regulated by the FCA and be bound by other laws, statutes, regulations etc.</p>
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	<p><b>validly execute a Participation Agreement</b></p> <p>The operation and framework of the payment system is legally underpinned by a suite of legal agreements, which set out the responsibilities and liabilities of all parties. This is necessary for all parties to know what rights and obligations each party has and owes, and allows the Scheme to operate under the CPMI IOSCO Principle 1: legal basis.</p> <p>Being a DCNSP will not require an entity to become a Company Member. Therefore, in order to comply with CPMI-IOSCO Principle 1 and to gain the clarity and legal certainty legal documents afford, we require a DCNSP to sign a Participation Agreement only which governs its participation in the Faster Payments system; all other aspects (such as being a Company Member) are separated out.</p> <p><b>provide a legal opinion confirming that Scheme agreements are legally binding and enforceable on Participants (applicable for overseas entities)</b></p> <p>The reasoning is the same as for a DCS Participant as explained below.</p> <p><b>commit to pay any additional costs incurred by FPSL with regard to your participation</b></p> <p>The reasoning is the same as for a DCS Participant as explained below.</p> <p>As mentioned above, this additional participation model allows FPSL to dispense with the requirements to have a settlement account at the Bank of England and become a Company Member when using this form of participation. These requirements are in the process of being published on our web site. Subject to non-objection from FMID at the Bank of England, which will be sought in Q4 2017. The Payment Systems Regulator was notified of these changes in spring 2017.</p>
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	<p><b>DIRECT AGENCY<sup>2</sup></b></p> <p>DCNSP is the evolution of the direct agency model of which FPSL currently has one participant operating as a Direct Agency. FPSL's current plan is to retire direct agency on a phased approach, however not until we have worked with the Participant to find a suitable solution that meets its business model.</p> <p><b>DIRECTLY CONNECTED SETTLING PARTICIPANT</b></p> <p><b>To participate in the payment system operated by FPSL, a DCS Participant is required to:<sup>3</sup></b></p> <p><b>be an authorised PSPs</b></p> <p>The Faster Payments System is a deferred net settlement system (DNS). In order for a DNS system to be viable, it must have a mechanism to operate even in the event of a Participant financial failure. Consequently, all Settling Participants must fall under the Settlement Finality Regulations (SFR) that enact the EU Settlement Finality Directive (SFD) which applies to some PSPs. Requiring Settling Participants in the Faster Payments system to be PSPs is the only means by which they can fall under the SFRs, whereby guaranteeing settlement and, as far as the Faster Payments system is concerned, maintaining financial stability in the UK. Currently, only Credit Institutions and Electronic Money Issuers were subject to SFR. Statutory amendments to the Payment Services Regulations (PSRs 2017) extend this to Payment Institutions (PIs).</p> <p><b>hold a Sterling Settlement Account at the Bank of England, or be able to use a Sterling Settlement Account held by a Group Company at the Bank of England</b></p> <p>The CPMI-IOSCO Principle 9 requires FMIs to conduct their money settlements in central bank money where practical and available. For this reason, the Scheme rules require DCS Participants to have settlement accounts with the Bank of England. If a DCS Participant did not have a sterling settlement</p>
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<sup>2</sup> Further information on direct agency can be found on FPSL's website: <http://www.fasterpayments.org.uk/membership/access-options/direct-agency>.

<sup>3</sup> Please refer to FPSL's eligibility criteria on the website: <http://www.fasterpayments.org.uk/participation/access-options/direct-participation/eligibility-criteria>

	<p>account with the Bank of England, the Scheme would be unable to settle in accordance with the CPMI-IOSCO principles. This would cause FPSL, being a FMI and bound by the CPMI-IOSCO principles to be in breach of its international financial stability obligations.</p> <p>As part of the service FPSL provides in operating the payment system, FPSL has entered into a Settlement Service Provider Agreement with the Bank of England to allow the DCS Participants to discharge and net off their obligations. This creates a deferred net settlement system (DNS). In order for a DNS system to operate safely in event of a Participant financial failure, all parties need to be subject to the Settlement Finality Regulations (SFR) that enact EU Settlement Finality Directive (SFD). All Bank of England Settlement Accounts holders are subject to SFD.<sup>4</sup></p> <p>During the reporting period, and currently ongoing, FPSL continues to be actively engaged with the Bank of England to seek to broaden access to settlement accounts to Electronic Money Institutions (EMI) and Payment Institutions (PI). Please see section III on non-bank PSP arrangements (NBPSP). See Form C for detailed information.</p> <p><b>be able to comply on a continuous basis (i.e. 24*7) with the technical and operational requirements of the system</b></p> <p>The FPS proposition to its service users and Participants is a 24*7 real time irrevocable transfer of funds without settlement risk. To deliver this proposition to all sender and receiver service users, all Participants must comply with the Scheme’s technical and operational system requirements on a continuous 24*7 basis. FPSL has been operating on a 24*7 basis with no interruption since its launch. This has rightly created expectation among end users which, if so interrupted, would be detrimental of itself to all types of service user but also would damage confidence in payment systems and the perceived financial stability of the UK. See Form C for further information.</p> <p><b>become a member of the company</b></p> <p>In order for the payment system to operate usefully, safely and reliably, the Participants in such a system need to commit to publicly disclosed methods and standards of conduct and a legal framework. This is a requirement of Principle 1 of the CPMI IOSCO PFMIIs. This legal framework, which covers liability, risk, assurance, standards and the origin of our equitable cost recovery model system form a membership participation agreement, which in turn refers to various other agreements, which are set out in Schedule 2 of the Scheme Rules <a href="#">here</a>. Consequently, for FPSL to have certainty that a Participant will adhere to its standards, rules and legal terms, a DCS Participant must agree to become a member of the Company (like a shareholder but without equity investment) and sign a membership participation agreement.</p>
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	<p>Membership of FPSL itself is straightforward, it is automatically available to every eligible new DCS Participant in the system; it requires an entity to guarantee only £1 (one pound) in the event FPSL is wound up. Regular reviews of the Scheme's constitutional documents are carried out by external legal counsel from a competition point of view.</p> <p>The Scheme has a Board agreed <a href="#">Decision Maker Process</a>, which enables only the Chief Executive and an Independent Non-Executive Director (INED) to assess any application for membership against this set of objective criteria. Once an assessment has been completed, the Decision Makers inform the FPSL Board of their decision but not the identity of the Participant. Competitors of potential Participants are not permitted to be involved in this decision-making process. As there are no other restrictions on membership of the Company, and because it is currently how a Participant is bound by the legal provisions surrounding the Scheme, we consider this is an objectively justifiable model. Notwithstanding this, with Scheme consolidation in the form of the New Payment System Operator (NPSO) on the horizon, this will sever the tie between being a Company member and a participant in the payment system, which FPSL supports. See Form C on further detail to our contribution to the Payments Strategy Forum.</p> <p><b>have, or be eligible to hold at least one unique sort code</b></p> <p>The unique sort code is necessary for payment messages to be routed correctly to allow the payment system infrastructure to manage the transfer of payments and is a fundamental technical requirement for any payment transfer.</p> <p><b>commit to pay costs incurred by FPSL with regard to participation</b></p> <p>FPSL is a not-for-profit organisation and operates on a fair and equitable costs-recovery-only model. We also reserve the right to charge any specific additional legal costs that we do incur to a new Participant, with their prior approval. This charge has not been necessary for any of our new Participant to date</p> <p><b>validly execute and remain party to all FPSL legal agreements</b></p> <p>The operation and framework of the payment system is legally underpinned by a suite of legal agreements which set out the responsibilities of liabilities of all parties. This is necessary for all parties to know what rights and obligations each party has and owes, and allows the Scheme to operate under the CPMI IOSCO Principle 1: legal basis.</p>
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	<p><b>provide a legal opinion confirming that Scheme agreements are legally binding and enforceable on Participants (applicable for overseas entities)</b></p> <p>SFD which is in force in the European Economic Area (EEA) effectively puts transactions that have been submitted into a recognised payment system beyond insolvency laws to support financial stability. In the event of a Participant becoming insolvent, any payments submitted into the payment system cannot be unwound; this is unlike all other transactions subject to insolvency practitioners operating, investigating or winding down an insolvent entity not under the protection of the SFD. This certainty and immunity from the potential for transactions to be unwound pursuant to insolvency laws is crucial for a reliable and stable national DNS payment system.</p> <p>In respect of entities incorporated overseas, the legal opinion we require from Participants is to provide FPSL with comfort that the jurisdiction in which a non-EEA Participant is operating in will enforce the legal documentation and, in particular, the concept of settlement finality and the Single Amount (as defined in the Scheme Rules), as we would expect under English law; without this, FPSL would not be able to remain a recognised FMI and continue to operate the Faster Payments system.</p>
<p><i>III) Please highlight any changes that have been made to the access requirements over 2016/17. Where changes have been made, please explain how they better meet the obligation in General Direction 2.1. and how they addressed any relevant concerns or focus areas we have identified.</i></p>	<p><i>Please incorporate a response to the following:</i></p> <p><i>"We expect the operators to finish their work in developing access models and solutions that facilitate the development of aggregators by the end of the year. We also expect them to be ready to progress applications for direct access for non-bank PSPs, if the Bank of England amends its settlement account policy and necessary legislative changes are made."</i></p> <p>FPSL considers that its access requirements are objective, risk based and provide fair and open direct participation. In our discussion with over 150 PSPs and Fintech companies we have not identified any areas where our access requirements should change per se. In the last reporting period the following aids to access have been delivered:</p> <ul style="list-style-type: none"> <li>a) Introduction of a new PKI solution (via FPSL's subsidiary company UTSP Limited) to offer a competitively-priced Trust Service to Participants</li> <li>b) Preparation of a new DCNSP model for participation</li> <li>c) Expansion of FPSL's Onboarding team</li> <li>d) Preparation for non-bank PSP DCS Participants</li> </ul>



