Payments Strategy Forum

Forum Update: Programme Plan

29th September 2017

Agenda

	Slide number
Introduction	3
Financial Crime	6
EUN Solutions	9
Confirmation of Payee	11
Request to Pay	17
New Payments Architecture	21
Handover and Risks	26

Introduction

Key Milestones since last Forum session

- Consultation Papers Published – 28th July
- Forum Community Roundtable – 5th September
- Consultation closed – 22nd September

Our Approach to NPSO Handover For NPA

- We have pursued a handover process which takes advantage of existing complementary activities in the NPSO
- We have identified a matrix of activities and nominated NPSO activities
- We have aligned our approach with the NPSO Implementation Programme
- The anticipated outcome for the Forum is that we will have a final set of document which reflects the status of key Forum activities in December
- Many of the Forum activities will span the transition from Forum to NPSO as live running and resourced projects. We believe mitigates many of the potential transition inertia risks that could apply in such an organisational transfer.
- Each activity that is transferred will be subject to review by the appropriate Forum body that it meets the Forum's vision as specified in the July Consultation Document

Fin Crime

- Work with UK Finance to ensure that solutions already handed over are progressing
- Hold roundtable with key stakeholders on 11th October to discuss and agree currently proposed actions and owner for Liability Models solution, taking into account recently published Indirect Access guidance from the PSR.
- Refine existing KYC handover documents in collaboration with UK Finance to reflect consultation feedback.
- Prepare Transaction Analytics strategic Solution Design and Implementation Approach documents, reflecting consultation feedback, and hold a roundtable at the end of October with key stakeholders to discuss and agree.
- The Transaction Analytics strategic solution project is planned to be part of the NPSO handover process.

Key activities underway

Consultation Analysis

- Preparation of consultation analysis process and documents
- Response analysis and summarisation
- Production of consultation report
- Updating detailed documents in line with consultation outcome

