

Specific Direction 17 on expanding Confirmation of Payee

October 2022

Specific Direction 17: Expanding Confirmation of Payee

1 Recitals

Whereas:

- 1.1** Confirmation of Payee (CoP) is a valuable tool in reducing certain types of authorised push payment (APP) scams and accidentally misdirected payments. It checks the name of the payee's account against the other details given by the payer.
- 1.2** Specific Direction 10 required certain payment service providers (PSPs) from the six largest banking groups to send and respond to CoP requests. Since then, a number of other PSPs have voluntarily introduced CoP.
- 1.3** Specific Direction 11 imposed requirements intended to extend the benefits of CoP to more accounts. It required:
- the closure of the initial technical environment used to process CoP requests (Phase 1)
 - PSPs to process CoP requests in the newer technical environment (Phase 2)
- Phase 2 facilitates wider availability of CoP requests. Specific Direction 11 also revoked Specific Direction 10.
- 1.4** The PSR's objective is to see more PSPs adopt CoP, so that a greater number of CHAPS and Faster Payments users benefit from it.
- 1.5** The PSR has therefore decided to require the directed PSPs to put in place and use a system to provide CoP.
- 1.6** This requirement applies to Group 1¹ and Group 2² PSPs. Group 1 must have and use the system after 31 October 2023, and the Group 2 PSPs after 31 October 2024.
- 1.7** The PSR may decide to exempt a directed PSP from an obligation under this direction, or change the date for compliance, to take relevant circumstances into account.

1 See the definition of 'Group 1 PSP' at paragraph 9.9.

2 See the definition of 'Group 2 PSP' at paragraph 9.9.

- 1.8** The direction will cease to be in force on 1 November 2026 (subject to the potential for the PSR to vary, revoke or extend it). By that point, the PSR expects that CoP will be an everyday part of a directed PSP's processes and a service that their customers expect. However, the PSR will continue to monitor this.

2 Powers exercised and purpose

- 2.1** Faster Payments and CHAPS are designated by the Treasury under section 43 of the Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR makes this direction in accordance with section 54 (Regulatory and competition functions – directions) of FSBRA. In accordance with section 54(3)(c), this direction applies in relation to specified persons (Group 1 PSPs) and persons of a specified description (Group 2 PSPs).
- 2.3** The purpose of this direction is to achieve wider adoption of the CoP service in the UK, to protect more customers when they use CHAPS and Faster Payments.

Direction

NOW the PSR gives the following specific direction to Group 1 and Group 2 PSPs.

3 Requirement to implement Confirmation of Payee

- 3.1** After the applicable date, a directed PSP must have and use a system to:
- send CoP requests for its customers
 - respond to CoP requests made to it
- 3.2** The system must send, and respond to, CoP requests in compliance with the CoP rules and standards.
- 3.3** In respect of sending requests, the system must, as a minimum, send CoP requests in the circumstances described in paragraphs 3.4 and 3.5.
- 3.4** The first circumstance is when a customer holding an account with a directed PSP provides to the PSP, by an appropriate method, the necessary information about a new payee.
- 3.5** The second circumstance is when a customer provides to a directed PSP, by an appropriate method, an amendment to the unique identifiers of an established payee.
- 3.6** Once a directed PSP has put a system in place, it must notify the PSR in writing within 28 days.
- 3.7** If a directed PSP considers that it is unlikely to be able to put the system in place in time to meet its obligations under paragraphs 3.1 to 3.5, it must notify the PSR of that in writing. The notification must include the reason for its view and the steps it is taking to meet its obligations. It must provide this notification within 28 days of coming to that view.
- 3.8** The applicable date mentioned in paragraph 3.1 is:
- for Group 1 PSPs, 31 October 2023
 - for Group 2 PSPs, 31 October 2024
- 3.9** For the purpose of complying with this section, a directed PSP may enter into arrangements with another person for the system to be provided on its behalf. (But doing so in no way removes the duty on the part of the directed PSP to comply

with the obligations that are imposed on it under this direction, including under this section).

4 Application of Section 3

4.1 The system required under Section 3 need only provide for CoP requests to be made, or responded to, if both of the following are UK accounts:

- The payer's account, which the funds are to be sent from (the sending account).
- The payee's account, as identified by the unique identifiers given by the customer (the receiving account).

4.2 This paragraph applies where the applicable date in relation to a system required under Section 3 is 31 October 2023. Despite that, it is only after 31 October 2024 that the system must provide for sending and responding to a CoP request in respect of a transaction where funds are being sent to a receiving account which is identified by Secondary Reference Data.

4.3 The system required under Section 3 does not need to provide for the sending of a CoP request in respect of a transaction from an account where that account can only be used to send funds to one other account (a nominated account), and that nominated account is in the payer's name (or the payer is one of the names on that account).

Exempt transactions

4.4 The system required under Section 3 does not need to provide for sending a CoP request, or responding to a CoP request, for an exempt transaction.

4.5 For so long as a directed PSP only conducts exempt transactions it does not need to have a system which complies with Section 3.