	<p>The following items will continue to be pursued in the next reporting period 2017/18:</p> <ul style="list-style-type: none"><li>a) The continual development for the introduction of technical aggregators to reduce the unavoidable fixed cost of compliant connectivity and participation for Participants – FPSL is in discussion with the Bank of England for it to non-object to this structure.</li><li>b) The extension of settlement account access at the Bank of England to a wider range of PSPs, including some EMIs and PIs, not just Credit institutions – FPSL continues to lead on this matter and is working with the Bank of England. This is likely to be delivered in Q2 2018.</li></ul> <p><b>Technical Aggregators and Accreditation</b></p> <p>A cloud-based testing environment has been deployed, following a competitive tender, enabling technical vendors and aggregators to both test and accredit that their software meets the functional requirements for Faster Payments. The Scheme has introduced three levels of technical accreditation (i) Participant to Participant payments, (ii) sponsor bank authorisations and (iii) Directly Connected Non-Settling Participants. All technical accreditation modules are now available for technical vendors/aggregators to test against.</p> <p>To date, seven such aggregators have been technically accredited. This provides them, and their clients, with confidence that they have a viable solution that will work correctly in Faster Payments. It also means that functional testing with the current Central Infrastructure (CI) provider, Vocalink can be completed more rapidly, as any defects in the software should have been identified earlier. This reduces time to market and cost for those Participants using an accredited aggregator. Further information is available on FPSL’s website <a href="#">here</a>.</p> <p>As a cloud based offer, this service is cheap and easy to access for gateway vendors. Vendors who pass the accreditation test and wish to be accredited by FPSL are charged a nominal fee which is used to offset the cost of developing and maintaining this service. The FPSL accreditation fee is £10k (including VAT). The fee is invoiced to the aggregator upon them successfully undertaking the technical accreditation tests with our chosen supplier.</p> <p>In addition to this work, FPSL has undertaken a review of all Scheme documentation, for example Scheme Procedures/Rules, to take into account the role of Directly Connected Non Settling Participants and Aggregators to provide clear boundaries of responsibility between Participant, Sponsor, and Aggregator.</p>
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	<p>FPSL continues to keep the industry informed of the key developments in this area through published press releases on its website <a href="http://www.fasterpayments.org.uk/press-releases">http://www.fasterpayments.org.uk/press-releases</a> and through regular service user engagement.</p> <p><b>Extension of Settlement Accounts at the Bank of England</b></p> <p>FPSL reported in its compliance report 2015/16 the restrictions for some Participant's, mainly non-bank PSPs' ability to gain access to a Bank of England settlement account to enable them to participate in the Faster Payments Service. On 19 July 2017, the Bank of England announced<sup>4</sup> it was extending access to settlement accounts in its real-time gross settlement (RTGS) system to non-bank PSPs promoting innovation and competition within the payments sector. FPSL continues to lead on providing solutions for this type of access. We are in close dialogue with the Bank of England, have instructed legal counsel to draft appropriate documentation to support such access and legal structure, have successfully inputted into QC advice for the government to make necessary amendments to the proposed PSRs 2017 to accommodate such access. Our most recent discussions with external counsel on the legal structure has identified that there is a need for two different agreements for non-bank PSPs, dependent on whether the non-bank PSP is using 'own funds' or 'client funds' for settlement and collateralisation.</p> <p><b>Expansion of Onboarding Team</b></p> <p>In the last 12 months, FPSL's onboarding team has increased from two to three Onboarding Managers to support the growing interest from prospective Participants considering joining the Faster Payment Service.</p> <p>FPSL's Onboarding Managers are actively engaged with providing introductory information to new Participants, outlining FPSL requirements whilst also exploring prospective Participant requirements and needs. FPSL has prepared onboarding packs/tools that are provided to prospective Participants to guide them through the end-to-end process of joining the Scheme. If further questions arise or clarification is needed, the Onboarding Managers meet with the prospective Participant to discuss the FPSL participation in detail. Each new Participant will have a dedicated Onboarding Manager serving as their single point of contact for all scheme queries during the pre-Go Live phase.</p> <p>Potential new Participants (including aggregators) who sign a Non-Disclosure Agreement (NDA) are provided with access to our detailed documentation and specifications via SharePoint. FPSL has not</p>
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<sup>4</sup> Press release of the announcement is available on the Bank of England's website [here](#).