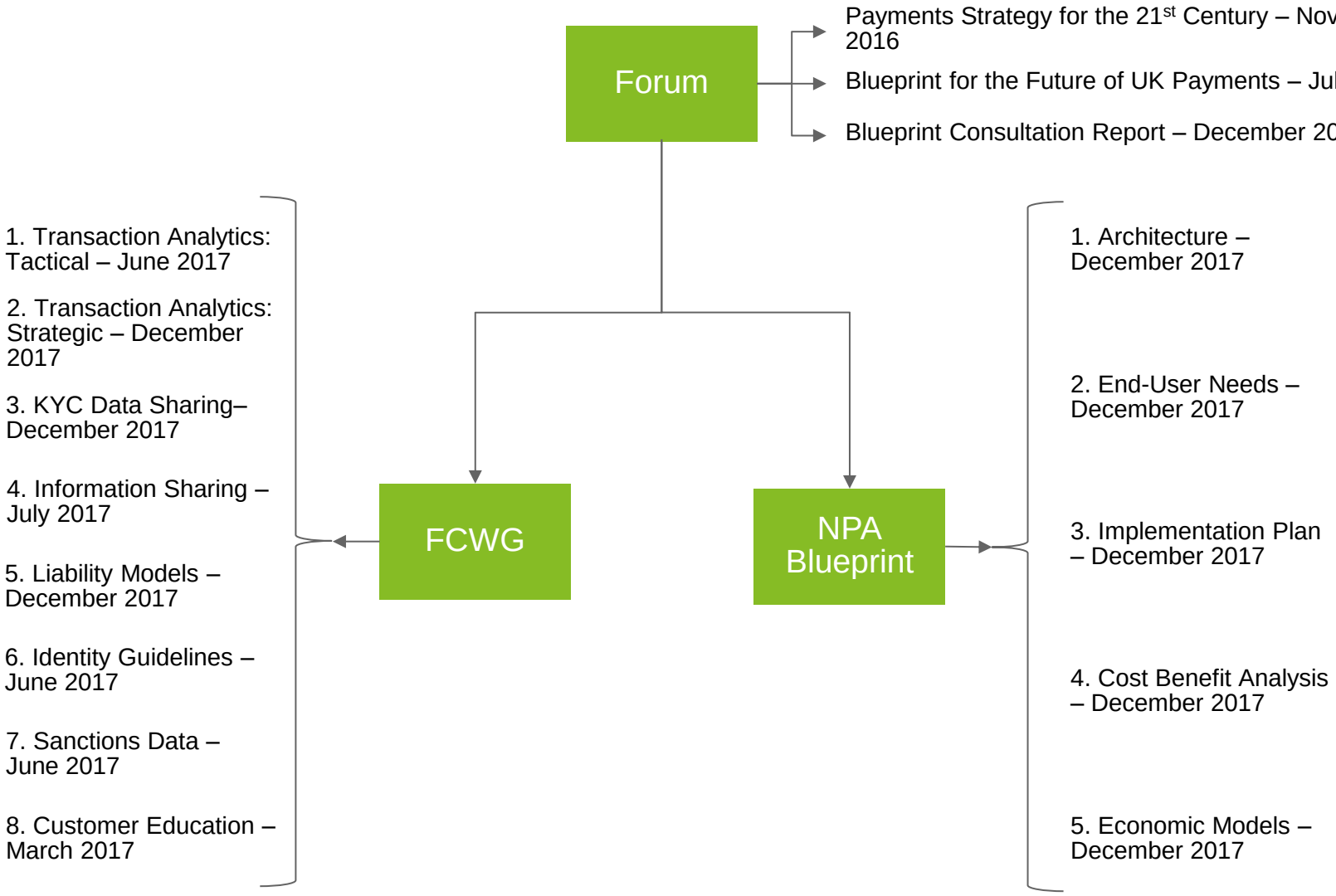
Additional Analysis and Design

- Additional NPA achitecture design
- EUN analysis of roll out risks, liabilities and privacy impact assessments for RtP and CoP
- Request to Pay and Confirmation of Payee architectures
- More detailed planning NPA and EUN delivery

Handover to NPSO/UK Finance

- NPSO handover process defined
- Alignment with NPSO initiatives underway
- Integrated NPSO/Forum plans being constructed

Forum – key documents map



Financial Crime

Financial Crime Status

Handover

- Following completion of UK Finances due diligence and governance process they formally accepted the following solutions on the 20th September:
  - Guidelines for Identity Verification, Authentication and Risk Assessment
  - Financial Crime Data and Information Sharing
  - Enhancement of Sanctions Data Quality

Payments Transaction Data Sharing and Data Analytics

- Stakeholder engagement continues with card schemes, insight providing services and government
- Analysis of Consultation responses up to 22nd September shows positive support for the solution
- Next steps, beyond further analysis of the consultation responses, include:
  - Development of the solution design in preparation for handover
  - Progress the proposed implementation approach, including multi-vendor participation and governance and oversight arrangements
  - Engage with the NPA handover approach in preparation for engaging with and handing over to the NPSO

