# payments strategy forum

# Consultation Assessment Report

December 2017

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# 1 Background

## 1.1 The Forum

The Payment Strategy Forum (the Forum) was established in October 2015 by the Payment Systems Regulator (PSR). It represents the first times those who have an interest in payments in the UK have worked together to plan a future that meets the needs of all users, to close the needs gap, address end user detriments, and unlock competition and innovation.

In November 2016, the Forum published its Strategy. It set out a bold vision for the future of UK retail interbank payment systems.



*Figure 1: Our vision and objectives*

We chose seven principles to support our vision for the future, and address known detriments identified by the Payments Community.



*Figure 2: Principles to support our vision*

We identified five key challenges that needed to be addressed:
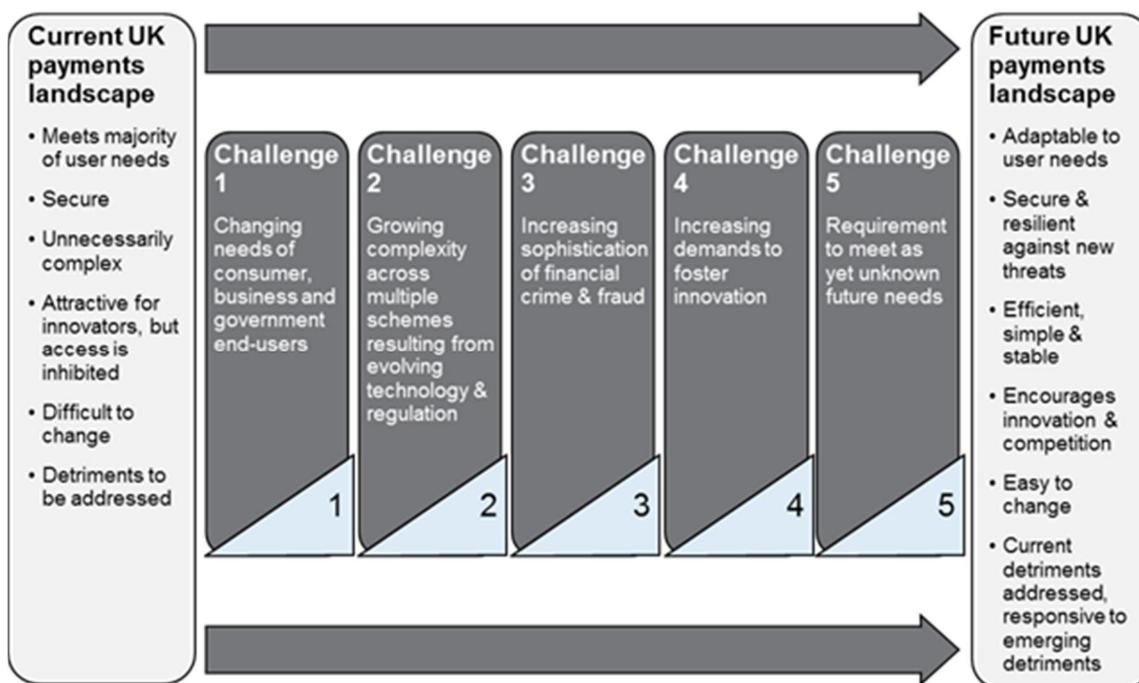


*Figure 3: Key challenges to the UK payments industry*

In our Strategy, we proposed:

- The development and implementation of a New Payments Architecture (NPA) to introduce effective competition between providers of payment services, composed of a layered structure to make it easier for innovation to occur at a quicker pace. It will provide security, stability and resilience.
- The consolidation of the three main UK retail Payment System Operators: Bacs Payment Schemes Limited (BPSL), Cheque and Credit Clearing Company Limited (C&CCCL) and Faster Payments Scheme Limited (FPSL) into a single entity – the New Payment System Operator (NPSO). The NPSO will take ownership of the NPA design and implementation.
- A set of solutions to help prevent or reduce the impact of financial crime on users.

Building on the concepts outlined in our Strategy, we published a draft blueprint for consultation in July 2017. This Consultation Assessment Report provides an overview of our final NPA Blueprint, the responses to the consultation and how your feedback has been taken into account to shape the way forwards.

## 1.2 The NPA in Alignment with our Principles

The design of the NPA was led by the desire to enhance user experiences, address user detriments and provide a platform for the UK to continue to be a global payments leader. Moving to a new modern architecture provides an opportunity to address historical problems of slow innovation, and the concentration of ownership and control of payment systems.

The key design features of the NPA in alignment with our principles are:

- A layered approach with a 'thin' collaborative infrastructure to enable competition and innovation.
- A single set of standards and rules with strong central governance.
- Adoption of a common international messaging standard, ISO 20022, to enable access, innovation and interoperability, in the UK and potentially for international connectivity.
- Security and resilience, with financial stability as a key principle.

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- The use of a technical 'push payments' mechanism to enable simplicity and increase customer control.
- Flexibility built into the design to support a range of existing and new end-user overlay services such as Direct Debit, Request to Pay and Assurance Data including Confirmation of Payee.

The combination of a 'thin' centre, overlay services and interoperable standards provides the basis for future payment systems infrastructure to be more agile and flexible than what exists today while maintaining security, stability and resilience. It aims to drive competition and innovation across the payments value chain in the interest of users. Where there is demand, there should be the ability to launch new services more quickly.

## 1.3 Improving Trust in Payments

Our Strategy and solution design documentation propose solutions to engender user trust in safe and certain payments through collaboratively preventing financial crime. Each solution looks to address detriments faced by consumers and payments community organisations.

We committed to consulting on a subset of solutions. In this document, we summarise the responses we received in consultation for Payments Transaction Data Sharing and Data Analytics, and the Trusted KYC Data Sharing solutions. The responses allowed us to progress the solution proposals, updates are reflected in our final solution documentation that is in the final stages of handover to the NPSO and UK Finance.

For each solution, we plans in place to hand over ongoing solution activities to appropriate industry bodies. An update on the progress of the solutions not included in our July consultation can be found in the appendix[1].

## 1.4 Consultation Phase and Next Steps

The Strategy, NPA Blueprint and Financial Crime documentation are the culmination of over two years of work undertaken by individuals across the Payments Community. The Community has grown to over 650 individuals, from over 350 organisations. The participation of these individuals and organisations demonstrates a significant level of collaboration and commitment from across the payments industry. These individuals have dedicated a significant amount of time alongside their full-time workloads at their respective organisations.

We would like to express our sincere gratitude to the payments community. This journey would not have been possible without their valuable ideas, insights, challenges, consideration and hard work.

We would also like to thank those individuals and organisations that provided responses to our two consultations. The insights provided have been invaluable in shaping our thinking and providing additional insights into our solutions and plans.

We have analysed and acted on your feedback, which included reaching out to particular stakeholders for further clarification and sharing our updated thinking. This process has resulted in both this document and the updated documents outlined in the section below. We also highlight areas where further work is required to forward our vision.

We have concluded that our approach and its technical viability were broadly supported by the Payments Community in both consultation responses and our follow-up work. We do however particularly acknowledge the need for additional detailed design work on the unattended payments capability, especially Direct Debit. We thank the Community for helping us shape our thinking for this next phase of activity.

The ongoing design and implementation of the NPA is handing over to the NPSO, and the individual Financial Crime solutions handing over to the NPSO and UK Finance, for these organisations to make the vision outlined in our NPA Blueprint and Financial Crime solution documents a reality, and to maintain the same level of engagement with the Payments Community.

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[1] Appendix 3 provides an update on the progress and handover of our solutions that did not form part of the main consultation.

## 1.5 Documentation

Taking into consideration feedback from the consultation, updates have been made to the Forum documents.

The NPA Blueprint consists of the following documents:
- NPA Design and Transition Blueprint
- Collaborative Requirements and Rules for the End User Needs Solutions Blueprint
- Request to Pay Technical Solution Blueprint
- NPA Implementation Plan Blueprint
- Cost Benefit Analysis of the NPA Blueprint
- NPA Commercial Approach and Economic Models Blueprint
- "Fresh Eyes" Risk Assessment

The Financial Crime documents are:
- Payments Transaction Data Sharing and Data Analytics:
    - Solution Scope and Governance Oversight
    - Solution Implementation Approach
- Trusted KYC Data Sharing
    - Standards Scope and Governance Oversight
    - Framework Implementation
- Financial Crime Information and Data Sharing: Solution Paper
- Guidelines for Identity Verification, Authentication and Risk Assessment
    - Executive Summary
    - Guidelines Scope
- Liability Models for Indirect Access: Solution Paper
- Enhancement of Sanctions Data Quality: Solution Paper
- Customer Educations and Awareness: Solution Paper

# 2 Consultation overview

## 2.1 Consultation Process

This consultation report summarises the responses to the 66 questions posed in our July 2017 consultation paper on the "Blueprint for the Future of UK Payments". In total, we received 48 responses to the questionnaire from a wide range of stakeholders including consumer groups, businesses, trade bodies, infrastructure and software providers, Payment System Operators (PSOs), both bank and non-bank Payment Service Providers (PSPs), FinTech firms and individual experts. We received an additional 11 letters in response to the consultation report. We are grateful to all those who took the time to provide input into this process.

The responses were used to provide insights and to inform the development of the NPA Blueprint, with the free-format comments being particularly useful. We undertook to respect the wishes of the respondents who regarded the information provided as confidential, to the extent permitted by law. The results shown in this consultation report are therefore presented in aggregate form only; no responses have been individually identified.

Some judgement has been required to summarise some of the consultation results (e.g. where individual respondents' answers appeared contradictory, or where the organisation did not give a definitive answer).

The responses are categorised throughout this document by organisation types as outlined below.
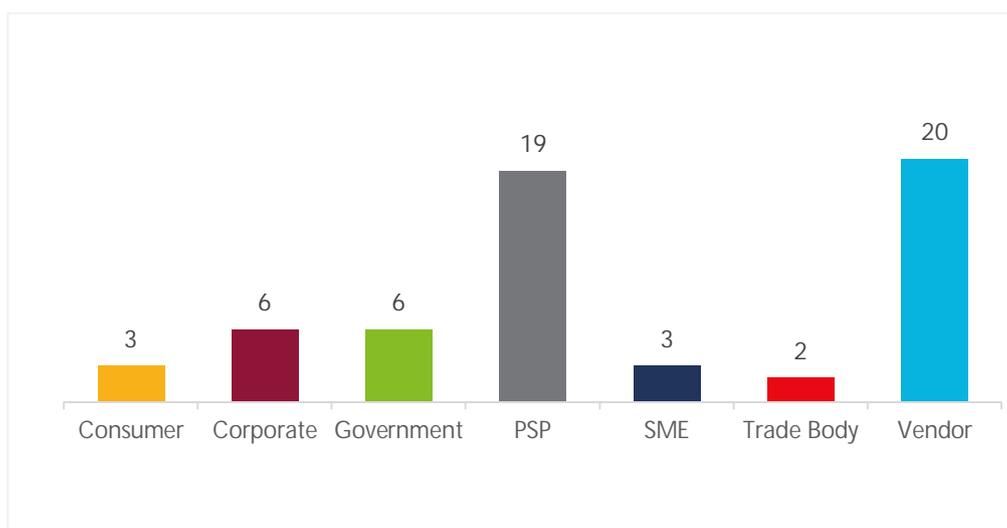


*Figure 4: Number of respondents per type of organisation*

The analysis in this section has been sub-divided into the consultation subject areas and for each topic is presented in two stages:

- Notable response themes. Summarising the overall message/s for that subject area together with our analysis of those responses and associated actions at a high level.
- Themes and treatment plans. An analysis of responses received on that subject, with commentary as to how we have addressed the responses.

The appendix contains a question by question analysis of the responses received.

The process undertaken to analyse the feedback from respondents to prepare themes, with corresponding responses is outlined below.
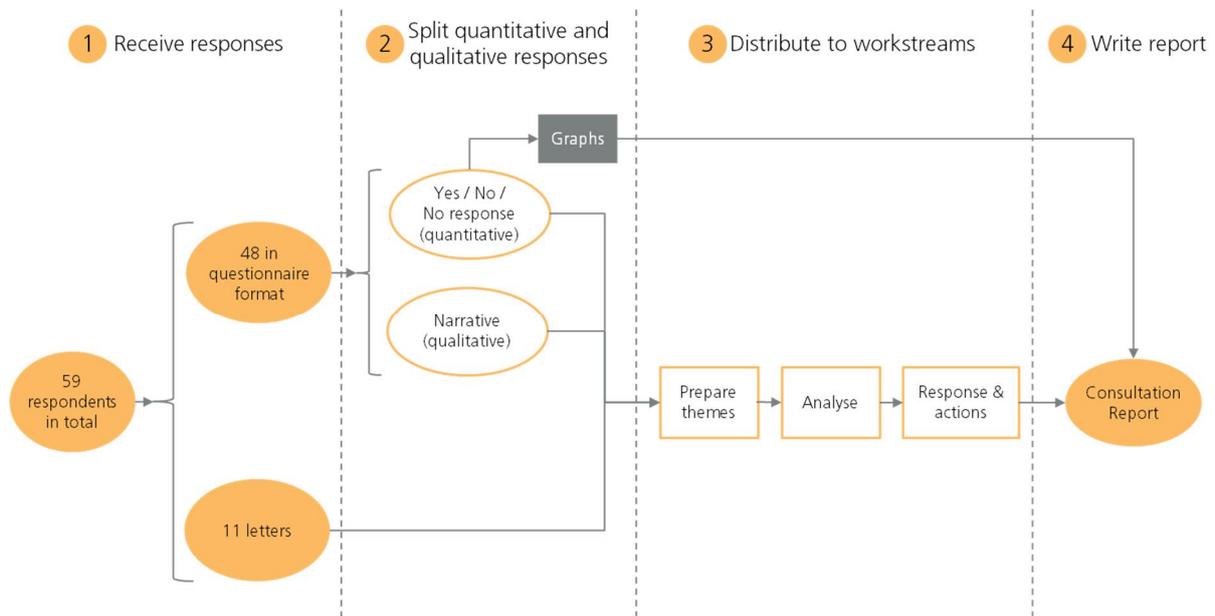


*Figure 5: Process to show how the final report was produced*

As the diagram above shows, we processed the responses provided in questionnaire format to produce the statistics and graphs used in this document. The question narrative and responses in letter format were read and evaluated by our different workstream members, to produce updated designs and recommendations. The quantitative and qualitative analysis was used to create this final Consultation Assessment Report.

## 2.2 The New Payments Architecture

Our work in 2017 built on our Strategy published in November 2016 by issuing the draft blueprint for consultation in July, which set out a rationale, design and implementation approach for the New Payments Architecture (NPA).

Consultation feedback has given us sufficient reassurance in the case for the NPA as a means to provide simpler access, ensure ongoing stability and resilience, encourage greater innovation and competition, as well as to enhance adaptability and security to meet the needs of current and future generations of payment service users.

This architectural approach and its technical viability were broadly supported by the Payments Community in both consultation responses and our follow up work. We do however acknowledge the need for additional detailed design work on the unattended payments capability, especially Direct Debit.

### 2.2.1 Notable Response Themes

Below we set out notable themes that emerged from the responses to this section of the consultation. We outline the responses received about centralised clearing and settlement, the move to a push payments mechanism and the requirement for further analysis for the implementation of Direct Debit using a push payments mechanism. Finally we provide a high level overview of our proposed architecture, and identify areas where further analysis will be required during the next phase of design and implementation.

### 2.2.1.1 Strong agreement with the recommended clearing and settlement option

During our July 2017 consultation, we discussed the merits and disadvantages of centralised and distributed approaches to clearing and settlement. We recommended the centralised clearing and settlement process as the preferred approach.

28 organisations supported the recommendation for a centralised clearing and settlement model, 2 organisations did not and 18 did not state a preference. One respondent noted that in relation to clearing and settlement the views of the Bank of England will be paramount.

The 18 organisations who didn't state a preference didn't provide comments except for one. An existing Payment System Operator (PSO) stated that it was not possible to reach the right conclusion without rigorous testing and assessment, which is consistent with their broader response sharing the view that more analysis is needed.
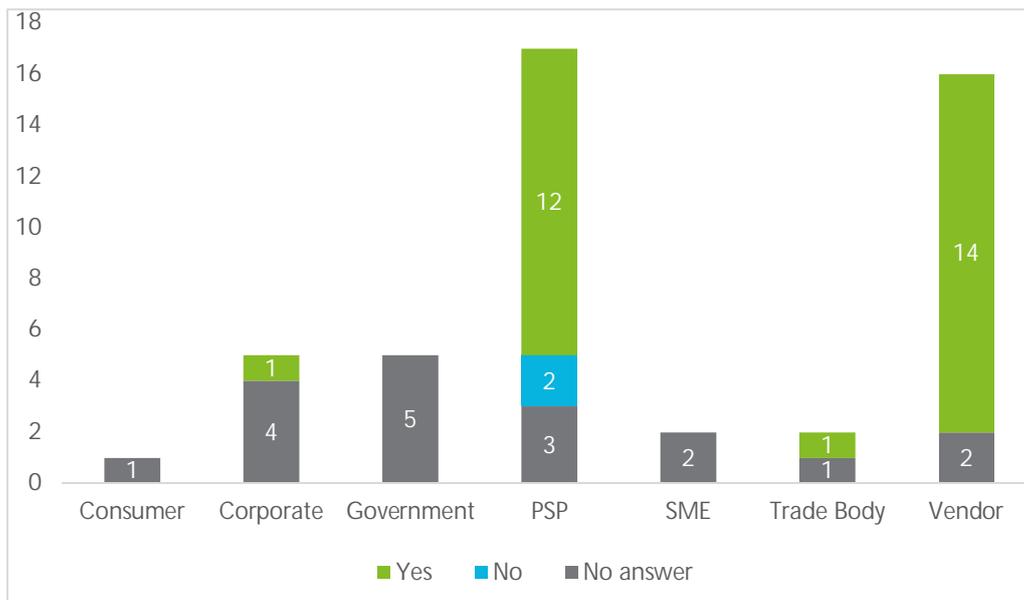


*Figure 6: Agreement with the recommended centralised clearing and settlement option*

Having considered the responses we received, we believe that the centralised approach to clearing and settlement remains the correct decision.

### 2.2.1.2 Mixed response to the move towards a push model

In the consultation paper, we recommended that a push only model would offer the advantages of greater flexibility and control, and a simplified payments approach through the use of one mechanism. We asked respondents whether they agreed with our recommendation to move towards a push payment mechanism for all payment types.

20 organisations agreed with the recommendation of moving to a push mechanism, 17 disagreed and 11 did not respond. The 17 organisations who disagreed with the proposition had one main concern – the future of Direct Debit within the UK's payments ecosystem.
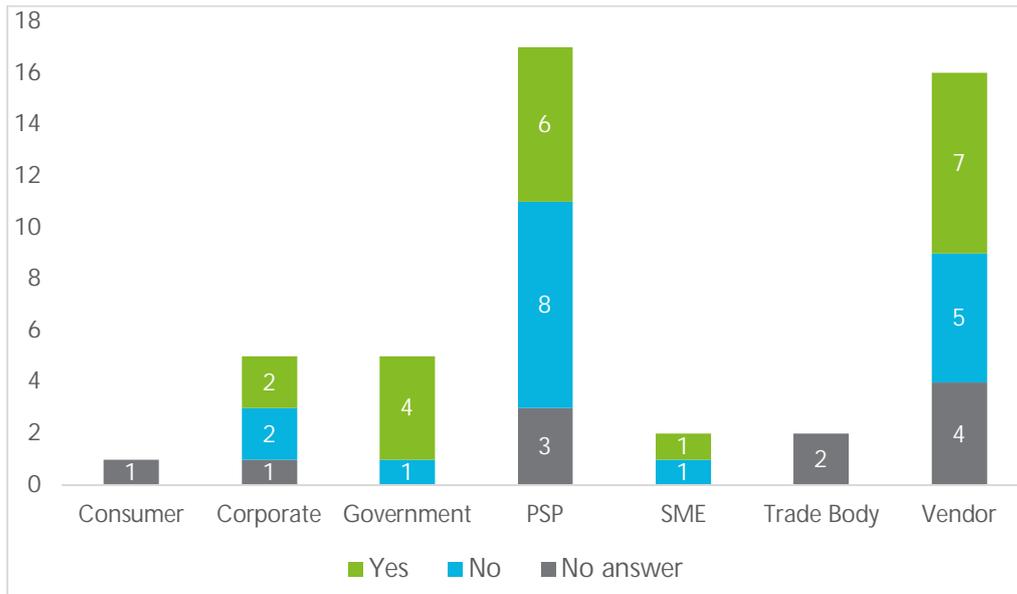
*Figure 7: Agreement with technical 'push' payment mechanism*

We would like to assure all parties that our intention is to ensure the continued operation of Direct Debit on the new payments architecture.

### 2.2.1.3  Further analysis required of adopting the push model for Direct Debits

Given our proposed move of all payment types to use a 'push' payment mechanism, we identified benefits and challenges associated with this change. We asked whether the implications of making this move to a 'push' payments model had been adequately captured.

10 organisations agreed that the implications of adopting a technical push payment mechanism were adequately identified, 17 disagreed and 21 did not respond.

Examples of themes from the 17 organisations who disagreed are:

- A lack of detail around the proposed move towards a push payments mechanism, i.e. capturing the implications of moving Direct Debits to a technical 'push' payment mechanism.

- A lack of sufficient engagement and assessment to fully understand the implications of adopting a push model, particularly for those corporates and charities with a level of access to the infrastructure.
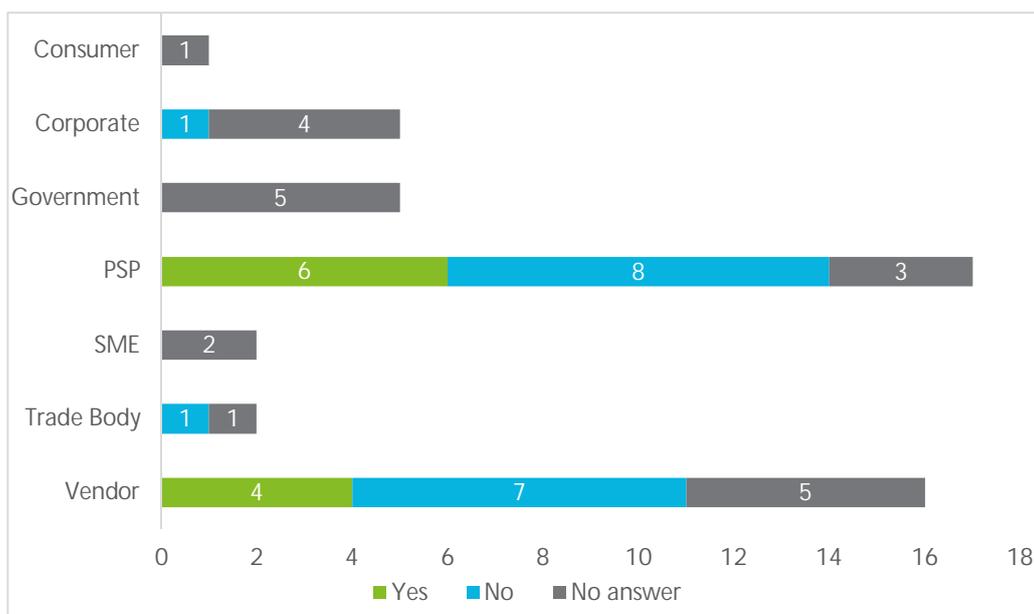
*Figure 8: The implications of adopting a push model*

Since the publication of the consultation paper in July and the analysis of the responses from the consultation we have undertaken the following additional work

- Continued engagement with Bacs through attendance of Bacs Affiliates sessions.

- Further clarification of the use of the push model, which has been reflected in the final NPA Blueprint.

- Further engagement with respondents that expressed concerns to explain the technical mechanism in greater detail.

- The analysis of the unattended payments requirements and design has started earlier than initially planned to allow longer to resolve the remaining concerns. The initial phase of analysis is summarised in the next two sections.

### 2.2.1.4    The development of the New Payments Architecture

Our proposed architectural approach envisages an evolution and enhancement of the existing UK interbank retail payment schemes and systems, leveraging complementary industry initiatives such as Open Banking.

The NPA will be underpinned by a single defined and simplified ISO20022 clearing and settlement capability that processes the payments messages for all payment types and that the NPSO will run a single competitive procurement to select the supplier(s) for this capability.

Existing and new services will be delivered by the market as competitive overlays – including Direct Debit. Whilst the NPSO is not expected to procure these, they will be responsible for the development and management of the rules and standards for the overlay services.

The next section outlines further areas of investigation which have been identified. This work will be taken forward by the NPSO in collaboration with key stakeholder groups.  The next level of design of the NPA and the timelines for these activities will be subject to the oversight of the NPSO. There will be a number of design and proof points as part of the delivery governance model for the NPA to ensure alignment with the overall NPA architectural end goal and principles.

### 2.2.1.5 Overview of areas for further detailed analysis

Our work since consultation, and further discussion with stakeholders has resulted in a list of key detailed design areas to focus on in more detail (see below). In particular and in common with many respondents, we recognise the importance that the payments industry places on Direct Debit.

The NPSO will be responsible for performing the next phase of design work for each of these key areas of focus. The result of this design work should be to determine the optimal solution for delivering the current retail payments system operators' products and services over the NPA that meets with regulators' requirements to enable competition, address customer detriments, limit disruption to service users, and ensure stability and resilience.

### I. Architecture & Payment Processing

- The role of the TPSP routing / validating / disaggregating payment files in place of retail payments system operators.

- The control of CASS during the validation process that the TPSP is now handling.

- The impact of replacing Bacs "A-Messages" with a new interface e.g. amending mandates via the existing ADDACS message.

- The potential clearing cycle for Direct Debits and Direct Credits.

- Identifying any additional detriments within existing retail payments system operators' services that need to be addressed during the service refresh.

### II. Legal

- There will be a set of legal activities initiated by the NPSO in 2018 to assess the impact of the NPA on existing payment instruments, e.g. Direct Debit.

### III. Service User Processes

- The role of the receiving PSP aggregating payment files instead of retail payments system operators.

- The impact of the reconciliation process for a large corporate and/or government department.

- The identification and process alignment for the Grade 3 government Direct Credit submitter.

- The economic and practical model for delivering services.

### IV. Assurance

- As the design process moves through its stages, assurance and liability issues will be fully considered to ensure that customer impact and system security and resilience remain intact.

### V. Regulatory

- The ownership and control of retail payments system operators' services, for example, ISA transfer, Bulk redirection, Affiliate training, Service User audits.

## 2.2.2    NPA Themes and Treatment Plans

**Theme 1. Concern about the future of Direct Debit within the UK's payments ecosystem.**

A common theme amongst respondents was a concern as to the future usage of Direct Debit under the proposed NPA design. We have further expanded on the comments from respondents below, alongside our response to what was said.

| Themes | Responses |
|---|---|
| · Direct Debits are being shut down. | As stated on our website in October 2017, it is not our intention to discontinue the use of Direct Debits.<br><br>Our analysis thus far indicates that Direct Debit could be successfully implemented on the NPA using a push payment, and this is our expectation. |
| · Uncertainty whether Grade 3 services will continue. | Direct Debits including grade 3 services will not be shut down and the NPA architecture can support them. |
| · Request to Pay (RtP) replacing Direct Debit. | Direct Debits will not be replaced by RtP.<br><br>RtP is intended to be a complementary product to Direct Debit. |
| · Significant operational and cost impacts on service end users and bureaux.<br>· The impact on originators of payments and the approximately 130,000 direct submitters to Bacs.<br>· Direct Debit is a proven working solution and the move to a push-only payment model having the potential to be highly disruptive. | Third-party payment service provider (TPSP) delivered services are expected to ensure that there will be minimal impact on payment service users and bureaux.<br><br>The Bacs eco-system is made up of end-users, several hundred bureaux and a small number of solution providers. Work is being carried out by the NPSO and will continue into 2018 to determine the impacts of moving to a push model on the different market participants. This work intends to minimise any NPA generated impacts (recognising that regulations such as the revised Payment Services Directive and General Data Protection Regulation will have an impact outside of the NPA design).<br><br>Indications are that a number of TPSPs have seen the opportunity and are preparing to deliver these services. |

**Activities:**

In response to the comments received, we have undertaken the following activities:

- Clarifications have been posted on our website in October 2017 intended manage any misunderstanding and give comfort on the future of Direct Debit and its relationship to Request to Pay.
- Sessions have been held with multiple stakeholders to review the architecture and demonstrate how Direct Debit can function on the NPA. This detail is in the NPA Blueprint.
- Further work will be undertaken as identified in section 2.2.1.5

**Theme 2. Respondents' request for more analysis to adequately capture the implications of adopting a push model and in proving key aspects of the NPA.**

| Themes | Response |
|---|---|
| · The need for more clarity around how Direct Debit will work on a push-only system.<br>· The need for further analysis on the business and technical implications of adopting a push model.<br>· Demonstrating resilience and how the NPA will meet the Bank of England's resilience imperative. | Further work has been completed to elaborate on the functioning of Direct Debit on the NPA and is reflected in the NPA Blueprint. This will be further developed by the NPSO as part of their delivery of the NPA. |
| · The potential impact of the revised Payment Services Directive (PSD2) on moving Direct Debit to a push model.<br>· Concerns about the impact on the legal and regulatory framework on Direct Debit of moving to a 'push payment' model.<br>· Determining the security arrangements, liability models and legal framework to support the concept of the NPA. | A review with the FCA on whether Direct Debits will / will not be impacted by a move to a push payment model was completed, alongside an informal legal view of the position.<br><br>We believe that Direct Debit can operate on the new push payments mechanism within the current legal and regulatory framework.<br><br>There is recognition that further work is required to establish the liability framework for the NPA which will be developed by the NPSO starting in 2018, as described in section 2.2.1.5. |
| · The flexibility of the NPA to accept additional overlay services, for example 'Request to Accept', where the beneficiary can choose to accept or reject an inbound credit. | The NPA layered architecture allows innovation and enables competition on the top layers. |
| · Alignment with other payment programmes, e.g. demonstrating the use of ISO20022 interoperability based on learnings from Open Banking.<br>· The possibility of utilising existing investment and infrastructure. | Careful planning is essential to ensure service resilience and best use of participants' resources. The NPA will be delivered by a number of coordinated NPSO projects that will be subject to industry standard governance and programme rigour.<br><br>A 'map' showing how industry initiatives, such as Open Banking, enable the delivery of the NPA will be finalised and added to the NPA Blueprint. |
| · The ability of the NPA to respond to the Which? Super-complaint. | The NPA will only accept authorised payments at the clearing layer. The clearing layer will include the ability to integrate with Financial Crime transaction analytics capabilities, to allow competitive development of solutions to help address the Which? Super-complaint and better enable financial crime prevention and detection. |
| · Communicating with multiple PSPs rather than one Automated Clearing House (ACH) would increase the complexity, cost and risk of a vendor's product or service. | Careful planning is essential to ensure service resilience and best use of participants' resources. The NPA will be delivered by a number of coordinated NPSO projects that will be subject to |

| Themes | Response |
|---|---|
| · Corporates expressed concern that changes will impact their systems. | industry standard governance and programme rigour. |
| · Concern about the NPA's ability to be able to process payments originated outside the UK. | Currently, when payments originated outside flow into domestic schemes, there is data loss part of message translation. However, with NPA using ISO20022 data loss will be avoided, supporting interoperability. |

**Activities:**

In response to the comments received, we have undertaken the following activities:

- · We have engaged the NPSO partners and affiliates through their existing stakeholder programmes in a number of workshops to establish detailed requirements for the NPA.
- · The consultation document indicated that work was already underway and that more analysis will be performed by the NPSO as part of its NPA delivery projects. These updates are reflected in the NPA Blueprint.
- · Further work will be undertaken as identified in section 2.2.2.
- · The NPA strawman implementation plan has been updated in the NPA Blueprint and the NPSO will oversee the next level of details around the timelines.

## Theme 3. Concerns that a layered architecture will compromise security.

| Themes | Response |
|---|---|
| · A layered model enables large numbers of new entrants which could introduce new security risks.<br><br>· Implementation of measures to prevent payment fraud. | The NPA is underpinned by a trust framework (similar to Open Banking) which is envisaged to ensure that participants in the NPA are known, trusted and accredited before they can access other layers and components of the NPA. |

**Activities:**
- · The security framework to be developed by the NPSO in 2018.

**Theme 4. Further analysis of the clearing and settlement deployment approach.**

| Themes | Response |
|---|---|
| · Broad support for clear segregation between the clearing and settlement layers.<br><br>· Further analysis on the clearing and settlement deployment approach for the clearing layer is required, including how clearing and settlement mechanisms would work in principle and how they can scale, both in terms of user numbers and performance demands given anticipated growth. | Widespread support for a centralised clearing and settlement model.<br><br>Further analysis to be performed by the NPSO on the appropriate deployment approach for clearing and settlement. |
| **Activities:** | |
| Detailed requirements and a vendor selection approach will be developed by the NPSO during 2018. | |

Consultation and collaboration with the payments community have been at the heart of our approach throughout our work. We have carefully taken consultation responses and other feedback into account.

The **NPA Design and Transition Blueprint** has been updated, where appropriate, to show our responses to feedback from the consultation.

## 2.3 Collaborative Requirements and Rules for the End-User Needs Solutions

There was widespread support for the end-user solutions and a general sentiment that they would address the detriments for which they were designed. There were, however, conflicting views on the Confirmation of Payee response approaches presented, which we have resolved through further analysis and discussion with stakeholders.

### 2.3.1 Notable Response Themes

In this section we outline how the responses we received during the consultation have helped us to enhance our design for Confirmation of Payee.

#### 2.3.1.1 Confirmation of Payee

Confirmation of Payee (CoP) will provide a payer with information to give them assurance that the account to which they are making the payment belongs to the intended payee. This will help to address the detriment associated with misdirected payments. The CoP response provided to the payer will be clear and unequivocal.



*Figure 9: What is a misdirected payment?*

Two approaches were proposed in the July consultation document:

1. Approach 1 – The payer is provided with an affirmative or negative confirmation on whether the account belongs to the intended payee.

2. Approach 2 – The payer is played back account information related to the sort code and account number.

Among respondents, 41% preferred Approach 1 while 24% preferred Approach 2.

10 organisations did not prefer either approach.
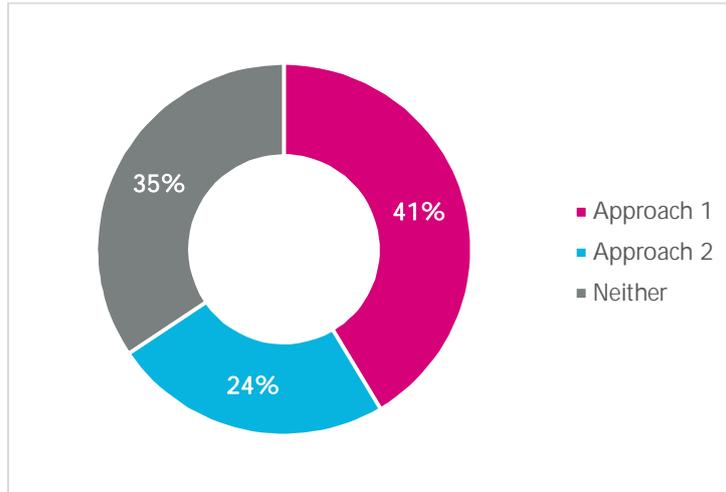
*Figure 10: Confirmation of Payee responses to approaches 1 and 2*

In their responses, respondents outlined the advantages and disadvantages of each of the approaches presented.

| | Approach 1 (Matching) | Approach 2 (Playback) |
|---|---|---|
| **Advantages** | ü Avoids sharing of personal data with payer<br><br>ü Simplicity which would ease integration with business rules and systems* | ü Most useful to end-user<br><br>ü Easier to develop than Approach 1<br><br>ü Increased transparency |
| **Disadvantages** | x Accurate match may prove difficult to obtain<br><br>x Minimal value-add to end-user in comparison to Approach 2<br><br>x Complexity of fuzzy logic and the liability associated with this on the payee's PSP | x Data protection and privacy is a major concern<br><br>x Could expose accounts to other potential fraudulent activity and abuse<br><br>x Would need to operate through a central database model to work<br><br>x Confusion, where the account name fed back is different to the recognised name the payer, was expecting. |

Following respondent feedback, a combined approach was identified that takes into consideration the advantages of both approach 1 and 2 and addresses the cons highlighted.
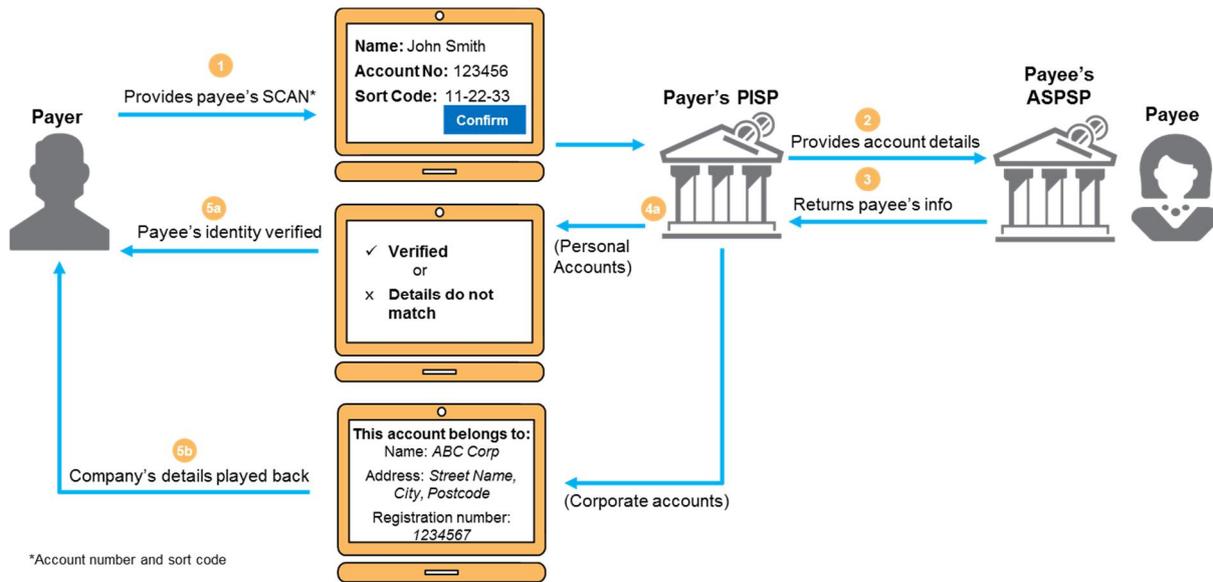
*Figure 11: Confirmation of Payee base standard design approach*

1. The payer provides the payee's account name, account number and sort code.

2. The payer's PSP forwards the details provided to the payee's PSP.

3. The payee's PSP returns the payee's account name (plus address and registration number for companies) to the payers PSP.

4a [For personal accounts] The payer's PSP matches the details provided by the payer to the details provided by the payee's PSP (one-to-one match).

5a [For personal accounts] The payer's PSP, returns an affirmative/negative response.

5b [For corporate accounts] The payer's PSP plays back the name, address and registration number.

More information about this design can be found in the **NPA Blueprint – Collaborative Requirements and Rules for the End User Needs.**

## 2.3.2    Themes and Treatment Plans

Several themes emerged from the consultation and are presented in this section.

### 2.3.2.1    Request to Pay

The Request to Pay solution had the majority of consultation questions. It also had the largest share of responses in comparison to the other EUN solutions. Most of the respondents expressed general agreement and support for Request to Pay as designed in achieving the objectives for which it is was conceived. That is, to increase flexibility, transparency and control for payment end-users.

Respondents also raised queries and highlighted areas requiring further analysis and consideration. These focussed on several areas: the relationship between Request to Pay and Direct Debit; potential operational challenges especially for large corporates; impact on certainty of payment and cash flow, liability framework and fraud and financial crime considerations.

Each of these themes and our responses are presented in the table below. In addition, where needed, we have outlined the activities we have undertaken to further develop Request to Pay in line with both the Forum's plan of activities and the responses received.

| Themes | Responses |
| --- | --- |
| 1. **Further clarity required on the relationship between RtP and Direct Debit.**<br> · Some respondents requested greater clarity on the relationship between Request to Pay (RtP) and Direct Debit (DD) and how the payment extension option as part of RtP would impact on the | RtP is a voluntary and complementary product to Direct Debit. The majority of respondents indicated that while Direct Debit is their main inbound payment method, there is also a material potential segment of their customer base who, in our opinion, could utilise and benefit from RtP. |

| Themes | Responses |
|---|---|
| certainty of payment. Some respondents felt that further articulation of liability throughout the RtP chain would be beneficial. | **Activity:**<br><br>· The NPSO will proceed with the rollout of RtP in collaboration with the competitive market. |
| **2. Further analysis required on the suitability for RtP for recurring payments.**<br>· There was concern that payers would need to authorise a recurring payment every cycle. | Where payers require infrequent control over recurring payments we believe that the competitive market will provide enhancements to fulfil this demand over and above the core RtP design we presented; for example automated responses etc. We have validated this through conversation with RtP providers.<br><br>**Activities:**<br><br>· This action will not be added to the core RtP design.<br><br>· The NPSO shall encourage RtP providers to provide competitive enhancements in response to customer demand. |
| **3. Request to Pay uptake.**<br>· A section of respondents expressed concern on the uptake levels of RtP and the associated business case. | There is market interest from multiple parties to offer RtP on a competitive basis, which is evidenced by the existence of demonstrable prototypes.<br><br>Larger parties in the market have expressed a willingness to offer RtP but have concerns about the cost of change.<br><br>In response to this concern, several market providers in their consultation response have expressed that they have solutions that would allow large players to integrate RtP with minimal changes to their existing systems. This would reduce the cost of change.<br><br>**Activity:**<br><br>· We have worked with the NPSO to initiate an engagement programme to bring together RtP users (payer and payee) and service providers as part of the delivery phase RtP with the aim to inform the next level of detail, drive engagement from an early stage with RtP's user base and increase uptake levels. |
| **4. Potential operational challenge due to increased communication resulting from RtP.**<br>· Respondents observed that the increased communication as part of RtP could introduce operational challenges, and a | There was a concern raised on changes to corporate systems which we acknowledge. Several vendors who responded saw an opportunity to provide services that minimised the need to change existing systems. |

| Themes | Responses |
|---|---|
| level of change will likely be required on existing legacy systems to integrate RtP. | **Activity:**<br><br>· Suggested approaches and design features were incorporated into the common standard that minimises business challenges arising from increased communication due to RtP, i.e. standard communication fields, automation. |
| 5. **Impact of RtP on the certainty of payment.**<br>· Further clarity required on how payment extensions would relate to existing payment penalty regimes, credit reporting, vulnerable customer management, debt management. | There was concern around certainty of payment. We were anticipating this concern to arise. Further analysis was carried out on how RtP impacts certainty of payment and associated features such as credit reporting, debt management etc.<br><br>**Activities:**<br><br>· Analysed how RtP impacts certainty of payment. Associated features have been added to the common standard.<br>· A whitepaper was produced on the impact of Request to Pay on the certainty of payment for payers. This has been added to the requirements and rules and is part of the NPA Blueprint. |
| 6. **Articulation of liability throughout the RtP chain is not clear.** | **Activities:**<br><br>· A liability session was conducted with the parties that offered to review the liability framework we have defined.<br>· A workshop was held on 2<sup>nd</sup> November 2017 with 26 representatives from the payments community to identify Request to Pay liabilities.<br>· The liabilities identified were documented with appropriate recommendations and requirements. |
| 7. **Fraud and Financial crime considerations.** | **Activities:**<br><br>· As part of the liability discussions, the design features of Request to Pay was also explored to reduce the likelihood of fraud and financial crime.<br>· This included recommending that Request to Pay providers be accredited, ensuring the technical infrastructure is robust and secure for integrating Confirmation of Payee. In addition, end-users should be educated on how best to safely engage and utilise Request to Pay. These recommendations have been included in the rules and standards. |

We have produced and published the **Request to Pay Technical Solution Blueprint**.

### 2.3.2.2    Assurance Data

Assurance Data consists of 3 components: Real-time balance, Confirmation of Payee and Payment status and tracking. The majority of respondents focussed on Confirmation of Payee and real-time balance. There was widespread support in particular for Confirmation of Payee, with most respondents expressing a desire to see it delivered as soon as possible.

In addition, respondents commented on the CoP approaches presented in the draft blueprint. This analysis is provided in more detail in the appendix.