	<p>found any PSP to be uncomfortable with signing an NDA – which does, of course, provide mutual protection – enabling the PSP to discuss its proposition etc. without risk of disclosure by FPSL. FPSL has c.150 NDAs with PSPs and aggregators.</p> <p>More specifically, potential Participants have access to the onboarding roadmap, setting out the logical view of activities required and the business functions to be established. This is complemented by a template MS Project Plan (the Plan). The primary purpose of the latter document is outlining a detailed step-by-step guide for the potential new Participant looking to join the Faster Payments Service. The Plan is easily transferable into the potential Participant’s project plan and identifies key areas of collaboration with FPSL and the logical sequencing of timing to assist the new Participant with minimal impact. In the current reporting period the Onboarding team have successfully implemented a further eight direct Participants.</p> <p><b>New Assurance Model (risk based model)</b></p> <p>FPSL has completed significant work to develop its new assurance model that targets a more focused and risk based approach to its requirements for new and existing Participants. The new model gives FPSL the assurance needed to support its strategic objectives to discharge its responsibilities as a provider of a systematically important payment service for the financial stability of the UK economy.</p> <p>FPSL will seek assurances from existing and new Participants on annual or periodic reviews (as determined by FPSL) that appropriate controls exist and are robust for the mitigation of risk or threat to the operation of the Faster Payment Service mainly to the Central Infrastructure and to other users of the Faster Payments Service.</p> <p>In 2016, all existing Participants completed the new Assurance Statement and the results reported to the FPSL Risk Committee. Updates to the Assurance Statement have been applied to facilitate the evolving service, for example the future introduction of the Directly Connected Non-Settling Participant option.</p> <p>As part of the ongoing process, the Assurance team are actively engaged with individual Participants, meeting them to discuss responses that may require further clarification and to discuss any underlying areas of weaknesses / concerns in their periodic completion of Assurance Statements. As part of the onboarding process for new Participants who join the Faster Payments Service, FPSL now require all applicants to complete the new Assurance Statement.</p>
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	<p>Overall feedback on this process has been that while the requirements have been demanding, the areas of assurance make absolute sense and have provided new Participants with a good check list of questions they feel they have benefitted from considering. In general Participants have acknowledged that future submissions should be faster and more effective now that their first certification under the new model has been completed.</p> <p><b>Bank of England live dates in 2017/18</b></p> <p>In July 2016, the Bank of England advised all Schemes that it had only a limited number of available dates for opening new settlement arrangements during 2017 and beyond. There continues to be a limited number of slots available to on-board members of retail schemes in 2017/18, because of critical hardware upgrade and unprecedented interest in joining schemes. FPSL continues to work closely with the Bank of England to minimise the impact of these issues. To date we have collectively been able to secure slots for all prospective Participants that have submitted a Letter of Intent in time frames that meet Participants needs.</p>								
<p><b>b) Details of all occasions in the <u>2016/17</u> period when an expression of interest in potentially securing direct access or direct technical access has been made and details of the operator's response to, and outcome of, such expression of interest.</b></p>									
<p><i>I) Information for publication on new members and demand for access.</i></p>	<p><i>Complete the following table. Data should be correct as at 30 September 2017.</i></p> <table border="1" data-bbox="674 956 2042 1123"> <thead> <tr> <th><i>Expressions of interest</i></th> <th><i>Signed letters of intent</i></th> <th><i>New members during reporting period</i></th> <th><i>No. of Participants</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">➤ 46</td> <td style="text-align: center;">➤ 8</td> <td style="text-align: center;">➤ 7 (N.B – this figure includes two ring fenced banks)</td> <td style="text-align: center;">➤ 20 (N.B – this figure includes two ring fenced banks)</td> </tr> </tbody> </table>	<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of Participants</i>	➤ 46	➤ 8	➤ 7 (N.B – this figure includes two ring fenced banks)	➤ 20 (N.B – this figure includes two ring fenced banks)
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<p><i>II) Confidential information on demand for access.</i></p>	<p><i>Please complete the table at <b>confidential annex 1</b>. This information will not be published.</i></p>								

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c) Details of all occasions in the <b>2016/17</b> period when an enquiry or objection regarding potential changes to the <i>access requirements</i> has been made to the <i>operator</i> and details of the <i>operator's</i> response to, and outcome of, such enquiry or objection.	
I) <i>Number of enquires made to change access requirements</i>	During the reporting year, FPSL has not received any direct feedback in relation to changing the access requirements. The Onboarding team frequently monitor any queries they may receive via a dedicated email address, <a href="mailto:access@fasterpayments.org.uk">access@fasterpayments.org.uk</a> .
II) <i>Please provide a general explanation of the process that is followed to deal with these enquires.</i>	As above, this process has not been needed. If we received a request it would be passed on to the Chief Executive and then to the Independent Directors on the Board.
III) <i>Number of objections made to any proposed changes</i>	There have been no proposed changes and therefore, no objections.
IV) <i>Please provide a general explanation of the process that is followed to deal with these objections.</i>	Any requests for changes to FPSL's access requirements would be received by the Executive in the first instance. The nature of the change would then determine what further decision-making process would be appropriate given PSP competition considerations.
V) <i>Confidential information on enquiries and objections.</i>	Please complete the table at <b>confidential annex 2</b> . This information will not be published.

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d) Details of all occasions in the <b>2016/17</b> period when the operator has engaged with, and considered, the views of payment service providers and other interested parties on the operation and effectiveness of its access requirements.	
<p><i>I) Please provide a general explanation of the process you follow to engage with interested parties.</i></p>	<p><i>Please see General Direction 4 for detailed explanation of how FPSL engages with interested parties.</i></p>
<p><i>II) Confidential information on views express relating to the operation and effectiveness of the access requirements.</i></p>	<p><i>Please complete the table at <b>confidential annex 3</b>. This information will not be published.</i></p>
e) Details of any anticipated <i>operator</i> review, or engagement with <i>payment service providers</i> and other interested parties, that the <i>operator</i> plans to take over the following 12-month period in relation to its access requirements.	
<p><i>1) If you have work <b>on-going</b> reviewing your access requirements please include a description of that work. You should explain the aim of the work (and how it related to the GD2 obligation), the progress that has been made to date, the way in which stakeholders have informed the work and the expected completion date.</i></p>	<p>Since last year’s reporting period, FPSL has worked with the other PSOs to establish common eligibility criteria, descriptions of each scheme and how these typically support the proposition of a Participant, a comparison of the different options for joining schemes and standardised common terminology. This work was published in two publications (“An Introduction to UK Interbank Payment Schemes” and “Onboarding to UK Interbank Payment Schemes”) which are now available online for interested parties via the PSO’s websites and the “Access to Payments” site. Further information can be found on FPSL’s website <a href="#">here</a>.</p> <p>This material has also been used with the Bank of England to establish the process for Non Bank PSPs to join the payment schemes.</p>

<p>II) If you are <b>planning</b> to review your access requirements in the next 12 months please include a description of the planned work. You should explain the aim of the work (and how it related to the GD2 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</p>	<p><b>Non-Bank PSPs access to FPS</b></p> <p>FPSL continues to lead on providing solutions for non-bank PSP access. We are in close dialogue with the Bank of England, have instructed legal counsel to draft appropriate documentation to support such access and legal structure, have successfully inputted into QC advice for the government to make necessary amendments to the proposed PSRs 2017 to accommodate such access. Our most recent discussions with external counsel on the legal structure has identified there is a need for 2 different agreements for non-bank PSPs, dependent on whether the non-bank PSP is using 'own funds' or 'client funds' for settlement and collateralisation. This will allow a greater variety of entities to participate and FPSL will draft bespoke agreements to accommodate them. Strictly speaking, making access available to non-bank PSPs granted Settlement Accounts by the Bank of England will not require any changes to our access requirements.</p> <p><b>Common &amp; Consistent PSO Participation Model &amp; Rules</b></p> <p>Since the last update, this initiative has completed the review of: common terminology, eligibility criteria, Scheme comparisons and the categorisation of Participants, which has resulted in common, agreed positions for each of these across the five PSOs (Bacs, CHAPS, C&amp;CCC, FPS &amp; LINK) along with Paym. This work has been used to create a booklet for new Participants titled "An Introduction to UK Interbank Payment Schemes", which is available in printed form or to download from the PSOs websites<sup>5</sup> and the Access to Payments site. This has been well received by the industry, and has also been requested by an education authority to explain the banking system to students.</p> <p>Work then continued during 2017 to examine the engagement and onboarding process across the schemes and the location of Scheme documentation. The outcome of this is an agreed generic process, which applied to all schemes for engagement and onboarding, and this has been published in a pamphlet for interested parties, which is available from the PSOs online and in printed form. The pamphlet also shows the relationship with the authorisation process with the FCA and the Settlement Arrangements required at the Bank of England or via another party. These documents are available <a href="#">here</a>.</p>
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<sup>5</sup> Access to the booklet is available on the FPSL website [here](#).

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	<p>Both of these outputs were used to contribute towards the work with the Bank of England Non-Bank PSP work and is referenced in their publication "Access to UK Payments Schemes for Non-Bank PSPs" which is available from the Bank of England and on the PSOs websites. <sup>6</sup></p> <p>Following this, attention then switched to the Scheme assurance processes and Scheme rules. This is significantly more complex to harmonise due to the different risks which apply to the schemes as a consequence of the variation in clearing processes and underlying technology. After the initial analysis it has been agreed that this work needs to now be progressed with establishment of NPSO, and to ensure continuity the project manager has started to work with this programme to ensure that the work is carried forward into the building this new organisation.</p>
<p><b>f) Details of any anticipated future developments that the <i>operator</i> considers may require or justify material updates or changes to its <i>access requirements</i>.</b></p>	
<p>I) Please provide an explanation of the anticipated future external developments you have identified.</p>	<p>See main section above.</p>
<p>II) Please provide an explanation of how any of these developments could have an impact on your access requirements.</p>	<p>See main section above.</p>

<sup>6</sup> Access to the booklet is available on the FPSL website [here](#).