4.6 A directed PSP must notify the PSR in writing if it considers that it falls under paragraph 4.5. It must do so within 28 days of the first day on which paragraph 4.5 applies to it.

4.7 A directed PSP must notify the PSR in writing within 28 days of paragraph 4.5 ceasing to apply to it.

5 Exemptions and changes to deadlines

5.1 If it considers it necessary or appropriate, the PSR may:

- exempt a directed PSP from an obligation imposed by this direction

- impose a different applicable date (see paragraph 3.8) in respect of all or any aspects of the system

5.2 In doing so, the PSR may impose conditions that it considers appropriate in light of its decision. For example, it might impose a different revocation date in respect of a PSP.

5.3 The PSR may publish any decision it takes under paragraph 5.1. The PSR may also publish any applications PSPs make to it.

5.4 The PSR will have regard to its obligations in respect of confidential information in deciding whether to omit or redact information when it publishes an application or decision.

5.5 If the PSR exempts a directed PSP or changes a date under paragraph 5.1, directed PSPs must comply with this direction subject to the exemption or different date, and subject to any conditions imposed.

6 Monitoring

6.1 The PSR may, in writing, require a directed PSP to provide it with information about how the PSP is complying, or proposes to comply, with this direction. The PSP must provide the information by the date given by the PSR.

6.2 If a PSP is a successor PSP, or begins, or ceases, to be a PSP meeting the definition of a Group 2 PSP after this specific direction comes into force, it must inform the PSR in writing within 28 days.

7 Commencement, revocation and application

7.1 This specific direction comes into force on 24 October 2022.

7.2 It ceases to be in force on 1 November 2026, unless the PSR varies, revokes or extends it before that date.

7.3 A PSP that is a successor PSP is a directed PSP on the same basis as the PSP it has succeeded (the original PSP) in respect of the accounts it provides as successor. If the original PSP is a Group 1 PSP or continues to satisfy the definition of Group 2 PSP, it remains a directed PSP despite the successor PSP also being a directed PSP.

7.4 In respect of being directed as a Group 2 PSP, a PSP is a directed PSP for so long as it meets the definition of Group 2 PSP (but a PSP ceasing to be a directed PSP because it no longer meets the definition continues to be directed for the purposes of paragraph 6.2). This applies whether or not a PSP meets the definition on the date this direction comes into force and whether or not it had previously been a directed PSP but had then ceased to be. If a PSP meets the Group 2 definition after this direction comes into force, the PSP is a directed PSP from the day after it meets that definition.

- 7.5** For the purposes of a PSP satisfying the definition of Group 2 PSP after the date this direction comes into force, the reference in that definition to ‘does not have a CoP system in regular operation on the date this direction comes into force’ is to be read as ‘on the date it satisfies all of the other provisions of this definition, does not have a CoP system in place that complies with paragraphs 3.1 to 3.5.’

8 Citation

- 8.1** This specific direction may be cited as Specific Direction 17 (Expanding Confirmation of Payee).

9 Definitions and interpretation

- 9.1** The headings and titles used in this specific direction are for convenience and have no legal effect.
- 9.2** The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.
- 9.3** References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.
- 9.4** A reference to a customer providing information or an amendment to a directed PSP includes someone doing it on the customer’s behalf (where permitted under the appropriate method).
- 9.5** A transaction consists of a ‘bulk payment’ when the payer is proposing to use it to make payments to more than one account.
- 9.6** An ‘unattended payment routing’ is where a PSP gives a customer technical access to send payments through Faster Payments or CHAPS, and as a result the PSP does not carry out the actions it would normally do as a sending PSP.
- 9.7** A PSP has a CoP system in regular operation on the date this direction comes into force³ if:
- it has a CoP system that would comply with paragraphs 3.1 to 3.5
 - it has used the system for at least the preceding eight weeks, in a way that complies with paragraphs 3.1 to 3.5
 - it is reasonable to conclude that it intends to use the system on an ongoing basis

³ See the definition of ‘Group 2 PSP’ at paragraph 9.9.

9.8 A PSP conducts relevant business⁴ if:

- it provides UK accounts and
- not all of its transactions are exempt transactions⁵

9.9 In this specific direction:

- **Applicable date** has the meaning given in paragraph 3.8.
- **Appropriate method** means a method that a directed PSP's customers use to set up a new payee on their account, where they may make payments using Faster Payments or CHAPS.
- **CHAPS** means the regulated payment system known as CHAPS designated by order dated 19 March 2015.
- **CoP request** means a request a PSP sends when a payer enters account details for a payee, to check the name they enter against the name on the account that the other unique identifiers refer to.
- **CoP rules and standards** means the rules and standards for CoP in the rule book developed by Pay.UK:
 - in respect of responding, as they stand at the time the request is received
 - in respect of sending, at the time the PSP receives the necessary information (or amended unique identifiers) from the customer
- **Directed PSP** means every PSP subject to this direction.
- **Established payee** means a payee that the customer has already provided the necessary information for, which the directed PSP still holds.
- **Exempt transaction** means a transaction which is:
 - a repayment (whether whole or partial) associated with a lending product where the account the funds are sent to is in the payer's name (or the payer is one of the names on that account)
 - a payment from an account which has been established to repay a lending product, and has no other purpose
 - a payment to or from a suspense account
 - a bulk payment
 - being sent by way of an unattended payment routing