There were fewer observations on the remainder of the Assurance Data solutions: Real-time balance and Payment status and tracking. The summary of themes, our responses and associated activities are presented in the table below.

| Themes | Responses |
|---|---|
| 1. **Real-time balance.**<br>· Many respondents mentioned that real-time balance information is already available. | The responses on real-time balance validated our decision not to carry out further work on this solution and leave it to PSPs. |
| 2. **Confirmation of Payment Approach.**<br>· Response Approach: Most respondents favoured Approach 1 for CoP. However, a majority of respondents pointed out that both approaches had disadvantages that required addressing. | We have incorporated the feedback provided by respondents and proposed an updated approach to CoP.<br><br>**Activities:**<br><br>· There is an update to the design of the CoP solution which has been incorporated into the requirements and rules and handed over to the NPSO for implementation. We recommend that as part of the implementation of CoP, consideration is made to ensure that incidences of false negatives and positives are kept to a minimum. This is through a combination of end-user education and interface design.<br><br>· This new approach is reflected in the NPA Blueprint.<br><br>· This new approach has also been shared with HM Treasury, Payment Systems Regulator and Which? |
| 3. **PSP Participation.**<br>· All PSP respondents with the exception of one expressed that they would be willing to participate in CoP.<br><br>· They, however, expressed concern with the fact that success was dependent on other PSPs participating and thus a concerted level of coordination may be required. | **Activities:**<br><br>· We recommend to the NPSO that a coordination mechanism is put in place to ensure that the rollout of CoP achieves the required levels of engagement and participation across the industry. |
| 4. **Regulatory Position.**<br>· Several PSPs requested clarification on the regulatory position of CoP as well as how | · All account servicing payment service providers' (ASPSPs) will have to respond |

| Themes | Responses |
|---|---|
| this is being coordinated with the ongoing response to the Which? super-complaint. | to requests for Confirmation of Payee from other ASPSPs. <br><br> · The offering of CoP to customers is competitive in the market. <br><br> · The PSR could mandate Confirmation of Payee should it deem it appropriate and necessary. <br><br> **Activity:** <br><br> · Which? and the PSR were engaged on the super complaint and its interlock with the PSf's work on Confirmation of Payee. We recommend that the NPSO continues this engagement with Which? |
| 5. **Payment status tracking.** <br><br> · Respondents agreed with our conclusion that payments status tracking is highly dependent on the underlying infrastructure supporting tracking. <br><br> · Respondents highlighted the need to ensure additional considerations are made in the next phase of implementation. In particular, data privacy implications that may arise and the need to balance off the implementation cost of real-time information presentation against the benefit accrued to the end-user. In some instances, the end-user may not need an instant receipt of the information. | Requirements around payment status tracking have been included in the design of the NPA. <br><br> **Activities:** <br><br> · No further changes to be made to the design. This will be handed over to the NPSO to progress to the next stage of implementation. |

### 2.3.2.3    Enhanced Data

Enhanced Data is the 3rd of the end-user needs solutions. Respondents expressed a general agreement with the use cases and benefits presented. In addition there was general agreement with the design presented which relies heavily on utilising the ISO 20022 messaging standard, and integrating the Enhanced Data capability into the core NPA design.

Respondents pointed out the need to progress the design to the next level of detail, with a focus especially on Data security, privacy and protection. A majority cited GDPR as a key area of focus.

The main theme and resulting actions are summarised below:

| Themes | Responses |
|---|---|
| 1. **Uses and benefits.** <br><br> · Respondents largely echoed the uses/benefits outlined. Improved reconciliation of payments was the most frequently cited use. | A deliberate action was taken to leave the definition of enhanced data at a high level due to the high level of dependency on the NPA detailed design and the other related projects such as RTGS. <br><br> **Activity:** |

| Themes | Responses |
|---|---|
| · They called for further development on agreement on security, data protection, storage standards and GDPR compliance. | · The NPSO is leading the definition of the next level of detail, for example data schema, data fields, control and security as part of the NPA delivery in coordination with other ongoing initiatives like the Bank of England's renewal of the Real Time Gross Settlement system (RTGS) and the replacement of Faster Payments and Bacs. |

The **Collaborative Requirements and Rules for the End User Needs Solutions Blueprint** has been updated, where appropriate, to show our responses to feedback from the consultation.

We have produced and published the **Request to Pay Technical Solution Blueprint**.

## 2.4    Implementation Plan

Based on the assessment of the current and future industry landscape, there is general agreement with the principles and assumptions supporting the implementation plan for the NPA, the high-level timeline proposed sequencing and transition approach.

Several respondents however observed that the timeline is too ambitious. Some felt that Direct Debits should be migrated separately.  The timeline has therefore been modified as part of the post-consultation activities and this strawman timeline can be found in the NPA Blueprint.

The majority of respondents felt there were additional risks not captured within the consultation paper, and we have acted on this feedback by performing a detailed risk review, which will be handed over to the NPSO. Most of these risks were already reflected in the detailed documentation.

### 2.4.1    Notable Response Themes

Below we set out notable themes that emerged from the responses to this section of the consultation. We outline the responses received about the high level timeline, and present a revised indicative timeline. We also provide an update on our proposed indicative timelines for Confirmation of Payee and Request to Pay implementation.

#### 2.4.1.1    Broad agreement with the sequencing of the NPA implementation, feedback on high-level timetable addressed.

26 organisations are, in principle, supportive of the sequence of events in the NPA implementation plan. 7 did not agree and 15 organisations did not respond.
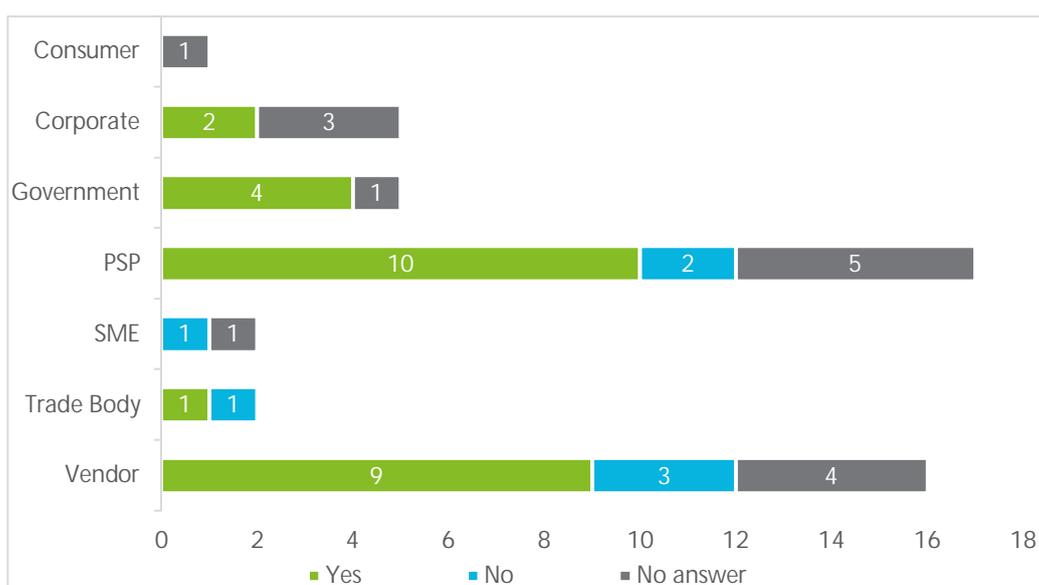


*Figure 12: Agreement with sequence of events in NPA implementation plan*

17 organisations agreed with the high-level timetable in the NPA implementation plan, 13 did not agree and 18 did not respond.

Key observations included:

- The transition approach and timetable are key matters for the NPSO to develop in more detail, taking into account other external developments and dependencies e.g. the BoE RTGS renewal, PSD2 and Open Banking.

- It might be prudent to set an industry "Go / No Go" decision in 2019 to manage the concerns around slippage of hard dependencies.
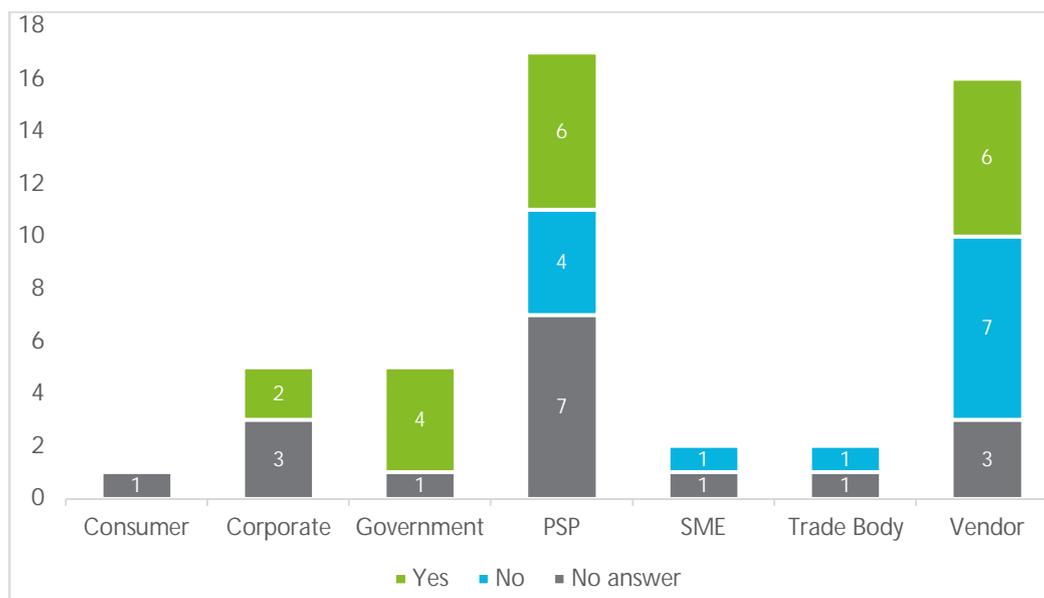
*Figure 13: Agreement with the high-level timeline*

### 2.4.1.2    Revised indicative timeline

The revised indicative timeline (Figure 14 below) centres on the delivery of the core Clearing and Settlement layer to support the overall NPA architecture. Consultation responses were broadly supportive of the suggested event sequencing. Of the 30 respondents that expressed a view, 17 agreed with the overall timeline. The feedback confirmed that examination of the next level of detail will be an important step for the NPSO to undertake to further inform the industry.

The timeline presentation has been simplified, especially with regards to the delivery of the Clearing and Settlement layer.  The delivery of this layer has been extended by six months to give greater time for analysis and reflect some concerns expressed around the tightness of the delivery schedule.  We also added more clarity on the governance activities that NPSO will undertake as part of the NPA delivery.

Through the next level of design, the NPSO will refine the plan to reflect greater detail for additional services and activities. This phase of activity will consider the wider impacts on, and expectations of, key stakeholder groups such as PSPs, Vendors and Corporates for these activities including the development of overlay services.

Work has continued in collaboration with the NPSO to further develop the schedule of activities. The revised indicative timeline illustrates that the preparation activity has commenced within the PSOs to provision a Clearing and Settlement architecture layer agnostic to the different payments and services that will be dependent upon it. The schedule does not identify specific commercial negotiation points or periods as that is for the NPSO to determine.

Within the updated NPA Blueprint we have referred to the detailed activity being undertaken to determine how the products and services will be supported in the architecture. The broad governance activities shown in the revised indicative timeline illustrate the areas requiring consideration by the NPSO enabling the whole industry to transition, whilst ensuring the stability of the UK payments environment.

The NPA Blueprint also contains indicative timelines for the implementation of Request to Pay and Confirmation of Payee (see Figures 15 and 16 below) to address the end user detriments at the earliest opportunity independently of the NPA within the competitive market.
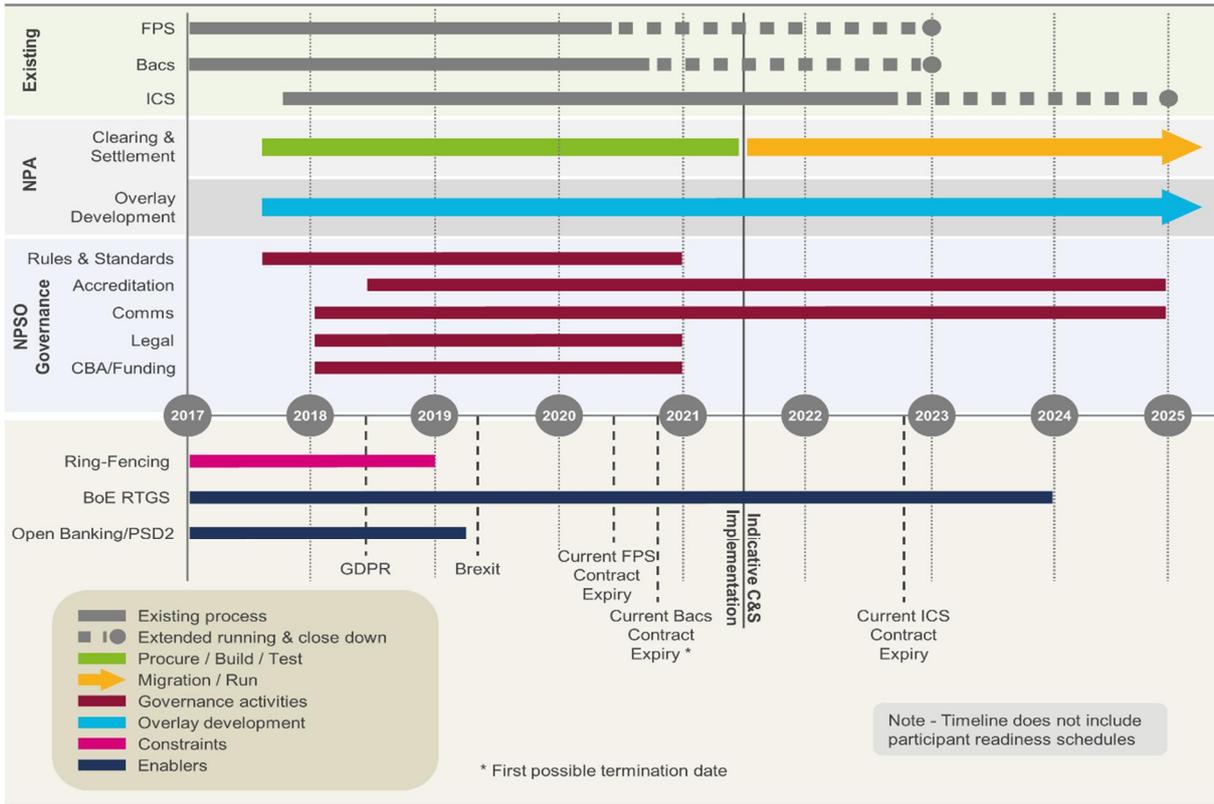
*Figure 14: Revised indicative timeline*

### 2.4.1.3 Indicative Request to Pay timeline

The Forum has continued to work on the timeline for Request to Pay, exploring the interlock with Open Banking and adding more detail to arrive at the schedule below. We have worked with the emerging NPSO organisation to develop a set of activities that reflect the likely path to market-readiness of a Request to Pay capability.

The indicative timeline reflects that:

- The NPSO will define the API specification based upon which PSPs will build Request to Pay repositories and end-user applications.

- Request to Pay will be delivered on existing payment infrastructure with the intention of transitioning it over to the NPA.

- The NPA will deliver the Enhanced data capability required to attach data to payments initiated via Request to Pay.

- The NPSO to conduct a review in Q4 2018 to determine market readiness to deliver Request to Pay.
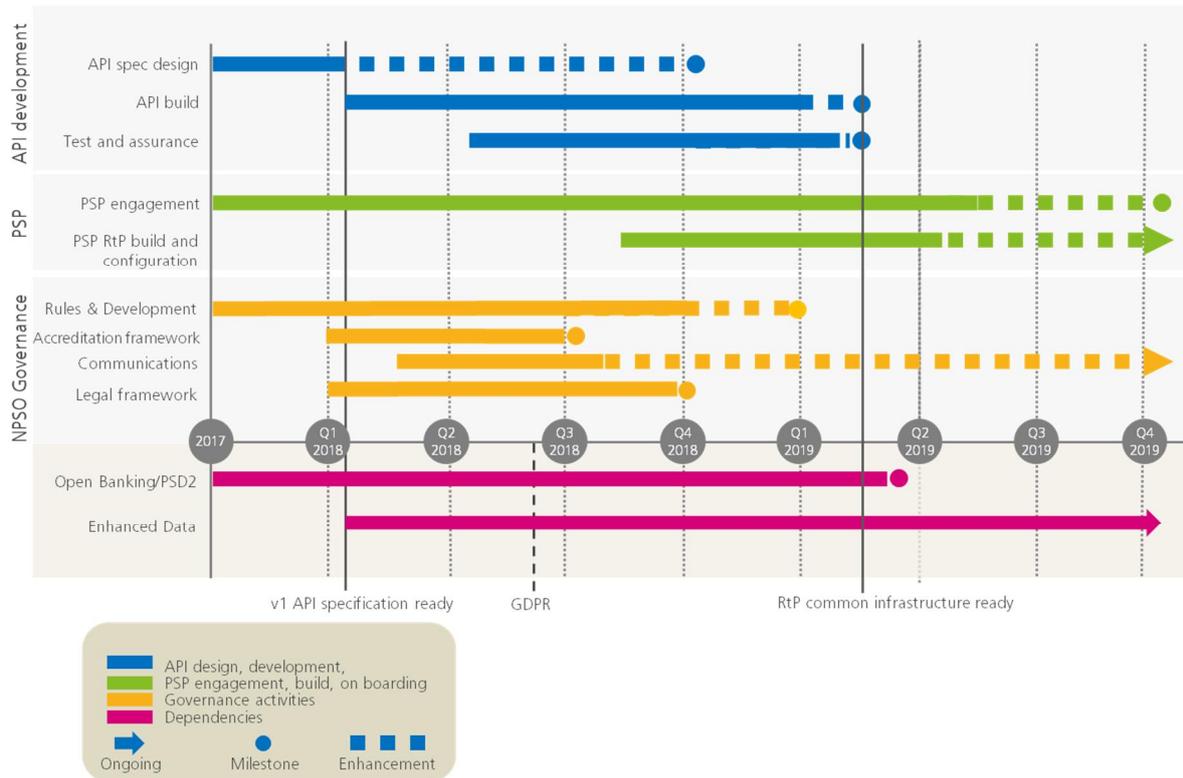
*Figure 15: Indicative Request to Pay timeline*

## 2.4.1.4    Indicative Confirmation of Payee implementation plan

The Forum has continued to work on the solution for Confirmation of Payee (CoP), resulting in the new solution (as described in the NPA Blueprint – Collaborative Requirements and Rules for the End User Needs).  We have worked with the emerging NPSO organisation to develop a new solution and approach for CoP.  This updated solution and the associated plan below has been developed and shared with stakeholders to factor in the appropriate drivers and dependencies relevant to the delivery of CoP.

The indicative timeline reflects that:

·    The NPSO will define the API specification based upon which PSPs and vendors will build the APIs.

·    CoP is dependent on PSPs configuring their customer channels e.g. online banking portals.

·    There is a dependency on the Open Banking API framework and the NPA to provide the minimum common infrastructure e.g. API directory.

·    The NPSO will conduct a review in Q4 2018 to determine market readiness to deliver Confirmation of Payee.
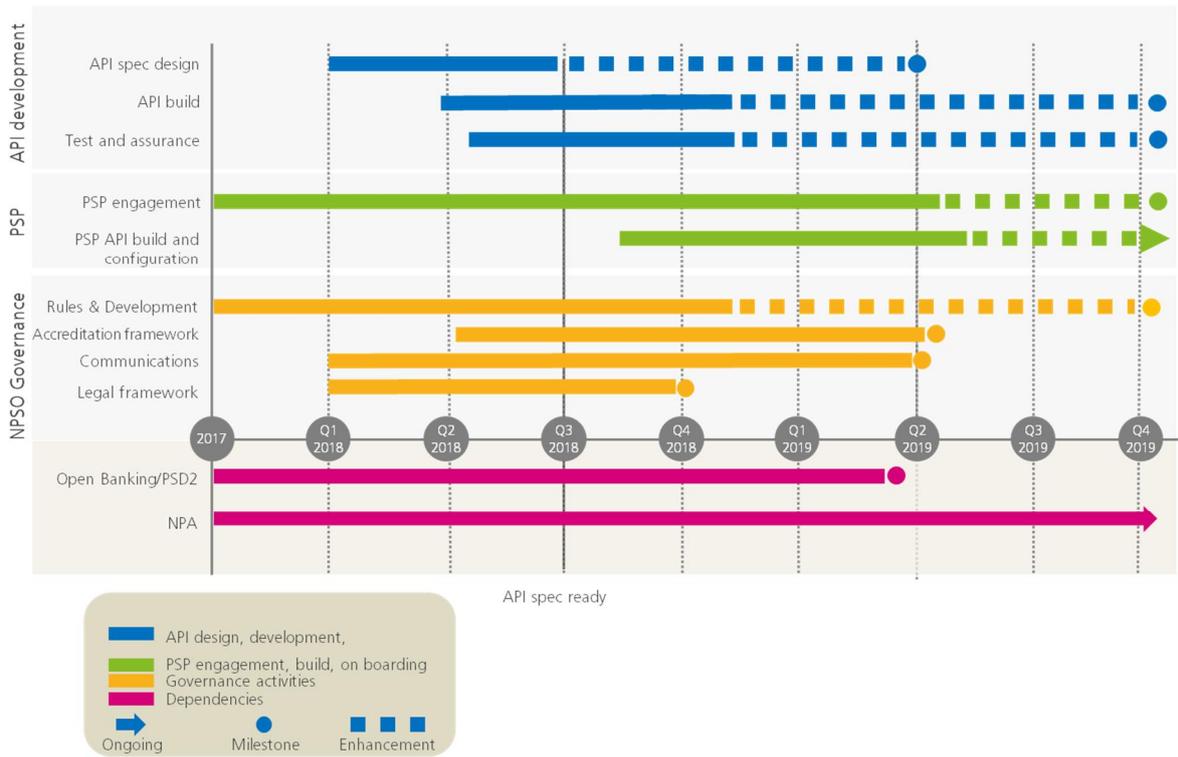
*Figure 16: Indicative Confirmation of Payee timeline*

## 2.4.2   Themes and Treatment Plans

| Themes | Responses |
|---|---|
| 1. **Implementation plan principles and assumptions.** | **Activities:**<br><br>In line with respondents' suggestions, amendments have been made to the implementation plan principles and assumptions, such as:<br><br>· Strengthening the wording around the principle of retaining resilience and stability of the system.<br><br>· Adding an assumption to clarify that RtP would operate alongside and complement Direct Debit rather than replace it.<br><br>· Adding an assumption that processes would be put in place to keep data in sync between legacy and new systems (e.g. Current Account Switch Service). |
| 2. **Implementation timeline, sequencing and transition approach.** | The implementation timeline initially proposed in the consultation document has been updated after collaboration with the NPSO which reflects the procurement process they intend to use to deliver NPA. The feedback on the consultation has been taken on-board in this process. |

| Themes | Responses |
|---|---|
| | **Activities:**<br><br>· An updated timeline incorporating respondent feedback, which is reflected in the NPA Blueprint.<br><br>· Ongoing additional engagement work with small and medium enterprises that will be continued by the NPSO till Q1 2018.<br><br>· Ongoing targeted meetings with respondents to respond to concerns and address challenges to the approach that will be continued by the NPSO till Q1 2018. |
| **3. Implementation risks.**<br>· The majority of respondents felt there were additional risks not captured within the consultation paper.<br><br>· Confusion over Direct Debit led to responses from SMEs / corporates that any significant changes would be a risk to their business. | **Activities:**<br><br>· Additional risks and mitigating actions have been incorporated into the NPA Blueprint, which will be handed over to the NPSO.<br><br>· Clarification on Direct Debit in the NPA Blueprint and are also described in the architecture section of this document (Section 2.2). |

The **NPA Implementation Plan Blueprint** has been updated, where appropriate, to show our responses to feedback from the consultation.

## 2.5    Cost Benefit Analysis of the NPA

The cost assumptions were challenged by several respondents as being too low. The respondents' observations were that some costs seem to have been excluded, for example, end-user costs, testing and legacy systems retirement. Some respondents noted that benefits were not quantified or stressed, e.g. enhancement of competition, improved macroeconomic outcomes and societal benefits. We have therefore updated the model with the additional information we received from respondents for the costs and benefits, and updated the NPA Blueprint accordingly.

### 2.5.1    Notable Response Themes

Below we set out an analysis of the responses we received during consultation regarding the cost assumptions associated with the NPA cost benefits analysis.

#### 2.5.1.1    NPA cost assumptions

With regards to the cost assumptions within the business case, 9 organisations agree, 21 organisations do not agree but have not provided alternative figures and 18 organisations did not provide a response.
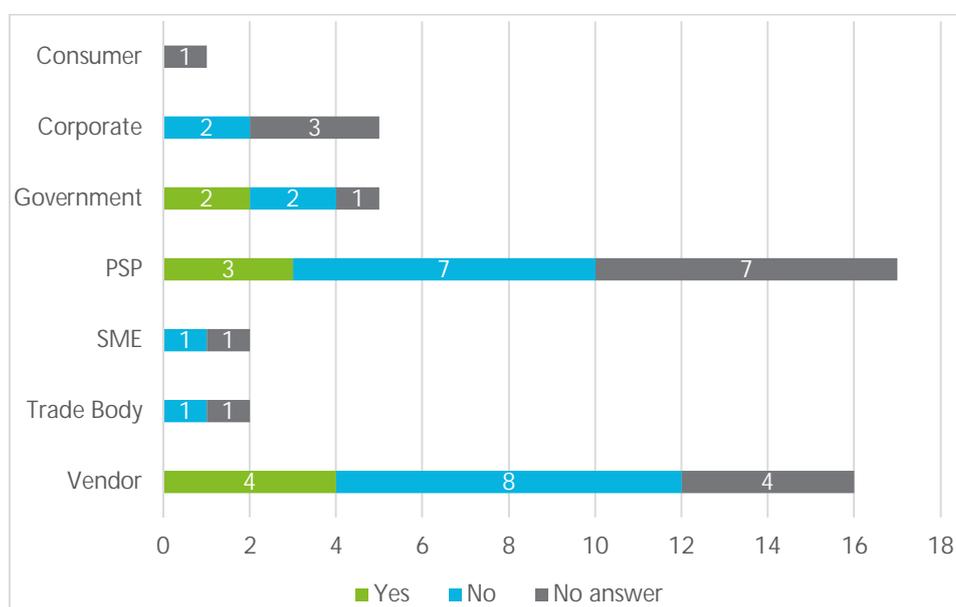


*Figure 17: Responses to the NPA cost assumptions*

A variety of explanations were provided with regards to the cost assumptions. Some of them are:

· Costs and timeline of construction and dual-running phase

· The estimate for PSPs appears to be low. PSPs will need to build or procure ISO 20022 gateway services and will also need to make a substantial change to their internal payments infrastructure and potentially customer channels.

· The estimate for building the new Clearing and Settlement appears low, considering the complexity of building this to cope with several schemes, to be payment type agnostic and given that it is not something that has been carried out before in the UK.

Despite the challenge on the costs no party has suggested the business case is untenable.

We contacted the 22 organisations that did not agree with the proposed costs (21 thought the costs were too low, and 1 believed the costs were too high). On the basis of re-engagement, we have reviewed all new inputs. Using the data available, we have concluded to keep the costs broadly the same on the following basis:

· Costs will be based on implementation within the API Open Banking ecosystem and these will be less than those of historical implementations.

- Whilst it is acknowledged there have been cost overruns in some other similar developments in the industry, this should not be reflected in the cost estimates as these would, therefore, be artificially inflated.

- More detailed work is needed before an updated cost model for implementation can be developed, without more detail and an additional set of facts, changes applied at this stage would be overly subjective.

- Similarly, any further development of alternative industry scenarios at present would add little value.

## 2.5.2  Themes and Treatment Plans

| Themes | Responses |
|---|---|
| 1.  Cost assumptions challenged. | The costs reflect the industry data points obtained during the analysis phase of the CBA.<br><br>**Activities:**<br><br>- The respondents who challenged the costs were contacted and requested assistance in providing additional data points.<br><br>- Where data was offered, face to face sessions were held to discuss the figures provided and capture underlying assumptions.<br><br>- These sessions did not yield significant new data points to materially change the CBA. |
| 2.  Benefits quantification questioned. | Significant qualitative benefits were listed in the 'Blueprint for the Future of UK payments' published in July. Where the benefits could reasonably be justified and are of scale they were included in the cost benefit analysis.<br><br>**Activities:**<br><br>- The benefits suggested by the respondents have been reviewed. Where appropriate, the NPA Blueprint has been updated to include the relevant analysis. |
| 3.  Alternative Industry Minimum challenged.<br>- Challenges were made to the agreed Alternative Industry Minimum position, specifically around the exclusion of Request to Pay and Assurance Data. | We believe the Alternative Industry Minimum sets out the most credible counterfactual position and hence it remains unchanged. |

The **Cost Benefit Analysis of the NPA Blueprint** has been updated, where appropriate, to show our responses to feedback from the consultation.

## 2.6 NPA Commercial Approach and Economic Models

There is broad agreement from respondents that there was sufficient analysis on Commercial Approach and Economic Models to present a series of frameworks to help the NPSO assess funding options, present assessment criteria, identify pre-requisites for the adoption of new solutions and outline finding options for the New Payments Architecture. We have updated the NPA Blueprint with further suggestions provided by respondents where appropriate.

### 2.6.1 Themes and Treatment Plans

| Themes | Responses |
|---|---|
| **1. Competition existing in payments.**<br>· 85% of organisations agreed that the competition framework adequately captured the types of competition that may exist in payments. | There are suggestions made by respondents that the NPSO should consider as it evolves to assume its role in the market:<br><br>· The provision of greater clarity around regulatory requirements for TPSPs.<br><br>· The ability for infrastructure providers to provide overlay services.<br><br>· From a competitive perspective, the NPSO focussing on scoping requirements and accrediting participants in ways which maximise the opportunity to promote competition and deliver positive outcomes for end-users.<br><br>· The NPSO developing a range of product offerings extending beyond the narrow landscape of the NPA processing model.<br><br>· Exercising greater control over the "for the market" vendors.<br><br>· The impact on downstream competition (including accessibility, efficient pricing, and low prices for end-users) be taken into consideration. |
| **2. NPA competition categories.**<br>· 90% of organisations agreed with the NPA competition categories whilst only 2 vendors disagreed.<br><br>· Only one made further suggestions and stated that the impact on downstream competition (including accessibility, efficient pricing, and low prices for end-users) be taken into consideration. | |
| **3. Roles the NPSO could play in the market.**<br>· 81% of organisations agreed with our framework that captured the dynamic roles the NPSO could play in the market. | |
| **4. NPA competition assessment.**<br>· 92% of organisations agreed with this analysis. | |
| **5. Criteria to assess funding options.**<br>· 50% of organisations who responded made suggestions for other important criteria to be used to assess funding options. | |
| **6. End User Needs Solutions.**<br>· 9 respondents disagreed with our assessment of the End User Needs Solutions, out of a total of 24. | Further suggestions for the NPSO to consider:<br><br>· The provision of guidance on implementation roadmap and synergies with PSD2 and Open Banking.<br><br>· The operational structure of an NPSO subsidiary, the roles of market participants as funders and not-for-profit initiatives of the NPSO. |
| **7. Funding stakeholders.**<br>· 6 respondents disagreed with our assessment of the funding stakeholders, out of 21 replies, however, their suggestions link to the structuring of the funding (e.g. funding for the rail, integration or innovation to be separated | |

| Themes | Responses |
|---|---|
| out) rather than the stakeholders themselves. | · Clarity on the role of Government, existing guarantors and a 'Pay to play' model. |
| **8. Funding instruments.**<br>· 9 respondents disagreed with our assessment of the Funding instruments, out of 20 replies. Respondents' alternate suggestions are mostly covered by the content of the NPA Blueprint detailed document for the Commercial and Funding Approaches section. | |

**Activities:**

The following topics have been added to the 'Commercial Approach and Economic Models Blueprint':

- Tax implications

- Fee caps for consumers

- Back up / contingency plan

- Interoperability concerns

- Anti-competitive restrictions

- Clarify market participants

- Not for profit focus of the NPSO

The **NPA Commercial Approach and Economic Models Blueprint** has been updated, where appropriate, to show our responses to feedback from the consultation.

## 2.7 Improving Trust in Payments

Respondents were supportive of both of our Improving Trust in Payments solutions, Payments Transaction Data Sharing and Data Analytics, and Trusted KYC Data Sharing, that were presented in the consultation document. Of all respondents, 37 answered at least one question from Section 6 covering the Improving Trust in Payments solutions. The statistics and analysis within this section relate to those 37 respondents, in addition to the commentary from the 11 organisations that sent letters.

The information gathered through consultation was used to update our solution designs; more details of these updates can be found below. An update on the other Improving Trust in Payments solutions can be found in Appendix 3.

### 2.7.1 Notable Response Themes – Payments Transaction Data Sharing and Data Analytics

Respondents were supportive of the Payments Transaction Data Sharing and Data Analytics solution.

Emphasis was placed on maximising the solution's potential by considering:

- The inclusion of virtual currencies where possible

- The inclusion of payment initiation instructions, prior to PSP involvement

- Cross-industry benefits, in particular, usage by government, law enforcement and security services
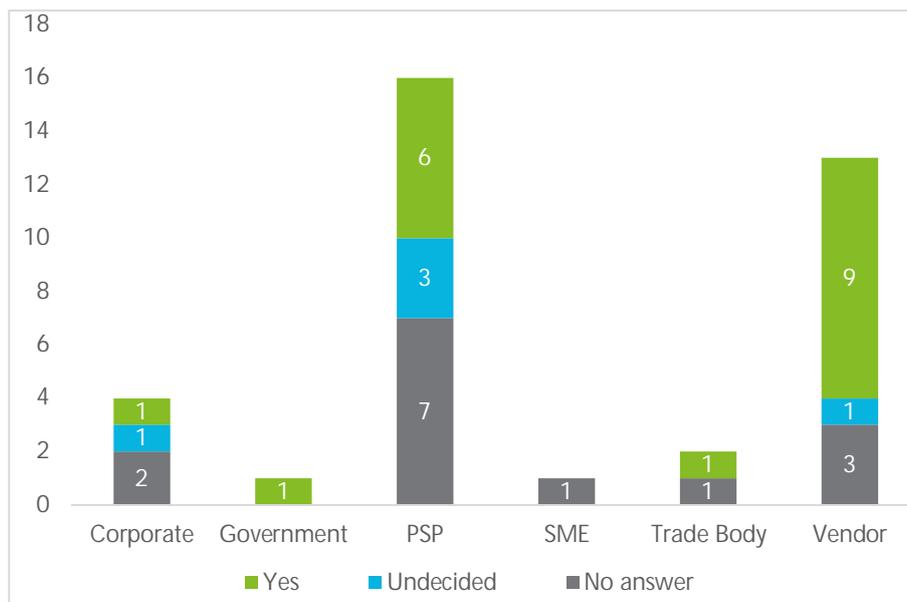


*Figure 18: Agreement with the key principles outlined*
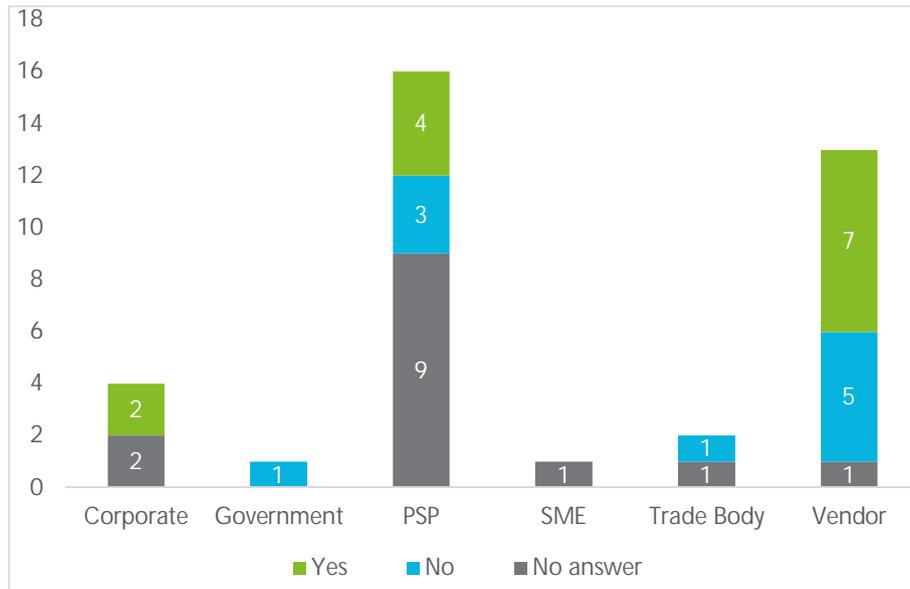
*Figure 19: Agreement with the high-level timeline*

## 2.7.2 Themes and Treatment Plans – Payments Transaction Data Sharing and Data Analytics

| Themes | Responses |
|---|---|
| 1. Additional suggested participants were provided for the proposed categories. | • We will include a key requirement to ensure that support is provided for future participant categories and developments in the payments industry. |
| 2. Respondents suggested that participant categories should be scalable and flexible to support future participant types that may emerge. | • We will also include reference to appropriate controls and governance in the scope and governance document, such that only valid participants will have access to the data sharing and transactional analytics strategic solution and this will be based on their agreed needs. |
| 3. Positive views were expressed for the inclusion of non-payment industry participants. | |
| 4. Examples given of legislation and controls to be considered were:<br><br>• GDPR<br><br>• Proceeds of Crime Act<br><br>• Money Laundering Regulations<br><br>• The SARS review<br><br>• 4th Anti Money Laundering Directive | • A specific requirement to ensure strong data privacy protections are in place as part of the strategic solution will be included.<br><br>• Specific requirements will be included in the scope and governance document regarding the pricing and funding model. |
| 5. Some respondents strongly advised consulting with the Information Commissioner's Office when designing the solution due to the data privacy issues raised by the sharing of data. | • Additional stakeholders suggested by respondents will be reviewed and included in the scope and governance and implementation document as appropriate. |

| Themes | Responses |
|---|---|
| 6. A need was expressed that the pricing and funding model for the solution is equitable between all participants of the service. | |
| 7. Additional stakeholders were suggested by several respondents. | |

We have published the following documents for the **Payments Transaction Data Sharing and Data Analytics** solution:

- Solution Scope and Governance Oversight

- Solution Implementation Approach

## 2.7.3 Notable Response Themes – Trusted KYC Data Sharing

A clear majority of respondents are supportive of the proposed KYC Data Sharing solution.

Emphasis was placed on maximising the solution's potential by considering:

- The creation of a longer-term strategic view on all aspects of KYC registration and data sharing (both from a domestic and international perspective) given the number of inbound and outbound payment transactions from/to non-UK payment addresses.

- While UK Finance, PSR and NPSO are mentioned as potential candidates as a governance body, a similar number of respondents think a new governance body needs to be created.
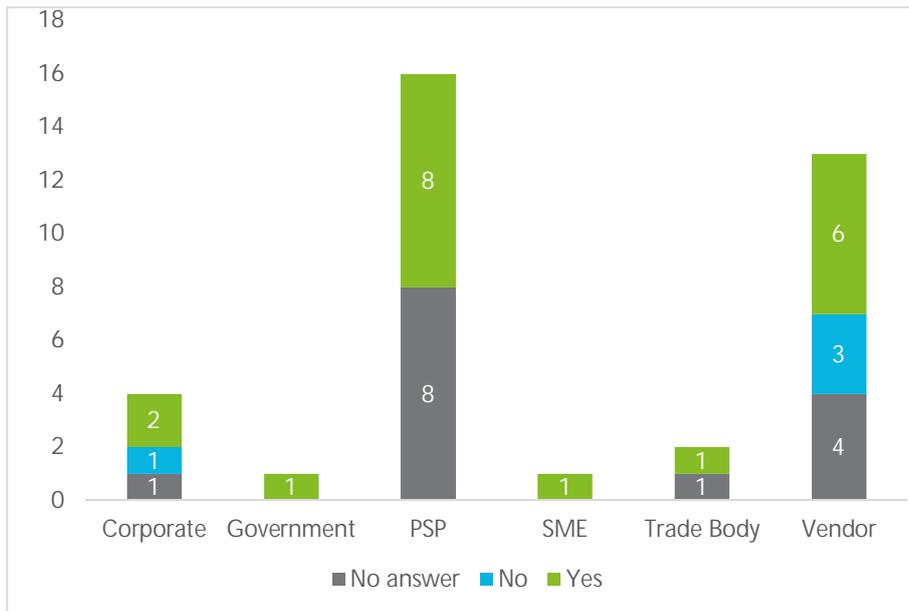


*Figure 20: Agreement with the establishment of the recommended framework*

## 2.7.4 Themes and Treatment Plans – Trusted KYC Data Sharing

The significant majority of respondents agreed with the approach to the solution implementation and scope. In some cases, respondents did highlight areas where additional details and consideration may be beneficial, including:

| Themes | Responses |
|---|---|
| 1. Liability models for reliance when decisions are made based on sharing incorrect or unverified data, particularly under a commercial agreement. | In response to the comments made by respondents, the following will be actioned: |
| 2. Respondents saw the potential benefit that could be gained from expanding the market focus beyond SME KYC. | · The recognition of the potential of the solution beyond the SME segment is a very positive response. The position remains that the solution should initially be developed for the segment where we believe the greatest need and detriments are not currently being addressed by the market. Future development may expand the solution focus once it has been proved with SMEs. |
| 3. Expansion of governance body responsibilities to include customer education, production of industry guidance, and complaints handling, as well as ensuring the solution remains accessible to new entrants commercially. | · Further analysis of the liability model will be developed to cover the scope of the standards covering data sharing and exchanging. · The solution documentation will be enhanced to include an expanded set of governance body responsibilities; customer education, oversight of industry guidance, complaints handling and review procedures, as well as monitoring of the commercial environment amongst solution participants. |
| 4. The ongoing importance of the temporary testing environment to promote competition and innovation. | |
| 5. GDPR and other legal considerations, where solution standards will need to align with upcoming legislation to ensure customer data is shared and processed correctly. | · The recommendation is that a set of criteria should be developed to assess the ongoing need and future demand of the test environment and periodically reviewed to determine if the environment should remain available for new entrants to participate. |
| | As per the solution design, the data sharing standards must take into account both existing and known upcoming legislation, with a mechanism to adapt as necessary in future. In advance of the standards development a detailed assessment of the impact of GDPR should be made to determine the impact of their definition. |

We have published the following documents for the **Trusted KYC Data Sharing** solution:

· Standards Scope and Governance Oversight
· Framework Implementation

# 3 Appendices

## 3.1 Appendix 1 – Respondents to the Consultation

We are grateful to the parties below for their time and input to the consultation process:

1. Accenture
2. Answer Digital
3. Association of Independent Risk & Fraud Advisors (AIRFA)
4. Bacs
5. Barclays
6. Bluechain Payments
7. Bottomline Technologies
8. British Retail Consortium
9. Capita Asset Services - Shareholder Solutions
10. CBI
11. CBI & BT
12. Cenerva
13. Citizens Advice
14. Clydesdale Bank PLC
15. Cognizant Technology Solutions
16. CORVID PayGate Ltd
17. Dept For Work and Pensions
18. Dovetail
19. Driver & Vehicle Licensing Agency (DVLA)
20. DST Systems
21. Eazipay Ltd
22. equensWorldline
23. Experian Limited
24. Fair Isaac Inc (FICO)
25. Finance and Leasing Housing
26. Financial Services Consumer Panel
27. Finastra
28. FIS
29. FSB
30. Government Banking
31. HMRC
32. HSBC
33. Icon Solutions (UK)
34. J.P.Morgan
35. Kalypton
36. LBG
37. Metro Bank
38. My Zone
39. National Trading Standards Scams Team
40. Nationwide
41. NS&I
42. Open Banking
43. Paypoint
44. Paysafe Group PLC
45. RBS
46. Santander
47. SETL
48. SWIFT
49. techUK
50. The Ely Fitness Company Ltd
51. Tisa
52. TransferWise
53. Transpact
54. TSB
55. UK Finance
56. Virgin Mobile Telecoms Limited
57. Virgin Money
58. Vocalink
59. Which?