## Form C - General Direction 4

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 4 (4.2, a-c). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

a) self-assessment by the <i>operator</i> on compliance of the representation of the interests of service users in the operators governing body's decision making process throughout <b>2016/17</b>	
<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 4.1.</i></p> <p><i>You should cross reference a statement of compliance from your responsible person.</i></p>	<p><b><u>Statement of Compliance</u></b></p> <p>The existing and new processes and activities described in this report have been developed to ensure that FPSL fully complies with the requirements and obligations described in the PSR General Direction 4. FPSL considers that the organisation complies with the obligation with the Direction in 4.1 for the reporting period 2016/17.</p> <p>This report details FPSL's ongoing engagement with its existing and potential service users<sup>7</sup> and our longer- term service user engagement and representation of thoughts and ideas. It demonstrates how FPSL is, and continues to be, engaged with its service users at all levels of the Company, from the Chair, Chief Executive and Board down, and that, through the appropriate channels, the interests of service users are represented at governing body and board level.</p> <p>In our compliance report last year, FPSL articulated its Service User Principles outlining the Scheme's mission and core values. Our Principles are now available on our website <a href="#">here</a>. These principles are the driver of FPSL's longer-term commitment to continue to engage effectively with a full spectrum of service users for which, FPSL periodically reviews its processes and approach against this set of principles to guarantee that we continue to offer safe, fast and reliable services to all our service</p>

<sup>7</sup> The definition of service users as stated in the PSR Policy Statement [here](#) is as follows, "service-users as including both PSPs and customers of PSPs, including government departments, businesses (of all sizes), charities and individual consumers".

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	<p>users.</p> <p>In this reporting year, interaction with Service Users through the Payments Strategy Forum and contributing to its work has been a significant focus. FPSL has been working on specific projects to benefit service users, and it has been heavily engaged in the Forum’s work streams, particularly in this context work stream 1 to ensure it has visibility of all the end user engagement and consultation being led by the Forum.</p> <p>The company continues to work to enhance its engagement with service users directly; in addition, FPSL will work with NPSO for any potential changes it needs to be involved in the context of its overall approach to service user engagement and particularly the role that the proposed End User and Participant Advisory Councils will play.</p>
<p><i>II) Please provide us with an explanation and evidence of why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service- users in the operator’s governing body’s decision-making processes.</i></p>	<p>Engagement with service users underpins everything FPSL does as an organisation, from day-to-day operations to driving innovation. Service User’s needs and representing their interests serve as our guide to ensure that we continue to deliver a safe and secure service as well as develop innovative products and services for our service users.</p> <p>We reported in 2016<sup>8</sup> that a formal Service User Engagement process was developed to ensure that all views, ideas, and feedback were represented and considered throughout the different stages of our decision-making processes. The FPSL Executive and the FPSL Board approved the original strategy and approach.</p> <p>Following an internal review of the effectiveness of the initial Service User Engagement process, and comments from the PSR that they themselves were planning to review their approach to this area, the executive adjusted the internal processes for Service User Engagement. The aim was to focus less on information capture and reporting, and more on improving the effectiveness of engagement for the most significant Service User issues and ideas.</p> <p>FPSL conducted an internal audit to assess the effectiveness of the earlier process. Findings from this audit were reviewed and a number of process changes identified to help further embed ‘Service User Engagement’ into the Company.</p>

<sup>8</sup> Further detail of FPSL’s compliance report for 2015/16 is available on the Payment Systems Regulator’s website: <https://www.psr.org.uk/psr-publications/news-announcements/access-FSPL-compliance-report-for-2016>

	<p>This includes adding user impacts, benefits, risks and drivers into the core documents that report on the various business initiatives being undertaken. The next stage would be to update the Service User Strategy to reflect these changes.</p> <p>Since the embedding of the strategy, we are aiming to go further still by incorporating user feedback into how Faster Payments determines and delivers its business initiatives - the projects key to delivering our strategic objectives. This is to ensure the ideas and feedback of our users is taken into account at a strategic level, enabling outcomes focused user-driven change.</p> <p>To facilitate this, we have appointed a team of service user engagement representatives' across Faster Payments, including staff from all of our major projects who will act as first point of contact for users, and ensure their feedback is taken into account in product and service development and decision-making. This Group will meet regularly to collate users' concerns, feedback and ideas across the organisation to identify the propositions that could make a difference. The best of those ideas, together with the user needs case that supports them, will then be taken forward as business initiatives are scheduled for discussion at the appropriate committee and/or Board meetings.</p> <p><b>Representation of Service Users</b></p> <p>In 2016, we reported that a new item "Representation of Service Users" was added as an agenda item at the beginning of all Board reporting or Executive Committee meetings. The rationale behind this was to reinforce to the Board that the interests of service users must be appropriately represented in the Scheme's decision-making processes. The additional item is now fully embedded and has been incorporated in the Board minutes published on the FPSL website (see <a href="#">here</a>). The Framework ensures that service users are at the heart of FPSL's decision-making processes and that the interests of service users are thoroughly considered. As part of this process, it requires relevant FPSL employees to apply a set of Service Users questions (the Framework) to provide information to the following questions in relevant papers as standard practice:</p> <ol style="list-style-type: none"><li>1. Which service users might be impacted by this decision?</li><li>2. How have we consulted with service users and how have their interests been considered in our decisions?</li><li>3. How should we communicate any impact of this decision to service users?</li></ol> <p>Finally, FPSL Board includes three Independent Non-Executive Directors (INEDs) whose role includes the broad responsibility to consider the public interests of all service users impacted by any decision of</p>
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	<p>the board. These directors additionally currently hold a veto in Board decisions where they believe a decision will not be in the public interest.</p> <p>FPSL is committed to act in the best interests of its service users and this is achieved through consultation with a wide range of service users on a regular basis to better understand their needs.</p> <p>FPSL has represented its service users' interests in its decision-making processes. Some of these consultations may result in changes to FPSL products, services and / or in the Scheme's rules. Below are some examples demonstrating the representation of service users:</p> <ul style="list-style-type: none"><li>- how service users' interests have been represented into FPSL decision-making process and <b>led to changes in our products and services</b></li><li>- how service user's interests have been represented into FPSL decision-making process and through further consultations <b>future changes and enhancements are expected to our products and services</b></li></ul> <p><b>Batch Processing – formerly Direct Corporate Access (DCA)</b></p> <p>Last year, we reported that a review of DCA would be undertaken further to service user's feedback. In 2016/17 a review was conducted and as a result of this, we found the current solution<sup>9</sup> was not fit for purpose because of its limited marketability with only two Participants offering the product. In addition, the current supplier would require significant funding to support the existing proposition beyond the current contract, which terminates in June 2020.</p> <p>FPSL has held initial discussions with key service users to understand the future demands of the solution. Furthermore, Bacs, Corporates and software solution suppliers/aggregators have been and are continuing to be consulted with the initial conclusions being that there is a demand for an enhanced batch processing offering which could include the following:</p> <ul style="list-style-type: none"><li>• Bi-directional processing (both submitting &amp; receiving)</li><li>• Different credit capabilities</li><li>• Ability to choose speed of beneficiary receipt (i.e. minutes to days)</li></ul>
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<sup>9</sup> DCA was developed and designed to meet batch submission needs of corporate customers accustomed to direct submission into Bacs and was operating on a 08:00 to 15:00, Monday to Friday basis.