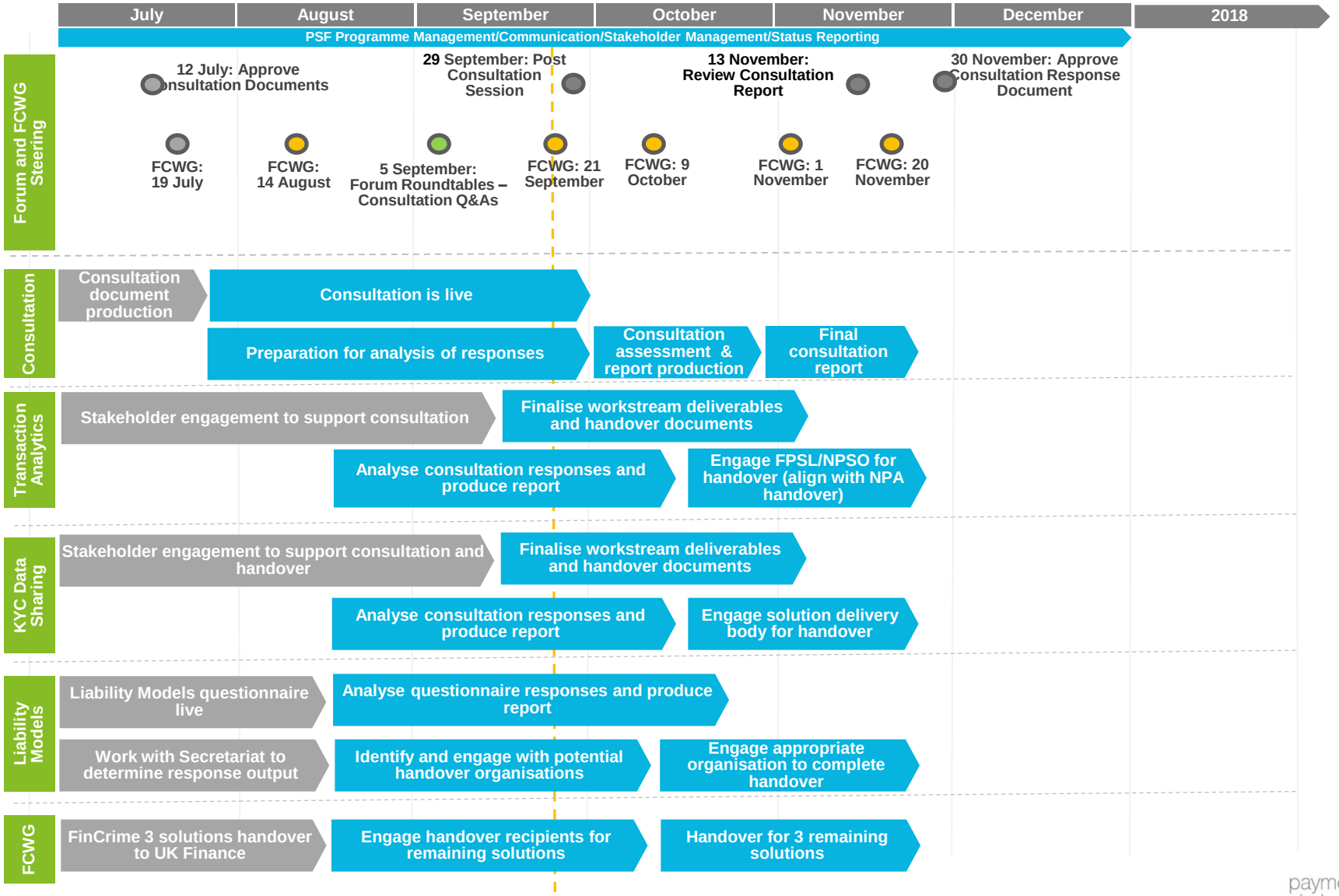
Trusted KYC Data Sharing

- Stakeholder engagement plan has concluded, with formal feedback being collated through the consultation process
- Analysis of Consultation responses up to 22nd September shows positive support for the solution, although there is a divergence of opinion over the implementation timeline.
- Next steps, beyond further analysis of the consultation responses, include:
  - Finalise handover letter to UK Finance
  - Collaborate with UK Finance on the implementation plan review, following feedback from the consultation

Liability Models for Indirect Access

- Questionnaire closed on the 1st September – Analysis workshop has identified key themes from responses, with recommendations now being drafted and validated
- A roundtable with Trade Associations on the 11th October where results and recommendations will be shared prior to agreeing next steps and handover approach.

2017 H2 FinCrime High Level Plan



EUN solutions

EUN solution: Forum Update

Key activities in progress

- Analysis of the consultation responses
- Completion of high level rules and requirements
- Implementation planning – Request to Pay and Confirmation of Payee

Confirmation of Payee

- We are currently carrying out analysis of the remaining aspects of the common standard. In particular:
  - The response type
  - The proposed service architecture
- We have been working with the ICO and the various PSPs on a privacy impact assessment
- We have been working the PSP and vendor community to get their views on our proposed requirements , rules and service architecture
- We have been working on an indicative implementation plan that leverages and aligns with ongoing activities in the current schemes and industry.

Request to Pay

- The requirements and rules proposed in the blueprint have used to create a demonstrator. The demonstrator allows us to validate and test the requirements and rules
- We are working on the remainder of the common standard
  - Service architecture
  - API specification to allow interoperability
- Similar to CoP, we have been working on an indicative implementation plan that leverages and aligns with ongoing activities in the current schemes and industry.

Confirmation of Payee

Any COP solution must meet at the minimum 3 key requirements

1

Definitive

The CoP response provided to the payer must be as clear and unequivocal as possible to allow the payer to make a decision that he or she is making the payment to the intended payee.

2

Available

The COP service must be available:

- to all payers making an applicable payment (Faster Payment, CHAPS)
- At the point of making the payment, independent of the payment channel e.g. mobile, online, Telephone etc.
- Real-time and available 24/7.

3

Ubiquitous

The efficacy of CoP is predicated on the payer making a payment to a SCAN account being able to confirm the identify of the payee before making the payment. To enable this, it is imperative that the payee's account is available for confirmation.

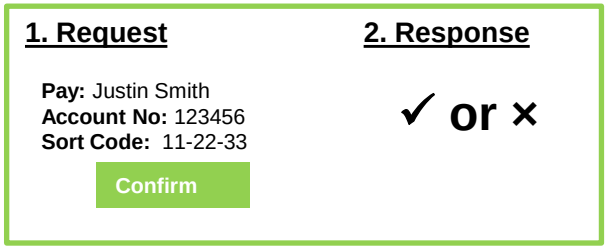
This requirement is amplified by the need to guard against fraudulent persons opting out of the service or not joining in the first instance. As a corollary, it follows that the service must be opt out and cover nearly all of the applicable accounts in the UK.