# 3.2 Appendix 2 – Consultation Response Analysis

59 organisations responded to the consultation on the future of UK payments, with 48 having completed the consultation questionnaires and 11 sending letters with comments on specific topics. Outlined is the process undertaken to analyse the feedback from respondents to prepare themes, with corresponding responses.
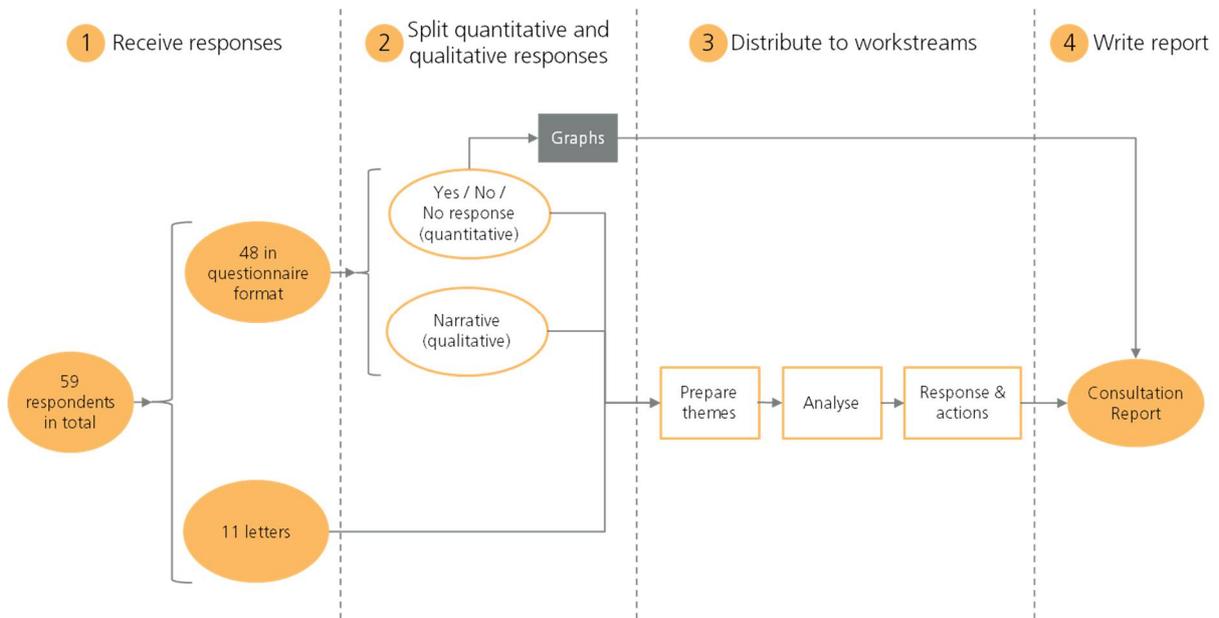


## 3.2.1 A New Payments Architecture

| Question 1.1 | Response |
| --- | --- |
| Do you agree with our recommendation to move towards a 'push' payment mechanism for all payment types? | 20 organisations agreed with the recommendation, 17 disagreed and 11 did not respond. |
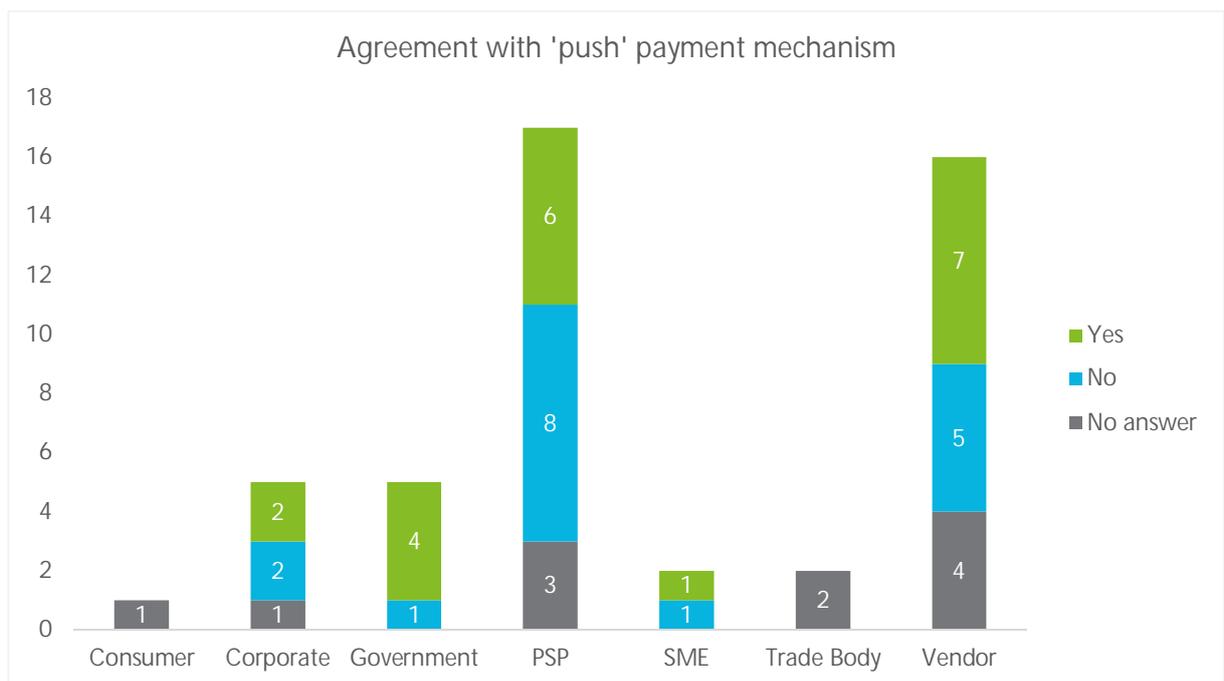
o The 17 organisations who disagreed with the proposition to move to a push mechanism had one main concern – the future of Direct Debit within the UK's payments ecosystem.

o Some concerns were highlighted:

    o Direct Debit being a proven working solution and the move to a push-only payment model having the potential to be highly disruptive.

    o The potential shift of monetary liability to the customers away from banks, through the eradication of Direct Debit.

    o The potential for consumers to be unable to distinguish between Request to Pay and Direct Debit.

    o The potential need for re-authorisation of push payments every 3 months and the ensuing complexity for the customer.

| Question 1.2 | Respondents |
|---|---|
| In the proposed transition approach it is expected that Third Party Service Providers including current independent software providers, bureaux and gateway providers will update their systems to enable existing payment formats to continue to operate with no or limited negative impact on the current users of services such as Direct Debit. As a PSP or TPSP, do you agree we have identified the implications of adopting a push model adequately? | 10 organisations agreed with that we have adequately identified the implications of adopting a push model, 17 disagreed and 21 did not respond. |
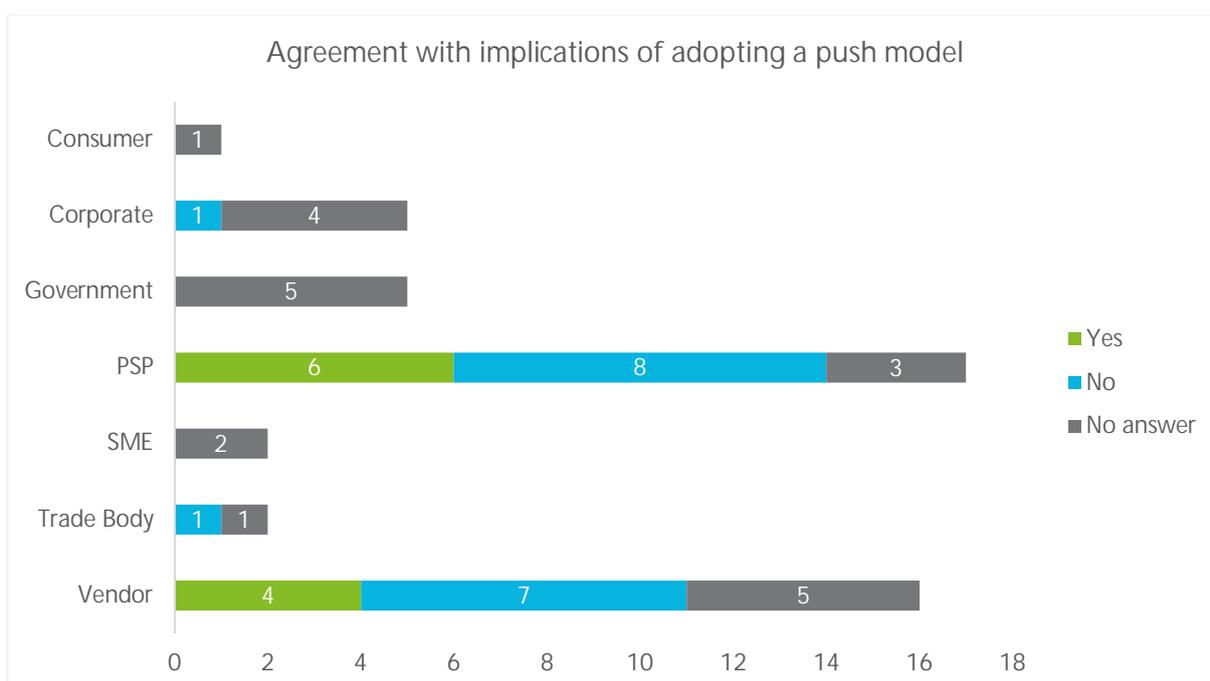


Themes from the 17 organisations who disagreed:

o A lack of detail around the critical change to move towards a push payments mechanism, e.g. capturing the implications of moving DDs to a 'push' payment model.

o Lack of sufficient engagement and assessment to fully understand the implications of adopting a push model, particularly for those corporates and charities with a level of access to the infrastructure.

Suggestions for further analysis are:

o The impact on originators of payments and the approximately 130,000 direct submitters to Bacs.

o The true costs of the movement to a push payment mechanism for all parties (not sufficient captured in the CBA section).

o The advantages and disadvantages to parties including PSPs and TPSPs.

o The status of the cultural and business readiness to ensure a successful change in the payments industry and its users.

| Question 1.3 | Respondents |
|---|---|
| As a potential vendor, participant or user of the NPA, are there any other design considerations that should be included in the NPA, especially with regards to considering the needs of end-users? | Out of the 48 organisations who responded to the questionnaire, 7 indicated there were no more design considerations to be included, 35 indicated that there are other design considerations that should be included in the NPA, and 6 did not provide a response. |

Design considerations
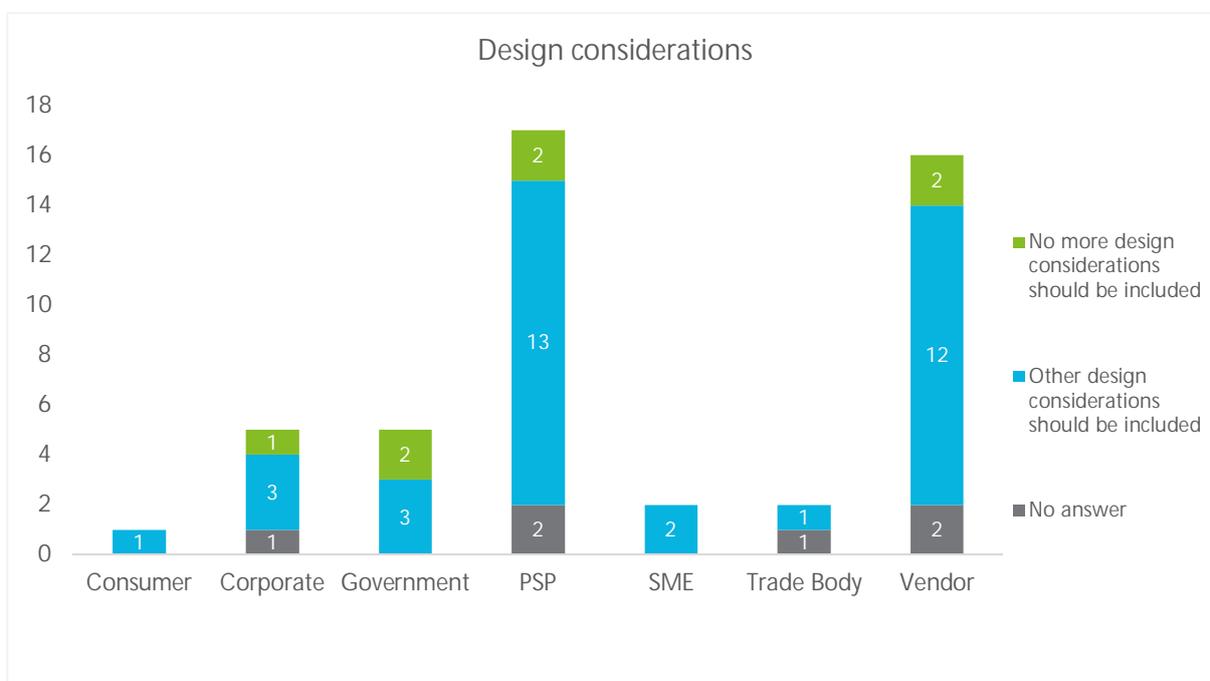


Suggestions of design considerations that should be included in the NPA include:

o Synchronous and asynchronous processing, single and bulk payments and 24/7 submission.

o Focus on non-technical aspects, e.g. Financial Inclusion.

o Consideration around how end-users access payment history or use their existing account reference information when they move PSP account providers (i.e. Current Account Switching Service).

o Implementation of measures to prevent payment fraud.

o Consumer protection for Request to Pay.

o Availability for real-time data for both payer and payee.

o Advance notifications of bulk submissions (equivalent to Bacs Direct Credits).

o Flexibility of the NPA to accept additional overlay services, e.g. 'Request to Accept', where the beneficiary can chose to accept or reject an inbound credit.

| Question 1.4 | Respondents |
|---|---|
| The nature of the layering approach enables new components to be added or updated with minimal impact on components in other layers. We believe this will support greater levels of competition and innovation especially in the upper layers of the NPA.<br>In your view, as a vendor or service provider, will layering the NPA in this way simplify access and improve your ability to compete in the UK payments market? | Out of the 48 organisations who responded to the questionnaire, 25 agreed, 5 disagreed, and 18 did not provide a response. |

**Will layering the NPA in this way simplify access and improve your ability to compete?**
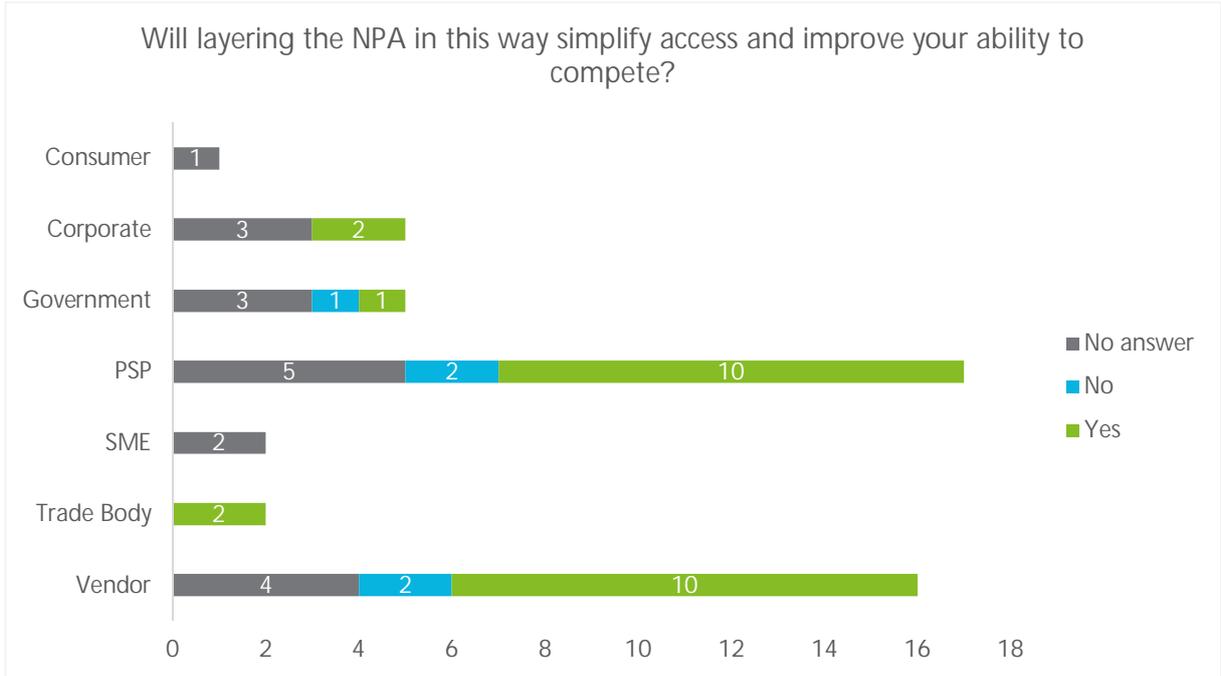


Respondents highlighted points to be cautious of with regards to the layering approach:

- o Careful planning and execution required with regards to the complexities of the layered approach and the need to align component, integration and end to end testing.

- o Communicating with multiple PSPs rather than one Automated Clearing House (ACH) would increase the complexity, cost and risk of a vendor's product or service.

| Question 1.5 | Respondents |
|---|---|
| With the recommended centralised clearing and settlement option, as a participant or vendor who is accessing or delivering the clearing and settlement service, do you think:<br>    a. We have reached the right conclusion in recommending this option? | A positive response from 28 organisations supporting the recommendation for a centralised clearing and settlement model. 2 organisations disagreed and 18 did not state a preference. |

Agreement with the recommended centralised clearing and settlement option
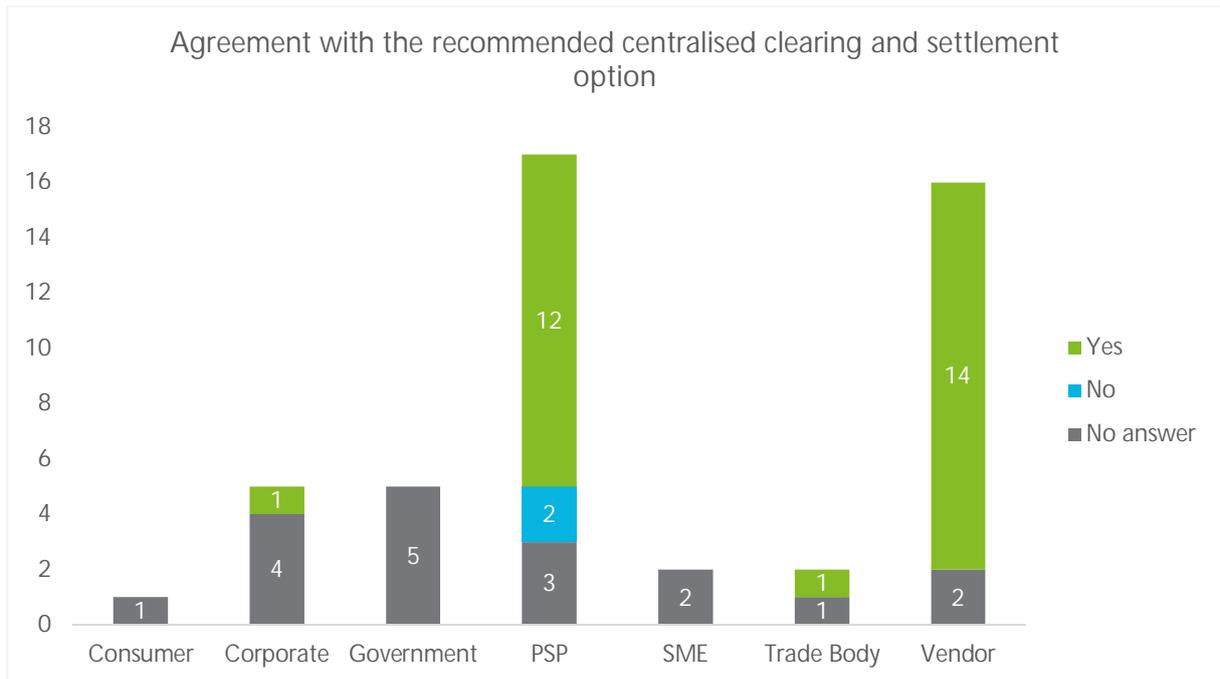
- o One respondent that didn't agree with the centralised approach stated simply that in relation to clearing and settlement the views of the Bank of England will be paramount.

- o The 18 organisations who didn't state a preference didn't provide any comments except for one. An existing Payment System Operator (PSO) stated that it was not possible to reach the right conclusion without the rigorous testing and assessment, which indicates they would like more analysis to be done on this topic.

| Question 1.5 | Respondents |
|---|---|
| With the recommended centralised clearing and settlement option, as a participant or vendor who is accessing or delivering the clearing and settlement service, do you think:<br>　b.　The right balance of managing risk versus competition has been achieved? | 23 organisations agreed that the right balance of risk versus competition was achieved, 3 organisations disagreed and 22 did not respond. |

## Agreement with the balance of managing risk versus competition

| Category | Yes | No | No answer |
|----------|-----|-----|-----------|
| Consumer | | | 1 |
| Corporate | 1 | | 4 |
| Government | | | 5 |
| PSP | 10 | 1 | 6 |
| SME | | | 2 |
| Trade Body | 1 | | 1 |
| Vendor | 11 | 2 | 3 |
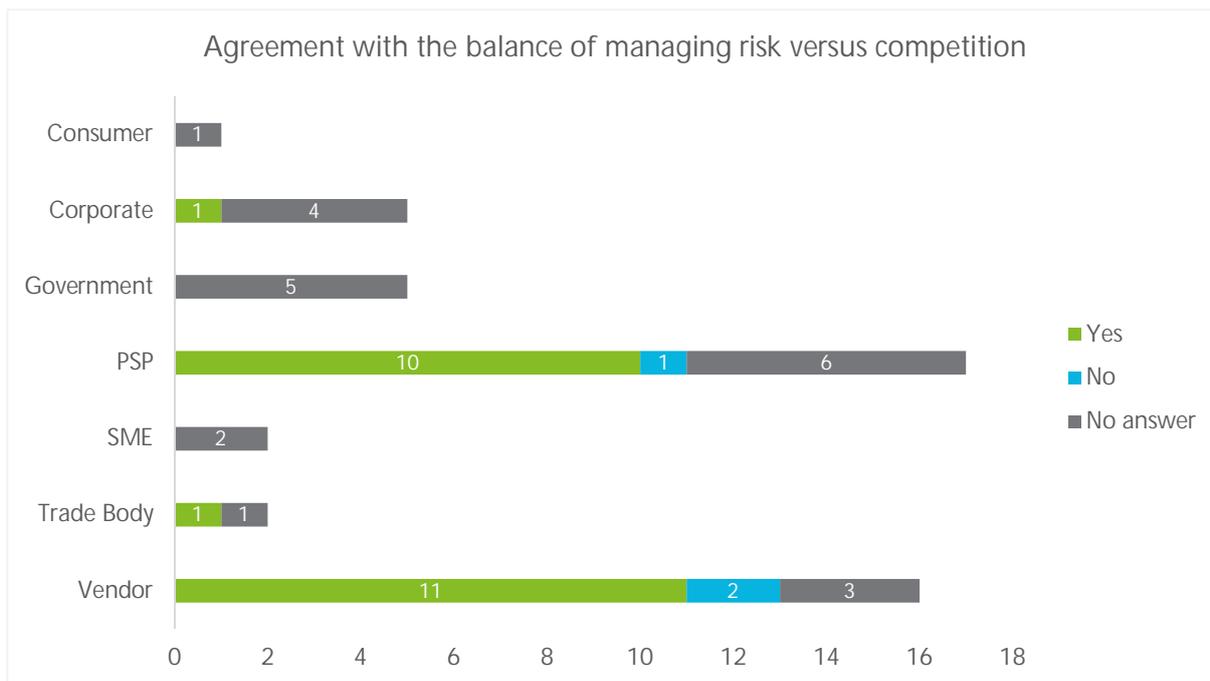
One respondent highlighted the key risk area is settlement risk and not competition or operational risk. Having a single infrastructure creates significantly high operational risk. Using a hybrid model delineating clearing from settlement achieves the best balance.

Another indicated that the system should avoid the limitations in the settlement frequency and availability of today's payment systems.

The PSR, in its June 2017 Infrastructure Review Final Remedies report, stated "we intend to take any further steps required to apply this remedy to the new consolidated entity [NPSO], as appropriate, having regard to the circumstances at the time, to ensure it competitively procures any future central infrastructure that is required." With this in mind, the clearing and settlement layer should be developed in such a way that minimises any associated transition risk.

| Question 1.6 | Respondents |
|---|---|
| Do you agree with our analysis of each of the clearing and settlement deployment approaches? | 23 organisations responded positively that there was the right level of analysis into both single and multi-vendor deployment approaches, 2 organisations disagreed and 23 organisations did not respond. |



Agreement with our analysis of each clearing and settlement deployment approaches
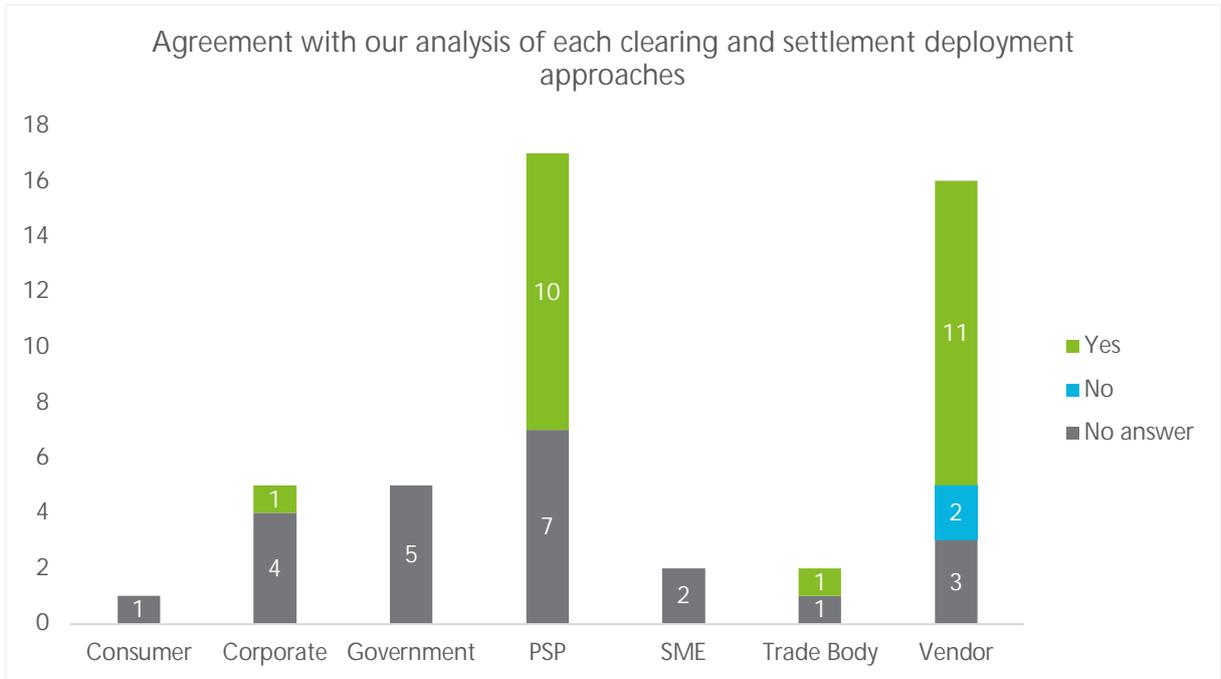
- o An existing Payment System Operator (PSO) and a large PSP stated that they won't have a view until further analysis is performed into both approaches.

- o 20 organisations indicated their preference:

  - o 11 organisations preferred the single deployment option stating a balance between risk and control benefits.

  - o 9 organisations favoured the multi-vendor deployment option for reasons such as the volume of payments growing or if contracting was enabled between participants and infrastructure providers without recourse to a central body.



Preference for single or multi vendor approach
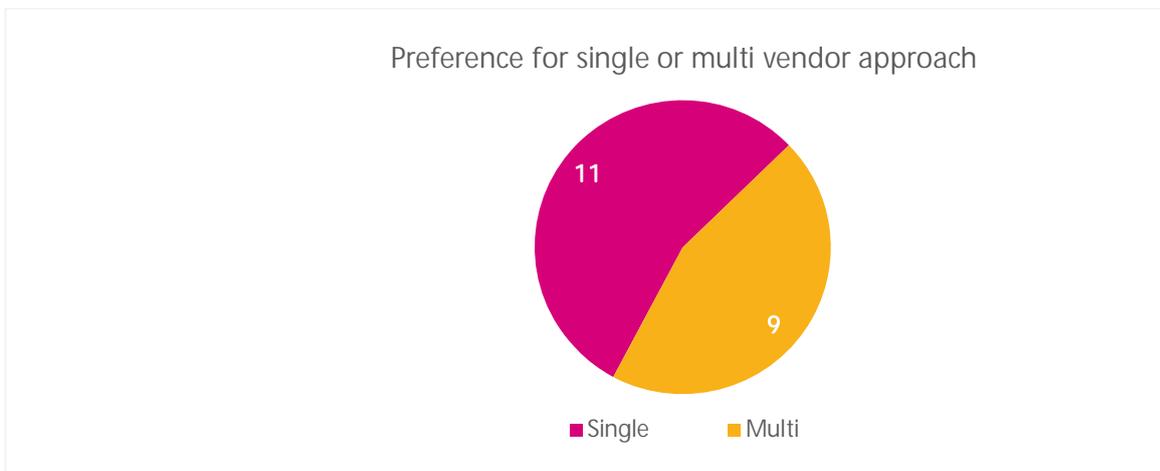
| Question 1.7 | Respondents |
|---|---|
| As a vendor of services in any layer of the NPA, do you think that more work is required to prove any of the main concepts of NPA before embarking on the procurement process? | 20 organisations would like more work to be done to prove some of the NPA concepts, 8 organisations were happy not to carry any further work and 20 organisations did not have a view nor commentary to share on this topic. |

## More work required to prove main concepts
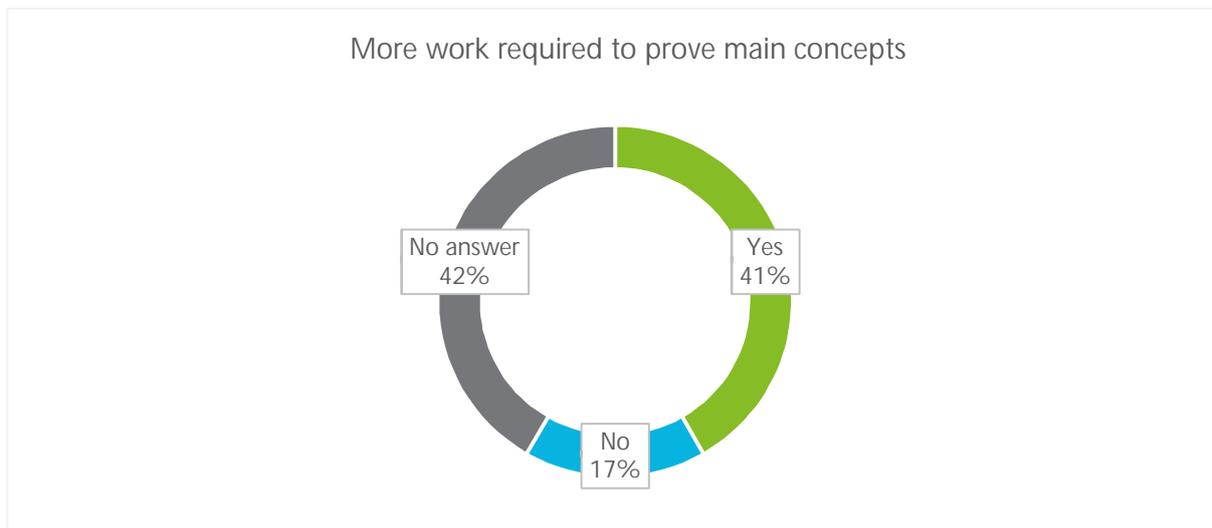


Main reasons for wanting further analysis were as follows:

o Demonstrating alignment with other payment programmes, e.g. demonstrating the use of ISO20022 interoperability based on learnings from Open Banking.

o Additional analysis around how clearing and settlement mechanisms would work in principle and how they can scale, both in terms of user numbers and performance demands given anticipated growth.

o Demonstrating resilience and how the NPA will meet the Bank of England's resilience imperative.

o Utilising existing investment and infrastructure, where possible.

o Determining the security arrangements, liability models and legal framework to support the concept of the NPA.

### 3.2.2 Collaborative Requirements and Rules for the three End-User Solutions

| Question 2.1 | Respondents |
|---|---|
| As a payee,<br>    a.  Does your organisation serve customers who experience challenges paying regular bills? | 29 respondents answered this question, of which 66% organisations indicated that they serve customers who experience challenges paying regular bills. |



| Question 2.1 | Respondents |
|---|---|
| As a payee,<br>    b.  Does your organisation experience unpaid direct debits? | 28 respondents answered this question, of which 64% organisations indicated that they serve customers who experience challenges paying regular bills. |
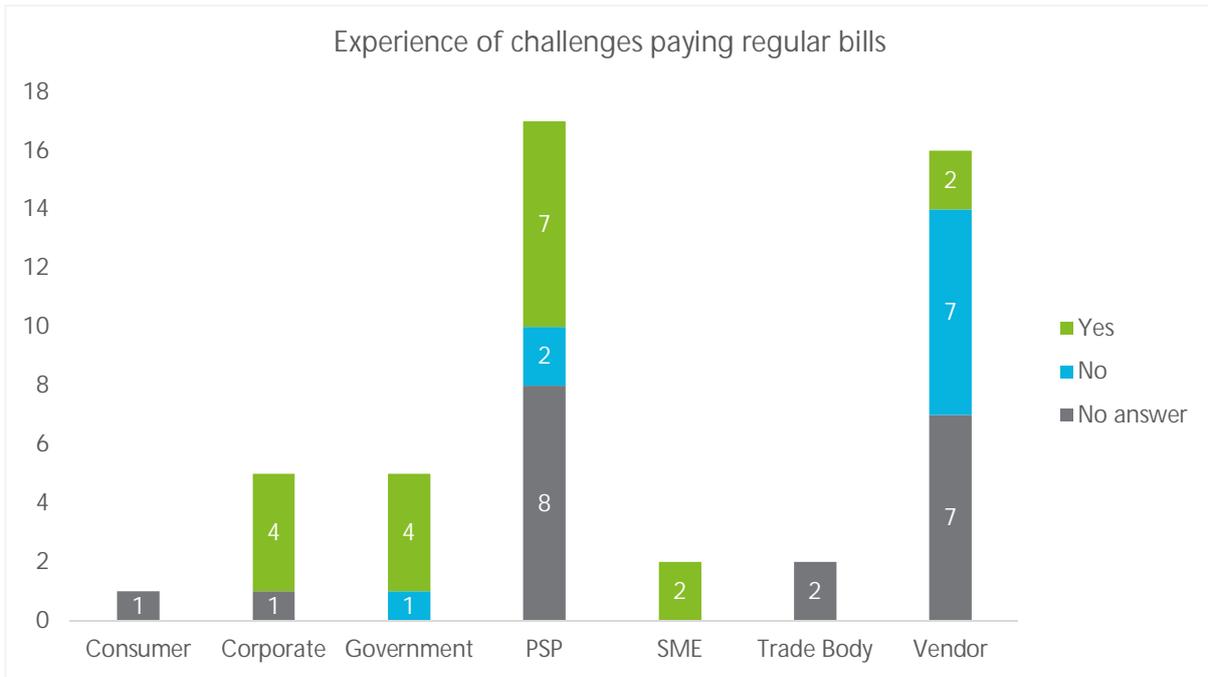
Experience of unpaid DDs
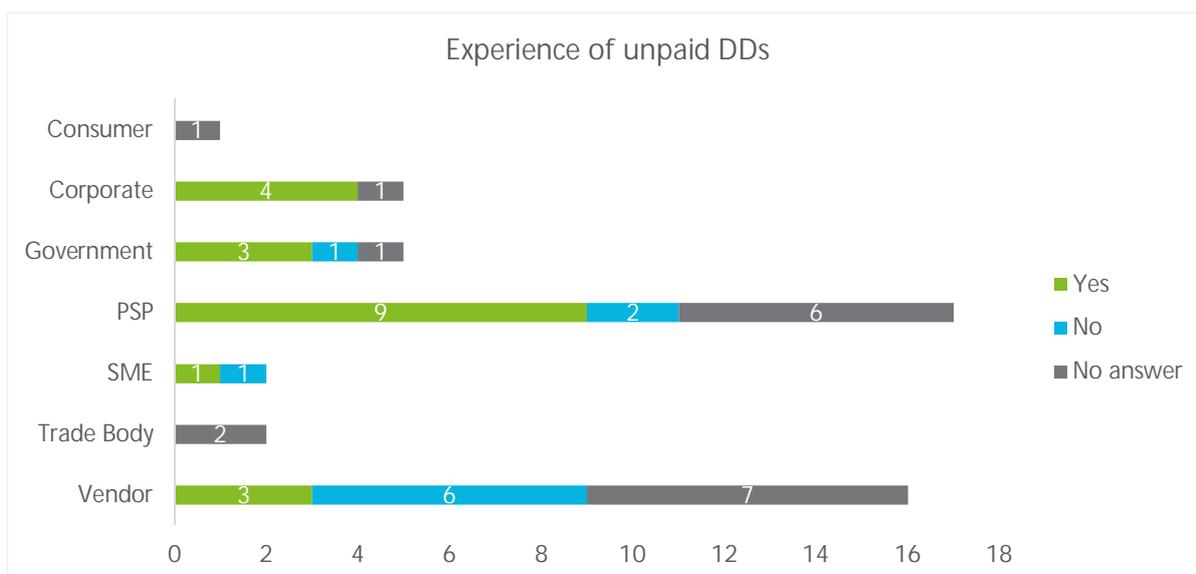
Respondents made some observations that can be summarised as follows:

o No evidence of increase in unpaid Direct Debits:

  o Some DD collectors have seen no evidence that there are a growing number of customers whose payment needs are not being met

  o Many respondents highlighted that only a small percentage of Direct Debit fails

  o It was to be noted that the proportion of payment failures are lower using Direct Debit than non-Direct Debit

In addition, respondents took the opportunity to highlight the following:

o Business case for corporates:

  o Since a small percentage of Direct Debit fails the cost-benefit analysis of implementing Request to Pay was questioned

  o Under Request to Pay working capital for businesses may become less certain

o Current cash flow issues for SMEs and the need for more flexibility:

  o SMEs noted that they often come up against cash flow issues which presents a challenge for paying bills on a regular basis. Greater flexibility and control offered by Request to Pay will be welcomed by these businesses.

o Difficulty for Small Businesses to become Direct Debit collectors:

  o Only a small proportion of small businesses use direct debit to collect payments. This is due to the requirements of the Direct Debit system making it too onerous for small businesses to use this to collect payments this way.

  o Some small businesses encourage customers to set up standing orders

o Budgeting v financial difficulty

  o Some respondents were not clear how the consumer groups with budgeting problems will be addressed using Request to Pay and the risk and appropriate protocol needed in this case

  o Corporates usually have controls and processes in place to work with customers in these circumstances to reduce their risk.

| Question 2.2 | Respondents |
|---|---|
| Request to Pay provides visibility to payees on the intentions of a payer. Would the increased visibility benefit your business? If so, how? | 27 respondents answered this question, of which 65% of organisations indicated that increased visibility to payees on the intentions of payers would benefit their business. |
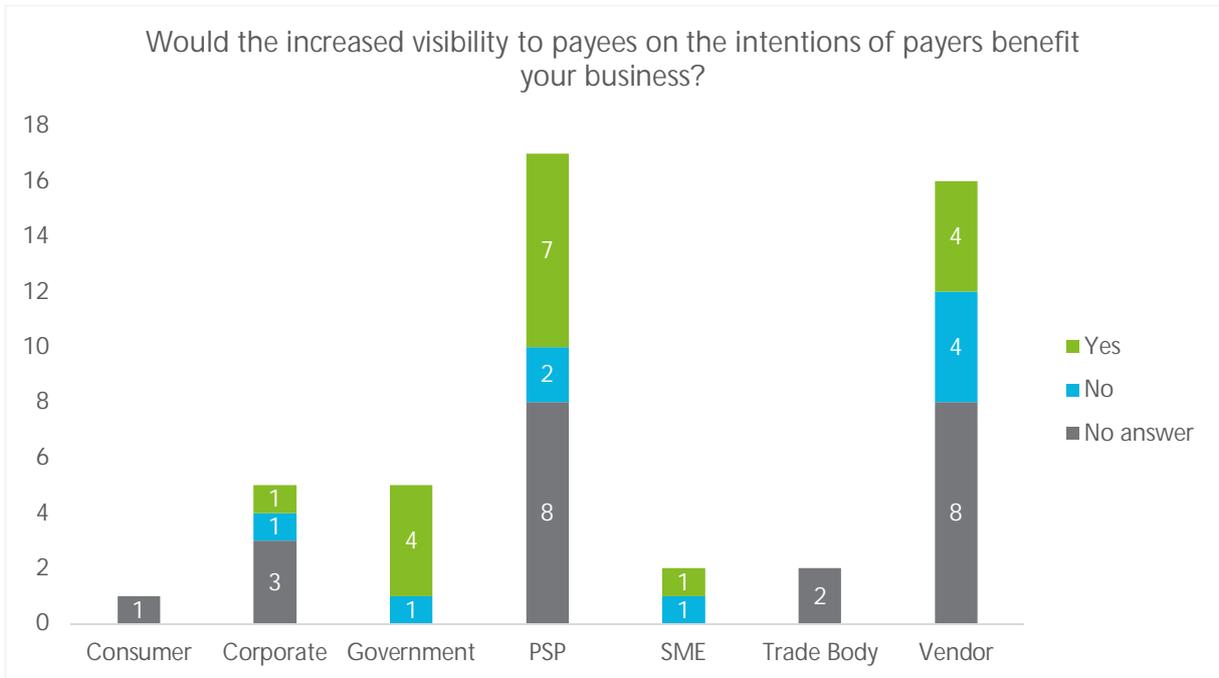


Respondents highlighted the following benefit areas arising out of the increased visibility that Request to Pay would provide:

- o Efficiency

    - o Many highlighted back office efficiency including reconciliation errors, debt management and more. However, this would be dependent of the quality of reconciliation data. In introducing Request to Pay one respondent argued that 'it is essential that we do not create a suite of standalone push payments without an automated reconciliation mechanism.'

- o Adaptability

    - o Some respondents argued that if it can be used in conjunction with DD, as to verify DD, then it can be helpful.

Several downsides were also highlighted (Note: not all are due to increased visibility):

- o Suitability

    - o The suitability of Request to Pay for recurring payments was also questioned with issues relating to conflict management between payee and payer over a contested payment cited as a challenge.

    - o The intentions of the payer may be distorted if payers choose for instance to decline electronic Request to Pay payments to pay by other means. This could create false positives.

- o Operational issues

    - o Partial payments could prove difficult to manage, particularly from a reconciliation perspective. If the issue of reconciliation is not addressed and individual transactions flow through to businesses, the impact may be an increase in transactional banking costs.

    - o As payment collections are less certain it may create cash flow issues for businesses.

| Question 2.3 | Respondents |
|---|---|
| Request to Pay will result in increased communication between the payee and the payer. As a payee: <br> a. Would the increased communication present a challenge? If so, in what way? | 83% (20) of the organisations who answered this question indicated that increased communication would present a challenge. Only 4 organisations indicated that it would not present a challenge. |
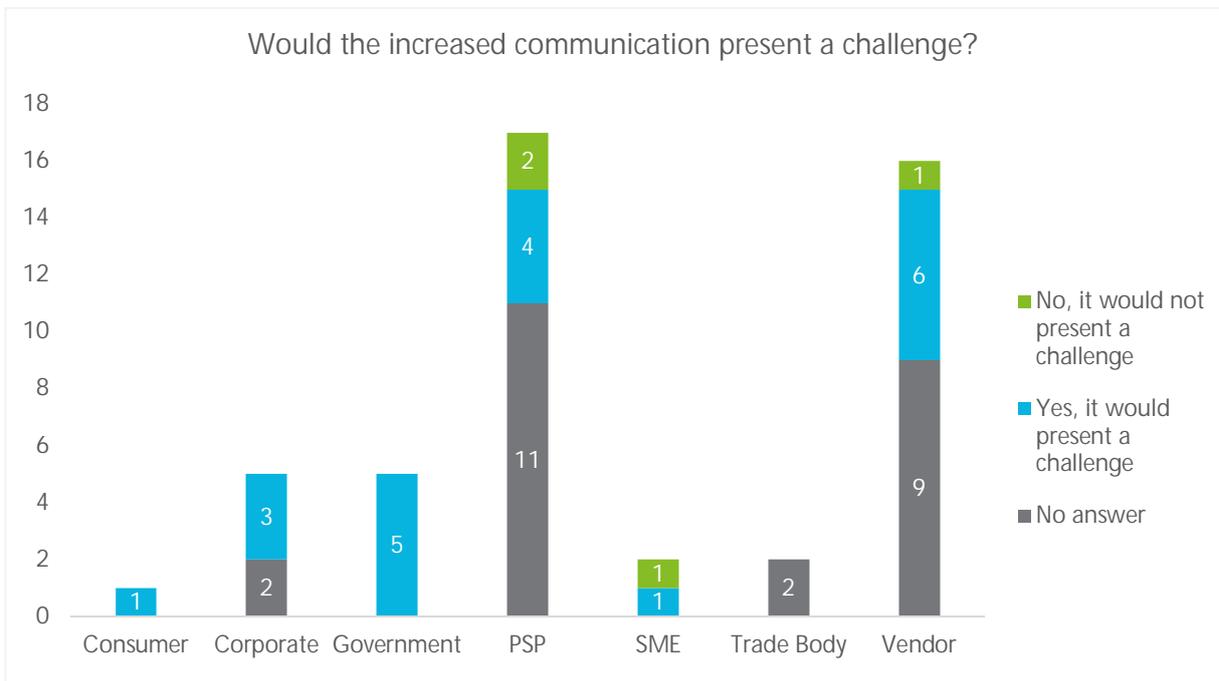


The majority of responses answered 'Yes' citing operational challenges leading to a review of IT systems and processes.