	<p>Further investigation and ongoing dialogue is required with current users, potential future users, other stakeholders, including Bacs, with the view to undertaking a feasibility study into the future options available. Learnings from this will also be incorporated into NPSO thinking regarding the provision of a bulk payment service under the New Payments Architecture.</p> <p><b>Faster Payments Business Hours – Next steps</b></p> <p>We reported in 2015/16 that a number of smaller PSPs and FPSL had been discussing the possibility of relaxing the 24*7 availability requirements associated with direct access to the Central Infrastructure. Relaxing the availability requirements would reduce potential entry barriers to real-time payments for PSPs. Some PSPs do not operate a 24*7 service for their customers.</p> <p>FPSL continues to work with PSPs and technical aggregators to develop solutions that eliminate 24*7 requests on some PSPs whilst also providing the certainty paying service users expect. FPSL issued a public consultation on Faster Payments business hours in late 2016. The responses indicated that launching a specific 'business hours service' would be confusing to service users. Therefore a different approach has been taken, which is to relax the requirement for 24*7 live operations for all Participant PSPs; by allowing smaller PSPs to operate a 'stand-in' acceptance of payments during non-core hours; with a proviso that the PSP sends the appropriate qualified acceptance response to inform the sender of the likely timescale before funds are made available to the beneficiary.</p> <p>This has been presented to FPSL Board and has been used to support the on boarding of a recent Participant. Broader notification of this option will be provided once the new assurance banding approach has been signed off by FPSL Board and FMID.</p> <p><b>Non-Bank PSP Access to FPS</b></p> <p>During 2016/17, FPSL continued to be heavily engaged with the Bank of England and HM Treasury to consider the rules and provide an alternative settlement solution for non-bank PSPs. These solutions were developed in conjunction with interested PSPs following analysis and research into their specific needs. On 19 July 2017, the Bank of England announced a new generation of non-bank PSPs were now eligible to apply for a settlement account in the Bank's RTGS system. Further information can be found <a href="#">here</a>. Further information can be found in General Direction 2 (Form A). FPSL has identified external lawyers to help develop the necessary legal documentation, and will be developing this during 2H17-1H18. Once draft documentation has been developed, this will be shared with prospective non-bank PSP Participants for comment. This is an area that FPSL has been championing</p>
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	<p>for a number of years driven by direct feedback from non-bank PSPs. FPSL has undertaken a key facilitating role ensuring that all the interested parties are properly aware of the needs of non-bank PSPs.</p> <p><b>Request to Pay<sup>10</sup></b></p> <p>Through formal meetings with the PSR and the Payments Strategy Forum, specifically the End-User Working Group, the Scheme has continued to provide detailed progress achievements of the project for which FPSL’s Senior Product Manager has been key to delivering with external consultants, Accenture. This has been an ongoing process and throughout consistent verification has been undertaken with service users to ensure that the proposition meets the requirements of both the biller and the payer. Those involved in this range from the general public to PSPs such as Lloyds and ThinkMoney, to large utilities such as British Gas and BT to smaller organisations such as charities and golf clubs to local window cleaners. Regular updates have been provided to the FPSL Board with the Board being supportive of the approach taken by the Company and understanding that this has been a service user led process. The project is now developing the technical standards and rules, with each iteration of the standards (as demonstrated via a demonstrator tool), reviewed to ensure adherence to the service user design principles developed in consultation with service users. FPSL has been deeply engaged with the Payment Strategy Forum (PSF) Work Stream 1 throughout this period.</p> <p><b>Further evidence of FPSL engagement during the reporting period</b></p> <p>In the last 12 months, FPSL has been actively engaging with a wide range of service users and has been responding to their various needs and interests through different platforms as described in this report. A number of FPSL staff, senior management and the CEO have been heavily engaged and contributed to the Payment Strategy Forum that has enabled discussions with all service users. Similar to last year’s report, key subjects and themes discussed with service users during this year’s reporting period included: Request for Pay, increasing the scheme transaction limit, access, innovation, emerging payments, UK regulation, EU directives, Brexit and Payment Services Directive 2 (PSD 2), General Data Protection Regulation, data sharing and open data for banks, blockchain technology, fraud including engaging with the PSR on the Which? Super-Complaint, cross-border payments, Single European Payments Area (SEPA), access for non-bank PSPs, financial inclusion, small businesses and cash flow management issues, bank branches closure,</p>
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<sup>10</sup> Request to pay will address detriments identified as part of the Payments Strategy Forum’s work, mainly the lack of sufficient control, flexibility and transparency in current payment methods.

	elderly / vulnerable consumers and their payments experience and Scheme consolidation.
<p><i>III) Please explain the process that you have in place to collect service users' views (eg forms/user groups, surveys and research, meetings and request, consultation).</i></p>	<p><b>Collecting and documenting service users' views</b></p> <p>As reported last year, FPSL promotes inward and outward dialogue by all staff to ensure that service users' views are collected and responded to. FPSL continues to be actively engaged at all levels, and collect views from, a wide range of service users through a variety of channels, which include face to face meetings, events and conferences, (technical) workshops, website, committees and Board. Further detail of FPSL's engagement channels with our service users and the way in which information is documented and assessed is described below.</p> <p><b>Direct interaction with service users</b></p> <p>When the FPSL Communications team receives a general enquiry or a complaint,<sup>11</sup> they will respond to it within a maximum of five working days. If the enquiry cannot be readily answered by the Communications team (e.g. if the enquiry is too technical or might have a reputational impact on the Scheme), they will forward it to the relevant person within Faster Payments for a response. On some occasions, FPSL will arrange a meeting or a call with the user to understand the enquiry in more detail and propose a solution if suitable or follow up in detail face-to-face.</p> <p><b>Payment Strategy Forum</b></p> <p>Since 2016, a number of FPSL employees, including the CEO and Heads of Development, Change and Operations, have worked extensively with the PSF project team in developing the New Payment Architecture. Engagement has spanned across all Working Groups, including Financial Crime, and FPSL (as a component of NPSO) is now leading on a number of the identified developments (the real-time 24*7 clearing engine, Request to Pay, Confirmation of Payee, new Communications /Connectivity approach, and the tactical financial crime activities). Throughout our engagement, FPSL has collected a wide-ranging views and feedback.</p>

<sup>11</sup> If a complaint is received, this will be directed to the relevant Head of team to review action and provide a satisfactory response to the complainant.