We have identified two main approaches to presenting a CoP Response

We have proposed that the CoP response provided to the payer will be clear and unequivocal. In our work, we have identified two main forms that a CoP response can take.

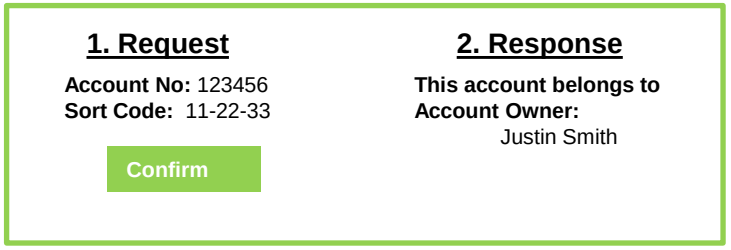
Approach 1

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



Approach 2

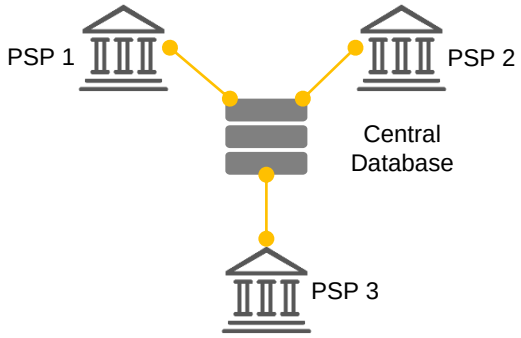
The payer is played back information on the payee: In this approach,
the payer is provided with associated account information related to
the sort code and account number. The payer uses this information
to determine whether that account belongs to the intended payee



We posed a consultation question, to elicit responses on the preferred approach, considerations etc. We expect to make a decision on the best approach based on the consultation responses to this question and the privacy impact assessment

The 2 main approaches to delivering CoP

1. Centralised Approach



This approach utilises a single shared database to which all PSPs upload account information. The database is then queried for CoP requests.
In addition to the technical infrastructure, there is a centralised scheme to maintain integrity of the service and security of the data.

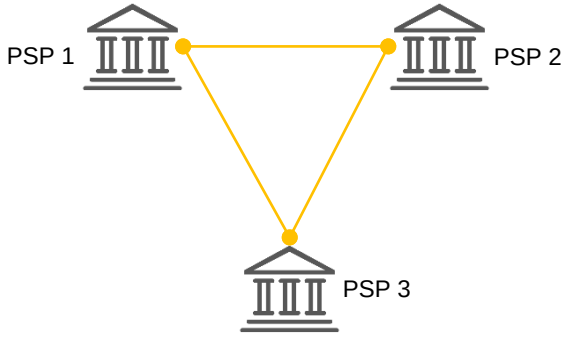
Pros

- **Existing solutions:** There are several centralised providers in the market. E.g. Paym, Vocalink (Accura), Experian etc. This tentatively reduces the timeframes required to adapt them to meet the PSF requirements

Cons

- **Monopoly:** Due to the centralised nature it could create a monopoly to the disadvantage other CoP providers
- **Security:** Due to the sensitivity of the information, a very high standard of security would be required guard against cyber attacks etc.

2. Distributed Approach



This approach utilises point to point APIs. The Payer's PSP directly queries the Payee's PSP to verify the account belongs to the intended payee. This aligns with the CMA open banking programme approach.
A central function may be required (but not mandatory) to facilitate routing and security.