- o Increased number of parties

    - o With the possibility of many Request to Pay providers joining the Request to Pay market, the dispute resolution would be complex as more parties will be involved in the payment chain.

- o Operational and transactional cost

    - o Although a payer can ignore a bill today, if Request to Pay results in more declined or delayed payments – or simply requests for contact – this could have result in a greater number of operational contacts and costs. This could include; recruitment in call centres and the potentially further issuing of notifications etc. A delay in responding could in itself introduce a payment delay.

    - o Additionally, other respondents raised queries surrounding data storage of transactions and their associated responses and how firms would need resource focused on insights, analysis and strategy corresponding with this.

Some respondents offered suggestion on improvements that could be made to the design:

- o Recurring payment authorisation

  - o Some respondents would propose consideration is given to the ease with which a payer could swap from the need to authorise each payment to authorising payments on a continuing mandate or those up to a certain amount. This would offer payers an additional facility to manage ongoing communication or payments in times when they are unreachable.

- o Multiple actors

  - o One respondent said consideration is needed where 'the payer and user are different people, perhaps a parent and child – the payer may value an intervention when the monthly bill exceeds a threshold.'

- o Codification vs. free form responses: Increased communication would present a challenge if it was excessive and free-form. Some respondents recommended a standardised response.

| Question 2.3 |
| --- |
| Request to Pay will result in increased communication between the payee and the payer. As a payee:<br>   b.   What benefits could you envisage from this increased communication? |

Responses largely echoed the benefits outlined in the consultation document surrounding better customer experience and satisfaction due to increased contact.

- o Cash flow management and reconciliation

  - o Currently many small businesses have a difficulty accounting for each outgoing from their business. Having increased information would benefit them as it will help them better understand their costs.

- o Customer awareness & trust

  - o Increased payer awareness of their pending liabilities prompting more effective, timely management of their finances.

  - o Communication through an official secure information channel could also increase customer trust and confidence in messages received from payees.

- o Provide payers with greater / more up to date information on an account

  - • For example a loan, a reference could be provided on which payment this is in a series e.g. 10 out of 12 or depending on customer permissions communicate other items of interest to them e.g. product anniversaries, eligibility for different products or a change in product features. Increased communication could enable payers to become more familiar with their spending behaviours through increased engagement. Payers/ PSPs can as a result add further value-add service to the payee.

| Question 2.3 | Respondents |
|---|---|
| Request to Pay will result in increased communication between the payee and the payer. As a payee:<br>   c.  Do you see any additional potential benefits resulting from Request to Pay other than those described? If so, which ones? | 64% (16) of the organisations who answered this question indicated that there are additional benefits of RtP. |
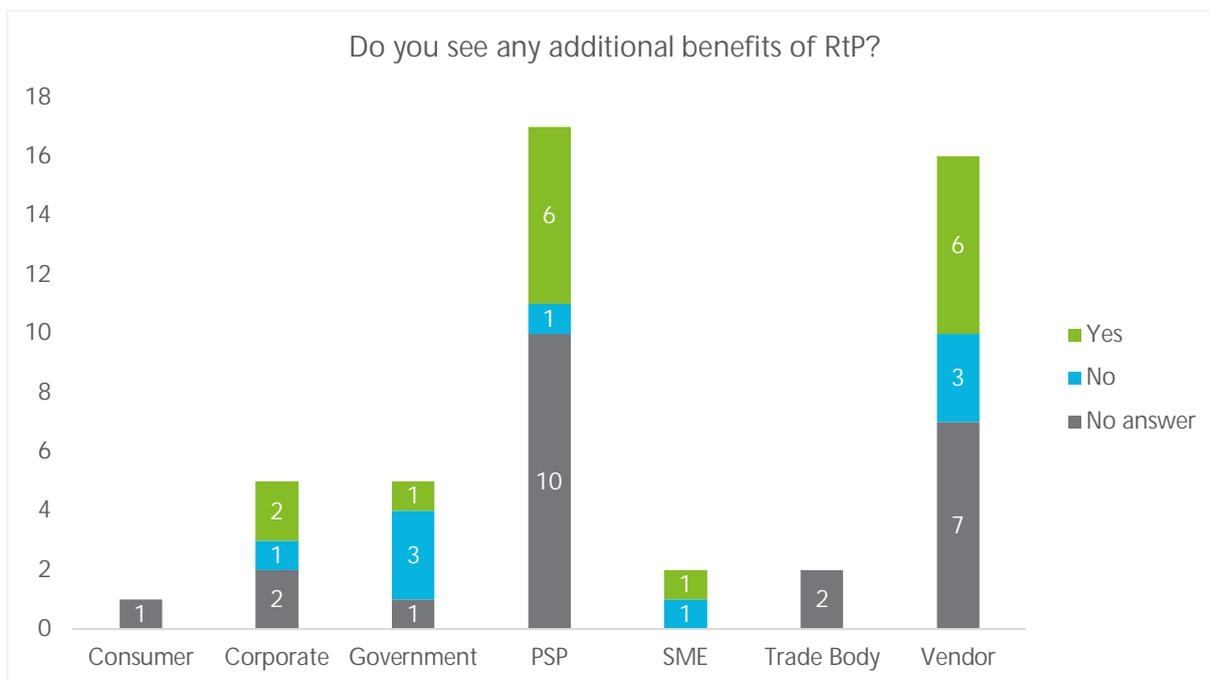


Alternative uses

- o The Request to Pay solution could offer an alternative to debit or credit card payments and the costs involved (this would depend on the commercial model applied to the service).

- o Using the insurance sector as an example, there could be the opportunity to deliver 'just in time' services. For many insurers there is only one engagement often when the policy is renewed annually. The Request to Pay process could increase the number of touch points for businesses with their customers.

- o The many possible uses for Request to Pay such as charity donations, membership fees (in which the ability to reconcile a payment to a member may be particularly useful), peer-to-peer payments and so forth.

- o One respondent (Vendor) suggested: 'There is a potential to cover one of the very few use cases for cheque which are not already well-served by other payment mechanisms: the conditional payment; an example of this is the school looking to fund a trip, which will only go ahead if sufficient commitments are made: cheques fulfil this "promise to pay" and it is possible that this use case could be an extension of Request to Pay.'

Benefits of reference ID

- o Request to Pay could reduce the number of misdirected payments or payments held in suspense accounts through the provision of a Request to Pay ID. The use of a unique transaction reference that is then used throughout the payment end-to-end should also improve the traceability of a transaction and support reconciliation of payments.

Channels

- o One respondent mentioned the potential channels that it could be used in such as in Remote/Telephone Order scenarios, at Point of Sale (POS) and in the Internet of Things (IoT).

Changes in End-user behaviour

- o Dependent on the Request to Pay solution design, it could prevent the need to enter payment details with a payer 'just' authorising the payment. For example, where the Request to Pay service links directly to a customer's payment mechanism when a decision is made to 'pay all' or 'pay partial' the payment details would not need to be entered. Although Secure Customer Authorisation may apply.

- o Payers could decide to pay for things earlier or make an overpayment.

Some respondents envisage the relationship built between the payee and payer via Request to Pay could become central to further services. Additional services could be: loyalty rewards, discount coupons, artificial intelligence to recommend money management techniques and automated bill management and payment.

| Question 2.4 | Respondents |
|---|---|
| We have recommended the minimum information that should be contained in a Request to Pay message. As a payee:<br>a. With the exception of reference ID, are you able to provide other items of information with every payment request? | 17 organisations indicated they can provide other items of information, 2 do not and 29 did not respond. |
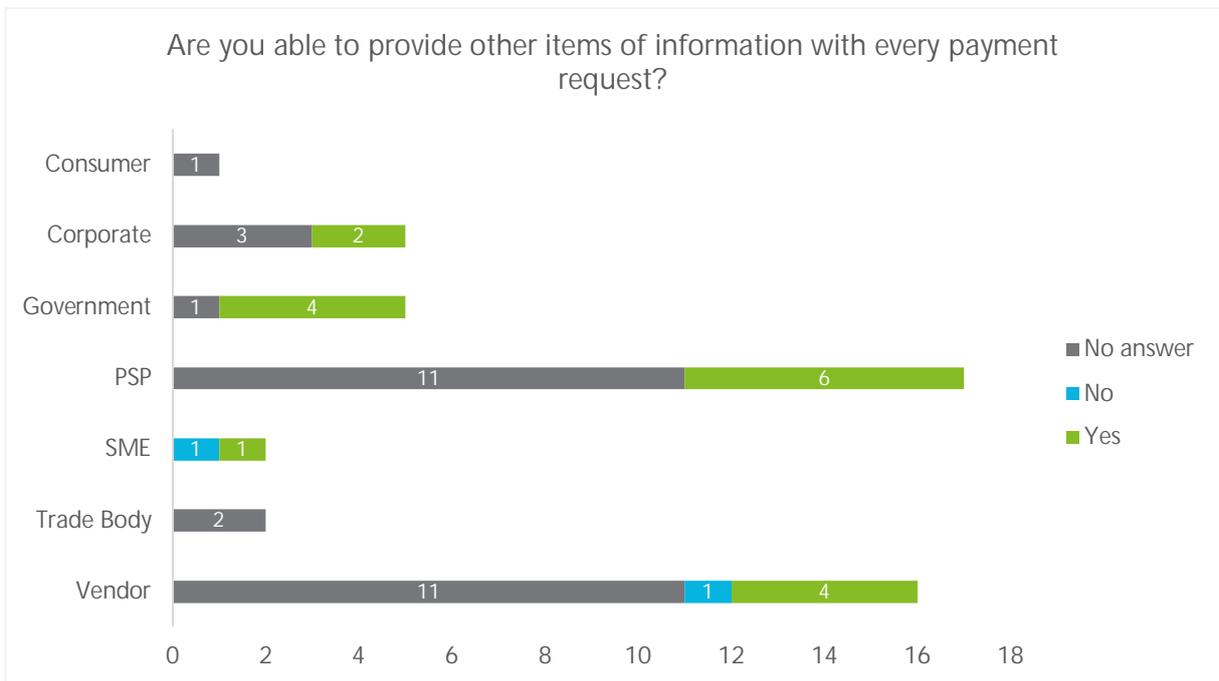


The answers varied depending on different organisations including:

- o Total amount of customer liability
- o Warnings of late payment interest and penalties

Some respondents pointed out that at this stage it is not clear how and where this data would appear before the payer, which could influence the provision of the information e.g. from a data protection perspective.

| Question 2.4 | Respondents |
|---|---|
| We have recommended the minimum information that should be contained in a Request to Pay message. As a payee:<br><br>    b.  Is there additional information, specific to your business, that you would have to provide to payers as part of the Request to Pay message? | 12 organisations indicated they do, 3 do not and 33 did not respond. |
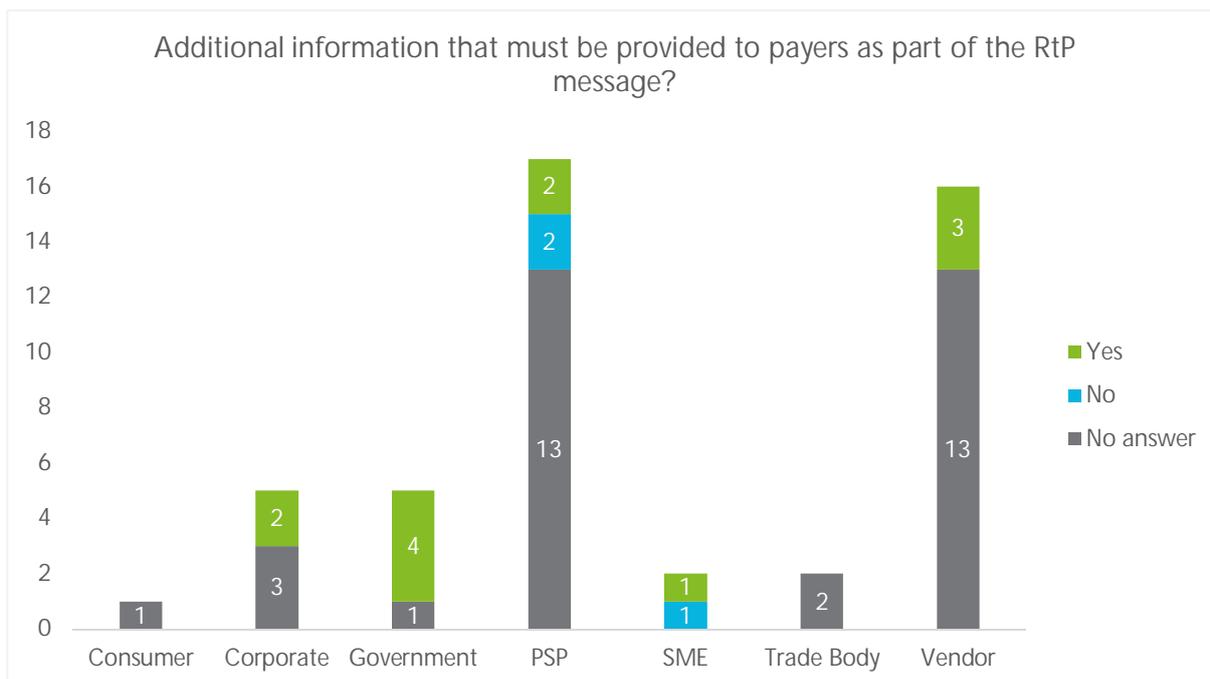


These answers varied depending on different organisations including:

- o One respondent suggested examples such as Vehicle Registration Mark (VRM), dates of tax liability, Vehicle Excise Duty (VED) rates (surcharge information for spreading the payment of tax over the period of liability).

- o Some respondents gave an example of National Insurance Number as well as information relating to the benefit overpayment and repayment period.

- o One PSP mentioned the need to quote a purchase order number (to show that the payer has internally committed to a budgeted amount under a contract), additionally a customer number or invoice number is very common commercial practice.

- o Consideration that messages on implications of 'decline' should be included e.g. contractual and legal impacts.

| Question 2.5 |
|---|
| We envisage payees stipulating a payment period during which the payer will be required to make the payment. As a payee, how do you think this payment period might be applied within your organisation? |

Several respondents pointed out that this already exists currently most billing systems already generate an invoice that includes a due date. However, others raised concern with this arguing that in some circumstances payees should have the right to 'switch off' the extension as payers 'seeking to make payment beyond the due date will be legally liable for interest and in some regimes Late Payment Penalties.'

Operational challenges

o One vendor respondent explained that uncertainty of payment 'creates protection risks especially on any processes that work on assumed settlement models. With assumed settlement it is easier to batch process ten thousand transactions and dishonour a handful of failed transactions than it is to individually process say nine thousand nine hundred and four transactions individually as the money is drip fed into us over the course of the window.'

In cases where it was conditionally applicable it was dependent on the value of transaction

o If the Request to Pay also serves as verification and activation of a payment mandate then the first payment would need to be made at the point of sale (or when the sale of goods has transacted). Where the payment relates to taking possession of high value assets (such as vehicles, machinery, equipment etc.) the asset could not be released until the payee has ascertained that future payments would be made.

Applicable on a product-by-product basis

o The use of a payment period would need to be assessed on product-by-product basis prior to any detailed comment being made on the use of this. In general:

o Credit and risk based products such as mortgages, loans, insurance and credit cards will be supported by contracts that specify payment parameters in terms of timing, and sometimes method. Any interaction with a customer about a Request to Pay would need to take the cost, service and risk elements into consideration – this is to avoid negative unintended consequence of customers falling into arrears, or being uninsured etc.

| Question 2.6 | Respondents |
|---|---|
| Request to Pay will offer payers flexibility over payment time as well as amount and method. As a payee: <br> a. Does your business model support offering payment plans and the ability for payers to spread their payments? If so, please provide more details as to how these plans are offered, their conditions and to which customers. | 11 organisations already have business models offering payers the ability for payers to spread their payments, i.e. payment time, amount and method, 9 do not and 28 did not provide an answer to this question. |

## Payees with business models which support offering payment plans and the ability for payers to spread their payments

**Legend:**
- Yes (green)
- No (blue)
- No answer (grey)

| Category | No answer | No | Yes |
|----------|-----------|-----|-----|
| Consumer | 1 | | |
| Corporate | 2 | | 3 |
| Government | | 1 | 4 |
| PSP | 13 | 1 | 3 |
| SME | | 2 | |
| Trade Body | 2 | | |
| Vendor | 10 | 5 | 1 |
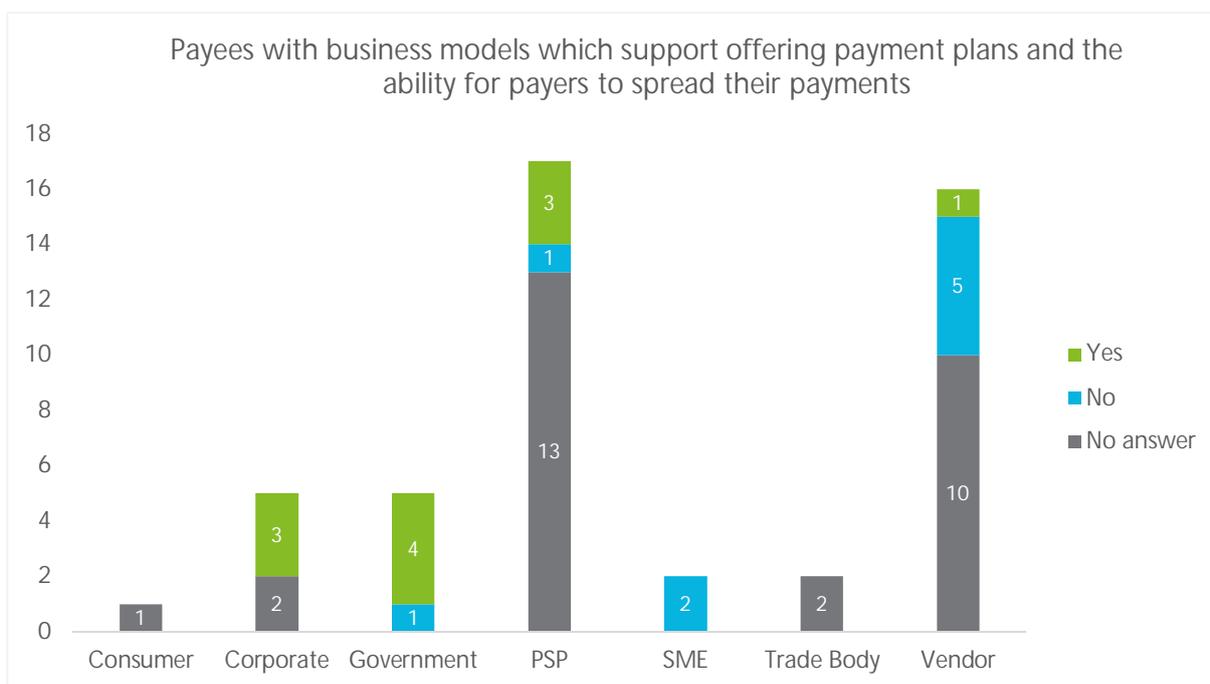
Responses differed depending on size and variety of products offered by organisations as well as the end-users' ability to pay. Respondents cited that the decision to offer flexibility and to who was based on a number of factors including:

- o Credit risk

- o Personal circumstances

- o Conditions laid down in regulations on affordability and others. Existing examples include 'payment holidays' on mortgage products (equally, some customers may make overpayments at some points).

Some respondents have processes to engage individually with customers who fall into arrears on these payments including payment plans. These are individually assessed and offered where it is considered to be an appropriate solution for both the customer and the PSP.

Another respondent pointed out that as a provider of corporate payee services this can hugely vary. More sophisticated private organisations (e.g. media) will want a multitude of options whereas the public sector will want a much simpler set of options, and some highly regulated industries (e.g. water companies) may not have options available to them. If a bill is a payment in advance and treated as a credit plan (e.g. telecommunications) late payment 'options' could have credit bureau implications.

| Question 2.6 | Respondents |
|---|---|
| Request to Pay will offer payers flexibility over payment time as well as amount and method. As a payee: <br> b. Do you have a predominant payment method used by your payers? If so, what percentage of customers use it? | The predominant payment method used by payers is Direct Debit. <br><br> Other methods cited by respondents are credit cards, cash, cheque and Faster Payments. |



Do you have a predominant payment method used by your payers?
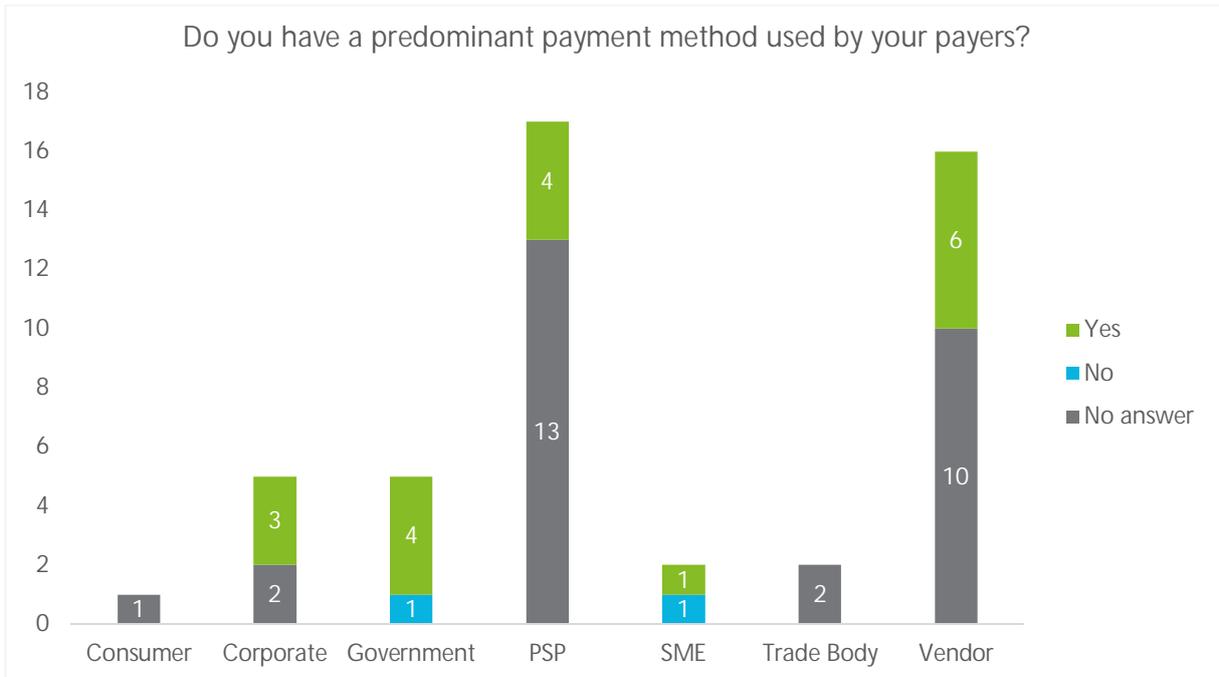
The responses were predominately Direct Debit, the second highest was card-based transactions. Below are a brief snapshot of responses:

o Respondent 1 (digital consultancy): 'On average 60% of water companies collect bills via Direct Debit. For gas/electric companies this figure rises to 75%'

o Respondent 2 (small PSP): 'Pay by Mobile 100%, cable pay 85% so any changes will impact high DD penetration businesses dramatically.'

o Respondent 3: 'Approximately 70% of customers pay by cards and 30% by Direct Debit. An over the counter service is also provided by Post Office where cash, cheque, and cards are taken along with the facility to set up a direct debit payment for Vehicle Excise Duty (VED)'

o Respondent 4: 'The majority (65%) of all payments are made by Direct Debit (30%) or Faster Payments (35%). The vast majority of instalment arrangements are handled by Direct Debit.'

o Respondent 5: 'Payments are predominantly on a one off basis however, we envisage that there may be growth in the number of products requiring regular payments. Currently there are approximately 13 Million Debit Card transactions per year.'

| Question 2.6 | Respondents |
|---|---|
| Request to Pay will offer payers flexibility over payment time as well as amount and method. As a payee: <br><br> c. Do you offer your payers a choice of payment methods? If yes, what determines how much choice you offer? If not, what are the barriers preventing you from doing this? | 17 organisations offer payers a choice of payment methods, 3 don't and 28 did not respond. Responses highlight an encouragement towards electronic methods such as Direct Debit, debit and corporate credit card, BACS/FPS and CHAPS which are likely to be more secure, easy to use and reduce the likelihood of errors in payment referencing. |

**Do you offer payers a choice of payment methods?**

| Category | Yes | No | No answer |
|---|---|---|---|
| Consumer | | | 1 |
| Corporate | 3 | | 2 |
| Government | 5 | | |
| PSP | 4 | | 13 |
| SME | 1 | 1 | |
| Trade Body | | | 2 |
| Vendor | 4 | 2 | 10 |
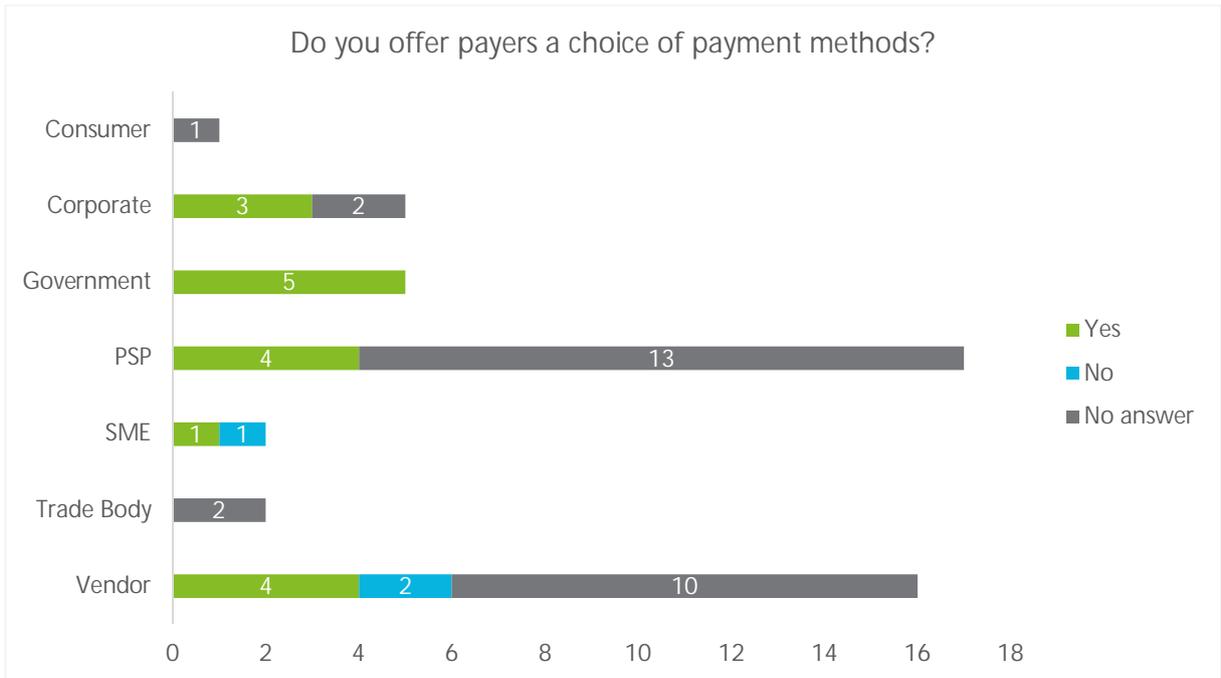
Responses highlight an encouragement towards electronic methods such as Direct Debit, Debit and corporate Credit Card, BACS / FPS and CHAPS which are likely to be more secure, easy to use and reduce the likelihood of errors in payment referencing. Commercially, this is a major strategic driver for organisations in that it reduces both unit costs and bank charges for payments.

For the most part end-users are offered a choice of payment method using Direct Debit, CHAPS and BACS. Direct Debit is the default payment mechanism for most monthly loan and mortgage payments.

| Question 2.6 | Respondents |
|---|---|
| Request to Pay will offer payers flexibility over payment time as well as amount and method. As a payee:<br>   d.  Are there any incentives to use one payment method over another? If so, what is the rationale? | Direct Debit is the preferred payment method. The main reasons being:<br>  o  The lack of maintenance required following initial set-up.<br>  o  Assurance that the payment will arrive by the due date.<br>  o  High rate of accurate referencing.<br>  o  Lower administration costs associated with DD collections compared to cash, cheques and push payments.<br>  o  Payees optimise cost service and risk with Direct Debit by differential pricing and penalty fees where applicable. |

Are there any incentives to use one payment method over another?
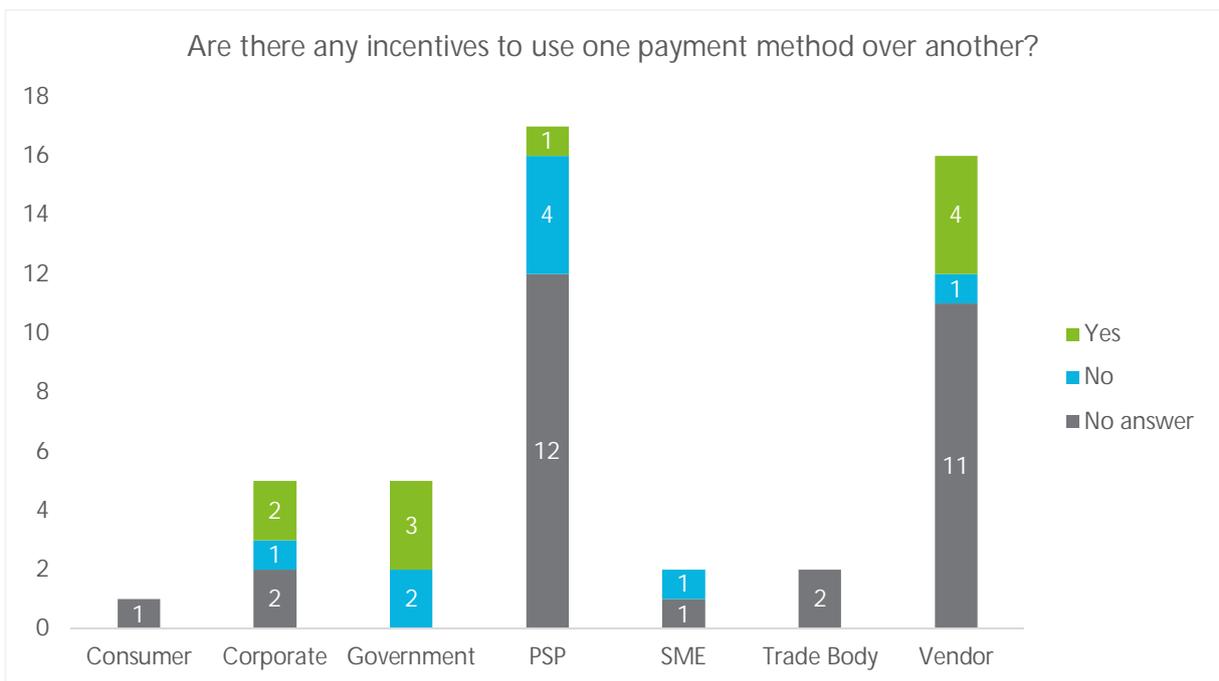


| Question 2.7 | Respondents |
|---|---|
| A minority of payers may not be able to pay within the payment period. Through Request to Pay they will be able to request an extension to the payment period.<br>   a.  As a payee, do you currently offer your payers the capability to extend a payment period, request a payment holiday or make late payments? | 12 organisations indicated they do, 8 indicated they do not, and 28 did not respond. |

**Do you currently offer your payers the capability to extend a payment period, request a payment holiday or make late payments?**
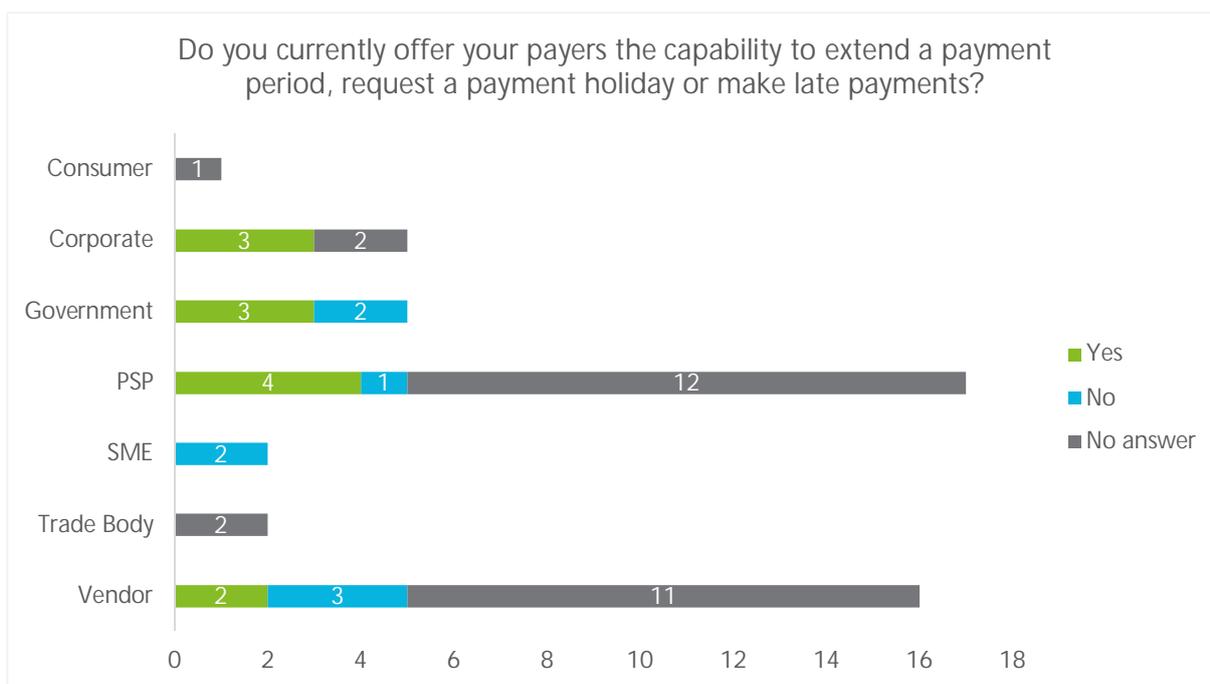


Responses were mixed. It is important to point out that most small businesses do not offer flexible payment options but are often recipients of late payments. Widely, though, many larger businesses and PSPS do offer this flexibility based on the end-user and product/service offering.

| Question 2.7 |
| --- |
| A minority of payers may not be able to pay within the payment period. Through Request to Pay they will be able to request an extension to the payment period.<br> b.    What are the conditions and eligibility criteria under which this is offered? |

Several criteria were cited:

- o   Tenure

- o   Value

- o   Overdue period

- o   Risk

| Question 2.7 |
| --- |
| A minority of payers may not be able to pay within the payment period. Through Request to Pay they will be able to request an extension to the payment period.<br> c.    If you currently don't, what are the barriers preventing you from offering this capability? |

- o   Most businesses cited an objective to maximise working capital and so offering options such as variable due dates via push payments are not always attractive.  For organisations that are reliant on up-front payment for services there would be ERP and resource implications as well as contractual changes

- o   Some respondents cited an inability to offer some of the features proposed due to legal or structural constraints associated with their business model. For example one respondent 'late payments and payments holidays can have implications on the terms of a loan, the requirements for which are defined in the Consumer Credit Act. In some cases there may be implications on

the calculation and application of interest. Related to this, some businesses also cited the inability to offer multiple payment methods.

o Overall, there was recognition that in some cases there could be barriers to the provision of some features proposed. This was dependent on the product offering and the associated legal frameworks.

| Question 2.8 | Respondents |
|---|---|
| Request to Pay will offer payers the option to decline a request. The purpose of this option is to provide an immediate alert in case the request was received as an error or will be paid by other means.<br>As a payee:<br>   a.   Would you find this information useful? | 17 organisations would find this information useful, 2 would not and 29 did not respond. |
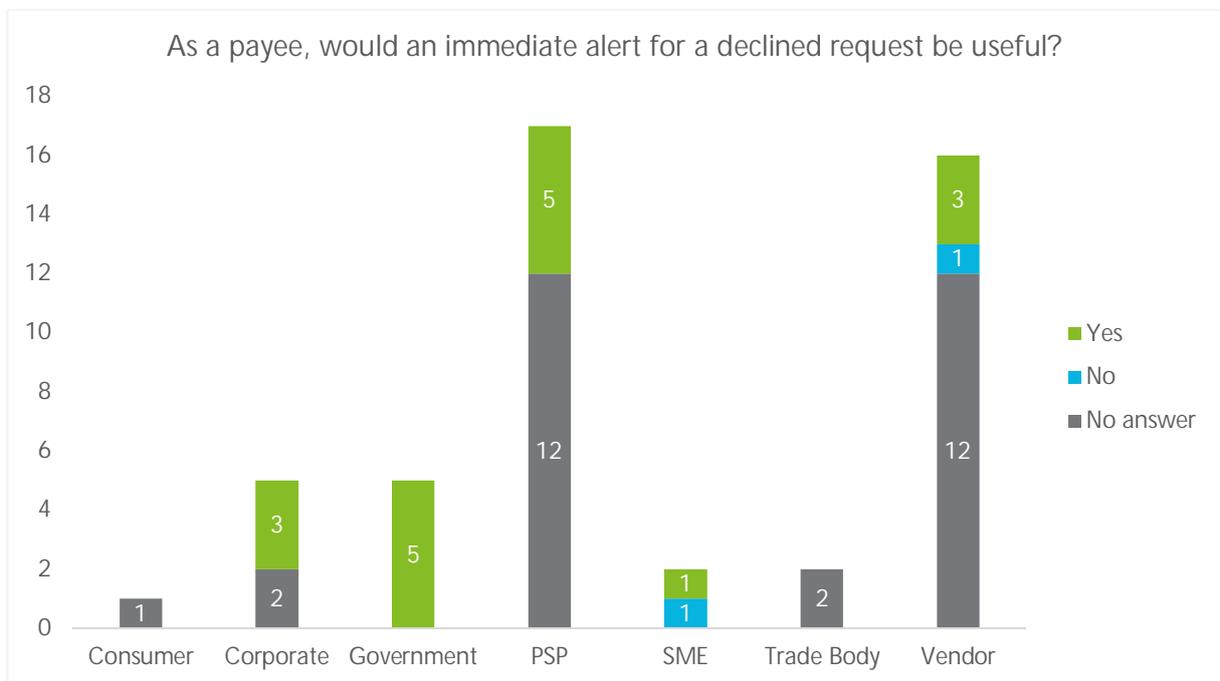


The majority of respondents answered yes. The usefulness of this would be in providing an explanation as to why the decline was made and if an error had been made. One PSP suggests that the ability to decline and then block a payment could be an indicator of fraud – the codified messaging around this e.g. 'unrecognised payee' - and the ability to link this to a Financial Crime solution should be considered. For instance a decline could trigger an action to notify a fraud dispute/legal team. Consideration must be paid to relevant regulations on tipping off (Proceeds of Crime Act 2002)

| Question 2.8 | Respondents |
|---|---|
| Request to Pay will offer payers the option to decline a request. The purpose of this option is to provide an immediate alert in case the request was received as an error or will be paid by other means.<br>As a payee:<br>   b.   Do you have any concerns about providing this capability? | 16 organisations have concerns about providing this capability, 3 do not and 29 did not respond. |

Do you have any concerns about providing this capability?
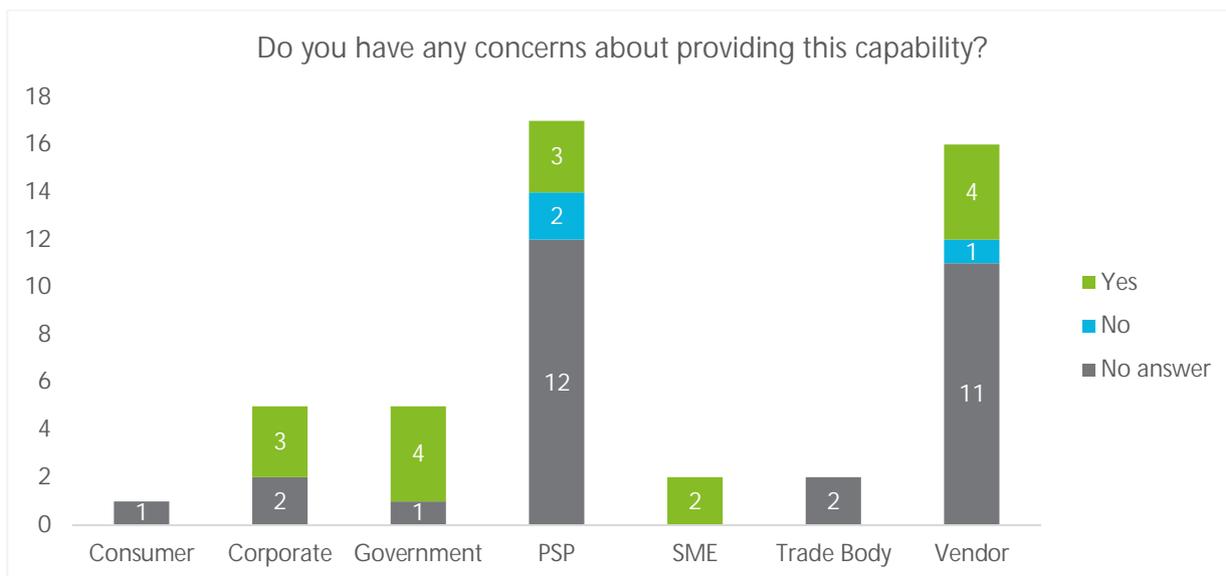


Most respondents had concerns; these largely centred around:

o Certainty of Payment: Many were concerned with ability for a payer to decline a request to pay leading to a spike in end-user refusal to pay and use of decline as a delaying tactic.

o Payer awareness of consequences: To avoid negative impacts on payers, payers need to be made aware of the consequences of declining a payment from a valid Request to Pay.

o Fraud: Bulk Request to Pay should be monitored for fraud and financial crime purposes to detect and prevent any orchestrated attacks by payees seeking to draw funds by deception, scams etc.

| Question 2.9 | Respondents |
|---|---|
| Does the Request to Pay service as described address:<br>    a.   The detriments identified in our Strategy? | 20 organisations believe that the Request to Pay service as described address the detriments in the Strategy, 4 don't and 24 did not respond. |



| Question 2.9 | Respondents |
|---|---|
| Does the Request to Pay service as described address:<br>    b.   The challenges experienced by your customers? | 18 organisations agree that RtP addresses the challenges experienced by their customers, 3 don't agree and 27 did not respond. |
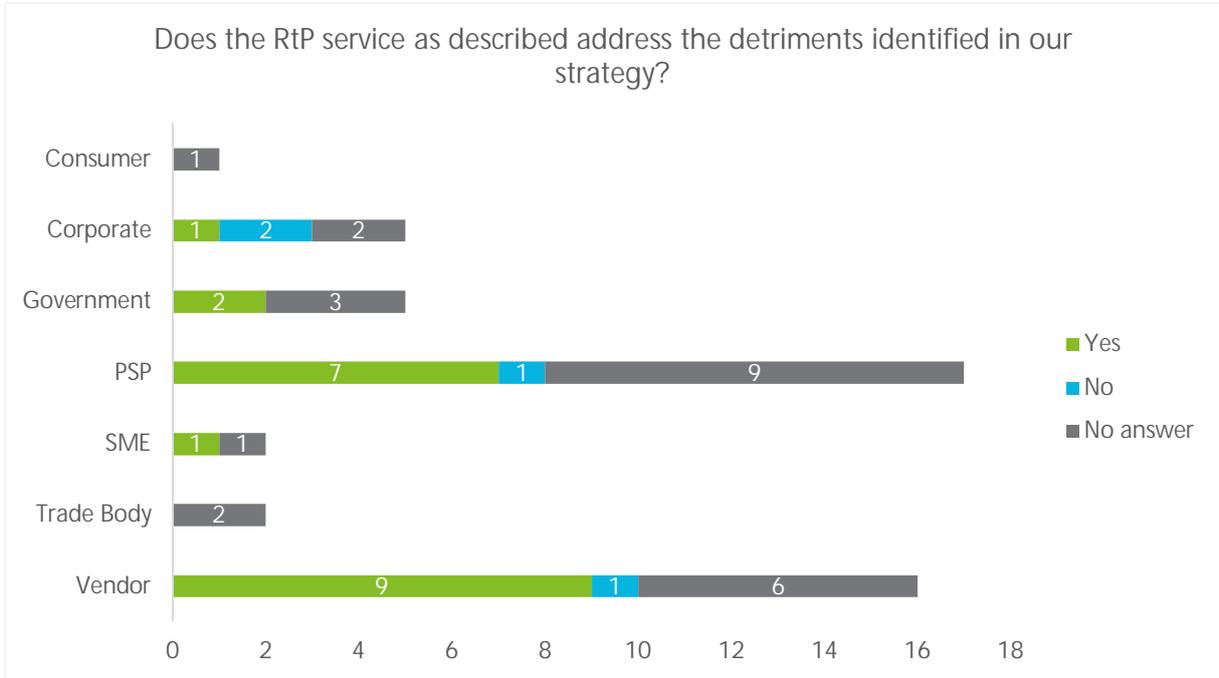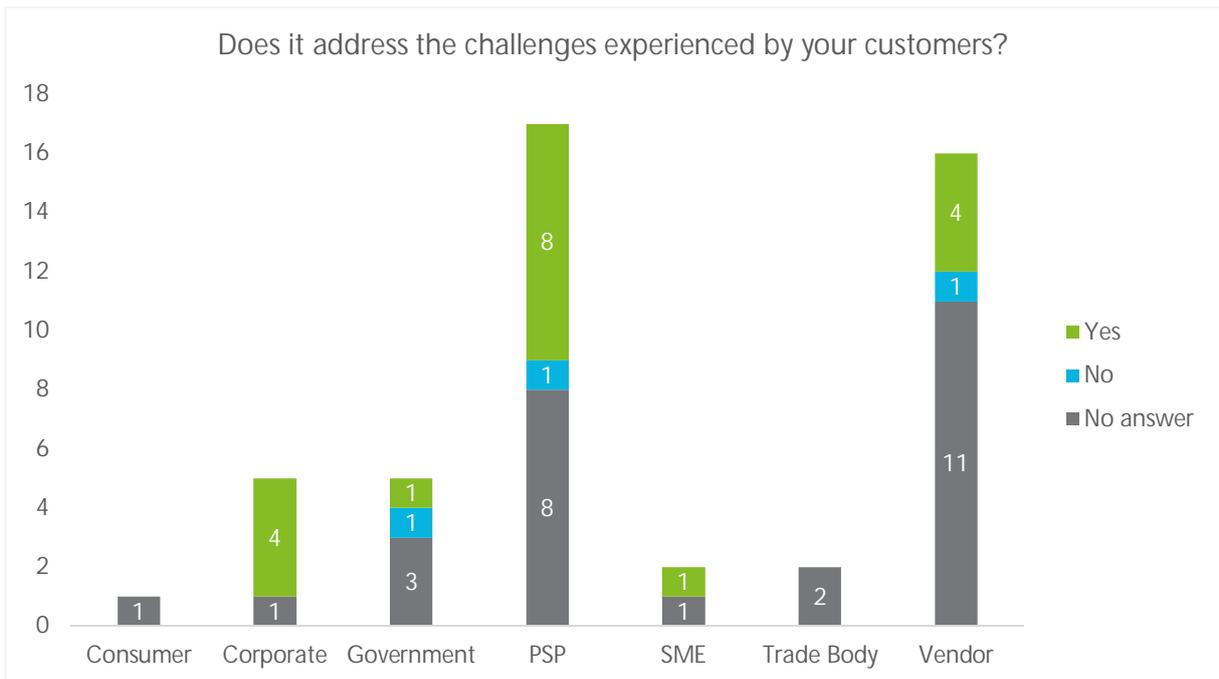
o The responses here were mixed, with many respondents not convinced that Request to Pay would address detriments more effectively than current communication tools.

o Concerns also related to unintended negative consequences of the increased flexibility such as uncertainty of payment for payers and payees suffering from unfair penalties.

o However, the challenges that Request to Pay may introduce in regard to fraud and financial crime were also highlighted.

o Increased risk of complicating the process if Request to Pay leads to manual intervention.