	<p><b>Central Infrastructure Renewal – Project Devon</b></p> <p>In the interest of service users and the economy, FPSL needs to replace the current service with a future-proofed, technologically modern successor. FPSL believes this is best achieved through a full competitive tender. The FPSL approach to the competitive procurement activities is through the delivery of a New Payment Architecture (NPA)-compliant, 24*7, safe and secure real-time service.</p> <p>Service Users including PSPs, government, charities and end users and taking into account the views of service users expressed within the remit of the Payment Strategy Forum’s work, will be consulted and involved at all stages of Project Devon. This includes from elicitation of requirements through to testing and live proving stages before fully transitioning to the new CI. Requirements from all levels and parties will be considered and taken into account where relevant, including Participant and PSR requirements and requirements emerging from the outcome of the PSF’s Blueprint consultation in Q4 2017.</p> <p>Service Users will be engaged throughout the lifetime of the Project through targeted and regular communications. Furthermore, workshops will also be held by the FPSL Project Manager with Service User involvement.</p> <p><b>Electronic Payments Affiliate Group (EPAG)</b></p> <p>Since 2011, FPSL has co-led the EPAG with Bacs. This is a quarterly meeting of interested service users (corporate, government, FinTech and non-Participant PSPs) where updates of FPSL and Bacs’ developments and projects are provided, and attendees are able to provide feedback, share views, and question the Schemes on their strategy and other activities. Feedback is taken through the appropriate governance channels – following FPSL’s decision making process- and reported to Board as and when appropriate. Additionally, an FPSL INED attends most of the EPAG meetings and is therefore able to engage directly with service users.</p> <p>In September 2016, FPSL gave an update on key activities including new and potential Participants, the new aggregator’s certification programme, PKI, sponsor services, PSR updates, PSF draft strategy and provided an update on its new service user engagement programme. The new engagement programme was well received and affiliates commented on the positive impact it had already (FPSL shows that it is open to new ideas, innovation and supporting users’ views).</p> <p>In November 2016, FSPL, gave an update on the new record breaking volumes processed, new challenger banks joining FPS as direct Participants, its engagement with the Bank of England on its</p>
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	<p>announcement to review the eligibility to some non-banks to widen access to settlement accounts. FPSL reminded all affiliate members to continue its engagement and dialogue with FPSL through the different platforms available to them, i.e. face to face, or via the dedicated email address.</p> <p>In March 2017, FPSL gave an update on ongoing key activities, mainly the PSR's Infrastructure Market Review, reviewing of its scheme limit and actively encourage all members to utilise the maximum, and updating the Group on Request to Pay.</p> <p>In May 2017, FPSL provided further key activities on the introduction of Directly Connected Non-Settling Participants, creating a direct relationship between this new 'flavour' of Participant and FPSL, formal closure of the Access programme with any outstanding activities into Business as Usual processes and finally the launch of PKI. The update also included new activities that were underway mainly, team of analysts recruited to progress the infrastructure and discussion with the former BBA (now UK Finance) of potential fraud as result of fraudsters impersonating customers and persuading counter parties to amend payment details erroneously. The Chair and CEO also presented FPSL company updates at 13 September EPAG.</p> <p><b>Service User Engagement Strategy</b></p> <p>The FPS Service User Engagement Strategy was adopted by FPSL in October 2016 and continues to be rolled out and embedded into FPSL's Business As Usual processes. During summer 2017, FPSL's communication team had taken the opportunity to undertake a review of our Strategy by meeting with team leaders to understand the current approach to engagement, and considered options for capturing and demonstrating our engagement. Because of this initial engagement, a much more focused approach was adopted in two ways: (1) refining the stakeholder map to capture the wider depth of the stakeholder landscape and (2) using FPSL's Business Initiatives document to capture and harness ongoing engagement in line with FPSL's strategic objectives. Please refer to FPSL's Business Initiatives document that describes in detail how representation of services users is tracked against Initiative (for PSR information only).</p> <p><b>Roundtables, events and conferences</b></p> <p>FPSL's Development Team participates in a number of conferences, roundtables and other such events each year to engage with their service users, understand their needs and key industry issues. Below are some of the events and conferences FPSL attended in the last 12 months. These activities are often the catalyst of proactive user engagement activities and collaboration.</p>
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- **EPAG** – See section above
- **Government Engagement Advisory Group (GEAG)** – In light of recent industry developments, mainly, the merger of Payments UK into the new trade association, UK Finance in July 2017, and the proposed New Payment Systems Operator (NPSO); and the work of the Forum which has in some respects overtaken the work of the GEAG as regards its analysis of Government requirements, a review of GEAG was conducted and a more appropriate for representation of a small focused group the Senior Officials Group (SOG) (six officials), a representative from the NPSO, and a representative from UK Finance to provide the ‘challenge’ aspect as well as the context of the wider payments/finance landscape (UK Finance) and senior ministers. Given the seniority of those involved, it is expected that this would be a quarterly meeting. FPSL’s CEO is currently attending these meetings and are useful to better understand government needs who directly engage with end-users with varying needs and requirements.

Subsequent to the above engagement channels with our service users, FPSL has been actively engaged with international service users who have been keen to learn more about Faster Payments. This engagement means that we can also bring additional knowledge back to the UK for the benefit of service users.

- **Bank of Thailand** – The Senior Product Manager met a delegation from the Bank to discuss real-time payments and how Faster Payments was delivered in the UK.
- **South African Reserve Bank** – In October, the Head of Operations was invited to a payments conference to present how Faster Payments operates, how it was delivered and what experiences could be shared to help innovate South Africa’s current payment system.
- **Bankart** – The Senior Product Manager met with the Slovenian PSP to discuss real-time payments and how Faster Payments was delivered in the UK.

This enabled the Bank of Thailand and Bankart to get a better understanding of how a “Real Time Payments Service” was delivered and what were the learnings from this implementation. It also give them an opportunity to find what things the Scheme would do differently if they were to implement Faster Payments again. In addition to this, undertaking these meetings allows FPSL to get an understanding of how other countries are going about implementing “Real Time Payments” and seeing if there are things that could be of benefit to the Scheme in the UK.

- **Co-presented with ACI**, on Immediate Payments at the annual conference in Europe of the Merchant Risk Council (MRC) Park Plaza Hotel, in April. Part of this presentation was about the proposed Request to Pay service and it provided an opportunity to get feedback on the proposition from a number of Merchants which resulted in some very useful insights in respect of how the service could operate.
- Speaking (Onboarding Manager) at the **Association of UK Payment Institutions** conference (September 17) to explain the FPS Access model to PIs.

### **Collecting and documenting specific service user views**

#### **Service Users Log – revised process**

We reported last year that the Service Users' Log, a centralised document updated regularly and reviewed on a quarterly basis by all staff members of FPSL. The Log was a useful tool that captured FPSL's engagement with all service users across a number of activities, mainly events, conferences, workshops, committee meetings or face-to-face meetings, tracking any raised issues or ideas. In 2017, FPSL decided to conduct an effectiveness review of the Log and the way in which information was documented across the Company. The review identified that the log was not as effective as we had hoped in capturing engagement, and more importantly in ensuring that the output of any engagement feeds into the Business Initiatives that the Scheme is managing. Therefore a more robust process to collect and document service user's views and engagement has been developed. This incorporates Service User feedback into the company's Business Initiatives tracker, ensuring visibility at Board level. Additionally a monthly best practice workshop enables peer review of tracking, identifying actions and approach and setting priorities.

#### **Project Devon**

A Participant Project Manager has recently been recruited to undertake Participant engagement and manage Participant readiness by providing a dedicated channel for regular project communications and discussions. The project has started the process of defining its Participant engagement and readiness approach and plan, several Participants have been consulted and provided input on the proposed approach through face-to-face meetings. The next six months will focus on consulting Participants on the solution requirements and providing Participants with sufficient information to