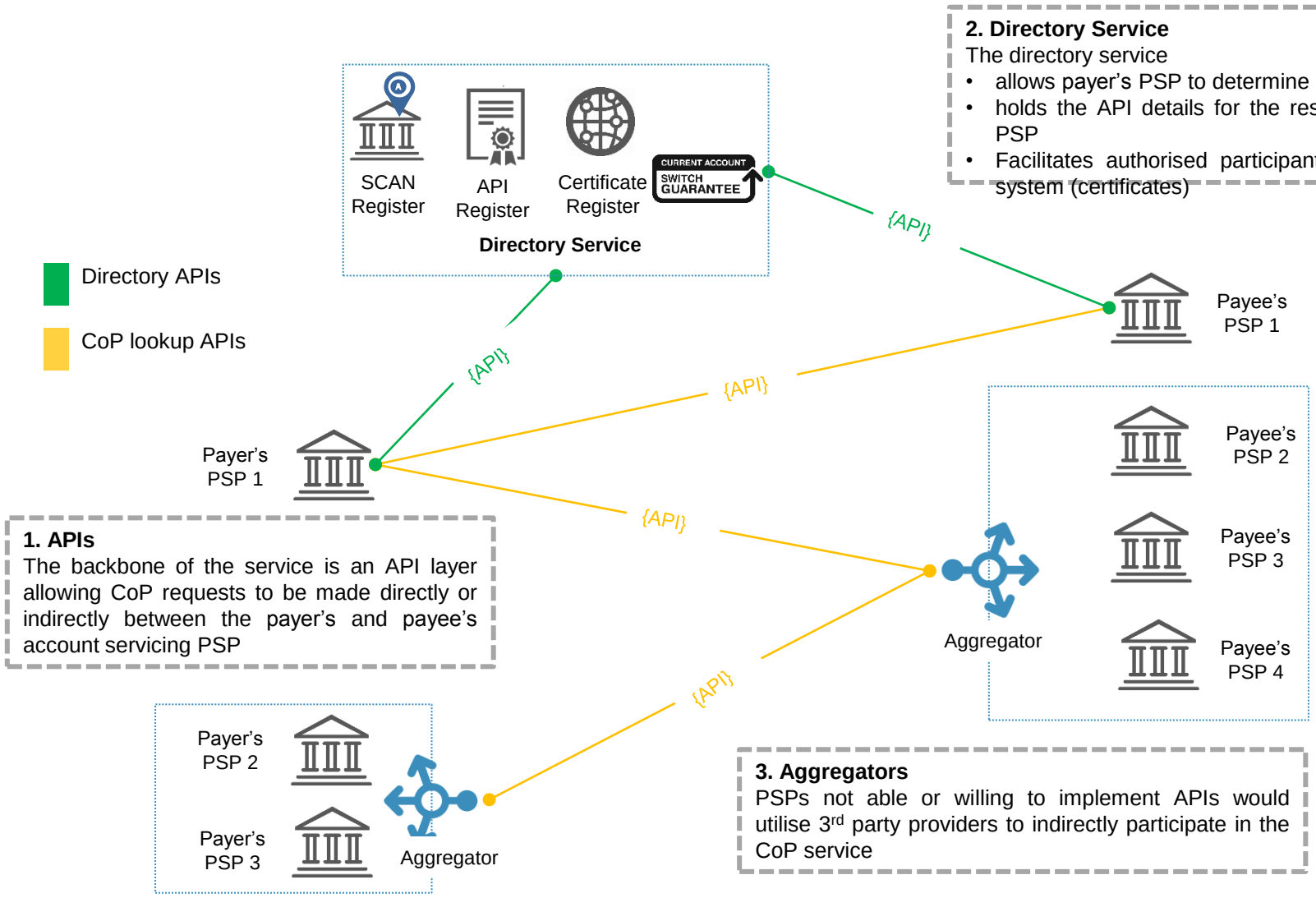
Pros

- **Future proof:** The strategic industry direction is towards an API driven architecture. The CMA's Open Banking initiative is the strategic direction chosen by the Forum.
- **Competition**: Supports competition in the market
- **Distributed Security:** Each PSP takes care of its own data and removes the danger of a central database being compromised

Cons

- **Smaller PSPs may not have the technological capability:** Smaller PSPs especially most building societies and credit unions may not be able to build the required API infrastructure