On a different note:

o Some respondents mentioned that the provision of additional contextual data e.g. its purpose - with a payment request could help to reduce Financial Crime.

| Question 2.10 |
| --- |
| As a payee, considering the information provided in the consultation document,<br>  a.  What is the extent of change you think you will need to carry out internally to offer Request to Pay? |

Key concerns raised by respondents include:

o Significant change implications for systems, processes and commercial arrangements.

o One PSP argues that this is creating a completely new outbound payment request solution across multiple billing systems and channels. The lead in time and testing required would be large as the impact on multiple business areas i.e. payments, billing, banking, customer experience, collections, IT, customer communications etc.

o This includes changes to legal requirements, call centre management, receivables management, operational processes, financial risk models, fraud models, treasury cash flow, IT providers (often outsourced) and new sales processes. Changes would also be needed to support internal and third party distribution channels.

o Another respondent (digital consultancy) suggests that impact to banks and payers/payees would be minimal via Open Banking: 'We have mapped out how Request to Pay could work end to end even before the NPA is built, using Open Banking. Our evaluation is that there would be no impact to banks, and minimal impact to billers/payees. Billers would need to be able to export a file of payment requests and PISP could initiate the payments from the payer's account. Billers would need to modify internal processes to accommodate the increased flexibility given to payers to delay or skip payments.'

| Question 2.10 |
| --- |
| As a payee, considering the information provided in the consultation document,<br>  b.  What challenges do you see that might prevent your organisation adopting Request to Pay? |

Respondents highlighted the following commercial challenges:

o An increase in operating costs as well as coordination issues with business stakeholders and wider transformation objectives within particular organisations.

o Ongoing deferral of debt concern

o Compliance with wider regulatory and business environment (including with AML, sanction screening and anti-terrorist financing regulations and legislation)

| Question 2.10 |
|---|
| As a payee, considering the information provided in the consultation document,<br>    c.   What is the timeframe you think you will need to be able to offer Request to Pay? |

- o A time scale of 18 months to 24 months for this kind of project was given by respondents.

- o Most pointed out that until the Request to Pay solution is finalised it is difficult to be accurate.

- o The timescale will need to take consideration of industry-wide programmes such as Open banking, GDPR and PSD2.

- o It is unlikely that the government would make significant investment decisions without a sound evidence base of proven success and take up rates.

| Question 2.11 |
|---|
| What are the features or rules that could be built into Request to Pay that would make it more valuable to your organisation, or more likely for you to adopt it? |

The responses can be summarised as follows:

Clarity surrounding the rules and guidelines:

- o Rules whereby every payment is tracked/linked which makes reconciliation and payment allocation more robust

Fraud:

- o Monitoring of bulk Request to Pay to detect fraud

- o Perhaps making use of dual verification technology such as a one-time access code that is already in use by financial institutions and e-mail providers - in order to submit the Request to Pay.

IT integration:

- o One respondent said: 'Seamless and straightforward integration into our existing IT architecture and infrastructure (i.e. plug and play approach).'

Functionality:

- o Codified responses on a Decline of a payment, Request a Contact or Request for Payment Extension options to improve communication to payee and inform their response

- o Bill prioritisation for instance where a payer is only allowed to pay a particular kind of bill (e.g. gym membership) only after they've paid a more critical bill (e.g. mortgage)

- o Ability for a payee to provide messaging on the implications of declining, partially paying or extending a payment.

Recurring payments:

- o A 'one-time' authorisation for regular collections. E.g. 'payers would be asked to confirm a set amount over a period of time. In theory, it would be the same as the current Direct Debit offering with an added 1 time authorisation to verify the payer and confirm the payment plan.'

| Question 2.12 | Respondents |
|---|---|
| We have highlighted several risks and considerations relevant to the delivery of Request to Pay. <br> As an end-user of Request to Pay: <br> a. Are there any risks that we have not addressed or highlighted that would like to add? | 23 organisations indicate there are additional risks to be added, 3 do not and 27 did not provide an answer to this question. |
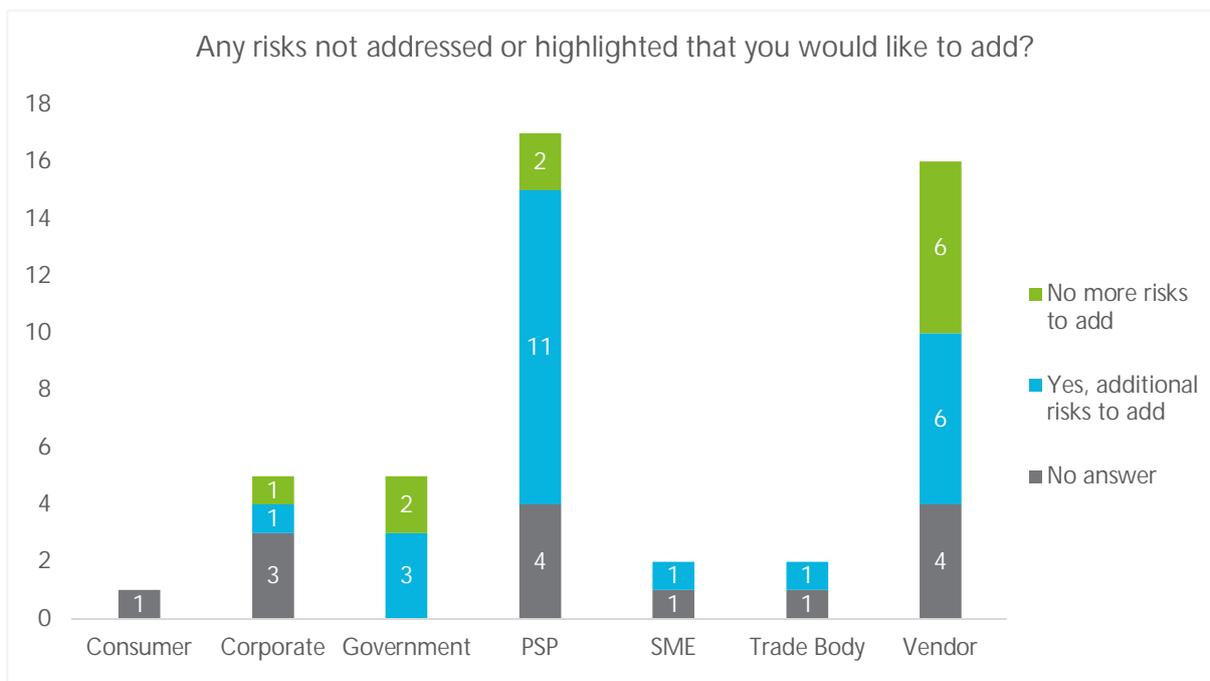


Respondents listed the following risks:

o The risk of non-adoption by a critical mass of payees - Request to Pay will need a wide acceptance base to address the detriments and offer customers a consistent customer experience to grow usage.

o Fraud/scam including phishing but also extending to money laundering, sanctions screening and terrorist funding risks.

o Risks of increased indebtedness of vulnerable customers.

o The impact of unplanned variance in payment schedules.

o Impact on large corporate current credit control practices.

o Keeping payer contact information up-to-date.

o Process and underlying rules for handling disputes, complaints and claims handling in relation to Request to Pay needs to be established at industry level

o In scenarios where Direct Debits are mostly used, if there is an increase in losses and potentially increased transaction costs – this could present the risk of increased costs to the payer and payee.

o 'Where there are multiple actors in a transaction it is not clear who gets the Request to Pay. E.g. joint holder accounts. Multiple payers could be involved in transactions e.g. a vehicles registered keeper and direct debit mandate holder are often different - who gets the Request to Pay communication? If one also considers the case of joint accounts, then who is liable in this situation? Payers may not always be available or able to action their requests - on holiday, in hospital, or overseas forces etc.' which could lead to confusion.

o  Wider economic consequences: one vendor respondent argued that the solution could increase 'businesses debtor days, leading to adverse impact to the UK economy and specifically company liquidity, which may lead to capital adequacy issues for come corporate banks.'

| Question 2.12 | Respondents |
|---|---|
| We have highlighted several risks and considerations relevant to the delivery of Request to Pay.<br>As an end-user of Request to Pay:<br>　b.　Are there additional unintended consequences that we should consider? | 19 organisations indicate there are additional unintended consequences to consider, 10 do not and 19 did not provide an answer to this question. |
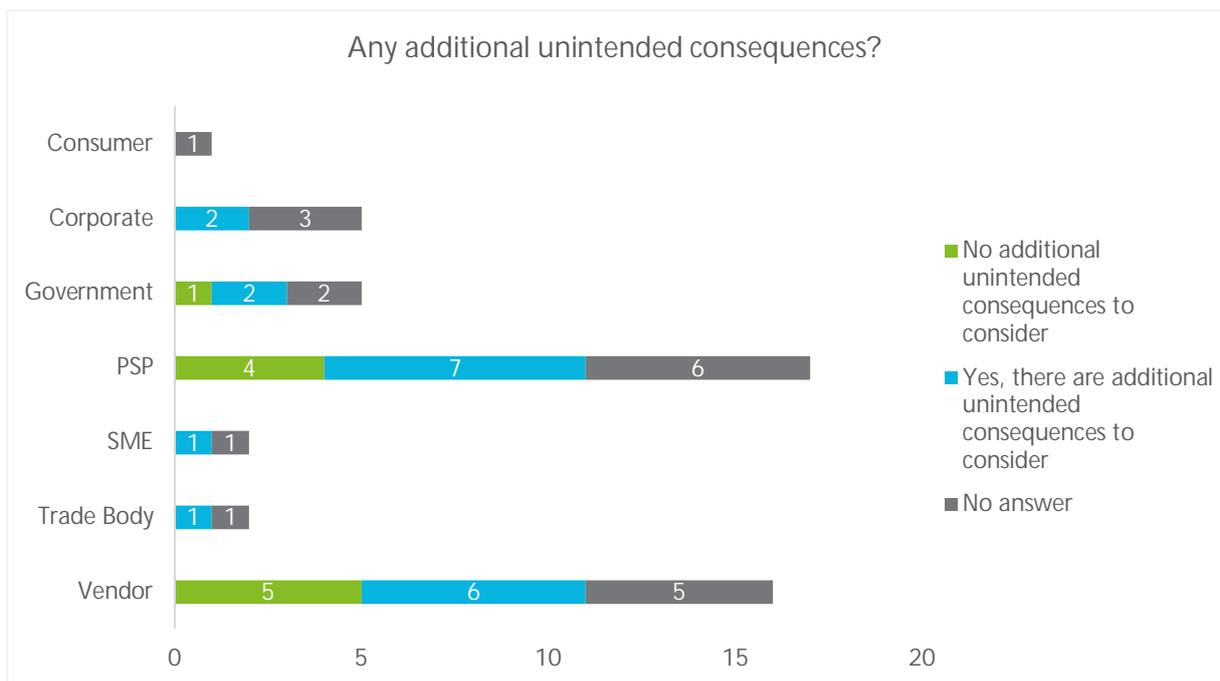


Potential unintended consequences raised by respondents include:

o  Diminishing of Direct Debit could be a concern for PSPs and corporates

o  Payment prioritisation: Risks associated with prioritisation of payments taken by the payer in isolation without proper education of which carries the largest negative financial outcome where a deferral is required.

o  Reputation damage: The PSF may also consider involving bodies like the Trading Standards Institute, to assist in defining the clear perimeters between what is a Request to Pay issue, what is an issue concerning the underlying payment, and importantly, what should sit in the contract between the customer and corporate for the service or goods being provided. This must be clearly spelled out to prevent the service becoming a 'scapegoat' for contractual issues between the two parties involved.

Additionally, some respondents offered design consideration to the solution:

o  The ability for end-users to change selections of payment. For instance in the case of accidental declining of payment they are able to change this.

o  Customers should have a choice around which bills they would like to be paid via Request to Pay and which they would like to be paid automatically.

| Question 2.13 |
| --- |
| We recognise that additional work needs to be done in identifying potential safeguards including liability considerations associated with Request to Pay.<br>As an end-user of Request to Pay:<br>    a.   What are some of the potential liability concerns that you may have? |

Responses have shown that there is a need for a clear liability model reflecting:

o   Roles and responsibilities between the payer, payee, PSP and Request to Pay service provider.

o   Clear agreement and understanding on where liability sits at different stages in the Request to Pay journey.

o   This would need to be consistent with current legislation e.g. Payment Services Regulations.

Respondents highlight concerns around:

o   How a decline without reason will be managed

o   Clarity on liability particularly in the event of fraud/error. There is a risk of the correspondence mechanism being hacked or intercepted by a fraudster either between the payee and the end user or between the end user and their PSP. In either instance, who would be liable for any payments subsequently sent to an unintended beneficiary?

o   In the event of a mistake and the customer mistakenly accepts the request who is responsible if both parties are complicit in the error?

o   Customers should be given visibility of their account balance to ensure they have sufficient funds to pay. Each option the customer has must be clearly laid out and explained to the customer.

o   When the customer chooses an option (be it to delay, or pay) they must be told clearly the impact of making that choice before they confirm. For example, if they choose to delay they must be told if their next payment will increase by a proportionate amount as a result. Once the payment is confirmed the customer must be shown a confirmation of what they have agreed to. Should the payment then fail, for whatever reason, the customer must be informed and given options on what next they can do. User experience will be critical to making Request to Pay fair and successful.

o   In many scenarios when something goes wrong the customer automatically contacts their bank. Work needs to be done on making the liability model easily understood from a customer perspective.

25 organisations have indicated that they would like to get involved in defining the liability considerations for Request to Pay. A workshop was held on the 2nd November 2017 with these representatives from the payments community to identify Request to Pay liabilities. The liabilities were identified and documented with appropriate recommendations and requirements made.

| Question 2.14 |
| --- |
| As a PSP, do you currently offer real-time balance information to your clients? What information do you offer them? If not, what are the constraints? |

**PSPs that offer real-time balance information to their clients**



- Yes
- No
- No answer
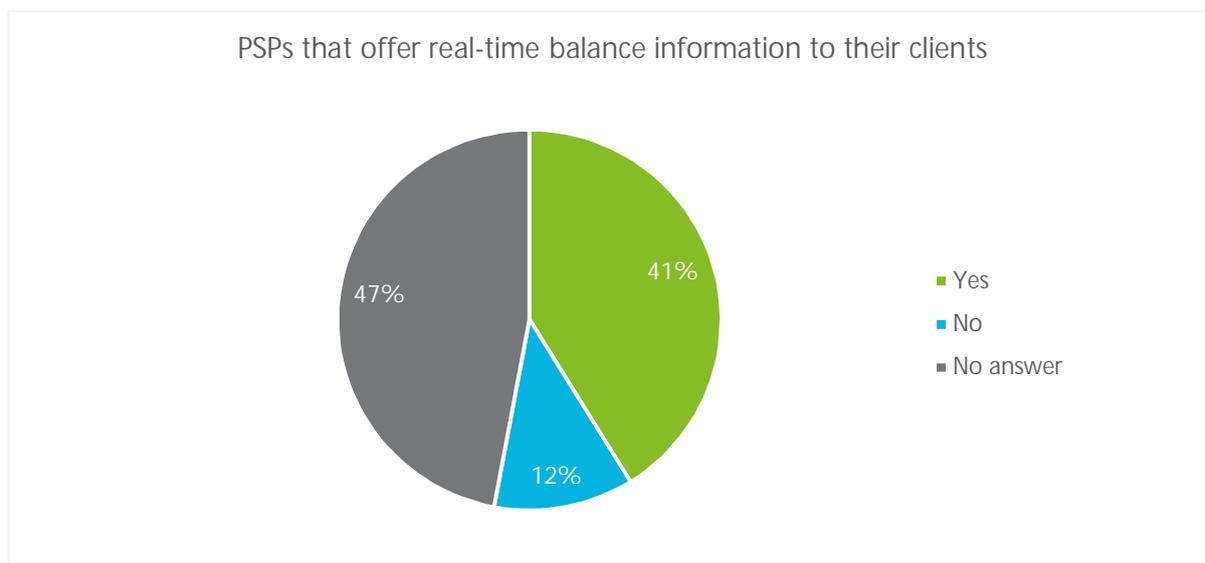
Many respondents mentioned that real-time balance information is already available. One PSP mentioned however that there was no clear standard as to what should be included especially in regard to transactions that are not processed in real-time e.g. card-initiated payments. Some of the information included by respondents were as follows:

o   Customer bank reference

o   Reconciliation charges

o   Available funds

o   Transactions and pending transactions

Channels in which real-time balance information can be found by PSPs include:

o   ATMs

o   Online

o   Mobile

o   Telephone

o   Branch banks

Constraints to real-time balance information offered:

o   Cases where the PSP has no visibility such as when cheques which are written (clearing cycle). As well as off-line/unauthorised card transactions until received for settlement.

| Question 2.15 |
|---|
| We have presented two Confirmation of Payee (CoP) response approaches (Approach 1 and Approach 2). <br>      a.   As a payer, what would be your preferred approach? <br>      b.   As a PSP, what would be your preferred approach? |

Among respondents, 41% preferred Approach 1 while 24% preferred Approach 2. A total of 10 organisations did not prefer either approach, while 3 proposed to have an alternative approach.

In their responses, respondents outlined the advantages and disadvantages of each of the approaches presented.

| | Approach 1 (Matching) | Approach 2 (Playback) |
|---|---|---|
| **Advantages** | ü   Avoids sharing of personal data with payer <br> ü   Simplicity which would ease integration with business rules and systems* | ü   Most useful to end-user <br> ü   Easier to develop than Approach 1 <br> ü   Increased transparency |
| **Disadvantages** | x   Accurate match may prove difficult to obtain <br> x   Minimal value add to end-user in comparison to Approach 2 <br> x   Complexity of fuzzy logic and the liability associated to it on the payee's PSP | x   Data protection and privacy is a major concern <br> x   Could expose accounts to other potential fraudulent activity and abuse <br> x   May need to operate through a central database model to work <br> x   Confusion where the account name fed back is different to the recognised name the payer was expecting. |

| Question 2.16 | Respondents |
|---|---|
| As a PSP:<br>    a.  Would you be able to offer CoP as described to your customers? | A significant proportion did not answer this question, but of those that did the response was largely 'Yes'. |
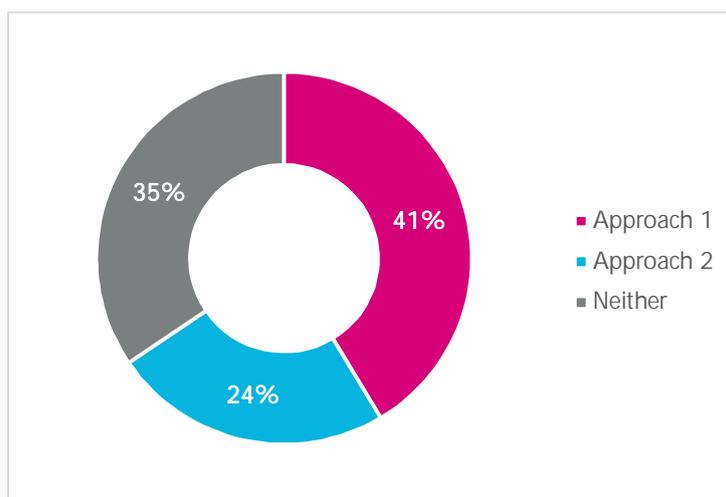


PSPs that would be able to offer CoP as described to their customers

- Yes — 9
- No answer — 8
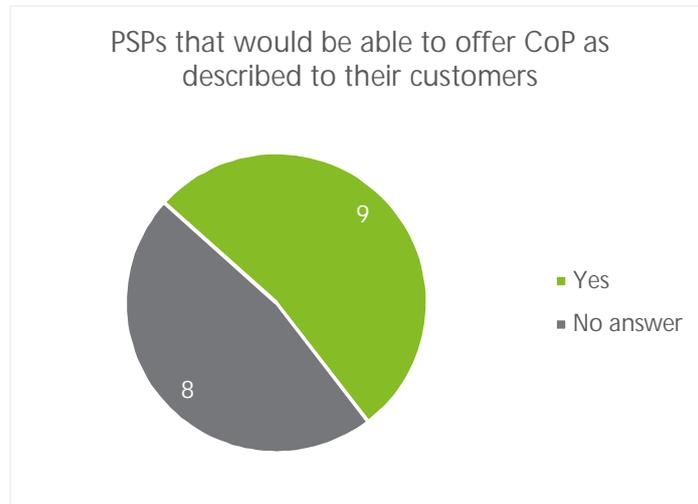
Given that a significant proportion of respondents did not answer this question, analysis on answers to this question may not be as definitive compared with other questions. However, those that did answer were largely said 'Yes'.

- o Respondents highlighted the need for collaborative industry-wide participation in the adoption of CoP.

- o Confidence as to whether the solution will be GDPR compliant is a key area of concern for some respondents in offering CoP.

Recommendations include:

- o Listing 'assured' payees.

- o Review needed on how this would work effectively on analogue/paper channels.

- o Many respondents of those that were undecided as to which approach was most suitable suggested alterations to the current solutions or provided an alternative approach.

- o One TPSP argued that existing market solutions can meet the needs addressed by CoP already.

- o An API-based CoP solution.

| Question 2.16 |
|---|
| As a PSP:<br>    a.  What is the extent of change that you would need to carry out internally to offer CoP? |

Many respondents highlighted the need for IT system and process change but that this is dependent on the approach chosen. Some of which included:

- o Updating of digital and outbound payment channels

- o In order to be legally complaint PSPs would need to update T&Cs and notify customers

- o Internal education and training

- o Integration with other banks' customer data via APIs and a central repository was recommended by multiple respondents

- o Industry-wide agreed rules and standards for CoP are needed to ensure its success e.g. the matching function must adhere to a particular criteria.

| Question 2.17 | Respondents |
|---|---|
| The successful delivery of CoP is largely dependent on universal acceptance by all PSPs to provide payee information.<br>As a PSP:<br>    a.  Would you participate in a CoP service? | The majority of respondents answered that they would participate in CoP, with the exception of one organisation which suggested that CoP should be voluntary. |
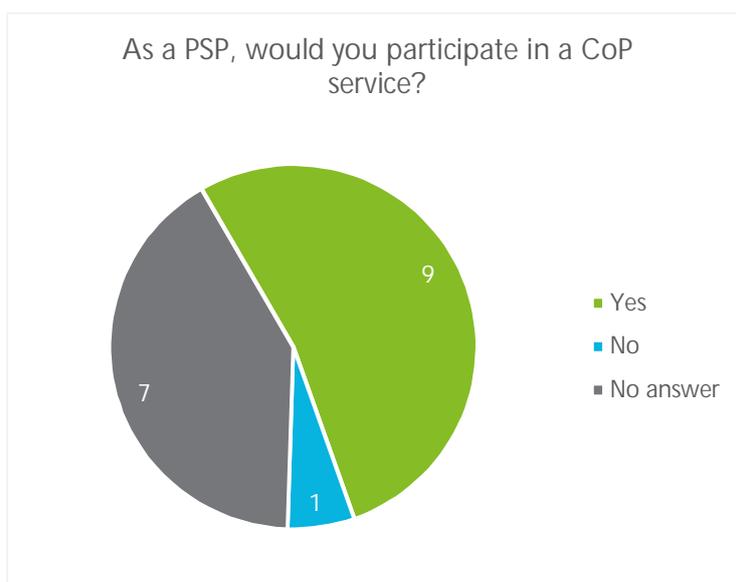
As a PSP, would you participate in a CoP service?

- 9 Yes
- 1 No
- 7 No answer

The majority of respondents answered that they would participate in CoP, with the exception of one organisation which explained that CoP should be voluntary. In addition, some considerations were mentioned by respondents as follows:

- o Adoption depends on the business case and whether there will be a mandatory regulatory requirement for it.

- o Data privacy should be taken into consideration.

- o Terms and conditions of PSPs will need to be updated.

- o Same rules should apply for all PSPs.

The NPSO will need to assess the initial level of participation to ensure success of the service.

The profile and ongoing interest in CoP, by HM Treasury and Which?, is further encouraging its rapid development and adoption.

| Question 2.17 | Respondents |
|---|---|
| The successful delivery of CoP is largely dependent on universal acceptance by all PSPs to provide payee information.<br>As a PSP:<br>    b.  Are there any constraints that would hinder you providing this service? | All 15 organisations who answered this question said that there are constraints to providing this service. |



Are there any constraints that would hinder you providing this service?
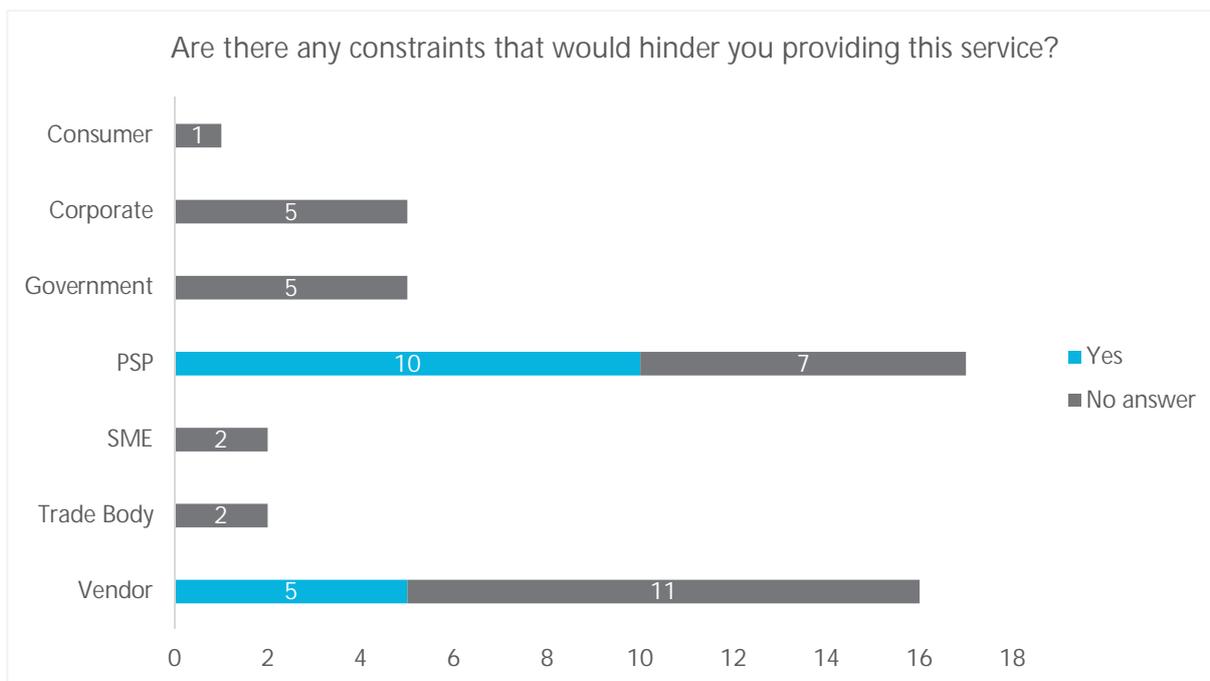
All respondents who answered "Yes" cited several constraints that might hinder the provision of CoP. These constraints, as articulated by respondents, are summarised below:

- o   Complexity of implementation due to the need of a significant change in the IT infrastructure in addition to increased costs.

- o   Near universal participation or ubiquity, which is important in order to deliver required benefits.

- o   Information accuracy as there might be a need to validate it in addition to the presence of standards for data maintenance.

- o   A clear understanding of liability, responsibilities and sanctions.

- o   Compliance with data protection regulations and customer's right to privacy.

- o   A change of law as it might be needed to be able to deliver CoP.

- o   Non-addressable accounts and the way they will be treated.

- o   Customer demand as there should be a need for CoP and thus the need for a business case.

- o   A constraint on third party payment providers/ indirect participants as they will have the responsibility of providing relevant information.

- o   A constraint on credit risk agencies as they will need to include all account types.

- o   The need for variant capabilities to support SLAs.

Some respondents pointed out that specific constraints can be identified once the CoP approach is chosen.

| Question 2.18 |
| --- |
| The NPA will fully support the functionality for PSPs to provide payment status and tracking.<br>    a.   As a PSP, what is the extent of change you think you will need to carry out internally to offer Payments Status Tracking? |

Responses varied for this question. Some respondents stated that tracking certain payment types (in particular FPS) already exists within their systems but will need to be expanded. Some respondents found it very difficult to implement payment status tracking with the current payment infrastructure and thus payment status tracking would be easier with the NPA. In terms of the change required, respondents listed the following points:

o   Several respondents thought that a significant change would be required to implement payment status tracking while a fewer number thought it would require a medium level of change.

o   The amount of change depends on the PSPs infrastructure. Changes should be made to systems that store, process and transmit data and functionalities will need to be built within customer channels.

In addition respondents mentioned considerations related to payment status tracking, listed below:

o   Data protection considerations.

o   Integration with existing cross border payments.

o   Bulk payments treatment.

o   Consequences of having the end originator sitting behind an indirect participant.

| Question 2.18 |
| --- |
| The NPA will fully support the functionality for PSPs to provide payment status and tracking.<br>    b.   What challenges do you see that might prevent your organisation adopting Payments Status Tracking? |

Respondents listed the following points:

o   The service is highly dependent on the data provided by the sponsor.

o   If this program is not mandated then it will not be implemented as a priority.

o   There are potential financial crime and fraud concerns from the availability of tracking information. Controls may be required to ensure PSPs comply with the Proceeds of Crime Act and to identify and flag payers who wish to 'opt out'.

o   Consideration should be made around payments that are returned.

o   There are concerns related to concerning accounts where we cannot track to final destination e.g. Head Office Collection Accounts for utility companies.

o   Clarification is required as to the appropriate payments types that payment status tracking would apply to.

o   International payments should be considered as consumers mostly worry about their safe receipt.

o   Complete industry coverage would be required to maximise the effectiveness of this service.

o   Consideration would be required as to how the tracking confirmation is passed or shared with the customer.

o   Consideration will need to be given to the level of transparency and education as to why payments may be delayed

o   There are emerging industry solutions around tracking which could be adopted for end user experience and operational efficiencies; for example Chaps Track and Trace and SWIFT global payment innovation initiative.

o Factors that should be considered before implementing payment status tracking include assessing the real demand in a real-time payments world as well as cost, capacity, complexity and data protection implications of the ability for a payee to view the movements in a payer's bank account – and potentially seeing too much information.

o Payment status tracking is dependent on the ability of the Payers' PSPs, Payees' PSPs and the underlying systems. It may be both complex and costly and may not be possible with some system suppliers.

o Payment status tracking will be an additional element of the NPA work. It feels more an aspirational development, and the need for it should be reviewed through future architecture / customer experience design work.

o There is a concern around the status of payments that have been held due to a regulatory check (potential crime, terrorist funding etc.) where the payee should not be informed of the hold, i.e. tipping off.

| Question 2.19 | Respondents |
|---|---|
| We have highlighted several considerations relevant to the delivery of Assurance Data.<br>a. As an end-user of Assurance Data, are there any risks that we have not addressed or highlighted that you would like to add? | 26 organisations responded to this question, of which 14 said there are no more risks to consider and 12 said there are additional risks not addressed or highlighted already. |
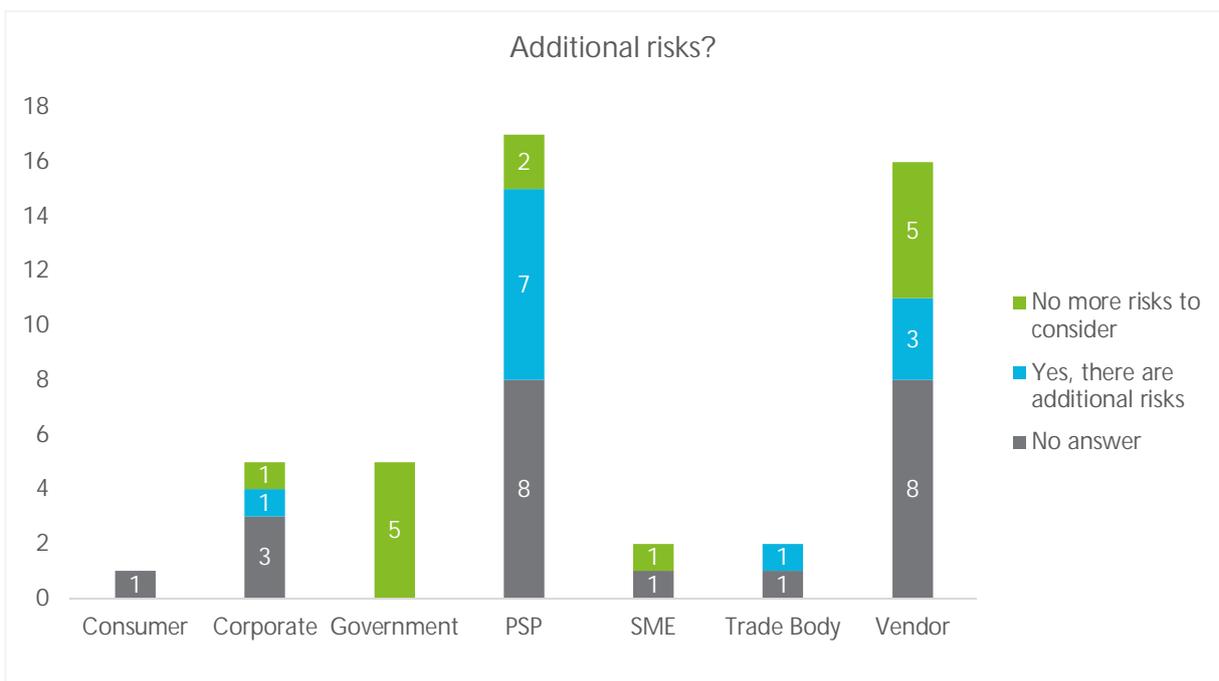


Many respondents answered "no", meaning that they did not identify additional risks. Fewer respondents answered "yes" while listing the risks below:

o Tracking payments would involve businesses delivering and automated processes noting many do not operate 24/7. In addition, it may be a tool for fraudsters.

o Consideration should be given to providing an environment that allows solutions that may be able to support delivery of Assurance of requesting entities as part of the request mechanism.

o   There is a possibility for customers to send misdirected payments even with a confirmation of payee service. It should be recognised that Confirmation of Payee should help reduce the number of payments sent in error but will not fully eradicate the detriment.

o   TPSPs need to be included in the delivery of Assurance Data.

o   There is a lack of visibility over debit card payments covered at the collaborative level, which should be communicated to the end user clearly.

o   CoP requests may not result in any payment, and could instead be a 'white data' phishing attempt, possibly for fraud reasons. There will need to be an ability to have data errors corrected/data deleted.

o   For Assurance Data to work effectively, appropriate industry standards will need to be in place in order to determine how the data is defined, stored in a secure manner, and accessed.

o   There is a risk around the ability of PSPs to accurately provide 24/7 live status.

o   There is ambiguity around the account name that will be used as the assurance data, whether for individuals and corporates.

o   If a firm has switched banks e.g. due to experiencing fraud against them, they may not wish all payers to know the new account details.

o   The need to provide a payee with visibility of an incoming payment in payments tracking service complicates the provision of this service.

o   There is no clarity on the PSP's liability responsibilities especially regarding data protection and privacy.

o   With the development of services for assurance data it is important that there is a robust governance, disputes and liabilities management structure.

| Question 2.19 | Respondents |
|---|---|
| We have highlighted several considerations relevant to the delivery of Assurance Data.<br>    a.   As an end-user of Assurance Data, are there any unintended consequences that we should consider? | 24 organisations answered this question. 11 said "No", and 13 said "Yes". |
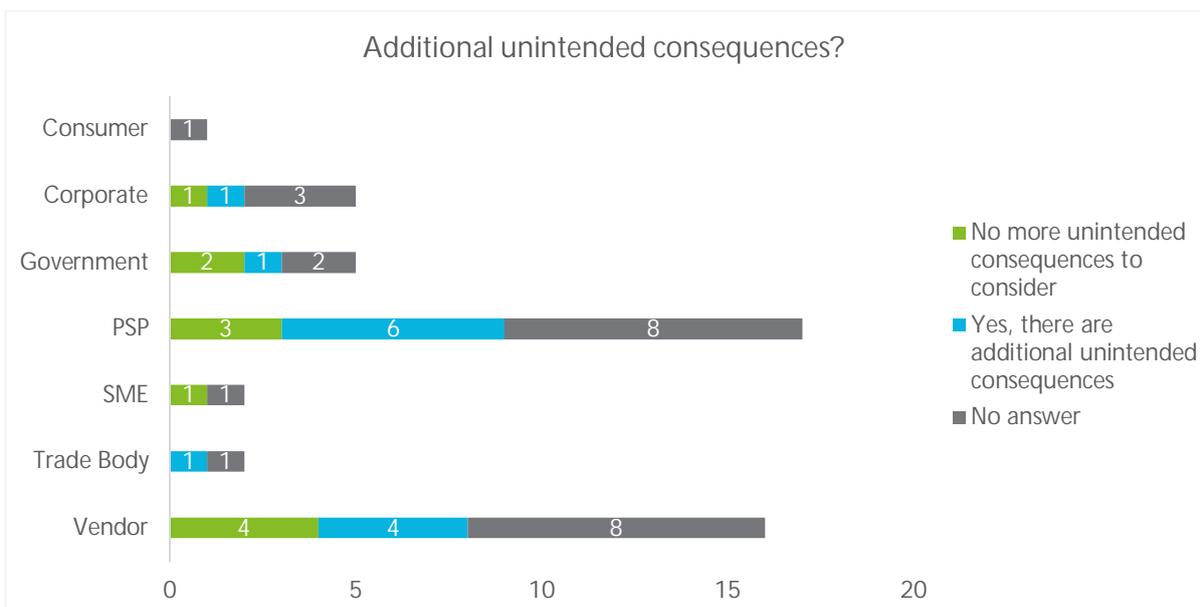
The responses can be summarised as follows:

o   Consideration of what happens when an accidental payment is made.

o   A lack of common industry rules and standards could result in low ubiquity, inconsistent application of the solution and thus an inconsistent end-user experience.

o   In approach 2 of CoP there is a risk of phishing if adequate controls are not in place.

o   One respondent stated 'the payment status and tracking journey may be difficult to achieve, especially where banks struggle to maintain full traceability of the payment even within their own payments landscape. The regulator must be careful in the level of granularity to which it requires the PSPs to provide the status and tracking functionality'. The respondent went further to recommend that payment statuses must be standardises across all PSPs and TPSPs.

| Question 2.20 |
| --- |
| As a payer, |
|    a.   How would you use Enhanced Data? |

Respondents largely echoed the uses/benefits outlined by the consultation document. A small proportion of respondents did not see a clear use for it in their relevant organisations. The following uses were mentioned:

o   Specific details would enable easier reconciliation.

o   The additional data allows payers to inform the payee as to nature and reason the payment is happening including: debit/credit notes added to payment, bill, delivery note etc. all of which can also reduce queries regarding payments.

o   To enable correct payment allocation by payee

o   One respondent mentioned: 'This could be used in a range of circumstances, for example to explain entitlements etc. with benefit payment notifications (this could be the key area of benefit), supplier payments etc.'

o   One PSP respondent mentioned that it would be beneficial in enabling the payer to easily identify the payee

o   One PSP respondent argued that corporates may use the additional information for marketing and promotional purposes or spam

| Question 2.20 |
| --- |
| As a payer, |
|    b.   What Enhanced Data would you add to payments? |

Many respondents gave multiple examples of data noting that this will become clearer once customer market research is done. A selection of some responses are as follows:

o   Invoice number, order numbers, Financial Account numbers and Billing references.

o   For refunds  - originating transaction information can be added

o   Purchase Order, Vehicle Registration Mark (VRM)

o   Entitlement details, payment details, payment periods, appeal information.

o   Information on nature and reason for payment, link to URL or web page

o   Unstructured multi-line messages/dialogue for P2P payments

| Question 2.21 |
| --- |

| As a payee, |
| a.   How would you use Enhanced Data? |

Improved reconciliation of payments was the most frequently cited use. Others included:

o   Improvement in cash allocation.

o   Improves transparency and identification in which the different components of individual payments can be clearly seen by payers.

o   Receivables management,  credit risk management and collections work and improve customer service

o   Adequate information provided to apply the payment to the correct billing account

o   Potential to automatically reconcile payments

o   Provide contextual information on a Request to Pay

o   To identify indebtedness

If the data is structured then this can be imported to a business's ERP and later to be used for business analysis internally.

| Question 2.21 |
| As a payee, |
| b.   What Enhanced Data would you add to payments? |

The responses can be summarised as follows:

o   One respondent said: 'could include explanation of awards and payments and subject to agreement, receipt of claimant information relevant to entitlement e.g. earnings, childcare costs and other relevant expenses.'

o    Billing information like Order number, Invoice number, Financial Account number and Product description.

o   Both structured and unstructured data with an opportunity to personalise a payer experience

o   Channel of payment and location in which the payment was made and due date

| Question 2.22 | Respondents |
|---|---|
| Does the Enhanced Data capability as described address the detriments identified in our Strategy? | 24 organisations responded to this question. 21 organisations said "Yes" and 3 organisations said "No". |

## Does the Enhanced Data capability as described address the detriments identified in our Strategy?
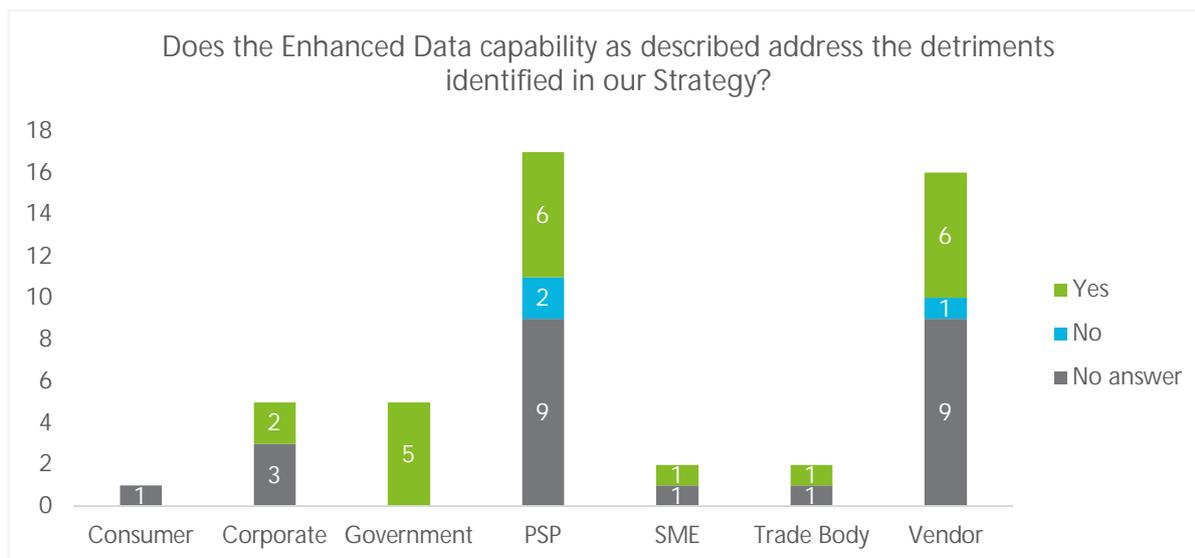


A sizeable proportion of respondents mentioned that they are unable to answer the question until the full scope and schemas of Enhanced Data are defined. Adding that at present the messaging standards in the document are too vague and what constitutes this and how participants become compliant is unknown.