	<p>assist them with mobilisation, again through face-to-face meetings.</p> <p><b>Bilateral Meetings with Existing and Potential Service Users</b></p> <p>FPSL continues to engage with a wide range of existing and potential service users and representative bodies.</p> <p>The aim of these meetings are to increase awareness of the Scheme, educate service users about FPSL's products and services and to ensure that service users have the opportunity to share their views, feedback, ideas and concerns in regards to their payment experiences in general or their experience of FPSL.</p> <p><b>Participant Performance Manager</b></p> <p>The Participant Performance Manager is responsible for managing the relationship with Scheme Participants in relation to operational matters, ensuring that they meet expected performance standards as detailed in FPSL procedures and Service Level Agreements. A key focus for the role is to lead on matters relating to CASS by being present at the Redirection Committee (attended by all FPSL Participants) monitoring their redirection performance and taking action as appropriate. This activity ensures that Participants continue to deliver the appropriate level of service to users.</p> <p><b>Credit Payment Recovery Participant Group (CPRPG)</b></p> <p>This Group, which meets on a bi-monthly basis and is facilitated by the Participant Performance Manager was set up in October 2015 to ensure its Participants (who extend beyond the directly connected Participants in the Faster Payment service) are compliant against the process administered by the Group that was officially embedded into the Scheme rules for both Bacs and FPSL on 1 July 2015. The Participant Performance Manager collates management information data from the group and circulates it at each meeting as a benchmarking exercise to allow open dialogue for key concerns and / or issues for discussion. The key purpose being to ensure that CPR Participating PSPs adhere to the process that protects consumers from the impact of misdirected payments.</p> <p><b>Bilateral product review meetings with existing Participants</b></p> <p>The Senior Product Manager holds regular meetings, ranging for one a month to one every quarter with all 19 direct Participants to discuss issues/ideas that cannot be discussed during the bi-monthly Development Forum due to confidentiality issues (for example if an individual Participant has an idea that could give them a competitive advantage). These meetings are pivotal to building our ongoing</p>
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	<p>relationship with each of our Participants. All Participants said that these meetings were crucial for them as they enable discussion of issues they do not want other Participants to know about and to receive updates on key activities of the Scheme. It is also a good platform to brainstorm ideas and update Participants on key industry news and service users' needs and feedback.</p>
<p><i>IV) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees)</i></p>	<p>FPSL has fair, clear and transparent governance arrangements, which follow best practice and promote safekeeping of the public interest. Some examples of steps FPSL has taken from which every Participant (whether new or incumbent) and the end user can take comfort are as follows:</p> <ul style="list-style-type: none"> <li>➤ The appointment of two INEDs in 2013 and a further one in 2014;</li> <li>➤ Each INED has express responsibilities to protect the public interest. This obligation is set out in each INED's terms of service, and in FPSL's Articles of Association, which are available on the FPSL website <a href="#">here</a>;</li> <li>➤ The public interest obligation mentioned in (ii) above includes a broad responsibility to understand and represent the needs of service users; to "look at the Scheme and payments industry for the long term benefit of the UK, its citizens and businesses; with particular emphasis on the customer needs, competition, innovation, reducing barriers to entry in the industry";</li> <li>➤ An INED is allocated to each new Participant planning to join the system to give them a point of escalation, independent of the FPSL Executive and a voice at the Board before they actively participate in the system;</li> <li>➤ INEDs are appointed as Chairs of the FPSL Board, Rules and Governance Committee, Appointments and Assessments Committee, Risk Committee, Remuneration Committee and Audit Committee, Technology Outsourcing and Procurement Strategy Committee and Transition Assurance Committee;</li> <li>➤ Every board director and Company member is of equal standing: every director at Board level has one vote, and every Company member at Companies Act member level has one vote, irrespective of the size or clearing volume of an institution; and</li> <li>➤ Board effectiveness reviews are carried out periodically, which assess the Board, and include</li> </ul>

	<p>Company member engagement. Such activity has been given as input into NPSO and will continue to be monitored as part of Scheme consolidation.</p> <ul style="list-style-type: none"> <li>➤ All authors of Board decision papers are asked to include a section covering how service users have been engaged in the decision and how their views have been considered in arriving at a recommendation.</li> </ul> <p>Each of these elements should give confidence to service users, from direct Participants to prospective Participants and end users that they have the ability to contribute to the running, strategy and direction of FPSL where appropriate, and that the Company is operated with propriety.</p> <p><b>FPSL Development Forum</b></p> <p>The Development Forum meetings are chaired by the Head of Development. Initially, these meetings were held on a monthly basis. However, further to feedback received by the Participants in 2016 (as part of last years' Service User Engagement programme which reviewed FPSL' services) they have been moved to bi-monthly face-to-face meetings at FPSL's offices. Alternating teleconference meetings are only held if the need arises from either the Participants or FPSL.</p> <p>The topics discussed at these meetings vary depending on the Participants' needs and / or FPSL' activities or key regulations. They include; new ideas, progress of all live projects, any issues that may arise, regulatory changes that may impact projects, change requests, group feedback, enhancement requests and service users views and feedback. Examples of issues brought to Development Forum are: Batch Processing, service, Request for Pay, Payments sub-types, FPSL Business Hours and increasing the Scheme transaction value limit and SIP Enhancements as described below.</p> <p>All Participant organisations attend this Forum, which reports to FPSL Executive and are given the opportunity to provide any ideas on behalf of their own institution or their service users. Since early 2017, technical aggregators have been attending these meetings.</p> <p>The examples below demonstrate the effectiveness of service users' representation at Board. After consideration, service users' views influenced the Board and led to changes in FPSL's products and services. Please see FPSL's Business Initiatives document for more information.</p> <p><b>Scheme Transaction Value limit</b></p> <p>Last year, a number of existing and potential business and corporate users told the Scheme that they would be more likely to utilise FPS services if the Scheme Transaction Limit was set to a higher level.</p>
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	<p>After Board approval in September 2015 and much consideration with service users to increase the limit, a successful live proving exercise was completed with all, then, 16 direct Participants being able to receive a £20m Faster Payment on 11 July 2017.</p> <p>A FPSL direct settling Participant funded the £20m and was an integral part of the exercise in terms of planning and providing resource throughout the critical 12-hour period. All 16 Participants executed an indemnity and were resourced to undertake payment exchanges on the day and be on standby.</p> <p>Following successful £20m Live Proving in July, an options analysis and consultation phase with Service Users was completed during Q3 17 to help determine the amount of the actual Scheme Limit increase. A Board Paper was then produced incorporating:</p> <ul style="list-style-type: none"><li>• A recommendation to increase the FP Scheme Limit to £20m in January 2018.</li><li>• A risk assessment &amp; options analysis of potential limit increases.</li><li>• Participant feedback on lead times for receiving £20m (all but one could meet Jan 18 deadline and the other by March 18) and appetite to increase limit (five early adopters).</li><li>• Service Users responses in favour of higher FPS limits.</li></ul> <p>At FPSL Board meeting on 19 September, it was agreed that the increase should be towards the end of 1Q18, and subject to an enhanced risk and stress test analysis to give Board comfort that the increase would not jeopardise the safe, resilient functioning of the service.</p> <p><b>Single Immediate Payment (SIP)<sup>12</sup> Enhancements</b></p> <p>At its January 2017 Board meeting, FPSL presented 12 Business Initiatives, of which all were approved to be taken forward for further analysis and to be fed into the Change programme as and when appropriate. These included SIP enhancements to 'SIP Immediate Confirmation' (formally known as SIP Reduced Availability Window) and 'Instant SIP'. Further detail on each are provided below.</p> <p><b>SIP Immediate Confirmation – formerly reduction of SIP availability window</b></p> <p>Since the introduction of the FPS system in 2008 SIPs have been adopted by all FPS Participants for the processing of payments initiated interactively with the customer. The public and business users</p>
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<sup>12</sup> Further information on Single Immediate Payments can be found on FPSL's website here: <http://www.fasterpayments.org.uk/about-us/benefits-faster-payments>.