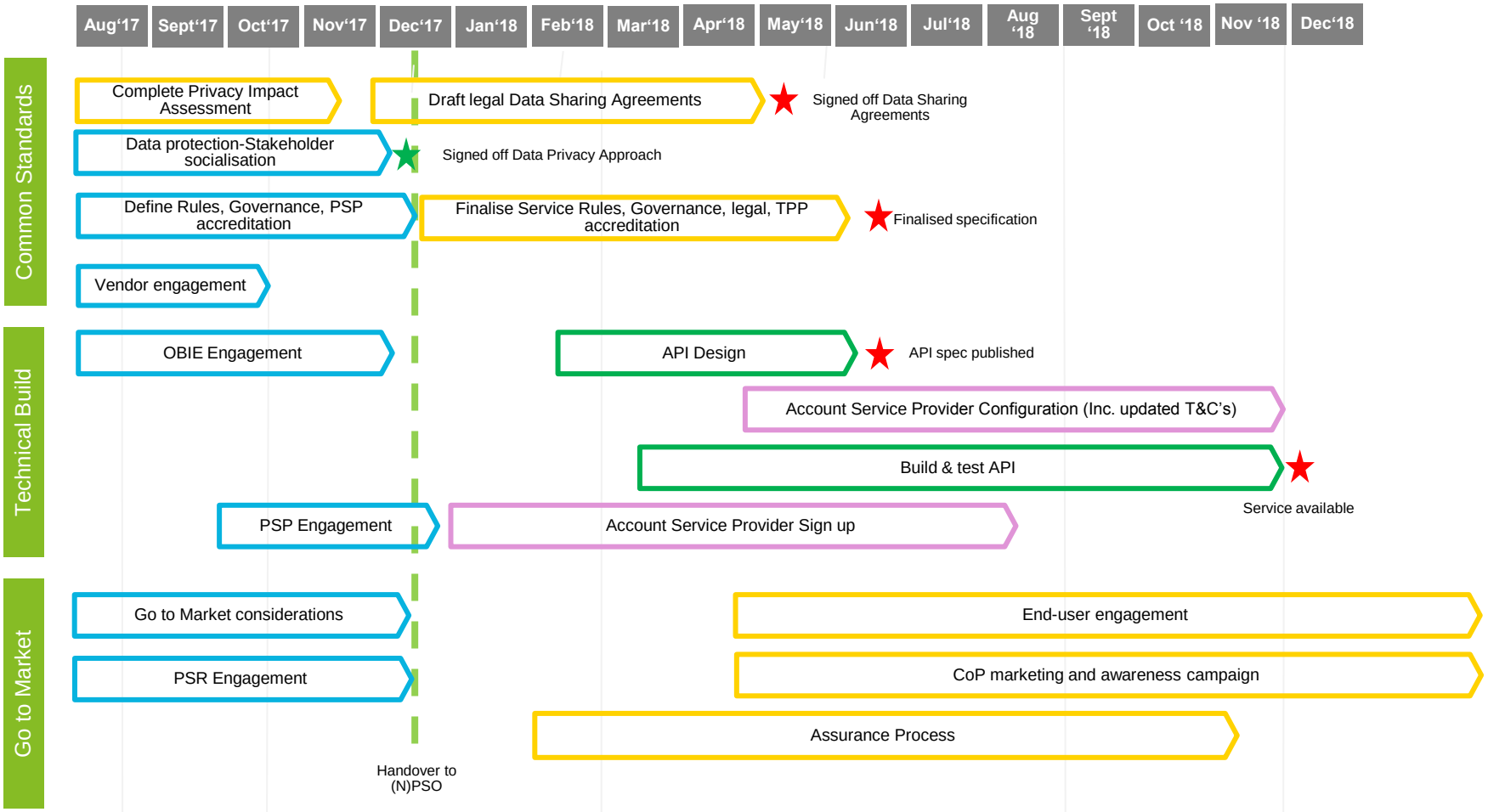
We propose a hybrid approach that is secure, competitive and inclusive of smaller PSPs



NOTE:

- Not all API connections are shown. Some API connections between Directory and PSP and between PSPs are omitted to improve the illustration's clarity

Indicative Confirmation of Payee Implementation Plan - TBC



NOTES:

1. Nothing precludes delivery of centralised solutions in the interim that then map to the API based architecture.
2. The is a time and delivery dependency on the maturity of the API ecosystem being delivered through Open Banking
3. Payment status & tracking and Enhanced Data will be delivered as part of the NPA delivery (Project Devon) and hence are not shown in this plan
4. The EUN workstream of the PSF comes to a close on Dec 15 2017

KEY

- **Milestones**
- **(N)PSO led tasks**
- **PSF led tasks**
- **Service Providers**
- **Industry body (OBIE/NPSO)**