One PSP states: 'In the absence of a clear understanding of what these standards are likely to cover (and, as referenced elsewhere in our response, further definition of the underlying data schemas), we do not believe it is possible to fully determine the scope and scale of enhanced data.'

Recommendations offered were:

o One respondent suggested: 'enhanced information could be modelled on ISO 20022 data structures that already exist for remittance information. These are well-known, market-tested structures for remittance information that will provide consistency with remittance information that is already being exchanged internationally. They are also compatible with both XML and JSON formats.'

### Question 2.23
Some changes will be required to enable the loading and retrieval of Enhanced Data. For example, corporates will need to modify the internal systems.
As an end-user, what internal change will be needed to allow you to add and receive Enhanced Data through the NPA?

Most respondents mentioned significant IT system development would be required but the complexity would depend on the type and complexity of payment information permitted. As with all new business changes, a business case would be needed and internal funding allocated. Some responses included:

o New interfaces for billing and banking systems

o Security checks and controls

o Some respondents showed a preference for structure data in order to best integrate with systems and provide the most useful insights.

o Back-office data storage needed.

o Internal education and communication for customer-facing and finance team staff

o Extensive changes to downstream systems that receive and pass data

o The data may need to be passed through indirect agencies where needed.

| Question 2.24 | Respondents |
|---|---|
| We have highlighted several considerations relevant to the delivery of Enhanced Data. As an end-user of Enhanced Data: <br> a. Are there any risks that we have not addressed or highlighted that you would like to add? | 24 organisations answered this question. 4 said "No" and 20 said "Yes". |

Are there any risks that we have not addressed or highlighted that you would like to add?
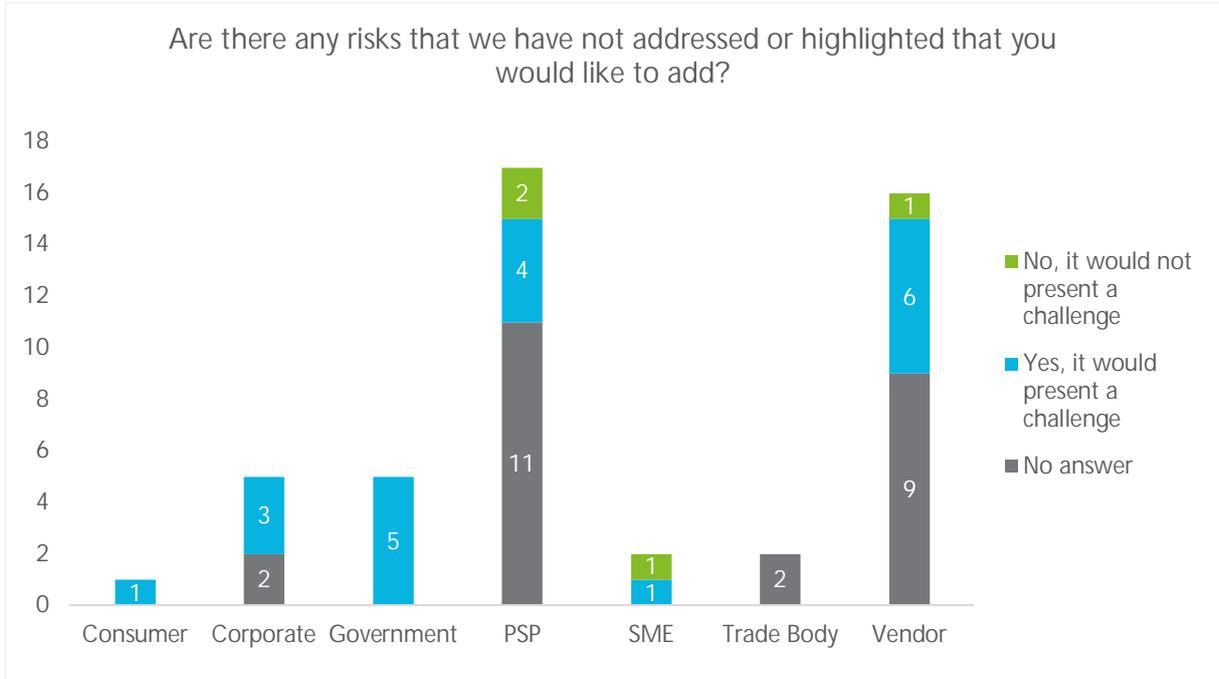


Responses included:

- o The time lag associated with different parties making the relevant IT changes to implement enhanced data and the costs of this change.

- o Risks associated with processes and validating/screening data sent. If these processes are not robust enough then there is risk of erroneous data being passed on.

- o Risk of lack of sufficient up-take of service to justify high cost of implementation

- o Compliance with GDPR. For instance the element of 'the right to be forgotten'.

Recommendation by one respondent was to ensure that personal data is not be in free-form to ensure it can be located easily for compliance purposes.

| Question 2.24 | Respondents |
|---|---|
| We have highlighted several considerations relevant to the delivery of Enhanced Data. As an end-user of Enhanced Data: <br>  b.  Are there any unintended consequences that we should consider? | 23 organisations answered this question. 12 said "No" and 11 said "Yes". |

**Are there any unintended consequences that we should consider?**

| | No more unintended consequences to consider | Yes, there are additional unintended consequences | No answer |
|---|---|---|---|
| Consumer | | | 1 |
| Corporate | | 2 | 3 |
| Government | 2 | 2 | 1 |
| PSP | 4 | 5 | 8 |
| SME | 1 | | 1 |
| Trade Body | | 1 | 1 |
| Vendor | 5 | 1 | 10 |
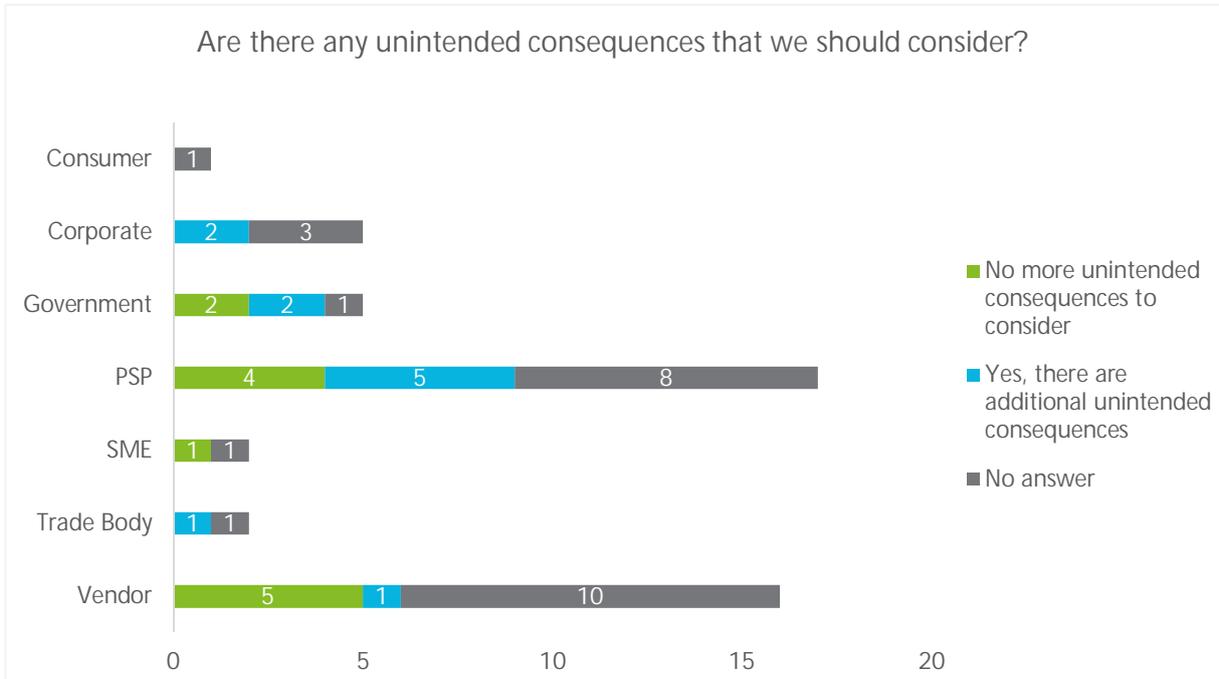
Responses included:

o   A reduction in efficiency associated with the increase in data load / size of data being transmitted.

o   As larger amounts of data are to be shared there is higher risk thus proper governance in place is essential to avoid data breach.

o   It may alter underlying commercial or contractual terms

| Question 2.25 |
|---|
| We recognise that additional work needs to be done in identifying potential safeguards including liability considerations associated with Enhanced Data. As an end-user of Enhanced Data: <br>  a.  What are some of the potential liability concerns that you may have? |

Most responses centred on data protection, privacy and breach issues including:

Liability associated with data loss and breach for all participants including third parties and associated brand reputation damage.

16 respondents have indicated that they would like to get involved in defining the liability considerations for Request to Pay.

### 3.2.3  Implementation Plan

| Question 3.1 |
| --- |
| Are there any additional principles you think we should add or significant amendments that should be made to those already stated? |

Additional principles:

- Under 'Customer Considerations' – the plan should aim to minimise transition cost implications for end users including the broader business community (e.g. DD originators).

- Insulating customers from change during transition from old to new.

- Deliver the NPA at a cost agreed by the industry and supported by an achievable funding model.

Suggestion of amendments to principles:

- Customer considerations should be in line with stability, ubiquity and consistent customer protection requirements.

- Needs of payees and payers to be considered as key to addressing the detriments identified.

- Adhere to the principle of "provide optimum benefit for stakeholders."

| Question 3.2 |
| --- |
| Are there any additional assumptions you think we should add or significant amendments that should be made to those already stated? |

Additional assumptions:

- Clarify assumption that Request to Pay will operate alongside Direct Debit.

- The programme will develop proposals to meet the needs of vulnerable customers throughout the implementation.

- The cost of making / collecting a payment will continue to be free for the consumer, and not increase for corporates, Government and SMEs.

- Maintenance processes would be in place to ensure that relevant elements of 'old' and 'new' systems are kept in sync, e.g. EISCD and CASS.

Suggestion of amendments to assumptions:

- CHAPS is in scope for Confirmation of Payee (CoP).

- Ensure that the benefits of scheme closure are clearly visible at each transition state.

| Question 3.3 | Respondents |
|---|---|
| Do you agree with the sequence of events laid out in the implementation plan? If not, what approach to sequencing would you suggest? | 26 organisations are, in principle, supportive with the sequence of events in the NPA implementation plan. 7 did not agree. 15 organisations did not respond. |



Agreement with sequence of events
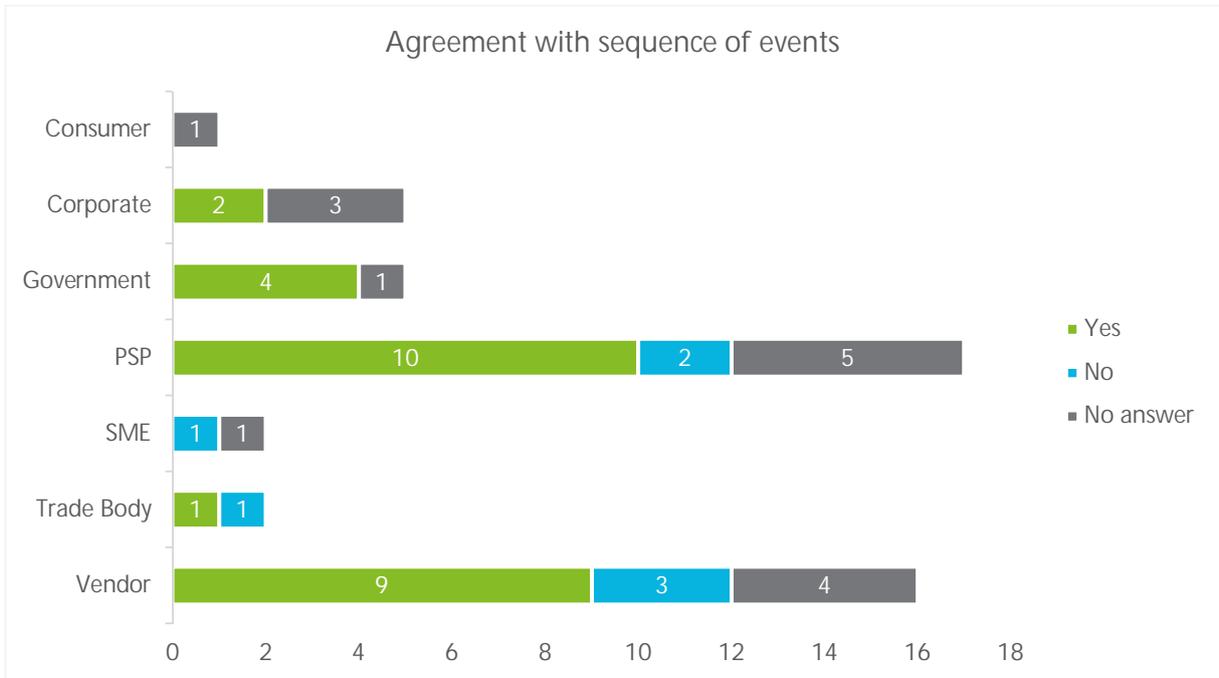
The 7 organisations who did not agree with the sequence of events listed some of the following concerns:

o The design and build stages for Push CT and bulk payments could be run in parallel given the processing and message formats will be the same, allowing for testing and deployment efficiency.

o Missing element: user education and communication.

o The points at which PSPs will be obliged to accept payments from the NPA will be key in terms of sequencing and the overall timetable.

o Cost and technical challenges with regards to dual running.

o Recommendation to transition Bacs Direct Debits after ICS.

o Bulk should be delivered either in parallel with or earlier than single payments. Bulk is the area that most requires updating.

| Question 3.4 | Respondents |
|---|---|
| Do you agree with the high-level timetable laid out in the implementation plan? | 17 organisations agreed with the high-level timetable in the NPA implementation plan, 13 do not agree and 18 did not respond. |



Agreement with the high-level timetable
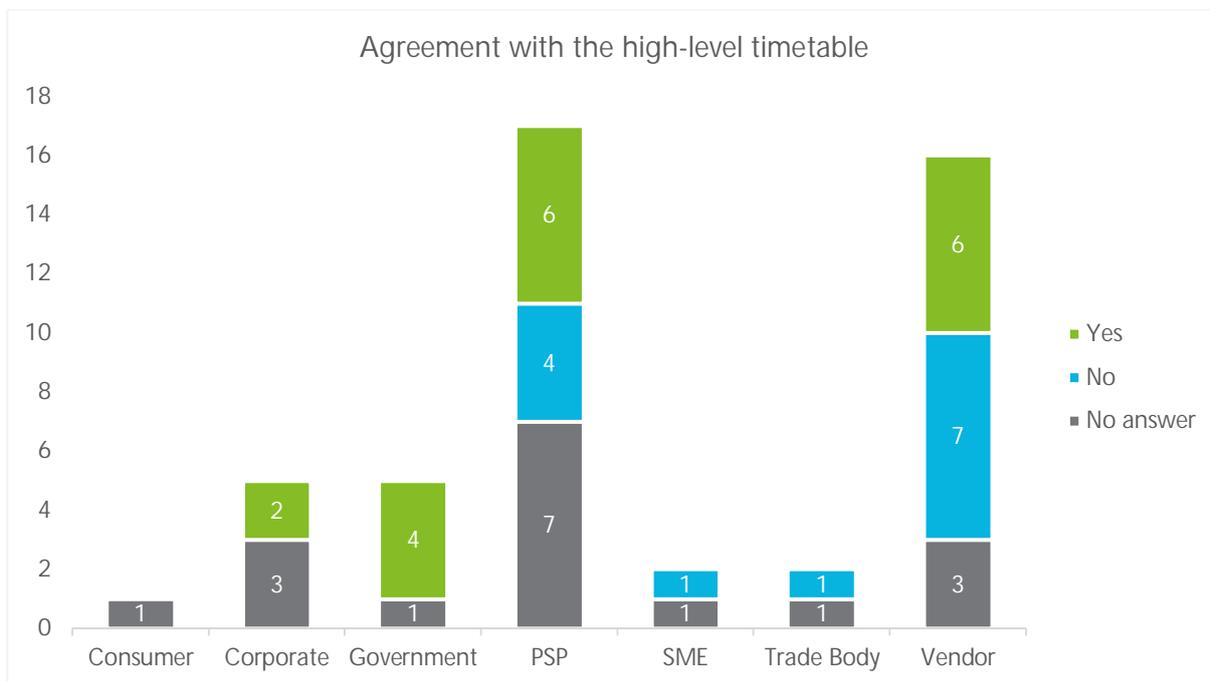
Some observations from respondents include:

• The transition approach and timetable are key matters for the NPSO to develop in more details, taking into account other external developments and dependencies e.g. the BoE RTGS renewal, PSD2 and Open Banking.

• It might be prudent to set an industry "Go / No Go" decision in 2019 to manage the concerns around slippage of hard dependencies.

• Greater benefit might be derived from accelerating Faster Payments Bulk Payments over Enhanced Data immediate payments. The B2B sector will gain most value from enhanced data as it addresses pre-existing issues with Bacs standard 18 which is close to being 50 years old.

• Wholesale replacement of payment systems is a significant undertaking, fraught with risk. There does not appear to have been full enough consideration of the need to identify and mitigate the multifarious areas of impact within end user (e.g. business) processes.

| Question 3.5 |
|---|
| Are there any significant potential risks that you think the implementation plan does not consider? |

Potential risks that the implementation plan does not consider:

o Risk of delays to the early stages of the programme due to capacity and capability as the NPSO is forming.

o No reference to the Central Securities Depositories Regulations (CSDR) which has significant impact on the securities market in the UK and Ireland and across Europe.

o Risk of poor quality solutions (as a result of requirements or design issues), delays due to changing requirements, and participants having differing capabilities to transition to the NPA.

o Risk that there are insufficient commercial opportunities to encourage the right level of participation from third parties.

| Question 3.6 | Respondents |
|---|---|
| Do you agree with our proposed transition approach? | 25 organisations agreed with the proposed transition approach, 7 disagreed and 16 did not provide a response. |

**Agreement with proposed transition approach**

| Category | Yes | No | No answer |
|---|---|---|---|
| Consumer | | | 1 |
| Corporate | 2 | | 3 |
| Government | 5 | | |
| PSP | 9 | 2 | 6 |
| SME | | 1 | 1 |
| Trade Body | | 1 | 1 |
| Vendor | 9 | 3 | 4 |
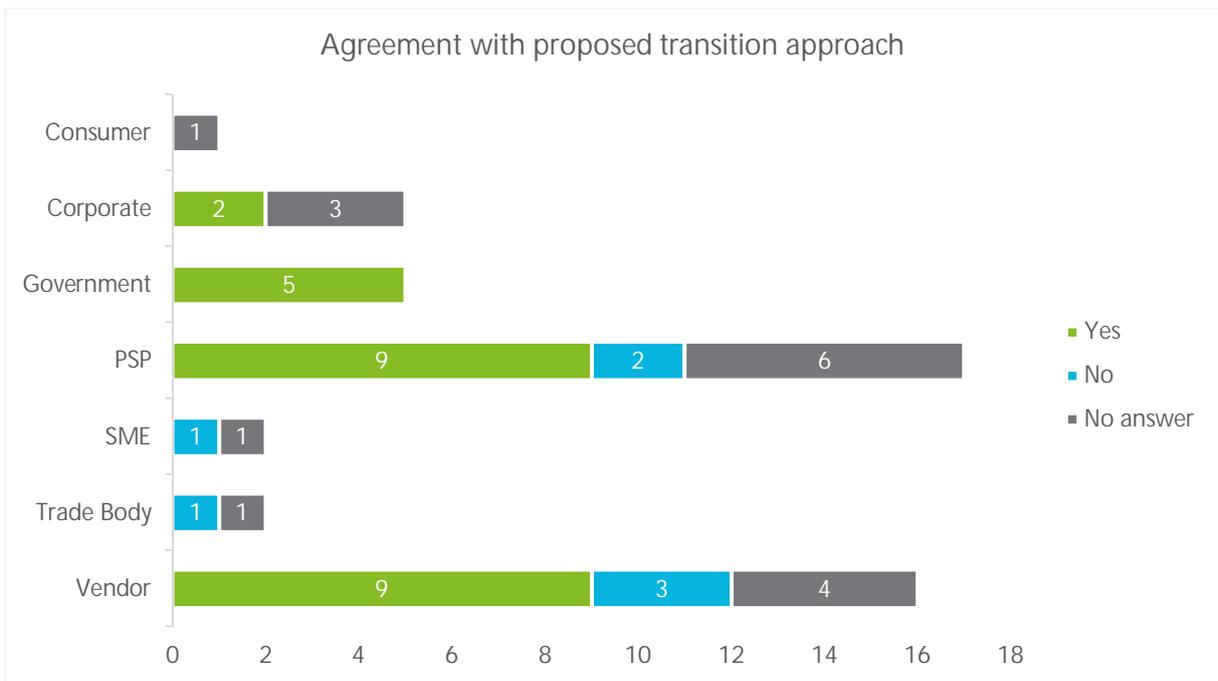
Some pertinent comments in response to this question:

o There needs to be further research into end user requirements and product design before this question can be properly answered. This is an area of NPSO responsibility.

o The plans to migrate both bulk electronic payment systems (Faster Payments and Bacs) to the NPA in parallel rather that completing one migration before starting on another would introduce significant risk of service failure.

o Need to ensure that once parallel run has started there are sufficient incentives to ensure the migration takes place.

### 3.2.4 Cost Benefit Analysis of the NPA

| Question 4.1 | Respondents |
|---|---|
| Are there any material quantifiable benefits that have not been included? | 8 organisations provided further suggestions, 21 organisations indicated there was no need to add any additional benefits and some are listed below and 19 organisations did not provide a response. |



Additional material quantifiable benefits to be included?
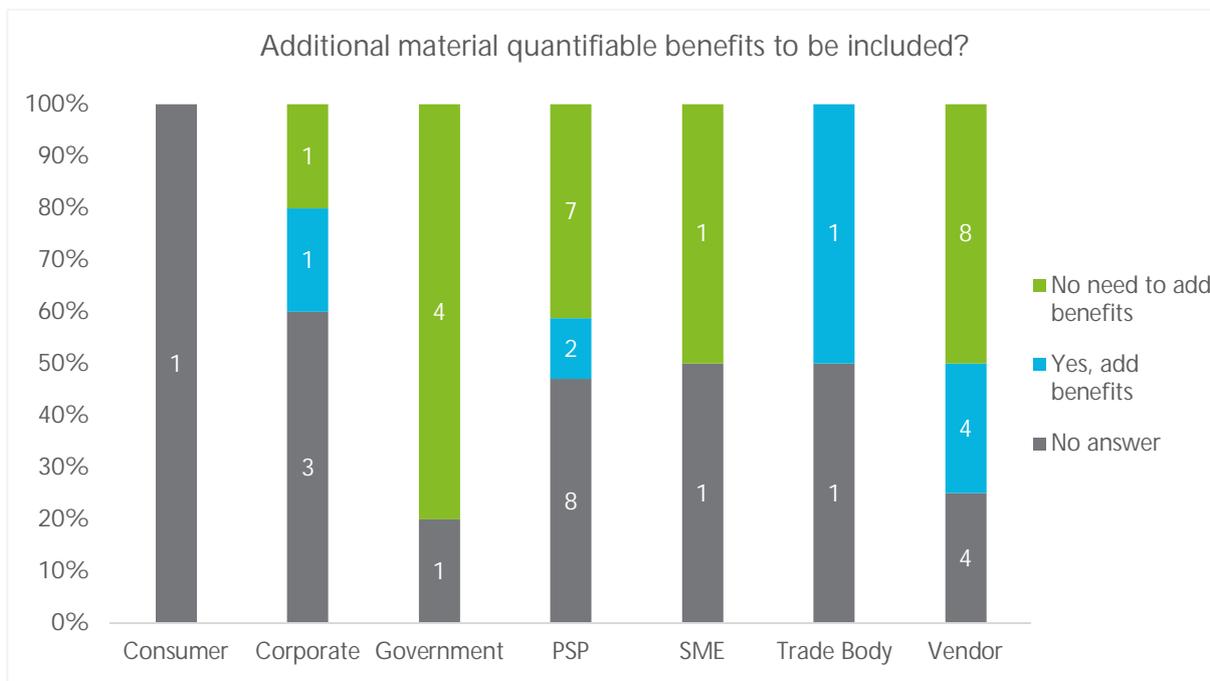
Suggestions for adding benefits from the 8 organisations are:

o Cost of retiring legacy platforms.

o Increased competition in the payments supply chain leading to cost savings and innovation.

o Potential to sustain, or extend, the UK's lead among global payment systems which provides an export opportunity.

o Increased infrastructure competition and/or competition between PSPs.

o Reduced annual change costs during the 'run' phase that follows NPA migration.

| Question 4.2 | Respondents |
|---|---|
| Do you agree with the cost assumptions with regards to the NPA and each of the overlay services (Request to Pay, Enhanced Data and Assurance Data)? | 9 organisations agree, 21 organisations do not agree but have not provided alternative figures and 18 organisations did not provide a response. |
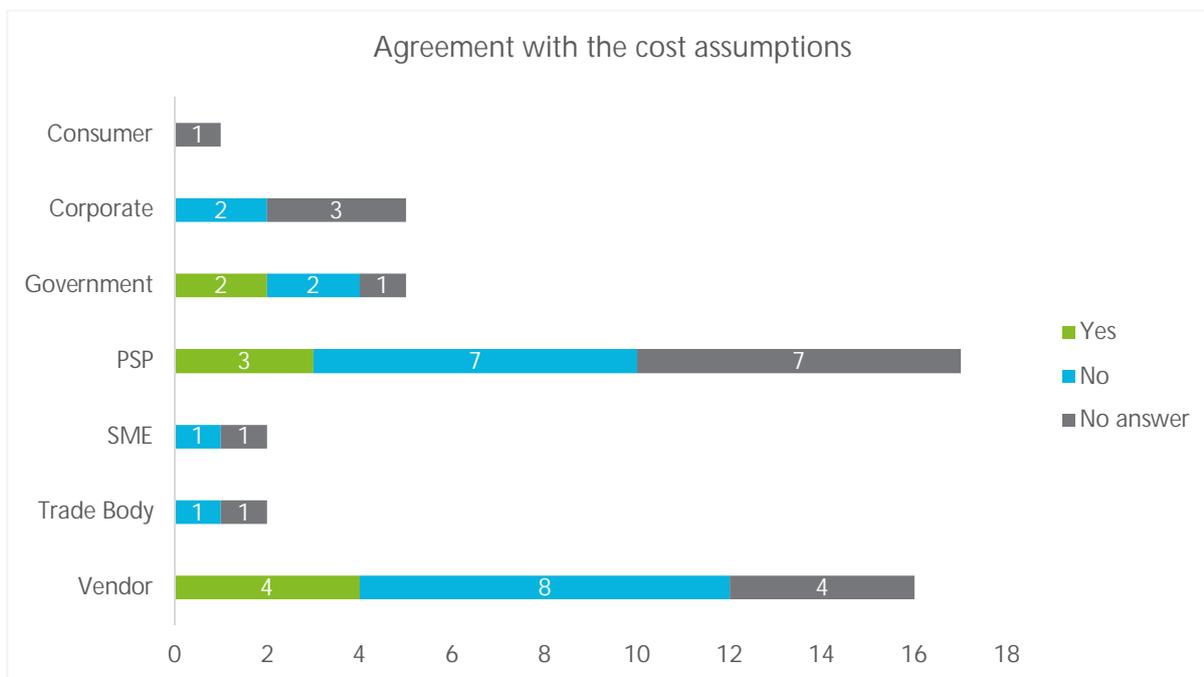


A variety of explanations were provided with regards to the cost assumptions. Some of them are:

o Costs and timeline of construction and dual-running phase

o Estimate for PSPs appears to be low. PSPs will need to build or procure ISO 20022 gateway services and will also need to make substantial change to their internal payments infrastructure and potentially customer channels.

o Estimate for building the new Clearing and Settlement appears low, considering the complexity of building this to cope with several schemes, to be payment type agnostic and given that it is not something that has been carried out before in the UK.

o PSPs having to change customer channels to facilitate Confirmation of Payee (CoP).

Despite the challenge on the costs, no party has suggested the business case is untenable.

The 22 organisations that did not agree with the proposed costs were contacted requesting further details. No specific costs were suggested and the challenges were broadly a matter of opinion.

On the basis of the re-engagement, the costs have been kept broadly the same on the following basis:

o Costs will be based on implementation within the API Open Banking ecosystem and these will be less than those of historical implementations

o Whilst it is acknowledged there have been cost overruns in some other similar developments in the industry, this should not be reflected in the cost estimates as these will therefore be artificially inflated.

o More detailed work is needed before an updated cost model for implementation can be developed, without more detail cost challenges are more a matter of opinion than fact.

| Question 4.3 | Respondents |
|---|---|
| Do you agree with our description of the alternative minimum upgrade? | 17 organisations agreed, 11 do not agree and 20 did not respond to this question. |

Agreement with the description of the alternative minimum upgrade
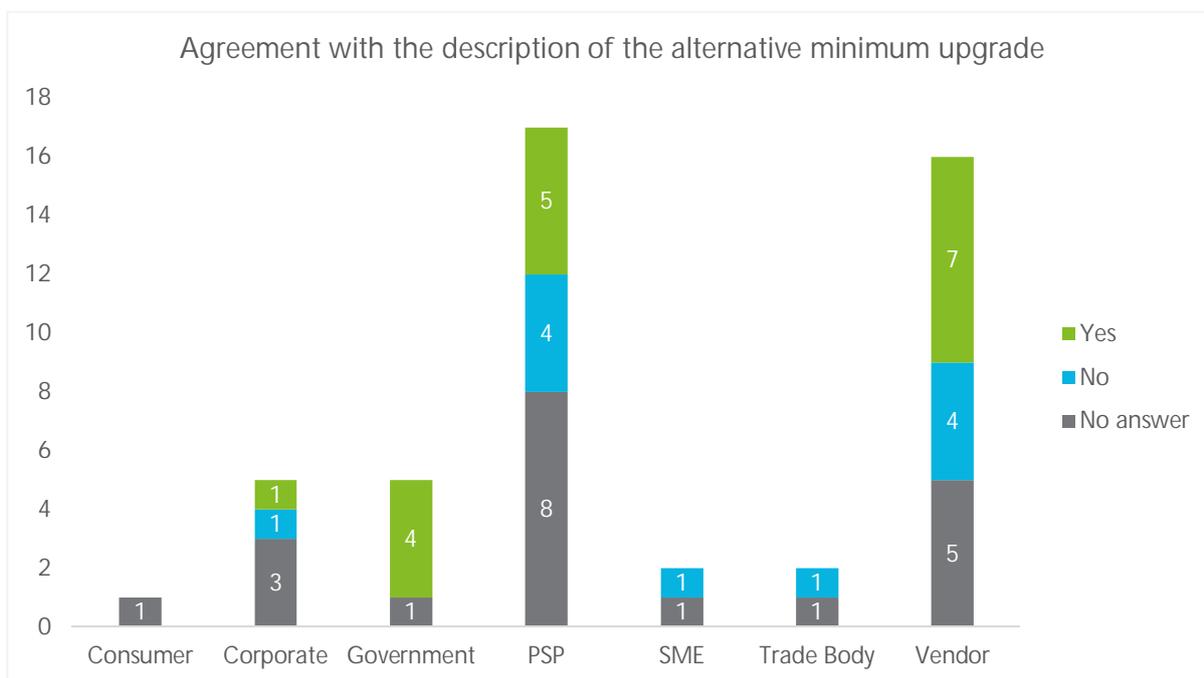


The 11 organisations who did not agree with the description of the alternative minimum upgrade, stated:

- o   NPA should capitalise on investment already being undertaken by the industry, and will not crowd out private investment and innovation that could arise through competitive processes.

- o   It is highly likely that both Confirmation of Payee, other assurance services and Request to Pay would be delivered within existing infrastructures. Solutions are already being pursued in the market to allow these services to be delivered ahead of the NPA.
  If the NPA was not pursued, solutions are achievable on existing architecture. The exception is enhanced data that cannot be delivered effectively on existing structures.

### 3.2.5 NPA Commercial Approach and Economic Models

| Question 5.1 | Respondents |
|---|---|
| Does our competition framework adequately capture the types of competition that may exist in payments? | 18 organisations agreed, 3 do not agree and 27 did not provide an answer. |
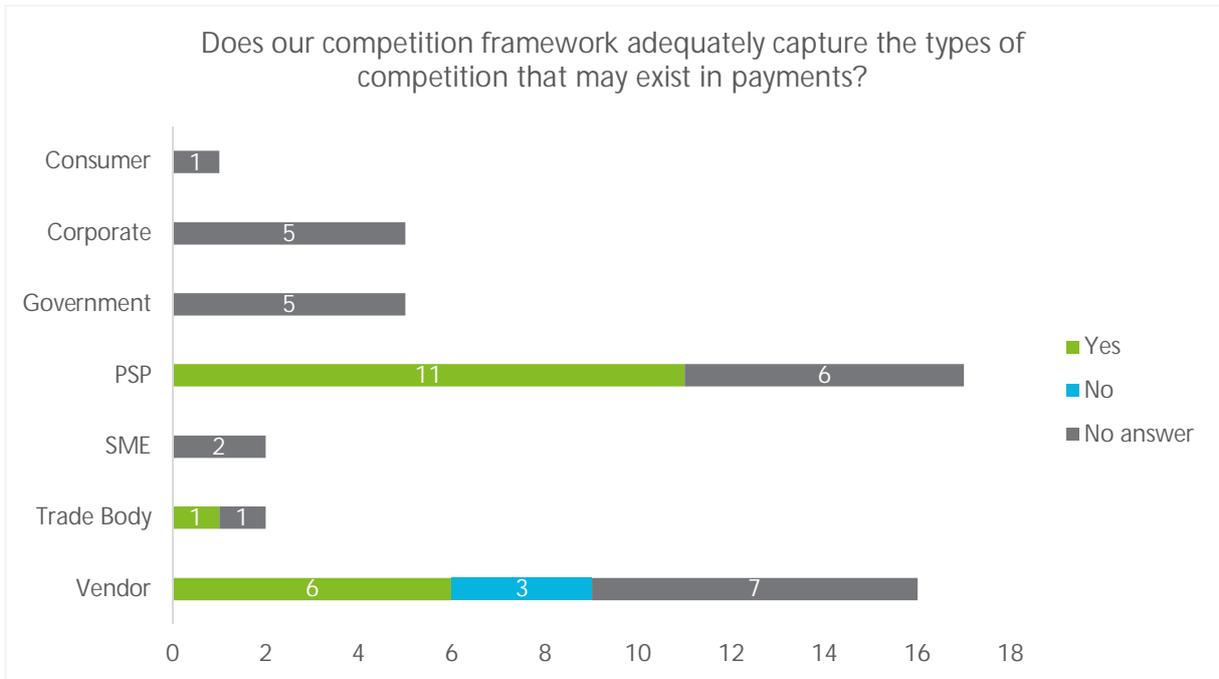


Further considerations from the organisations who disagreed:

- o Greater clarification required for regulatory requirements for TPSPs.

- o Prohibiting infrastructure providers from providing overlay services would be anti-competitive and potentially detrimental to service users. Such restrictions to competition could breach competition law.