	<p>have become used to the fact that they can now make payments, which happen in, real-time at the touch of a button. This has opened up many new opportunities for businesses, and for most of us, it has changed the way in which we use our bank accounts. Because the 2 hour availability window still remains in place within the standard T&amp;Cs a normal SIP transaction is not necessarily suitable for certain use cases. For example; a payment being made face to face to a vendor, where goods are going to be handed over, cannot wait 2 hours before the vendor is one hundred percent sure that the funds have been credited in the account.</p> <p>FPSL identified an increasing demand with SIP payments being the payment type of choice for payments initiated interactively by the customer. In addition, regulatory drivers from the Payment Strategy Forum, End User Needs Working Group identified the need for 'customers to track their payments' and to 'provide additional information on confirmation of receipt.'</p> <p>The main driver to improve the proposition for SIP payments that provide certainty of payment outcome to the sending customer who interactively initiates a payment, they must be informed in near real-time whether the payment has been accepted or rejected and when accepted, when the funds will be made available to the beneficiary account holder.</p> <p><b>Instant SIP</b></p> <p>The identification of a new Instant SIP by receiving Participants will help facilitate the introduction of new Faster Payment use cases and future overlay services e.g. low value retail/web based transactions, or high value conveyancing transactions both requiring immediate certainty of fate and a binary outcome. In addition, the changes will be an enabler for migrating the processing of time critical retail based transactions via UK retail schemes which are currently made through CHAPS (as outlined in the Bank of England May 2017 "A Blueprint for a new RTGS service").</p> <p><b>Next steps for SIP Immediate Confirmation and Instant SIP</b></p> <p>In the summer, FPSL commenced a Participant Impact Assessment ("PIA") survey for both deliverables to gauge the scale of change required within each of the Participant organisations to implement the SIP the enhancements to SIP Immediate Confirmation and Instant SIP. The analysis of the PIAs for both the work areas show that some Participants require significant development work, others are far more agile with small and/or medium scale changes. In addition, the preferred Participant option for CI changes will cost far in excess of original budget estimates. Based on the scale of change for Participants, cost of CI changes and timescales to implement, the benefits of continuing with the current scope are no longer viable. FPSL has agreed to defer Instant</p>
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	<p>SIP and include the requirements as part of Project Devon and asked that a non CI solution for SIP Immediate Confirmation is considered where more positive payment messaging is given reflecting the 'immediate' nature of the FPS proposition.</p> <p>In light of the above, the original project objectives have been revised. In addition, FPS research of current Participant messaging has been undertaken using examples of mobile app and internet banking screens to understand the different approaches used. Participants have been asked to complete a short questionnaire about client facing payment messaging and links to qualifier codes early October with a view of analysing the responses received and discuss the revised objectives and approach during October.</p>
<p><i>V) Please explain the process that you have in place to ensure that service users get general and specific feedback from the board and understand the rationale for the board's decisions.</i></p>	<p>Given the flat organisational structure of the Scheme, the Board empowers FPSL representatives to provide general and / or specific feedback to the Scheme' service users on their behalf. In addition, all FPSL employees follow the process described in section II of this document to ensure that all service users receive regular feedback from the Scheme. Service users receive feedback via a number of channels including face-to-face meetings, phone calls or emails. When possible, the information is also made public on the Scheme's website, including the Board minutes published on the website once approved. Below are some examples of how, once the Board has been presented with a project, FPSL representatives provide service users with feedback and outcome of the Board's consideration of service users' views.</p> <p><b>Implementation of a Payments Transaction Data Sharing and Data Analytics</b></p> <p>The Payments Strategy Forum, work stream 1 Working Group has been seeking solutions to enable better tracing of fraudulent transactions within the UK, and also the repatriation of frozen funds to victims of fraud. In November 2016, the PSF issued a Strategy Paper, which identified a number of end user detriments that could be addressed by the implementation of a Payments Transaction Data Sharing and Data Analytics solution, which would allow the sharing and cross industry analytics of payments transaction data. Vocalink were commissioned by, as we understand it, the PSF, to conduct a Proof of Concept ("PoC") to assess whether there was a viable solution available which would address the issues relating to poor identification of Mule accounts and associated networks, the results of the PoC were published in a report which was issued to the market ("The Rise of the Mule") and also in bank-specific industry reports which were shared with the banks.</p>

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	<p>At the Faster Payments Board June 2017, the Board approved the request from the PSF to take ownership of the Fraud Data Analytics project (Mule Insights Transaction Data Analytics and Funds Repatriation PoC). The project is now being delivered under the FPS Project Management framework, with a managed project plan, baselined project definition document and risk and issue logs. 11 participants have agreed in principle to taking part in the PoC and Mule Insights service, accounting for more than 99 per cent of the FPS payment volumes in 2016. Terms of Reference for all working groups have been agreed and the governance structure approved.</p> <p>The project has been split into two streams of work: the Mule Insights Tactical Solution for which the initial objective is to understand the legal framework required to ensure compliance with General Data Protection Regulations ("GDPR"); and Funds Repatriation PoC.</p> <p>Since the commencement of these two streams of work, the FPSL Project Manager has in place weekly teleconference calls with all 11 participants to provide regular progress updates and monthly calls with Participant Sponsors. Feedback from FPSL Board is also provided to Participants for example if further information is required on any of the project's elements. Outside of this engagement channel, project status updates are circulated to all Participants including internal FPSL staff and other stakeholders who currently play a key role in the project. For instance, a Participant Project Brief and Benefits Value paper has recently been shared with all Participants to support their internal funding discussions – these highlight the tangible benefits of the project, which all Participants are in strong agreement with and are promoting internally to ensure funding can be secured for 2018.</p> <p><b>Request to Pay<sup>13</sup></b></p> <p>Each time the Board was presented and reviewed the Request to Pay, a FPSL representative (usually from the Development team) would go back to a range of service users to update them and provide them with the Board feedback. This was done through face-to-face meetings, the PSF and the EPAG meetings (amongst other channels).</p> <p><b>Increasing the Scheme Transaction Value limit</b></p> <p>Once Board agrees to increase the Scheme transaction value limit, service users will be notified of the decision via the EPAG meeting, face-to-face meetings, and press releases via FPSL's website.</p>
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<sup>13</sup> Request to Pay will address detriments identified as part of the Payments Strategy Forum's work, mainly the lack of sufficient control, flexibility and transparency in current payment methods.

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	<p>Service users receive regular specific/general feedback from Board through the EPAG meetings. These feedback are presented to them by either one of the INEDS or the Chief Executive.</p>
<p><i>VI) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<p>See main section above.</p>
<p><i>VII) Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<p>FPSL has made a series of changes to ensure that the Scheme provides its users with the best solutions and services possible. Amongst these changes are:</p> <ul style="list-style-type: none"> <li>- FPSL’s Business Initiative for 2017/2018 includes a direct link / impact to its service users</li> <li>- Officers from potential Participants continue to be invited to attend Board, strategy day and Committees as observers prior to joining the Scheme.</li> </ul> <p>The changes above have been made to ensure that FPSL has a formal framework and processes in place to engage with and represent the interests of a wide range of service users in the Scheme’s decision-making processes.</p>

<p><b>b) Details of all occasions in <u>2016/17</u> when the operator has engaged with, and considered, the views of service-users (including indirect payment service providers) and other interested parties on the effectiveness of the representation of the interests of service-users in its decision-making processes of its governing body.</b></p>	
<p><i>I) Confidential information on engagement with service-users.</i></p>	<p>Please complete the table at <b>confidential annex 4</b>. This information will not be published.</p> <p>In the past 12 months, the views of service users on the effectiveness of the representation of their interests in the Scheme’s decision-making processes of its governing body have been captured informally (throughout engagement activities with users).</p>
<p><b>c) details of any anticipated review, or engagement with service-users (including indirect payment service providers) and other interested parties, that the operator plans to take over the following 12-month period in the representation of the interests of service-users in its decision-making processes of its governing body.</b></p>	
<p><i>I) If you have <b>on-going</b> work reviewing or changing your engagement with service users please include a description of that work. You should explain the aim of the work (and how it related to the GD4 obligation and any relevant concerns or focus areas we have identified), the progress that has been made to date, the way in which stakeholders have informed the work and the expected completion date.</i></p>	<p><b>Service Users Map</b></p> <p>As part of the Service User Engagement Strategy developed by FPSL, continues to review the eight main segments: consumers, businesses of all sizes, third sector and charities, trade associations, PSPs (including bank and non-banks, existing and potential Participants), Fintechs, overlay services, government departments and working on defining at a more granular level and who to talk to within each segment directly. This procedure will be ongoing as the Scheme continues to increase its level of engagement with all its service users.</p> <p><b>Website</b></p> <p>We reported last year that FPSL intended to update its website to provide a more user-friendly journey for all service users that wish to access our website and find our more information specifically for Service Users. The planned refresh of the website – Layout and content – is now complete and aims to make it easier for users to navigate the website, find the information they are looking for and raise any ideas, concerns or feedback with the Scheme. This ensures that there is an enhanced dialogue between our users and the Scheme rather than a one-way discussion. The development of the website is an ongoing process with updates being made regularly.</p>

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<p>II) If you are <b>planning</b> to review or change your engagement with service users in the next 12 months please include a description of the planned work.</p> <p><i>You should explain the aim of the work (and how it related to the GD4 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</i></p>	<p>Given the consolidation into NPSO and the inclusion of the Advisory Councils into the NPSO governance model, FPSL has not specific plans for significant changes to its service user engagement in 2018. These decisions will fall to the Executive and Board of NPSO.</p>
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## General Directions: Compliance Report Template

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