Request to Pay

A proof of concept demonstrator has been developed

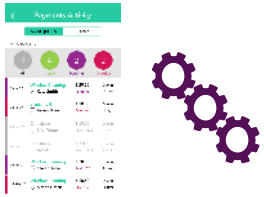
Demonstrator App

User Journeys

Visual Designs

iOS App

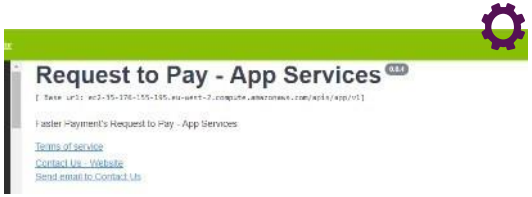
API Integration



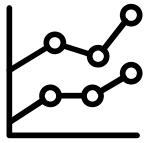
Service Infrastructure

Index APIs

Repository APIs

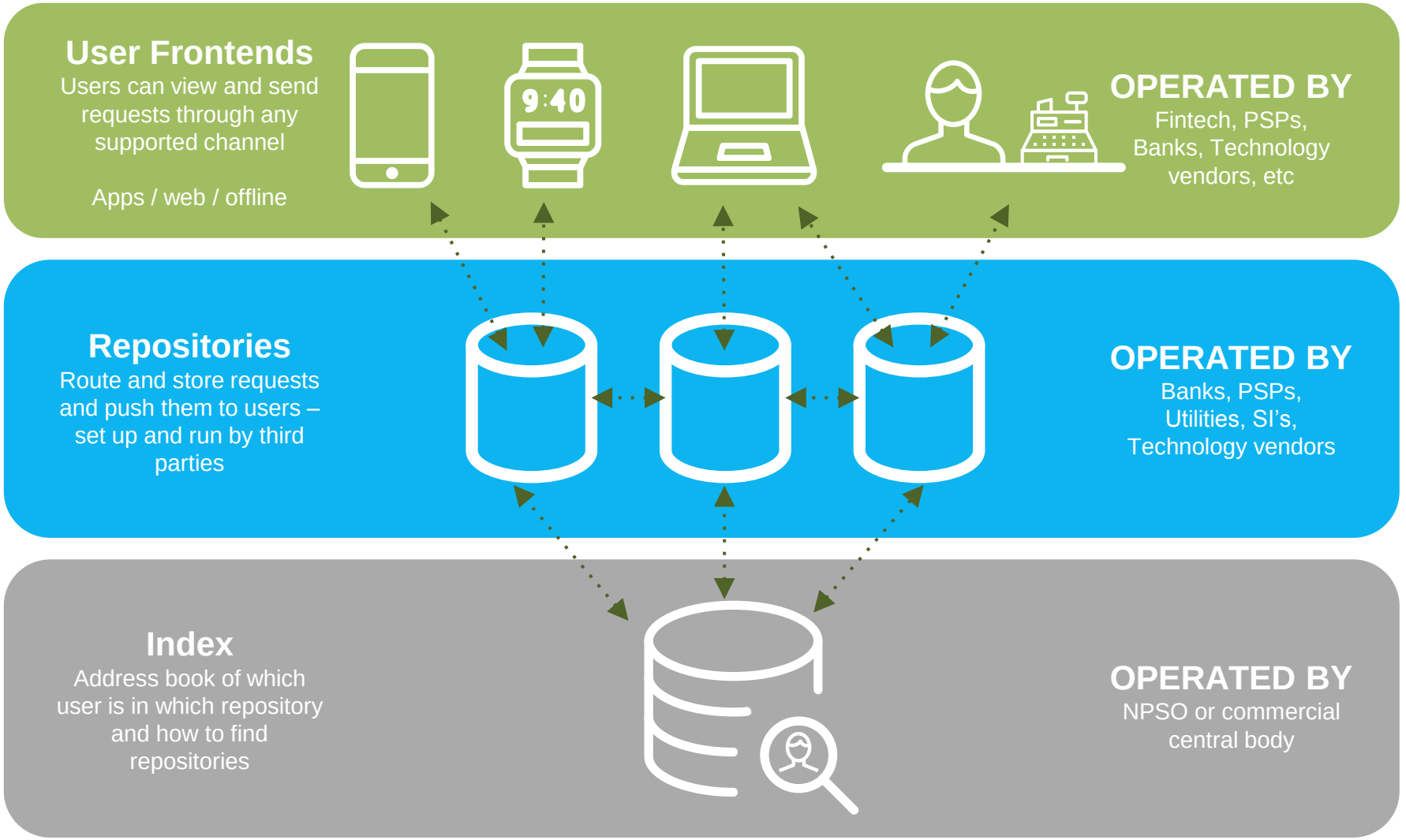


QoS* and Monitoring APIs

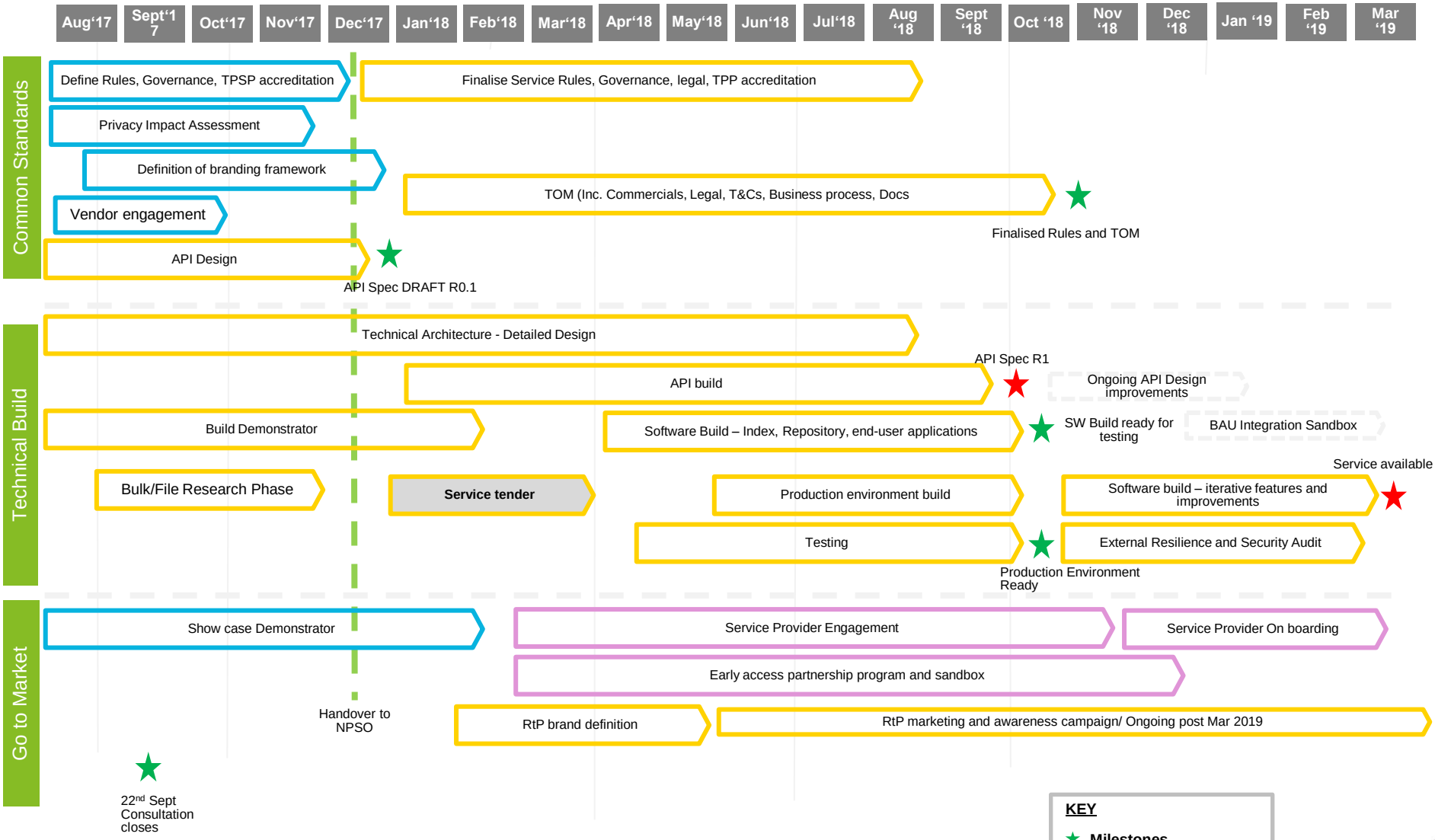


* QoS: Quality of Service

Request to Pay Proposed Service Overview



Indicative Request to Pay Implementation Plan



New Payments Architecture

Design & Transition: Forum Update