- o Government commercial strategies need to align with NPA strategy to avoid contradicting decisions and arrangements, especially if these go beyond 2021.

| Question 5.2 | Respondents |
|---|---|
| Do you agree with the NPA competition categories described? | 20 organisations agreed, 2 do not agree and 26 did not provide an answer. |

Agreement with the NPA competition categories described
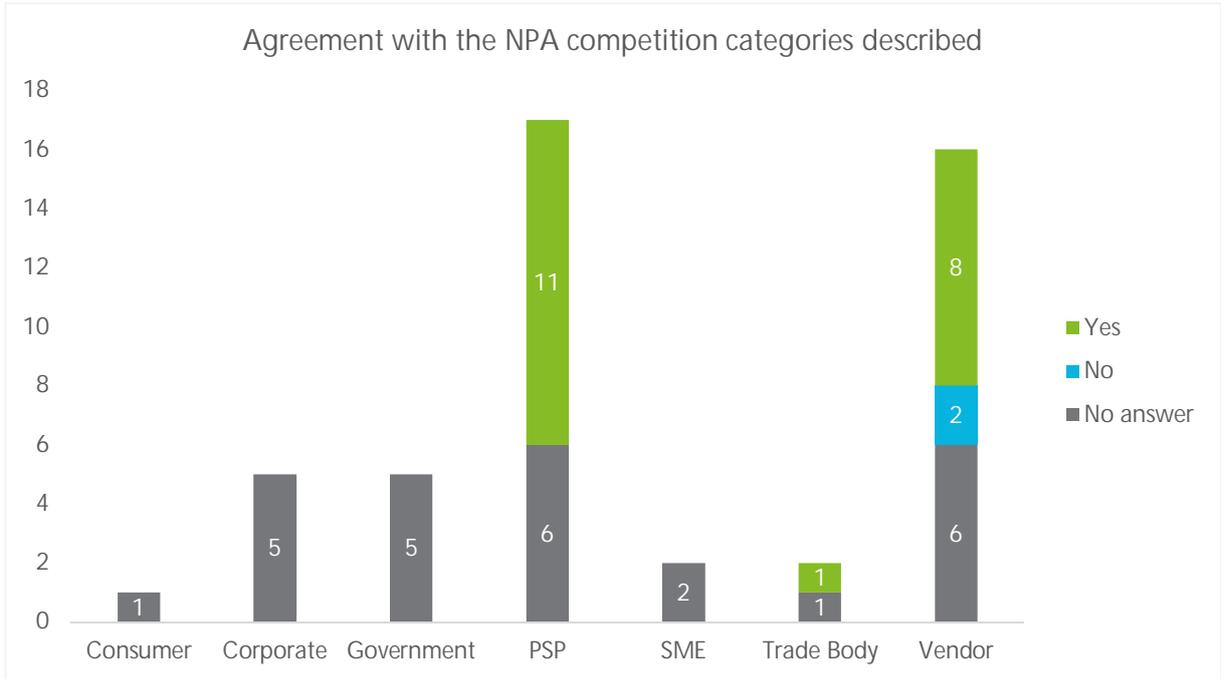


2 organisations disagreed with the NPA competition categories described. 1 provided an explanation: The NPSO's focus should be on scoping requirements and accrediting participants in ways which maximise the opportunity to promote competition and deliver positive outcomes for end-users.

| Question 5.3 | Respondents |
|---|---|
| Does our framework capture the dynamic roles the NPSO may play in the market? | 17 organisations agreed, 4 do not agree and 27 did not provide an answer. |

Does our framework capture the dynamic roles the NPSO may play in the market?
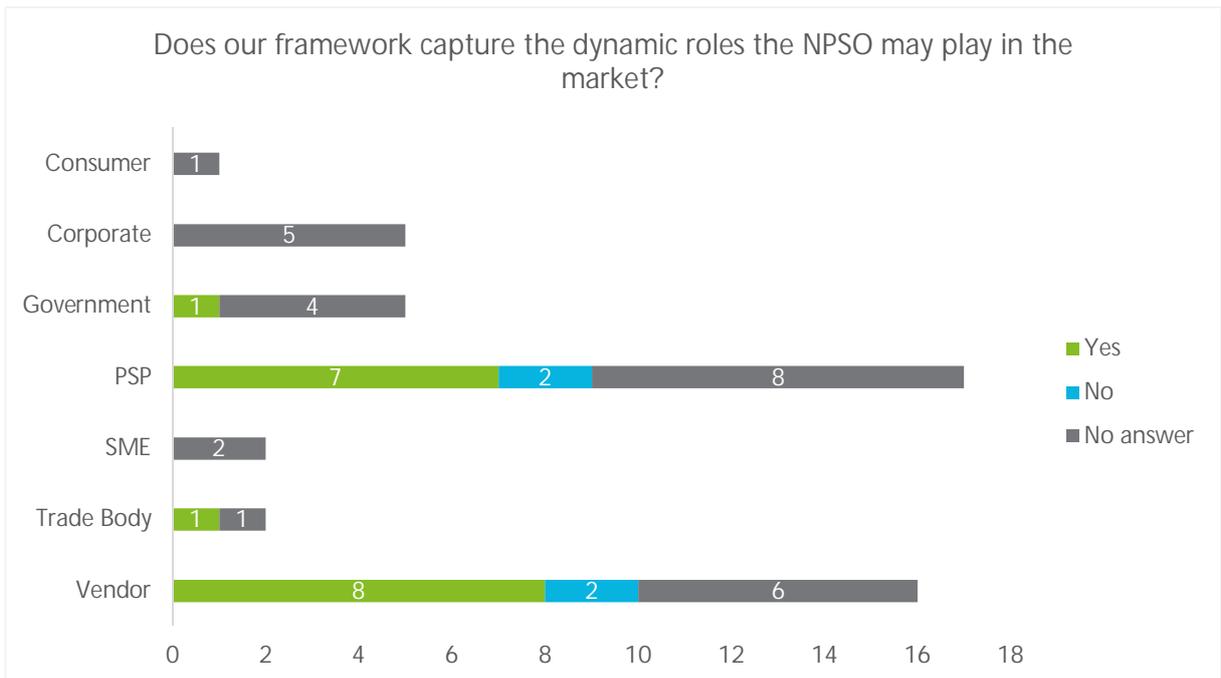
Further considerations from the organisations who disagreed:

o The government could be an active stakeholder in product development and sandbox activities.

o There are opportunities for the NPSO to play a significant leadership role in fostering competition within the industry by developing a range of product offerings which will extend beyond the narrow landscape of the NPA processing model.

o NPSO must be flexible and have the power for greater control over "for the market" vendors.

o Use of 'market catalysts' should be rare, and ideally via the use of sandbox and/or external funding. Appropriate governance needs to be in place to ensure that the appropriate stakeholders are involved in decided when to exercise such a function.

| Question 5.4 | Respondents |
|---|---|
| Are there any other important criteria that we should use to assess the funding options we have identified? | 11 organisations indicated other criteria to be used, 11 did not and 26 did not provide an answer. |



Are there any other important criteria that we should use to assess the funding options we have identified?
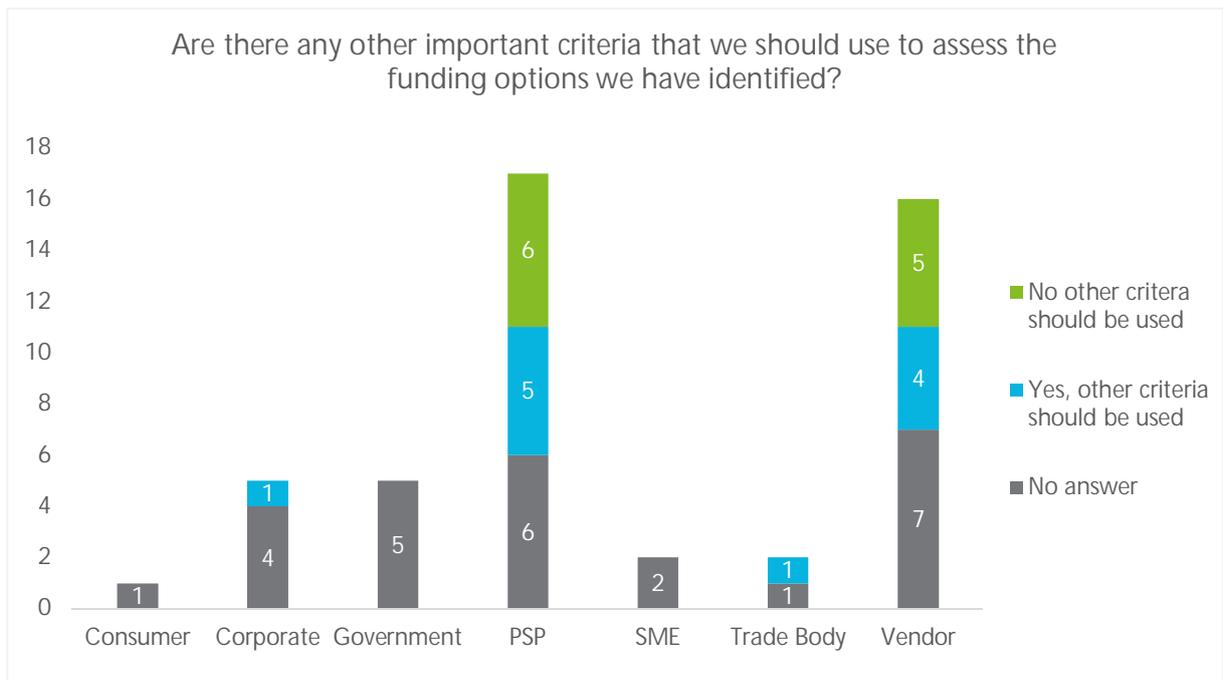
Further criteria suggested include:

o Duration of investment, including time period to implement and return investment.

o Tax implications of funding.

o Purpose of investment to determine most suitable funding option.

o Distinguish between external and internal BAU costs.

o Minimise risk of over-relying on a few investors and ensure their financial resilience.

o Include systemic risk options for contingency in case the system, or elements of it, fail.

o Role of the Special Administration Regime can be leveraged to reduce the risk of associated key vendors.

o Fees charged to end-users should be regulated or capped to ensure end-users do not see significant cost increases.

o Flexibility to add additional assessment criteria to the funding model, and for it to change over time.

| Question 5.5 | Respondents |
|---|---|
| Do you agree with our NPA competition assessment? | 11 organisations agreed, 1 does not agree and 36 did not provide an answer. |
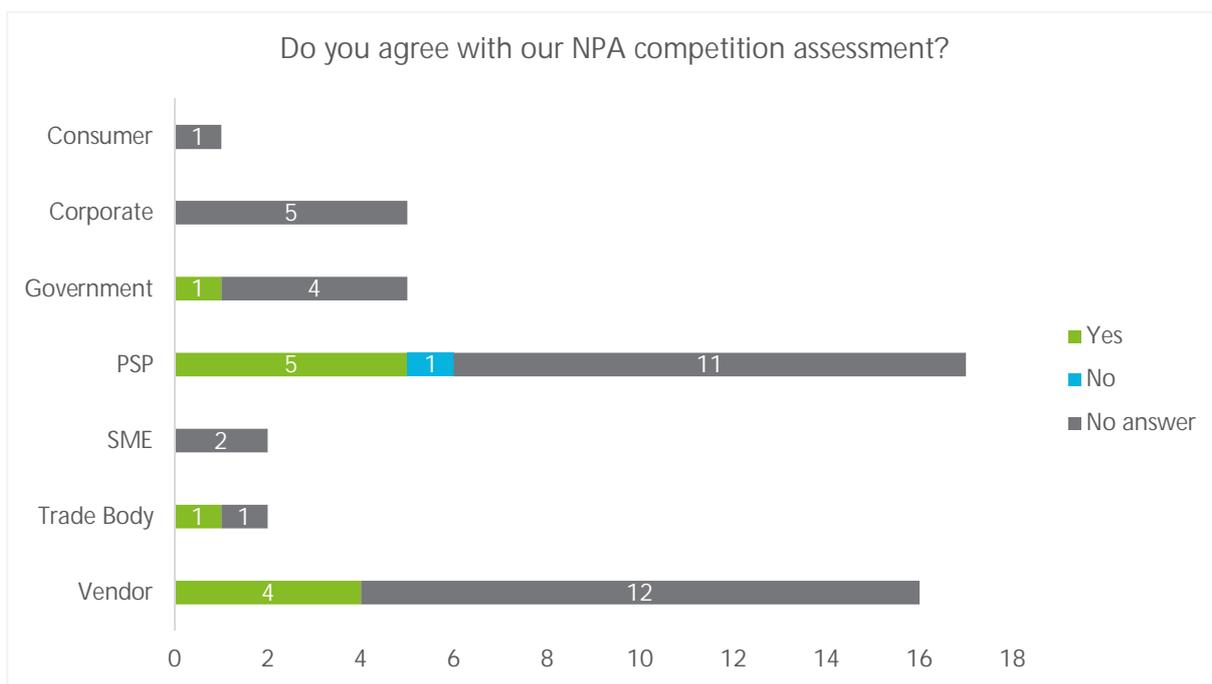


Further considerations include:

o Include the value of economies of scale or scope in assessing efficiencies.

o Impact on downstream competition – this includes accessibility, efficient pricing, and low prices for end-users.

o Larger PSPs may not be willing to take up the bulk of development and run costs.

| Question 5.6 | Respondents |
|---|---|
| Do you agree with our assessment of End-User Needs solutions? | 15 organisations agreed, 9 do not agree and 24 did not provide an answer. |

Do you agree with our assessment of End-User Needs solutions?
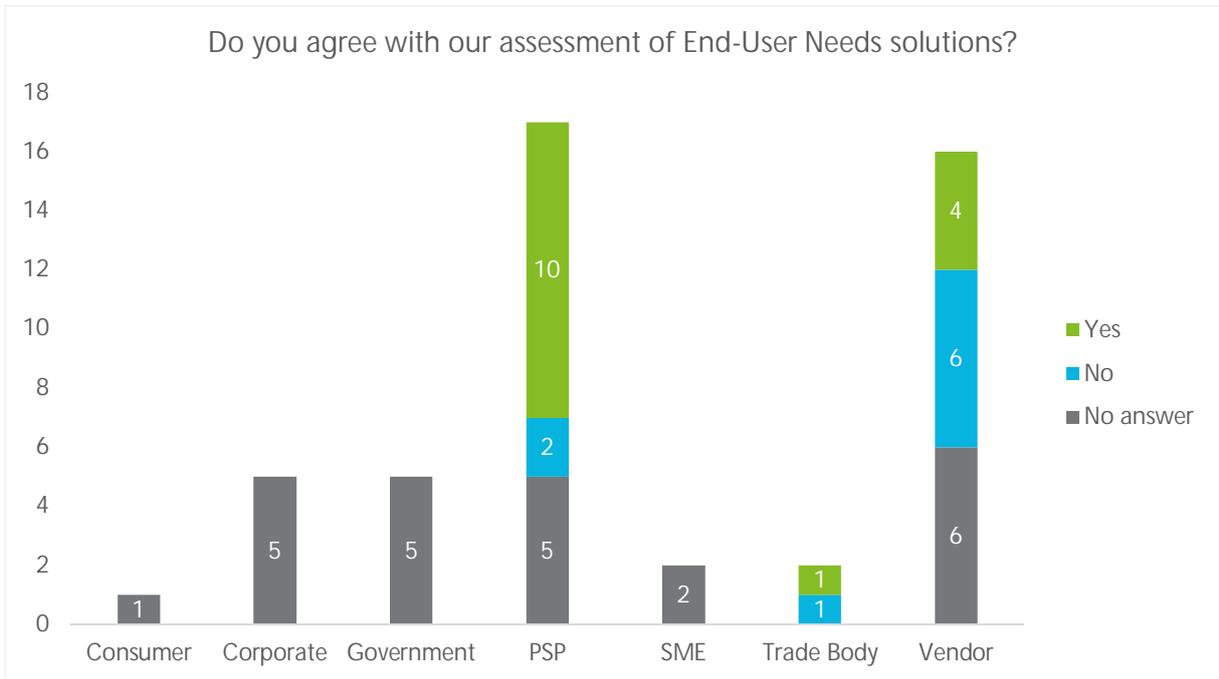


Further considerations include:

o   The NPSO could provide guidance on the implementation roadmap, as well as synergies with PSD2 and Open Banking.

o   With Open Banking, TPPs will increasingly provide innovative solutions, possibly faster than expected, making the market catalyst role less of a requirement.

o   The 3 End-User Needs Solutions may not be universal needs.

o   The current market for automated reconciliation solutions is still nascent – it is unlikely PSPs will provide the End-User Solutions for this.

o   Greater clarity required with regards to the issue of interoperability.

o   Existing architecture can be used to address detriments.

o   Level of intervention suggested in the NPA Blueprint is anti-competitive.

| Question 5.7 | Respondents |
|---|---|
| Do you agree with our list of funding stakeholders? | 15 organisations agreed, 6 do not agree and 27 did not provide an answer. |

**Do you agree with our list of funding stakeholders?**

| Category | Yes | No | No answer |
|---|---|---|---|
| Consumer | | | 1 |
| Corporate | | | 5 |
| Government | | | 5 |
| PSP | 8 | 3 | 6 |
| SME | | | 2 |
| Trade Body | | | 2 |
| Vendor | 7 | 3 | 6 |
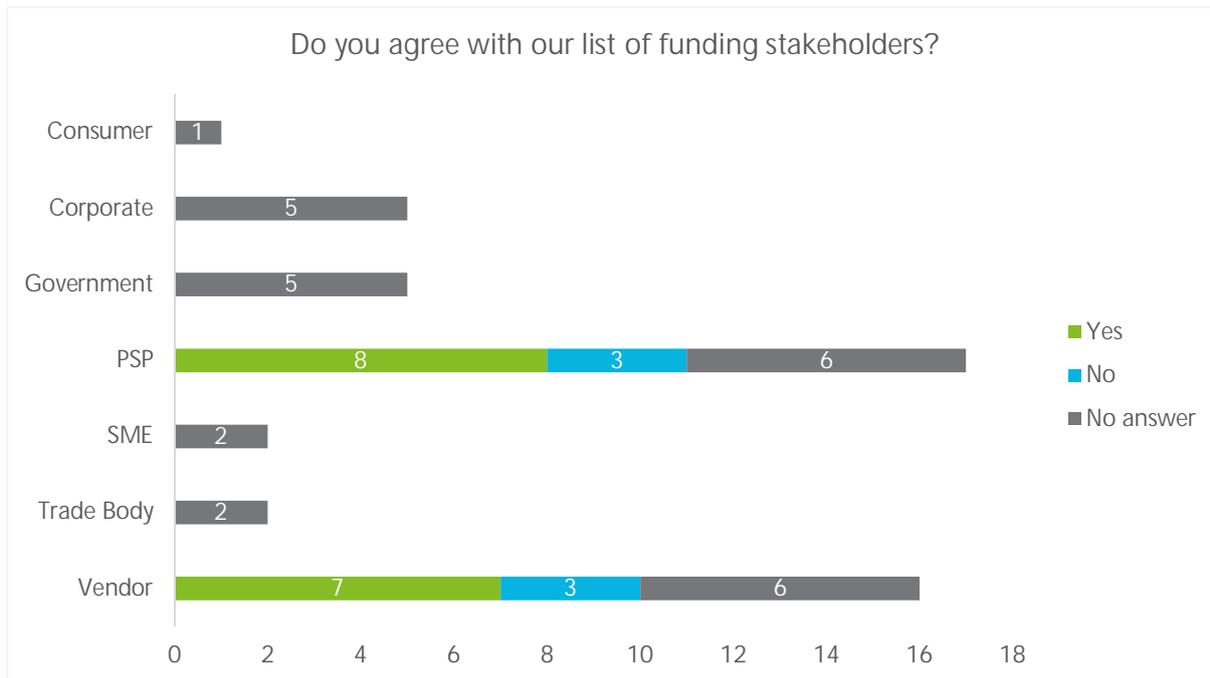
Further considerations include:

o Funding routes need to differentiate between:

     o Common rails and governance,

     o Integration / other costs specific to the scheme participant,

     o Added value, e.g. service innovation.

o Investors external to the industry would need to have appropriate safeguards and caveats applied to any investments secured.

o Greater clarity on:

     o How a subsidiary of the NPSO would work,

     o Where PSPs would be market participants,

     o "Other market participants".

o Determine if the NPSO would envisage not-for-profit initiatives in the future.

| Question 5.8 | Respondents |
|---|---|
| Are there other significant sources of funding or types of funding instruments the NSPO could secure that have not been described? | 9 organisations suggested other significant sources of funding or types of funding instruments, 11 did not agree and 28 did not provide an answer. |

Are there significant sources of funding or types of funding instrumnets the NPSO could secure that have not been described?
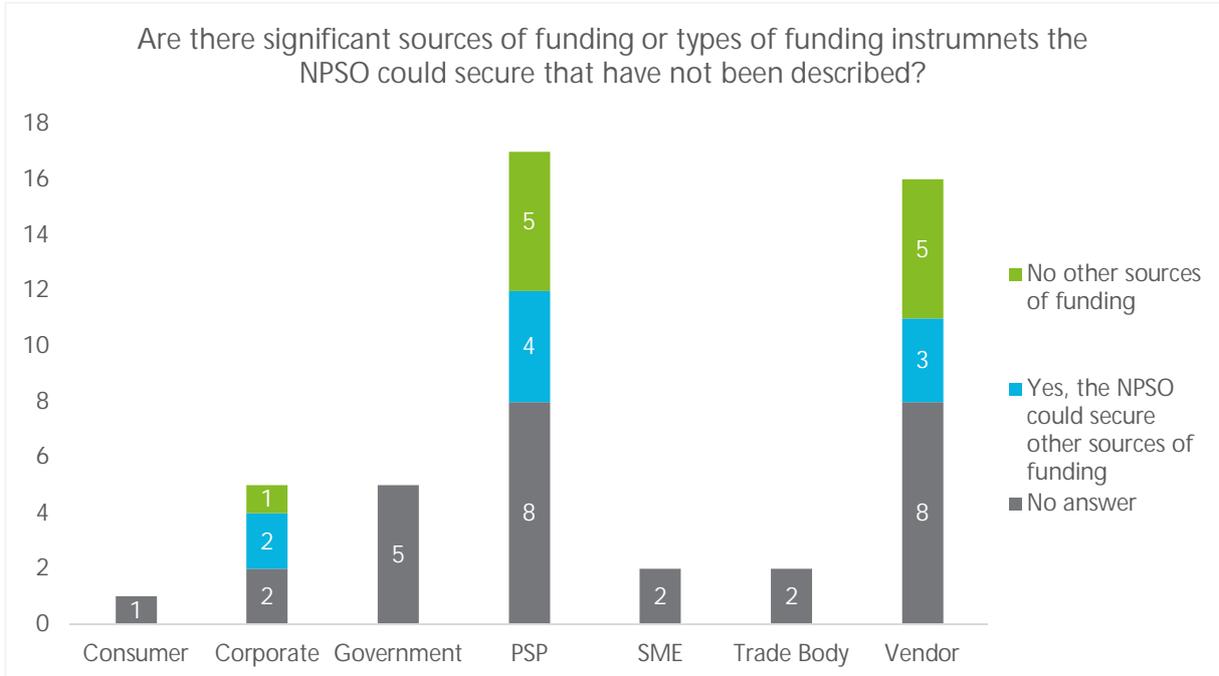


Other significant sources suggested by respondents include:

o   The government

o   Existing guarantors of the NPSO

o   Pay to play model

### 3.2.6    Improving Trust in Payments

**Payments Transaction Data Sharing and Data Analytics**

In our Strategy, we proposed a Payments Transaction Data Sharing and Data Analytics solution to help fight financial crime that occurs through the misuse of payments systems. The solution will enable visibility across different transactional data sources to create a rich data repository and analytical capability. The questions presented in this section were aimed at understanding the respondent's views on the suggested approach, key principles and participants.

| Question 6.1a | Respondents |
| --- | --- |
| Do you agree with the outlined participant categories identified for the Payments Transaction Data Sharing and Data Analytics strategic solution? | 26 organisations responded to this question, of which 21 agreed and 5 disagreed. |



Agreement with with the outlined participant categories identified for the Payments Transaction Data Sharing and Data Analytics strategic solution
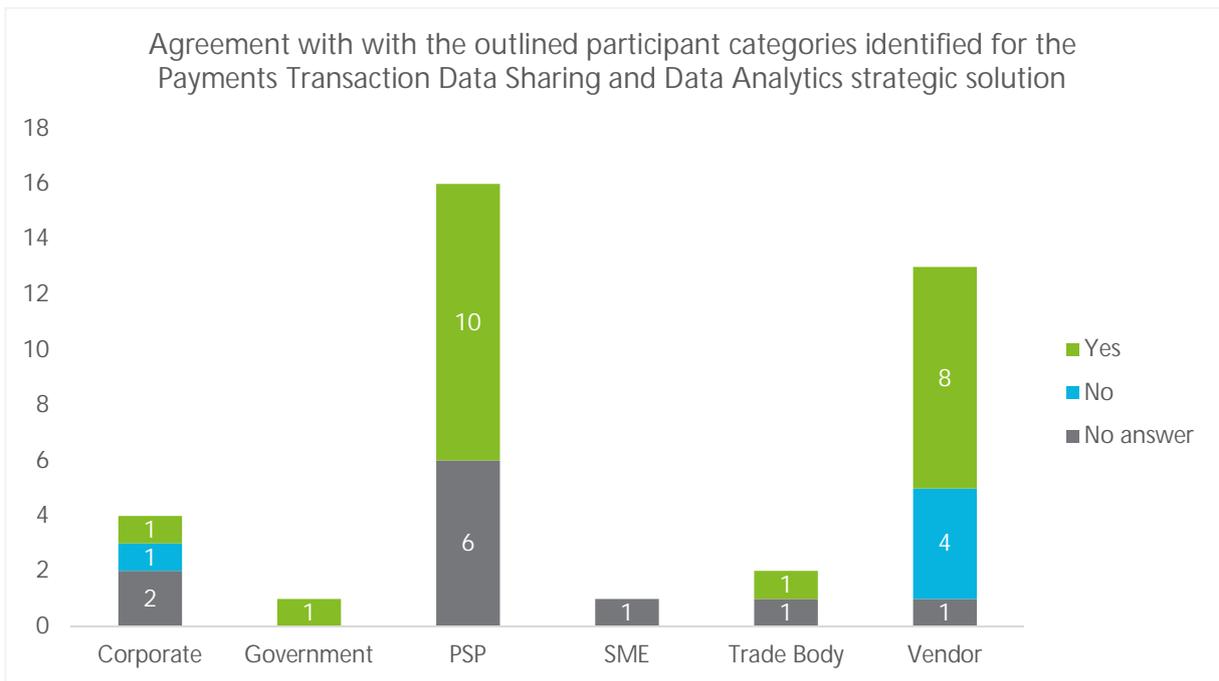
| Question 6.1b | Respondents |
| --- | --- |
| Are there other categories that should be considered for inclusion? | 24 organisations responded to this question, of which 12 indicated that other categories should be considered for inclusion and 12 indicated that no more categories should be considered. |

## Are there other categories that should be considered for inclusion?
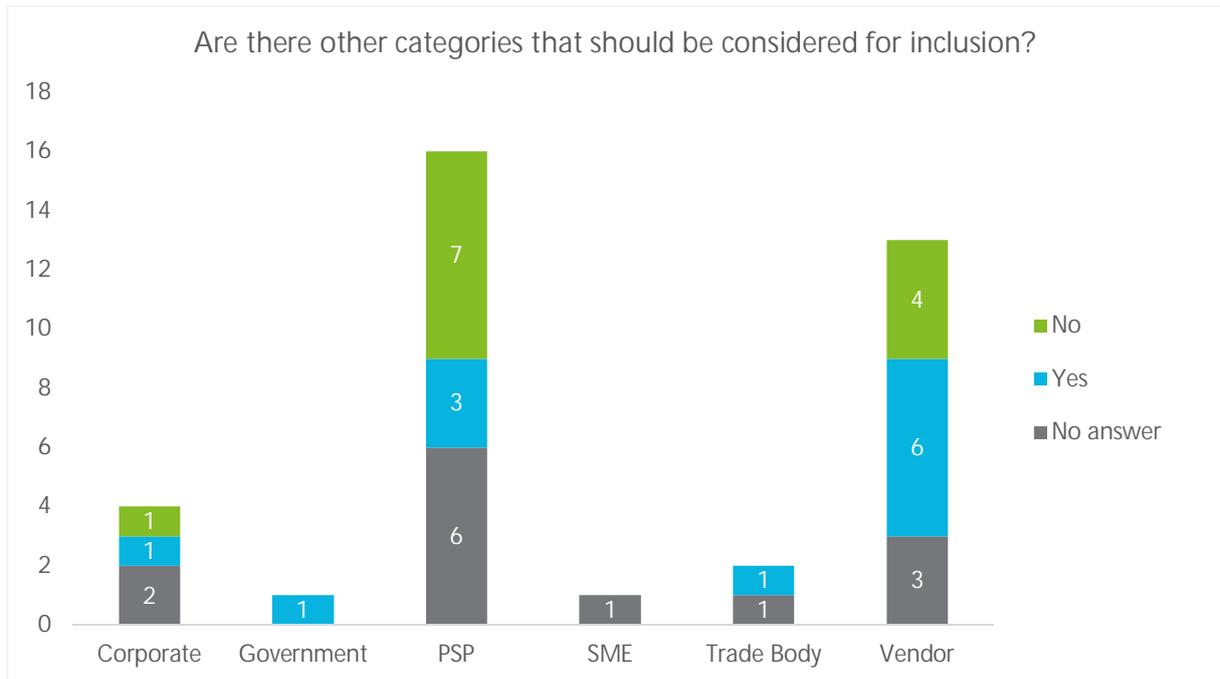


The relatively large number of "No" responses to this question demonstrates that overall there was broad support for the proposed participant categories with some respondents suggesting examples of participants that would come under the proposed categories including:

- o Existing financial crime prevention agencies
- o PSP's internal fraud prevention teams
- o Credit reference agencies
- o Commercial software vendors
- o Participants from the cards industry.
- o 3rd party PSPs
- o The Information Commissioners Office

Four respondents also expressed the requirement that the solution participant categories should not be a static group and need to be scalable and flexible to support future categories that may emerge such as those relating to distributed ledger technology and virtual currencies.

Respondents highlighted the need for payments transaction data sharing to be subject to existing legal frameworks and for the strict control of access to non-payment industry participants.

### Further comments

Additional comments included the suggestion to consider cross industry data sharing organisations such as TPSPs (Third Party Service Providers) or data scientist organisations or other custodians of data who currently have data sharing mechanisms and may be able to add value that hasn't already been identified to date.

| Question 6.2 | Respondents |
|---|---|
| What is your opinion on the role non-payments industry participants should have as part of the Payments Transaction Data Sharing and Data Analytics strategic solution? (This could include Government, Law Enforcement, or others). If appropriate, please outline usage of the system, provision of data to the system, and legal considerations for participation. | 22 organisations responded to this question in total. |

Many respondents expressed positive views regarding the inclusion of non-payments industry participants in the strategic solution. All that responded in this way also stressed the critical need for clearly defined legal controls over data and data privacy issues and how and under what circumstances the non-payments industry participants are able to gain access.

Four respondents provided examples of legislation and governance controls that should be considered and/or adhered to. These were GDPR, Proceeds of Crime Act, Money Laundering Regulations, the SARS review, the 4th Anti Money Laundering Directive.

Examples of non-payment industry participants given by respondents were:

o   Law enforcement – to request financial information for combating fraud/terrorist activity

o   Department for Work and Pensions – to combat benefit fraud

o   Other government bodies

o   Analytics companies - utilising wide scale unsupervised learning models on large payment data sets

o   Bodies responsible for the protection of critical national infrastructure (e.g. GCHQ) – to enable law enforcement to supplement and significantly enrich the data and intelligence they hold on their own systems

Additionally, three respondents strongly advised consulting with the ICO when designing the solution due to the data privacy issues raised by the sharing of data.

Other factors highlighted by respondents were:

o   Post Brexit impact on compliance to EU regulation i.e. GDPR

o   The need to change existing money laundering legislation to enable the easier exchange of suspect financial crime data between payment institutions

o   Brexit activities taking priority delaying any legislative changes required

Further comments

One comment to highlight:

"It is likely that banks/PSPs will welcome the participation of law enforcement as long as the framework for use of data is clear and access to data is carefully controlled by need. If the system is implemented successfully, banks/PSPs will be able to understand the connected risk of a transaction without having the obligation of seeing and storing non-customer private data (particularly when that data is not for an entity that may not have acted fraudulently). The participant bank/PSP should be able to receive updates where other parties identify increased risk post-transaction and should likewise be able to update the system when they identify increased risk and to request a transaction is investigated or repatriated - all without complicating their own data privacy position." – Vendor respondent.

This comment is highlighting a valuable benefit of a transaction analytics solution that can enable participants to understand the risks of a transaction without necessarily needing to know all the details of that transaction. By linking transactions together and enhancing payments messages with financial crime and risk related data, participants could gain benefit whilst maintaining a simplified data privacy profile.

| Question 6.3 | Respondents |
|---|---|
| Do you agree with the potential use cases outlined for the Payments Transaction Data Sharing and Data Analytics strategic solution? | 25 organisations responded to this question, of which 22 agreed and 3 disagreed. |
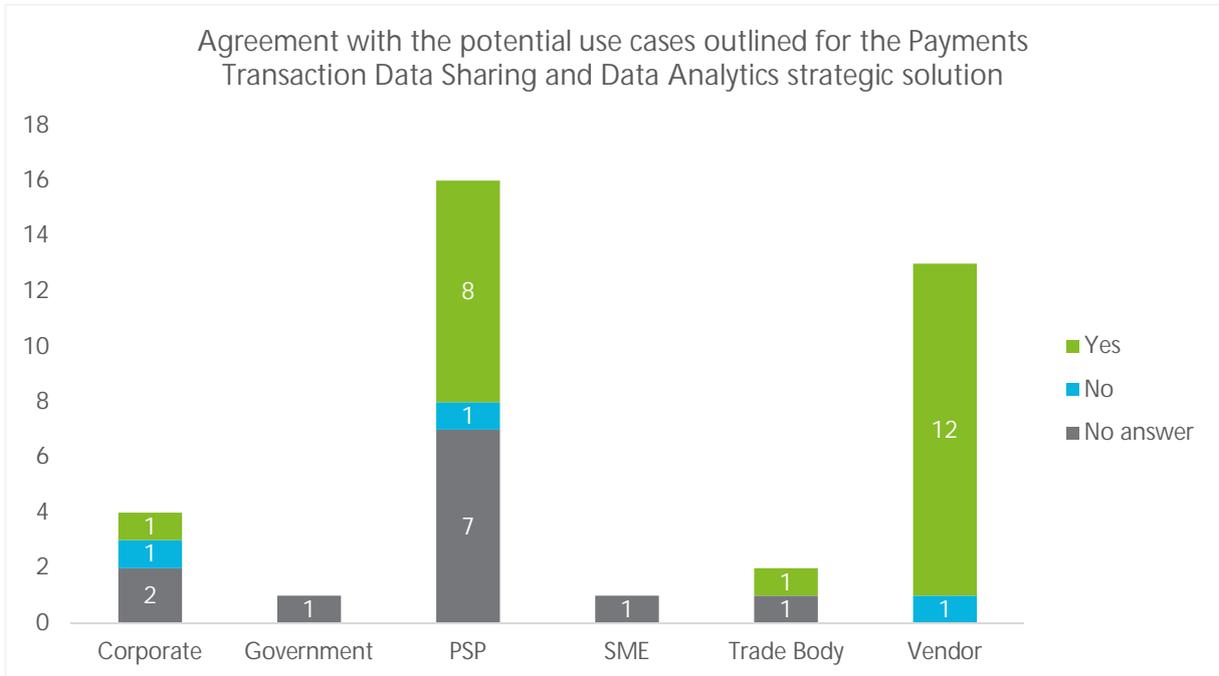


The overwhelming majority of respondents agreed with the potential use cases outlined for the Payments Transaction Data Sharing and Data Analytics strategic solution.

Those involved in combatting benefit fraud highlighted the need for a fine balance to be struck to ensure the use of data is appropriate and proportionate, especially in light of GDPR requirements.

A similar view was expressed in regards to support of the proposed SAR's use case where legal and reputational issues need to be worked through to avoid inadvertent non-compliance or negative impact.

Multiple respondents also expressed the need to ensure that the solution be compliant with legislative requirements with examples being given such as the EU's 5th AML Directive (5AMLD), Criminal Finances Act 2017 and Proceeds of Crime Act.

The point was made by one respondent that law enforcement bodies engaged in using the system will need to have capacity of skilled resources to make effective use of the proposed strategic solution.

The distinction was also made between the real-time use cases such as fraud alerting and the non-real-time analysis such as anti-money laundering threat analysis and the impact on methods by which existing solutions for these use cases would integrate with the proposed strategic solution. One respondent also highlighted the requirement that for fraud analysis, the system would need to work in real-time, rather than near real-time as suggested in section 6.2.6

Additional use cases that were mentioned by respondents included:

o A payer or payee requesting access to their data for the purpose of dispute resolution. Such as a payee claiming non receipt of funds or disputing late payment charges etc.

o Non-security and crime prevention use cases such as marketing or similar purposes. This use case was mentioned explicitly as one that the system should never be used for.

Further comments

One respondent suggested that information of the payee account (account number as well as name) should be included in payment messages in order to aid identification of payments where fraud is believed to be involved and monies are identified for repatriation to the payer victim.

A separate respondent raised the question of responsibility for investigating alerts raised/identified across the system. Depending on how the solution is implemented, they suggested that there is a potential for significant delays to payments if large numbers have to be investigated.

One respondent commented negatively regarding the use of payments data to combat benefits fraud: "There is a suggestion on page 73 of the consultation that payments system data could be used to identify benefit fraud. [We] believe strongly that payment transmission systems should be neutral between different types of end user, and that this proposal should be withdrawn."

| Question 6.4 | Respondents |
|---|---|
| Do you agree with key principles we have outlined for the implementation of the Payments Transaction Data Sharing and Data Analytics strategic solution? | 23 organisations responded to this question, of which 18 agreed and 5 were undecided. |



Agreement with the key principles outlined for the implementation of the Payments Transaction Data Sharing and Data Analytics strategic solution
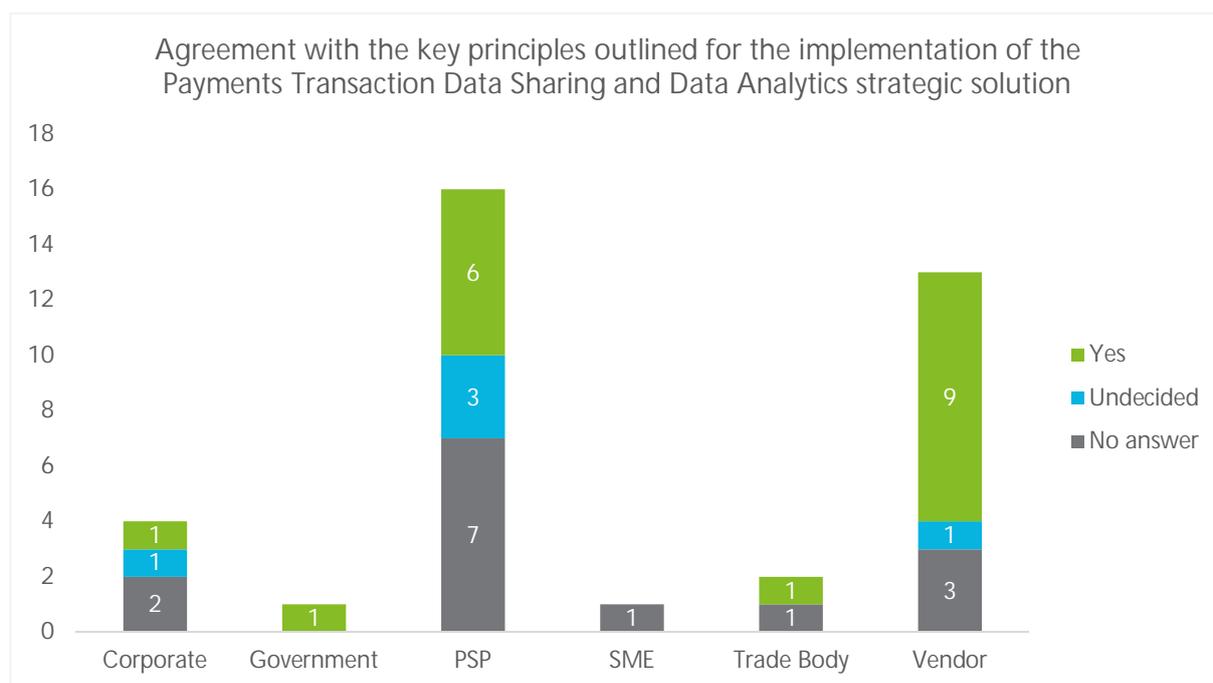
A small number of respondents highlighted the need to ensure that the pricing and funding model for the solution is equitable between all participants of the service so as to ensure that all participants get the full benefit of the system.

The suggestion was made by one respondent that global payment service providers should be encouraged to be involved to provide insight on how they could be part of a future service.

Further comments

One specific example was raised regarding the need to ensure support for AML/CTF fraud capabilities in the payment transaction APIs. A respondent detailed that the new Open Banking APIs as defined do not include a requirement for the payee's bank account number to be included in transaction messaging. They pointed out that this will make it very difficult to trace payments across the system.

Whilst not specifically related to the implementation approach, respondents requested that emphasis was placed on maximising the solution's potential by also considering:

o   The inclusion of virtual currencies where possible

o   The inclusion of payment initiation instructions, prior to PSP involvement

o   Cross industry benefits, in particular usage by government, law enforcement and security services

o   A similar charging model to cloud services or mainframes where storage and computing are charges based on usage

o   The ability to audit activity

o   Clear controls and standards on the parameters of the data analytics

o   For data to be interoperable it needs to be standardised and up to date

| Question 6.5 | Respondents |
|---|---|
| Other than those already listed, what stakeholders should be consulted and engaged during the design and implementation of the Payments Transaction Data Sharing and Data Analytics Strategic Solution? | 14 organisations responded to this question in total. |

Respondents suggested that the following stakeholders be consulted and engaged:

o   Credit bureaux.

o   Other closed user groups for fraud, Insight (Equifax), CAIS (Experian).

o   Businesses who have their own internal Fraud Prevention processes.

o   Payment service providers who deliver fraud screening solutions.

o   Government agencies with a duty to secure national infrastructure.

o   Office of Financial Sanctions Implementation.

o   The Information Commissioner's Office.

o   HM Treasury.

o   The Home Office Payments / Fraud / AML Team / Financial Crime / Cybersecurity / Chief Data Office / Data Quality internally and their external supporting schemes.

o   Consumer groups.

o   Data Mining and analytic companies.

o   Reference data providers.

o   Future stakeholders (those currently applying for banking licenses, software providers electronic currency providers).

o   Third party payment service providers (TPSPs).

o   Data scientists and those in industry with experience of data sharing mechanisms and data analytics.

| Question 6.6 | Respondents |
|---|---|
| Do you agree with the high-level timeline for the Payments Transaction Data Sharing and Data Analytics strategic solution? | 23 organisations responded to this question, of which 13 agreed and 10 disagreed. |



Agreement with the high-level timeline for the Payments Transaction Data Sharing and Data Analytics strategic solution
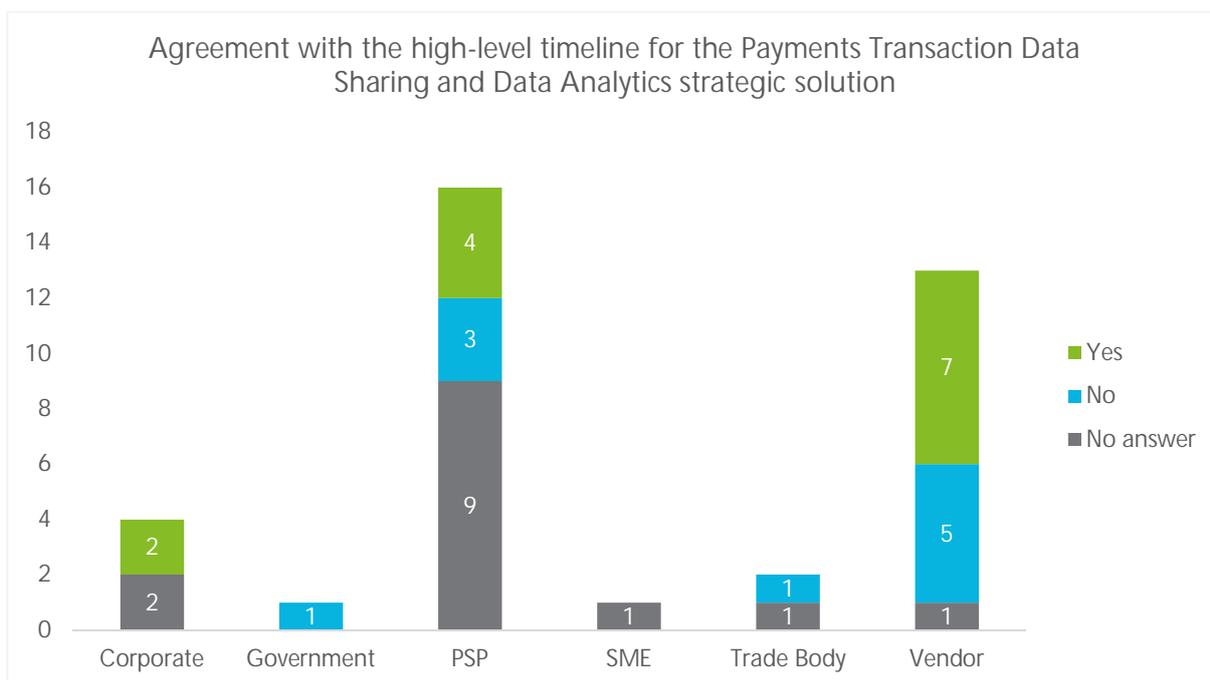
Agreement on the high-level timeline was fairly evenly split by those that responded to this question.

Of those respondents who disagreed with the proposed high-level timeline, the majority suggested that the 2019 target for implementation start was overly ambitious. Reasons given for this were:

o   The amount of other ongoing mandatory changes which financial institutions are currently undergoing

o   Insufficient time for institutions to conduct the full cost benefit analysis required to support the development of any strategic solution.

o   There remain outstanding legal and regulatory questions before design can begin

o   The need for the NPSO to commence work on the strategic solution in addition to the NPA and continue business as usual

o   The uncertainty regarding the dependencies over the strategic solution

o   Following the solutions detailed design phase in early 2019, it leaves participants only a year to deliver

o   PSPs would need to consider the impact of this solution for implementation in their own businesses

It was suggested that a better understanding of the following factors was required in order to better define the timeline:

o   Impact of the legal and data privacy challenges

o   Outcome from the implementation of the tactical solution

o   NPSO timetable and any key dependencies for on time delivery

o   Impact from Brexit activities on regulatory and legislative changes

Of those that disagreed but thought the solution could be implemented in a shorter timeline, the reasons given were:

- o It may be possible to develop this sooner using an off-the-shelf solution from secure cloud computing providers

- o Today we have Distributed Ledger Technologies with KYC capabilities which are becoming mainstream. We should be able to exploit these technologies to bring the timeframe forward

- o Most larger businesses have a roadmap beyond 18 months so time scales concerns are always able to be challenged when more detailed requirements are shared

Out of the thirteen respondents that agreed with the high-level timeline, representative comments were:

- o Work is needed to ensure that the alignment with other anti-financial crime related initiatives is understood. For example, it will be important to consider the fit between the proposed activity and reform of the SARs regime

- o It may be challenging for many PSPs due to the parallel running of program elements along with other regulatory programs

- o Further assessment for timings should be considered following completion of a design phase, and any re-planning on the NPA architecture or other change programmes where functionality might be leveraged

### Further comments

There were a small number of respondents that didn't feel that they could provide a yes or no answer to this question.

Comments that fall into this category were:

- o At this stage we do not feel able to accurately assess whether timescales are sufficient, however, we feel that they are reasonable and allow for the design and delivery phases to incorporate requirements arising from current legislative changes such as PSD2 and GDPR.

- o The timeline will of course be dependent on wider PSP engagement and the successful development of a compelling business case to justify the investment.

- o More detail on the details of the data sharing would be helpful. This can inform full consideration of how data will be shared and used, so as to ensure adherence to laws and regulatory guidance for financial crime compliance.