4 See the definition of 'Group 2 PSP' at paragraph 9.9.

5 See the definition of 'Exempt transaction' at paragraph 9.9.

- a PSP sending funds on its own behalf
 - a CHAPS 'MT202 general financial institution transfer' (within the meaning of the CHAPS technical requirements published by the Bank of England⁶)
 - a transfer of funds from or to an account of a financial market infrastructure (within the meaning of the 'Principles for financial market infrastructures' published by the Bank for International Settlement and the International Organization of Securities Commissions⁷) (central counterparties etc.)
 - in connection with the provision of merchant acquiring services
 - in connection with the provision of payment processing services to other PSPs
 - a transaction where the necessary information (or amended unique identifiers) is received by the customer's PSP by post, email or fax, or is contained in instructions that are hand delivered to a branch (or other office) of the PSP but which are not processed with the customer present
- **Faster Payments** means the regulated payment system known as the Faster Payments Scheme designated by order dated 19 March 2015.
 - **FSBRA** means the Financial Services (Banking Reform) Act 2013.
 - **Group 1 PSP** means a PSP which is listed in the Schedule.
 - **Group 2 PSP** means a PSP which:
 - is a participant⁸ in Faster Payments or CHAPS
 - is not a Group 1 PSP
 - conducts relevant business
 - does not have a CoP system in regular operation on the date this direction comes into force, and
 - is a building society, or has a unique sort code listed on the Extended Industry Sort Code Database (EISCD)
 - **Lending product** means a lending product provided in the course of business including:
 - mortgages
 - credit cards
 - secured loans

6 See: www.bankofengland.co.uk/-/media/boe/files/payments/chaps/chaps-technical-requirements

7 See: <https://www.bis.org/cpmi/publ/d101a.pdf>

8 This covers PSPs which have indirect access as well as those with direct access (see FSBRA, in particular the definitions of 'participant' and 'payment service provider' in section 42).

- unsecured loans
- **Necessary information** means the information a directed PSP needs to execute a payment from the customer's account; it includes the name of the intended payee and the unique identifiers for the receiving account.
- **New payee** means a payee that the directed PSP does not already hold the necessary information for.
- **Participant** has the meaning given by section 42 of FSBRA.
- **Payment system** has the meaning given by section 41 of FSBRA.
- **Payment Systems Regulator** or **PSR** means the body corporate established under Part 5 of FSBRA.
- **Pay.UK** means the company limited by guarantee incorporated in England under company number 10872449; and a reference to it includes a reference to any successor body.
- **PSP** means payment service provider and has the meaning given by section 42(5) of FSBRA.
- **Regulated payment system** means a payment system designated by the Treasury under section 43 of FSBRA.
- **Secondary Reference Data account** means an account that is not uniquely addressable by a sort code and account number, but instead relies on including a further unique identifier in the reference field in the payment order.
- **Successor PSP** means a PSP which takes over responsibility for providing UK accounts (whether all or some) from a directed PSP.
- **Suspense account** means an account a PSP uses to store funds temporarily for accounting purposes, or where there is uncertainty as to where the funds should be sent.
- **UK account** means an account a PSP provides in the course of its business in the United Kingdom.
- **Unique identifier** has the same meaning as in the Payment Services Regulations 2017 (see regulation 2).

Made on 10 October 2022

Chris Hemsley
Managing Director
Payment Systems Regulator

Schedule – Group 1 PSPs

No.	PSP
1	Citibank UK Limited
2	Ardohr Limited ^[1]
3	Elavon Financial Services DAC
4	Goldman Sachs Bank USA, London Branch
5	LHV UK ^[2]
6	Metro Bank plc
7	Prepaid Financial Services Limited
8	Revolut Limited
9	The Bank of London Group Limited
10	Turkish Bank UK Limited
11	Tide Platform Limited
12	Think Money Limited
13	Bank of Ireland (UK) plc
14	Contis Financial Services Limited
15	CB Payments Limited
16	Yorkshire Building Society
17	Clear Junction Limited
18	Banking Circle S.A
19	Paymentsense Limited
20	BCB Payments Limited
21	Skipton Building Society
22	Hargreaves Lansdown Asset Management Limited
23	Al-Rayan Bank plc
24	Moorwand Limited
25	Coventry Building Society
26	Sainsbury's Bank plc
27	CAF Bank Limited
28	Standard Chartered Bank
29	BNP Paribas
30	AIB Group (UK) plc
31	Deutsche Bank AG
32	Bank of America NA

[1] CreDec is the registered trading name of Ardohr Limited

[2] Part of AS LHV Group

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12 Endeavour Square
London E20 1JN
Telephone: 0300 456 3677
Website: www.psr.org.uk

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