**Trusted KYC Data Sharing**

In our Strategy, we proposed a Trusted KYC Data Sharing solution to address KYC detriments for SME customers, by the creation of a data sharing framework, underpinned by standards, overseen by a governance body, and enabled through the use of a testing environment. The questions presented in this section were aimed at understanding the respondent's views on the suggested approach and key solution principles.

| Question 6.7 | Respondents |
|---|---|
| Do you agree with the establishment of the recommended framework for the sharing and exchanging of a core set of SME customer data overseen by a governance body? | 23 organisations responded to this question, of which 19 agreed and 4 disagreed. |



Agreement with the establishment of the recommended framework for the sharing and exchanging of a core set of SME customer data overseen by a governance body
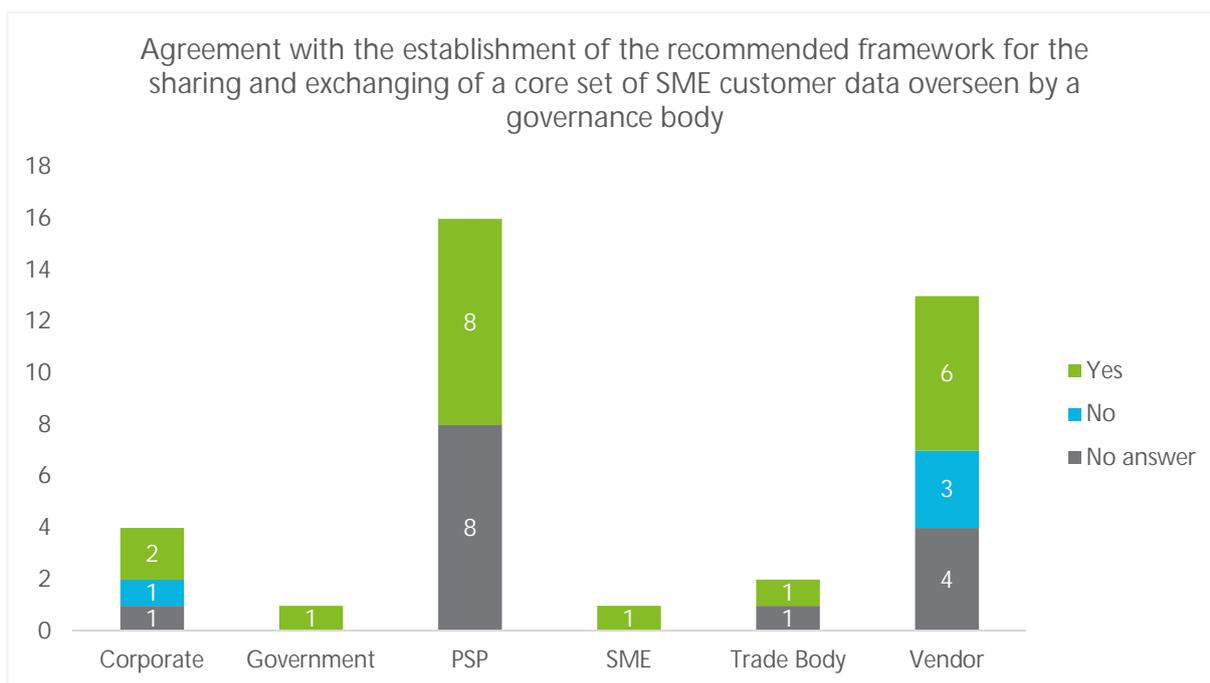
Of those who responded to this question, nine respondents gave further details, including those who agreed and disagreed. The comments are summarised below.

Nine respondents saw additional benefit to expand the solution scope beyond the current focus, and were supportive that additional use cases for customer data sharing could be explored as the solution progresses. The solution's initial focus will remain on the KYC SME segment, where there are current detriments that can be addressed, alongside associated accelerants e.g. the upcoming CMA review.

Several respondents commented on the importance of the solution enabling market innovation. This seems supportive of the intent of the solution, which is to establish an environment in which solution vendors and new entrants can compete and innovate.

The liability model associated with the reliance on the data was mentioned by several respondents as an area requiring further consideration for successful solution implementation, and was also a theme at the Consultation Briefing event on 5th September 2017.

In particular, respondents reflected on how well the data can be trusted if it has not been verified, and the usefulness of that data if it still requires verification by the reliant party. Further consideration will also need to be given towards the liability model associated with the use case of acting as a result of information that has been shared, which is later revealed to be incorrect. These questions will need to be considered in more detail by the governance body as the solution develops over time; the current expectation is that parties using shared data will need to continue to verify the data prior to decision making, as per their current operational processes.

Some respondents commented on the importance of ensuring customers, who give permission to share and consent to use their data, are fully aware of how it is being processed and for what it will be used, as well as their rights and responsibilities in relation to how data is managed; this relates strongly to GDPR and other legal implications already mentioned within the solution design. As such, the legal framework for sharing customer data and the need for full customer consent for data usage should be given detailed consideration by the Governance Body, and relates to the way in which participants encourage their customers to share their data.

| Question 6.8 | Respondents |
|---|---|
| We are keen to get your input on the benefits provided by the framework.<br>a. Do you agree that the focus on sharing a core set of SME customer data is beneficial for the KYC processes in your organisation? | 19 organisations responded to this question, of which 15 agreed and 4 disagreed. |
| b. Which other business activities could be supported by / benefit from the described sharing and exchanging a core set of SME customer data? | 12 organisations indicated that other business activities could be supported by / benefit from the described sharing and exchanging a core set of SME customer data. |



Agreement that the focus on sharing a core set of SME customer data is beneficial for the KYC processes in your organisation
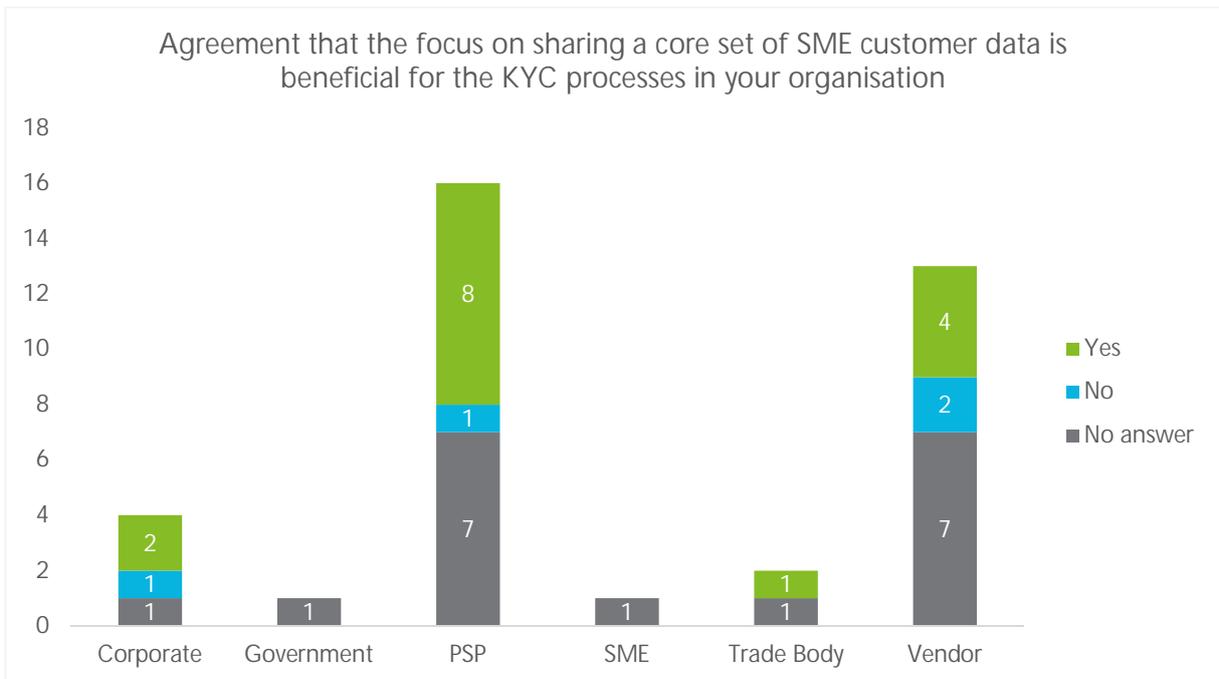
Most respondents felt that the creation of a data sharing framework was a beneficial first step to work towards a comprehensive data sharing solution. Of the four respondents that responded with a "no", their further comments suggested that they either disagreed because they felt the solution should focus on a larger market segment initially, or that the solution should expand over time. This indicates the importance of a trusted customer data sharing solution, and aligns with the vision of extended use cases emerging over time within the competitive market to provide solutions to a large number of existing industry challenges.

A summary of the views of individual respondents is outlined below:

o  The solution may want to consider inclusion of data requirements for individuals (e.g. for Directors of companies).

o  There may be overlap between AML/KYC requirements and customer authentication requirements.

- o The solution could support any situation where a business must assert its corporate identity.

- o The solution could be used in conjunction with financial crime detection and prevention schemes, and could facilitate industry wide AML checks.

- o The solution would likely expedite the collection of KYC data, but internal policies may need to shift to accommodate the new functionality. In order to aid this, a timestamp should be made available at field level to indicate whether it is up to date.

- o The solution is likely to provide large benefits to SMEs with a complex business structure

- o The core datasets may not meet KYC processes for all PSPs. Standardising the onboarding data requirements may be a beneficial first step, and further consideration could be given to onboarding in situations where only partial information is available. However, this kind of initiative has not, thus far, gained traction in the market.

- o Data verification services that support the sharing of customer data would yield large benefits.

- o Information must be kept secure as it will be a target for fraud.

When considering what further business activities could be supported by the solution, 11 respondents gave additional comments.

- o Fraud screening/financial crime detection and prevention – four respondents agreed that this was an important use case (possibly alongside centralised AML checking)

- o Insurance application

- o Landlord & tenant checks

- o Vehicle leasing

In addition to these, a few respondents felt the system would have a variety of Open Banking, PSD2 and Gov.Verify use cases and other regulator centric use cases. One respondent noted that other non-KYC use cases may provide greater benefits to SME's than the current KYC focus.

One respondent suggested that the solution could be used to help to populate SME's entity profiles for a "golden" source of data for compliance with regulatory requirements.

Two respondents noted that the solution must have excellent data traceability, and one recommended that use cases should not be used for monetising contact details; use cases should be related to security.

| Question 6.9 | Respondents |
|---|---|
| Do you agree that the topics covered by the standards will provide sufficient guidance in order to implement the data sharing framework without being too prescriptive? | 22 organisations responded to this question, of which 19 agreed and 3 disagreed. |

Agreement that the topics covered by the standards will provide sufficient guidance in order to implement the data sharing framework without being too prescriptive
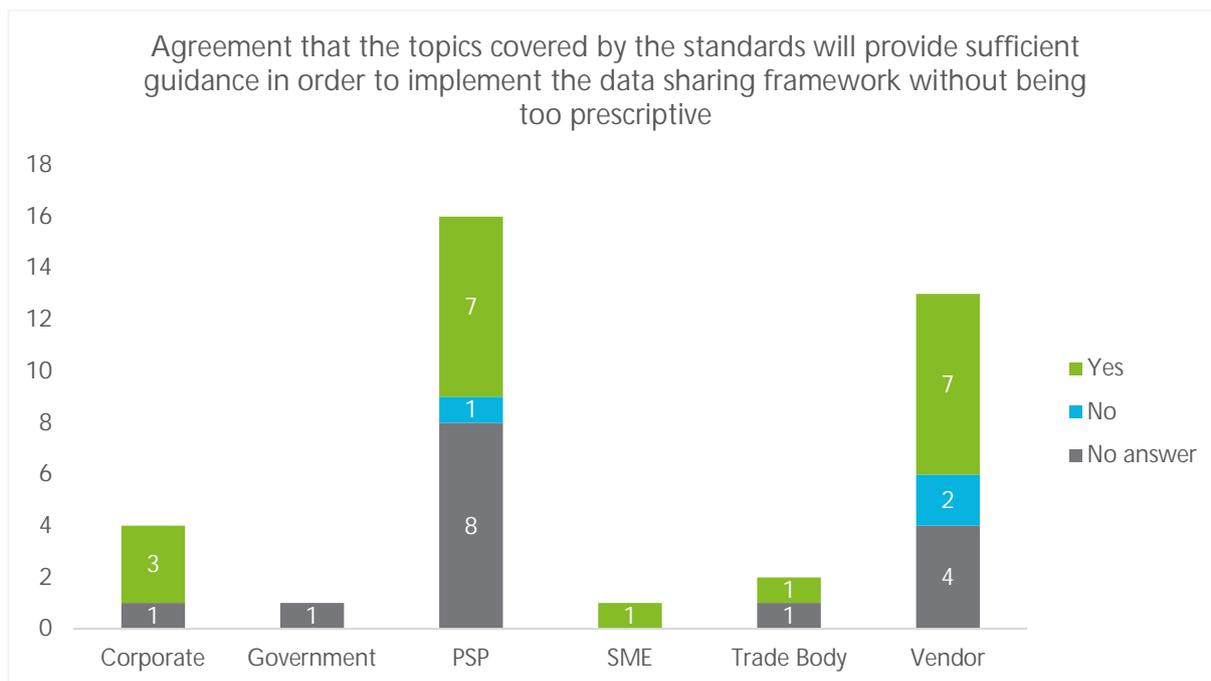
Nine respondents gave comments to further explain their answers. There were no common areas where respondents felt further topics were required to be covered. A summary of respondent comments is outlined below:

o The standards should outline where regulatory liability lies for verification of core data.

o The standards should include a requirement to include situations where an organisation has had a bad experience, allowing others to catch fraud.

o The standards should cover situations where participants contribute significantly less to the solution than they use.

Some respondents requested more detail on the implications of existing and forthcoming regulation.

| Question 6.10 | Respondents |
|---|---|
| To engender trust in the sharing and exchanging of a core set of SME customer data, are there other responsibilities you would expect the governance body to have oversight over? | 20 organisations responded to this question, of which 17 indicated that there are other responsibilities they would expect the governance body to have oversight over. |

Security of data, liability models associated with data verification and data sharing, and overseeing activity (and ensuring compliance with customer permissions) were common themes for several respondents.

Respondents suggested other areas of responsibility that could be expected of the governance body; these are summarised below.

Relating to the theme of compliance with and correct interpretation of the standards:

o Liability management models covering non-compliance, losses from errors in spite of compliance, and associated update of compliance measures. Respondents highlighted the need for more details on the consequences for non-compliance.

o Policing consent – ensuring data is used only as consented to by data owners.

o Ensuring regulatory compliance (e.g. with relation to the appropriate use of customer data).

o Provision of guidance on regulatory compliance, and for capturing KYC effectively, and for mitigations where incorrect data has been shared.

Relating to the theme of management of the environment:

- o Publishing confirmation that participants have been 'accepted/accredited', including maintenance and annual renewal of publications.

- o Customer education and industry customer communications.

- o Complaints management – the governance body should be equipped to deal with complaints about data or solution misuse.

The following features were also mentioned by respondents, but already form part of the existing solution definition:

- o Oversight of data security and usage. This includes ensuring that the solution is seen to be secure to promote security and trust with end users.

- o Accreditation and security of data storage.

One respondent recommended that the governance body have a clear structure and processes for agreeing new standards, and would welcome greater details of the accountability of the governance body, its staffing and funding models.

One respondent recommended that, when considering the composition of the governance body, data custodians could be included.

| Question 6.11 | Respondents |
|---|---|
| In your view, do any existing bodies (industry or other), already perform this oversight role? | 19 organisations responded to this question, of which 7 indicated "yes" and 12 indicated "no". |
| Is there an existing body you believe should perform this role, or would you expect a new body to be established? | 17 organisations responded to this question. |



Do any existing bodies (industry or other), already perform this oversight role?
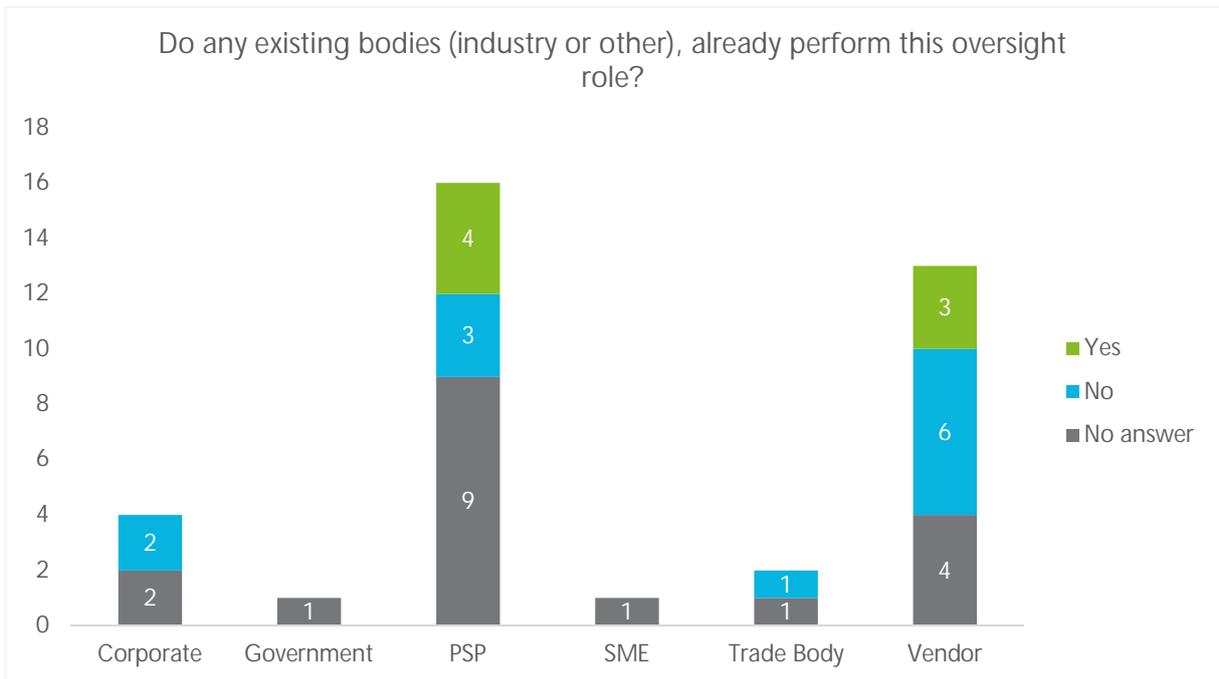
All respondents agreed that no current entity that exists completely provides this oversight, especially given this is an unprecedented level of collaboration across the industry.

Many of the respondents felt a new body should be created. Some felt that existing bodies could be potential candidates by expanding slightly their current remit. A summary of the suggested existing bodies are detailed below:

- o UK Finance

- o NPSO – some felt this was preferable to UK Finance as this governance may not be a trade association activity

- o The Information Commissioner's Office (ICO)

- o A body outside payments organisations could be considered e.g. London Stock Exchange (LSE) provides Legal Entity Identifier (LEI) registration services

- o European bodies e.g. International Organisation for Standardisation (ISO) and eIDAS regulation

- o The Tax Incentivised Savings Association (TISA) initiative governance body could be utilised and expanded from its current remit with individuals to include the SME market

- o Payment Systems Regulator (PSR) could be a candidate as the solution relates to data in the payments industry

These views will be considered further to determine an appropriate recommendation by the solution delivery body.

One respondent commented that, regardless of who this body is, they could liaise with Cifas or Credit Reference Agencies to share best practice, utilise learnings from other initiatives e.g. ISO, eIDAS or Gov.Verify in the UK. Another respondent recommended that the new body should work with the Joint Money Laundering Steering Group (JMLSG), Office for Professional Body AML Supervision (OPBAS) and ICO for transparency.

| Question 6.12 | Respondents |
|---|---|
| Do you think a temporary testing environment as described is the right approach? | 19 respondents answered this question, of which 18 indicated "yes" and 1 indicated "no". |



Do you think a temporary testing environment as described is the right approach?
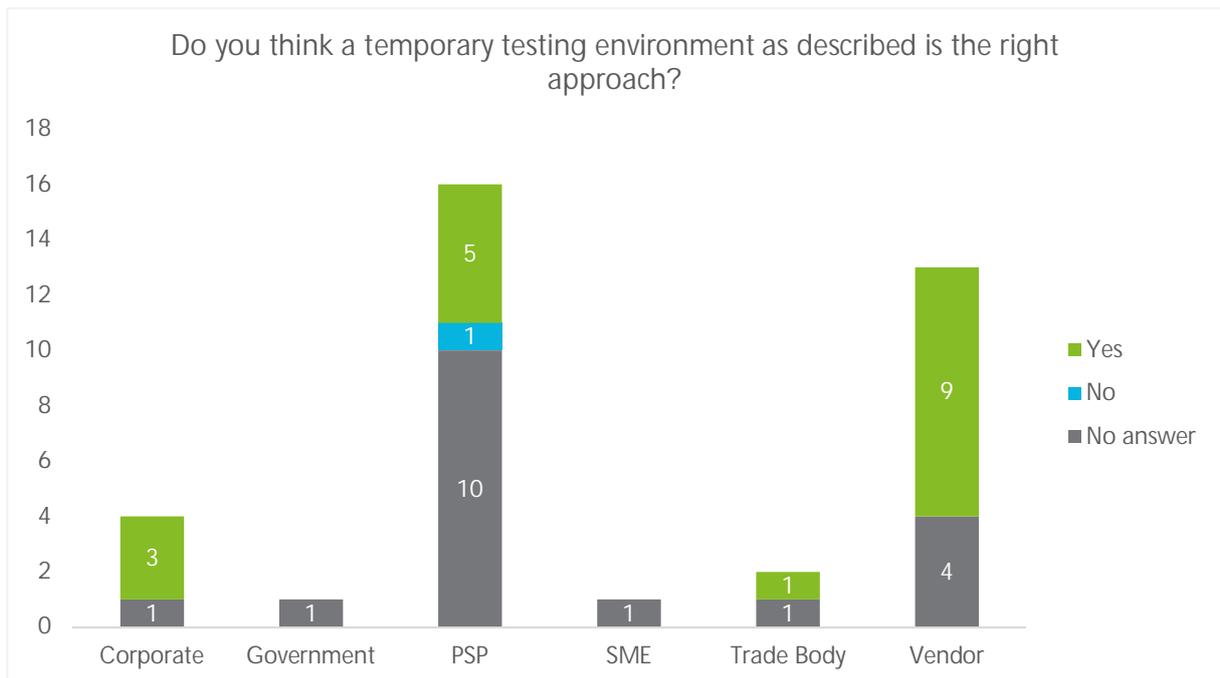
One respondent recommended that the testing environment was monitored so that activity remained with consumer best interests at heart. This aligns with the outlined roles and responsibilities of the governance body.

In comments from respondents, it was noted that management of the solution once the temporary testing environment is removed should be considered carefully; some respondents felt the temporary testing environment should be retained to promote ongoing innovation and prevent restriction of access to the market for new participants.

Some respondents indicated that benefits to value-added service providers will continue to emerge as the solution moves towards implementation.

| Question 6.13 | Respondents |
|---|---|
| Are there any other key features you would expect in the temporary testing environment? | 12 organisations answered this question, of which 2 indicated that there are other key features they would expect in the temporary testing environment and 10 said "no". |

Are there any other key features you would expect in the temporary testing environment?
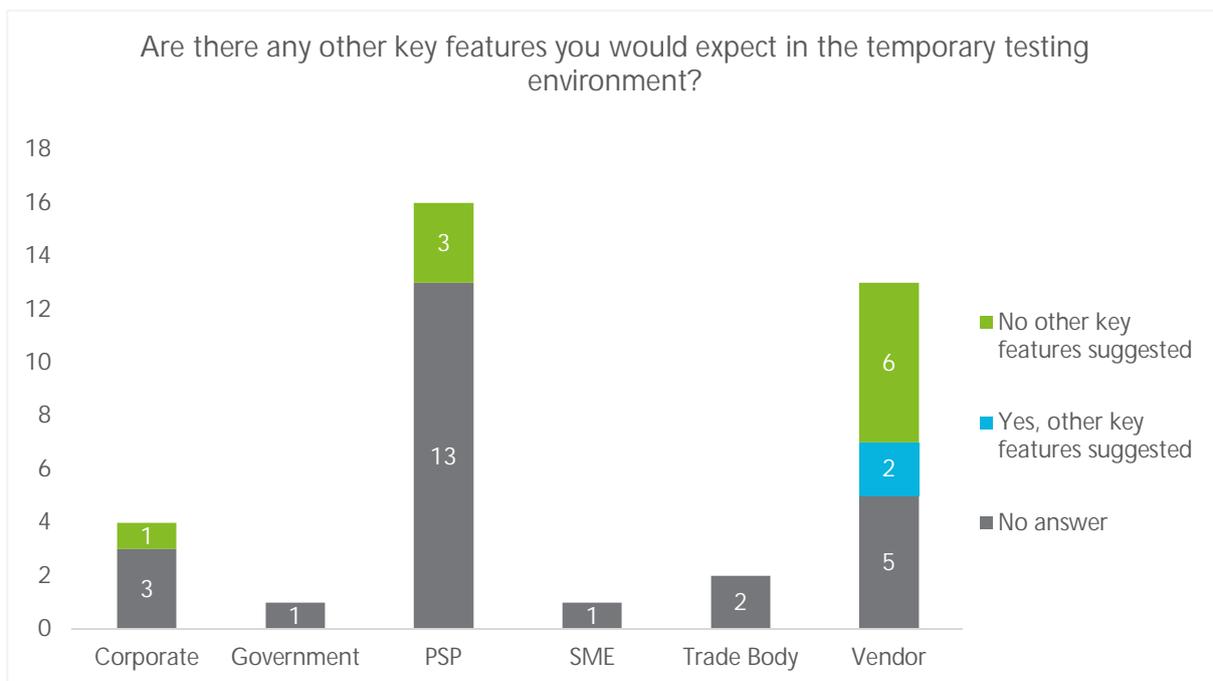


Most respondents felt that the temporary testing environment, as described, incorporated the main features that would be expected.

The following potential features were noted by respondents:

o  One respondent recommended that other GDPR and PSD2 compliance requirements unconnected with KYC/AML should be included, e.g. Data Handling and Strong Customer Authentication principles.

o  One respondent recommended that the testing environment could have functionality similar to "GitHub". Being able to provide access control, collaboration and easier change/release management may encourage more innovation.

One respondent noted that clear selection and success criteria to gain entry to the test environment should be established for optimal use of resources and for custodians of data to make effective decisions. Two respondents commented that the ambition should be that new technologies could be rapidly tested without lengthy approval processes that may slow down innovation. These comments seem to align with the role of the governance body who will oversee participation, whilst ensuring the environment promotes innovation.

One respondent highlighted that the testing environment should not be temporary; its continued use would enable better access to market for new participants.

| Question 6.14 | Respondents |
|---|---|
| Do you agree that value-added service providers would benefit from the data sharing environment enabled by the framework? | 15 organisations responded to this question, of which 14 agreed and 1 disagreed. |

**Agreement that value-added service providers would benefit from the data sharing environment enabled by the framework**
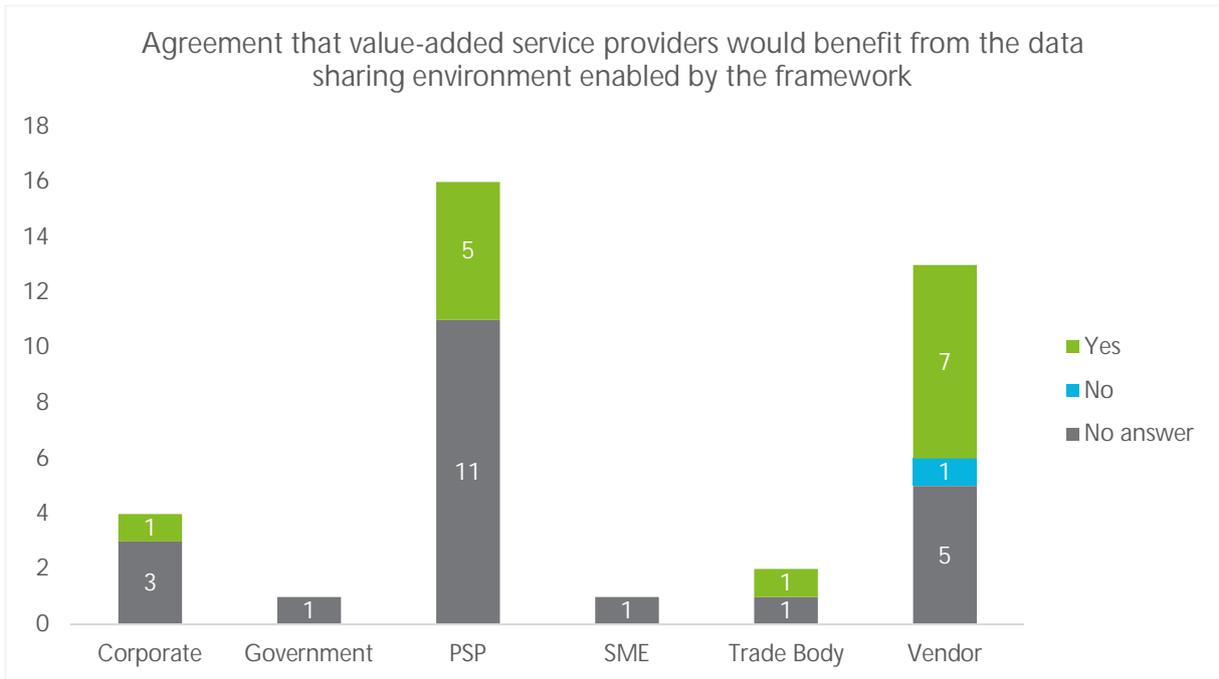


Five respondents gave further commentary, but focused on the conduct and compliance of participants rather than expanding further upon the benefits; these comments are summarised below.

One respondents mentioned that the conduct of participants should be closely monitored to ensure compliance with the standards and data owner permissions. This seems to match the role of the governing body.

One respondent noted that tipping off and ownership of data must be carefully handled, and another commented that the environment should consider carefully the role and interests of consumers, who are the data owners and users of data-derived services.

One respondent recommended that consideration is given whether to use centralised or distributed repositories of data. However, the solution is only looking to establish customer data sharing standards, and as such architectural considerations will be for participants to determine as they see fit.

| Question 6.15 | Respondents |
|---|---|
| Are the arguments put forward compelling enough to encourage net data providers to engage? | 13 organisations responded to this question of which 11 agreed and 2 disagreed. |

Are the arguments put forward compelling enough to encourage net data providers to engage?
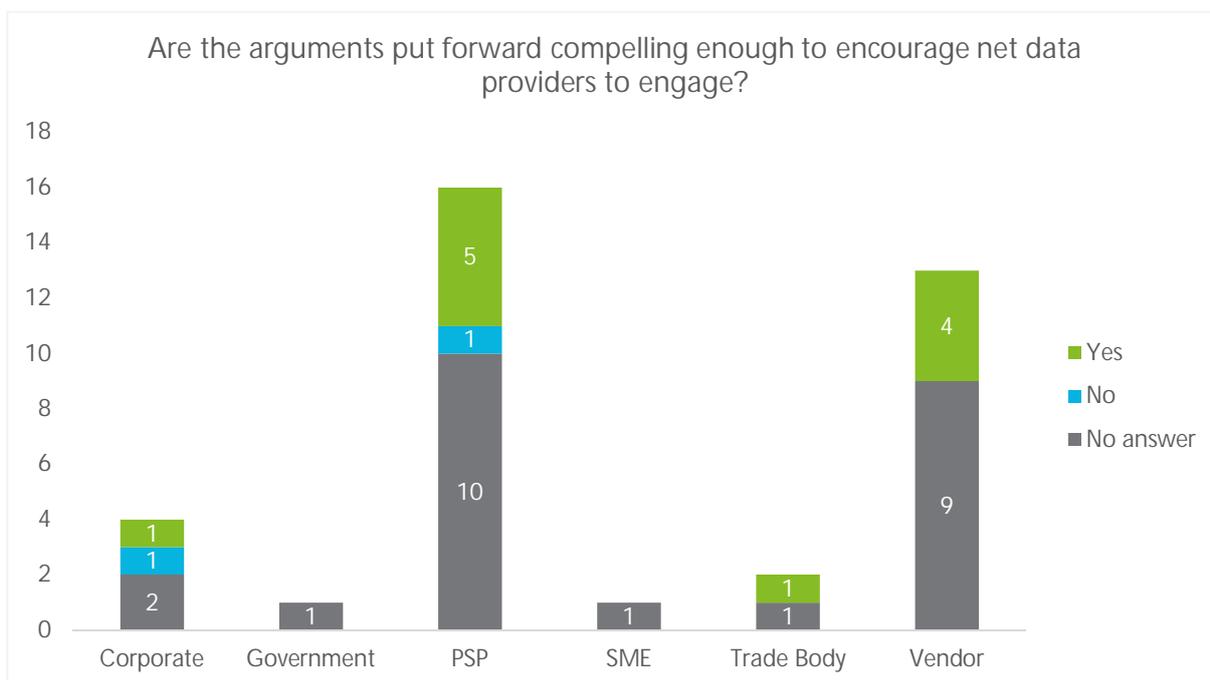


The two respondents that disagreed raised the following concerns, that they felt needed to be addressed:

o   The benefits of using customer data for, e.g. marketing campaigns, compared with the associated costs of doing so.

o   Finding an appropriate balance between encouraging large financial institutions to share their customer data for commercial purposes, versus the need to protect their customer data.

o   Given the cost of KYC (as well as ongoing monitoring and analysis) may be large, especially for financial institutions, there needs to be an incentive for them to share their valuable data.

o   A commercial model should be considered for the benefits and cost recovery for net data providers, as benefits and costs are likely to vary per participant.

o   Potential exacerbation of liability and data reliance concerns when in a commercial market.

| Question 6.16 | Respondents |
|---|---|
| Do you see other advantages or challenges for net data consumers that were not listed above? | 12 organisations responded to this question, of which 6 indicated "yes" and 6 indicated "no". |

**Do you see other advantages or challenges for net data consumers that were not listed above?**
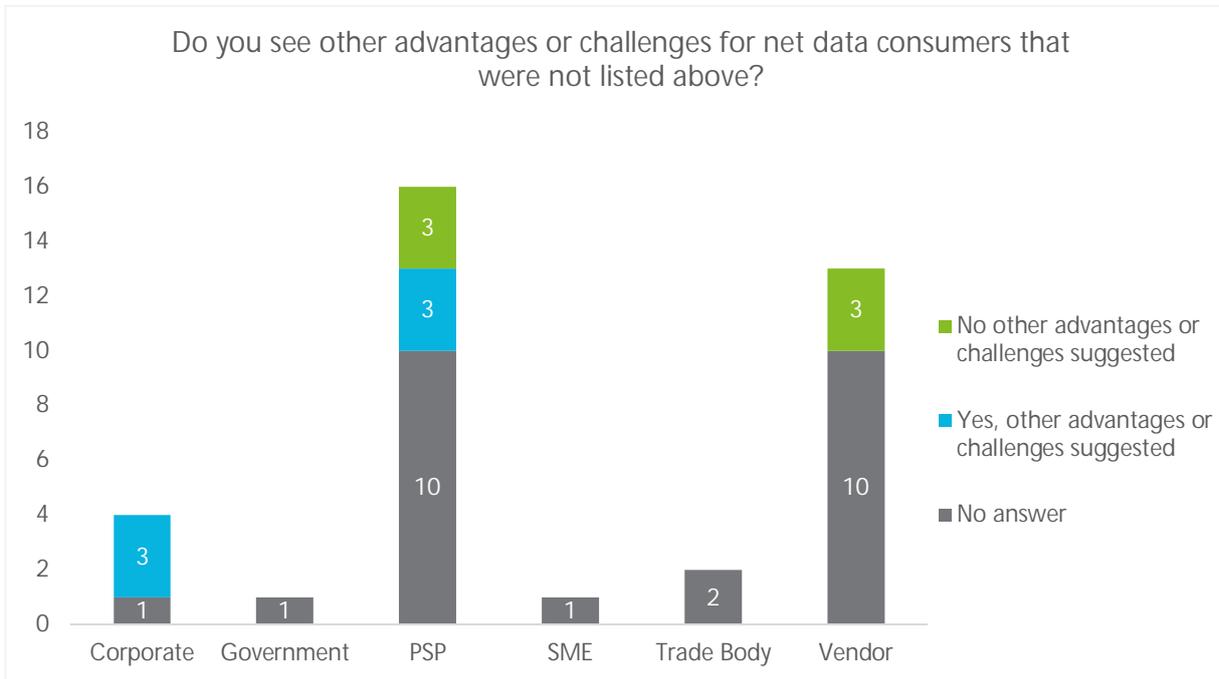


Three respondents suggested additional challenges, a summary of these are outlined:

- o Risk management

- o Liability concerns

- o Confidence in reliance on the data provided

- o Reliance of organisations on the framework and the data provided without other established processes to fall back on

- o Data quality

One respondent felt that utilising the framework to outsource technical security requirements relating to Strong Customer Authentication could be an advantage. This could be a use case that sits on top of the proposed solution framework, but would not be part of the core solution design.

| Question 6.17 | Respondents |
|---|---|
| Do you agree with the high-level implementation timeline for the Trusted KYC Data Sharing solution? | 19 organisations responded to this question, of which 12 agreed and 7 disagreed. |



Agreement with the high-level implementation timeline for the Trusted KYC Data Sharing solution
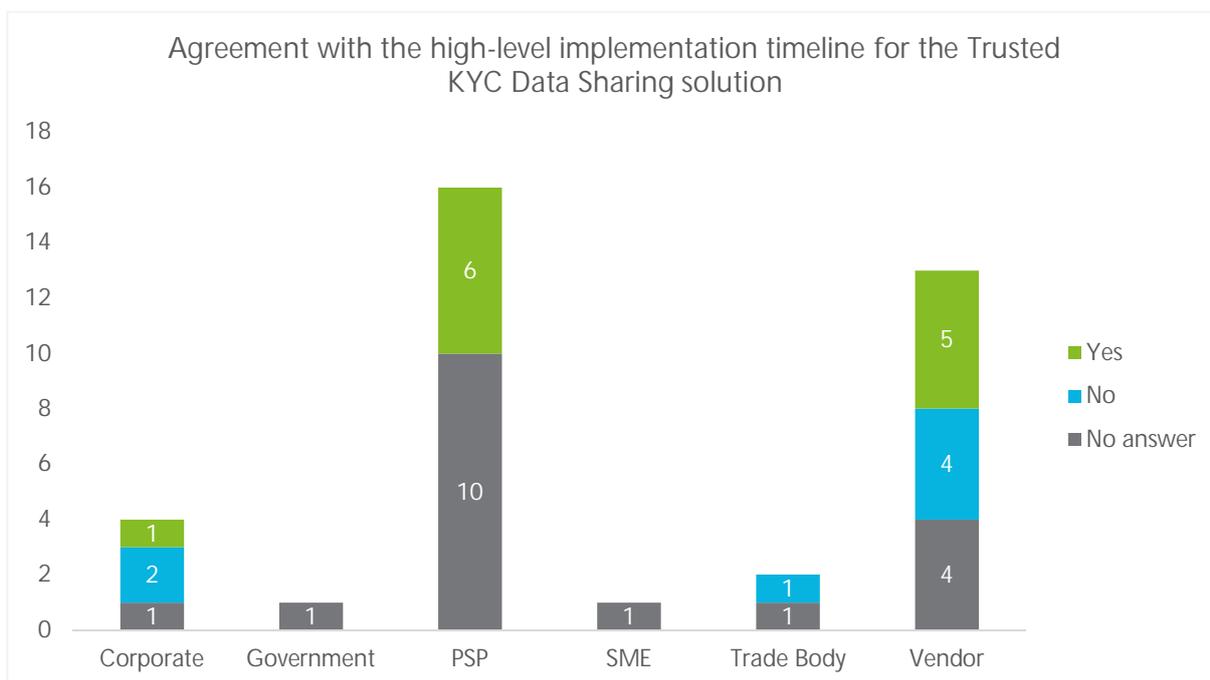
Responses to this question were largely mixed:

o   11 respondents felt the timeline was "rightly ambitious"

o   Two felt greater ambition was needed to speed up timelines (potentially through utilising learnings from existing initiatives)

o   Two felt that a 2 year implementation time was unrealistic for large organisations, which typically already have implementation plans stretching for the next 18 months.

The following comments were made about the proposed timelines:

o   One response commented that the proposed activities and sequence were seen as correct.

o   Two respondents noted that timelines could be challenging due to parallel running with other initiatives, leading to challenges in resource availability and priority management.

o   One respondent stated that utilising lessons learnt from other initiatives could mean that timelines after H2 2018 could be expedited.

o   One respondent cautioned that the timelines should not impose industry obligations that are detrimental to other parts of the NPA being competitively procured, but gave no indication as to whether the proposed timeline would potentially cause this detriment.

o   One respondent suggested that signing up participants to the framework, and gaining industry adoption, could take longer than expressed in the current plan.

o   One respondent noted that shared KYC data may take time to reach a consistent high quality.

o   Two respondents commented that legal implications (particularly GDPR) could slow down timelines. One suggested that it may be worth establishing the legal framework prior to finalising implementation plans.

Those who recommended more aggressive timelines did not cite reasons.

| Question 6.18 | Respondents |
|---|---|
| Are there other initiatives with a similar focus that should be considered in order to deliver the Trusted KYC Data Sharing solution? | 13 organisations responded to this question, of which 9 indicated that there are other initiatives that should be considered. |

Five respondents commented that they felt there was no overlap with existing industry initiatives. Six respondents gave indications of where they felt there was potential linkage to other initiatives, and these comments are summarised below:

- o Two respondents suggested this solution had links with the TISA individual identification initiative.

- o One respondent felt there were potential links to HMRC's "Making Tax Digital" programme, and that it may be important to have regulators such as the PSR, Financial Conduct Authority (FCA), Bank of England (BoE) and ICO fully engaged.

- o One respondent felt there were areas of crossover/learning such as Pan-European initiatives, public sector initiatives, ISO and ICO

- o One respondent suggested that there may be links to the Global LEI System (GLEIS) – the LEI Operating Units handle registration, validation and maintenance of reference data.

- o One respondent recommended that the solution have a strategic plan to consider future technologies (e.g. Distributed Ledger) that may become pertinent to a data sharing solution in the near future.

## 3.3 Appendix 3 – Improving Trust in Payments Solution Updates

Five of our 'Improving Trust in Payments' solutions were not included in our 'Blueprint for the Future of UK Payments' consultation. This section provides an update for each of these solutions.

### 3.3.1 Liability Models for Indirect Access

Our Strategy highlighted the need for greater clarity regarding financial crime risk liability between indirect PSPs and the banks/FIs who provide them with account services and access to payment systems.

We sought to gather a broad cross section of views on the issues faced by indirect PSPs to obtain bank account services and access to payment systems via providers (generally banks). We issued our questionnaires to the payments community on 3rd July 2017 with all responses received by early September 2017. You can see the full questionnaires here[2].

We analysed the questionnaire responses and developed a proposed set of next steps. We held a roundtable with payments community trade body representatives on 11th October 2017 to discuss our findings and proposals, resulting in a proposed handover approach, final solution proposals and recommended actions. Access to the full solution report which includes results from our questionnaires and our full set of solution proposals can be found here[3]. This solution completed handover to UK Finance in November 2017.

### 3.3.2 Guidelines for Identity Verification, Authentication and Risk Assessment

Our Strategy highlighted the need for guidelines for identity verification and management to assist Payment Service Providers, especially new entrants, to establish suitable processes and controls. During 2017, we created a detailed scope document, outlining the content for the proposed guidelines, and how this ties in with the current state of UK legislation with regard to identification and verification management.

We completed our work on this solution during June 2017, creating deliverables that will be the basis of the development of the Guidelines. Formal handover to UK Finance has now completed, and they will take the solution to completion by commissioning the new guidelines, and overseeing the testing, validation and refinement of the guidelines.

### 3.3.3 Customer Education and Awareness

Our Strategy endorsed the current industry initiative for customer education and awareness on financial crime and fraud. We recommended that the payments industry should strongly support and engage in the current programme, and that particular consideration be given to the fast-changing nature of some fraud types, and that the payments industry seek to collaborate extensively to be more cost effective in educating society.

On 31st March 2017, the ownership of this solution was handed over to FFA UK, to continue to raise customer awareness and help prevent more customers falling victim to financial crime. This activity has subsequently moved into UK Finance along with FFA UK. In October 2017, the second phase of their 'Take Five' campaign was successfully launched, with further activity planned for 2018.

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[2] You can find the full questionnaires at the following address: https://implementation.paymentsforum.uk/access-account-services-questionnaires
[3] You can download the Liability Models for Indirect Access solution report at the following address: https://implementation.paymentsforum.uk/blueprint

### 3.3.4   Financial Crime Data and Information Sharing

The 'Financial Crime Intelligence Sharing' solution to deter and prevent criminal activity in payments systems and to reduce some of the friction affecting good consumers, as set out in our Strategy, has been reviewed and refined, resulting in a clearer focus and description of 'Financial Crime Data and Information Sharing'.

The solution handover has now completed and UK Finance will carry it forward as part of their detailed analysis and planning for activity over the next two years.  This will include activity to: create a more effective model and roadmap for financial crime data and information sharing, building on the successful existing fraud data sharing model; examine options and help establish a stronger industry capacity and capability on financial crime data and information; and work with the government to develop a more effective legal framework on data and information sharing for the purpose of detecting and preventing all types of financial crime.

### 3.3.5   Enhancement of Sanctions Data Quality

Our Strategy highlighted the advantage that can be gained from higher quality identifiers for sanctions list entries. Enhancing the quality of the sanctions list entries would lead to fewer false positive matches against genuine customers, and a greater chance of identifying bad actors. During 2017, we met with HMT to identify steps to progress the case for enhanced data quality for sanctions list entries.

Handover for this solution to UK Finance is now complete, and they will take forwards our proposals by liaising between Government and the payments industry. UK Finance will work with HMT and the payments community to outline a clear set of examples where the quality of sanctions list entries is causing detriments to organisations, and identify a clear set of next steps of remedial action as appropriate. It will also look for any opportunities for linkage to the New Payments Architecture programme.