Clearing & Settlement

- Specification detail being driven by the NPSO
- Supporting input to the clearing and settlement requirements, including the approach to Bank of England accounts, settlement cycles and unattended payments requirements are being provided by the Design & Transition work stream

TPSP Layers

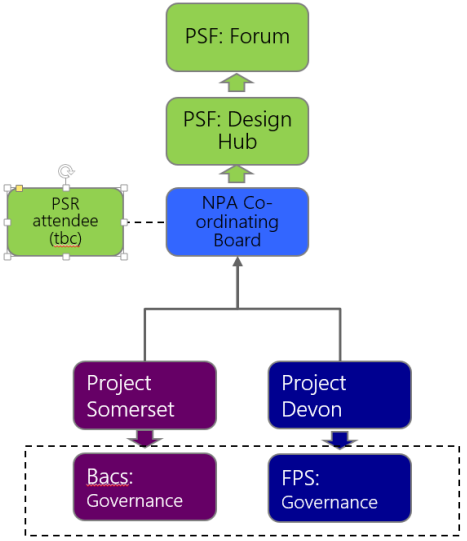
- Further detail being developed around the NPA requirements for ICS, mandates, direct submitters and Direct Debits
- Workshop and review session with the Bacs vendor and affiliates communities to be held on 9th October

All Layers

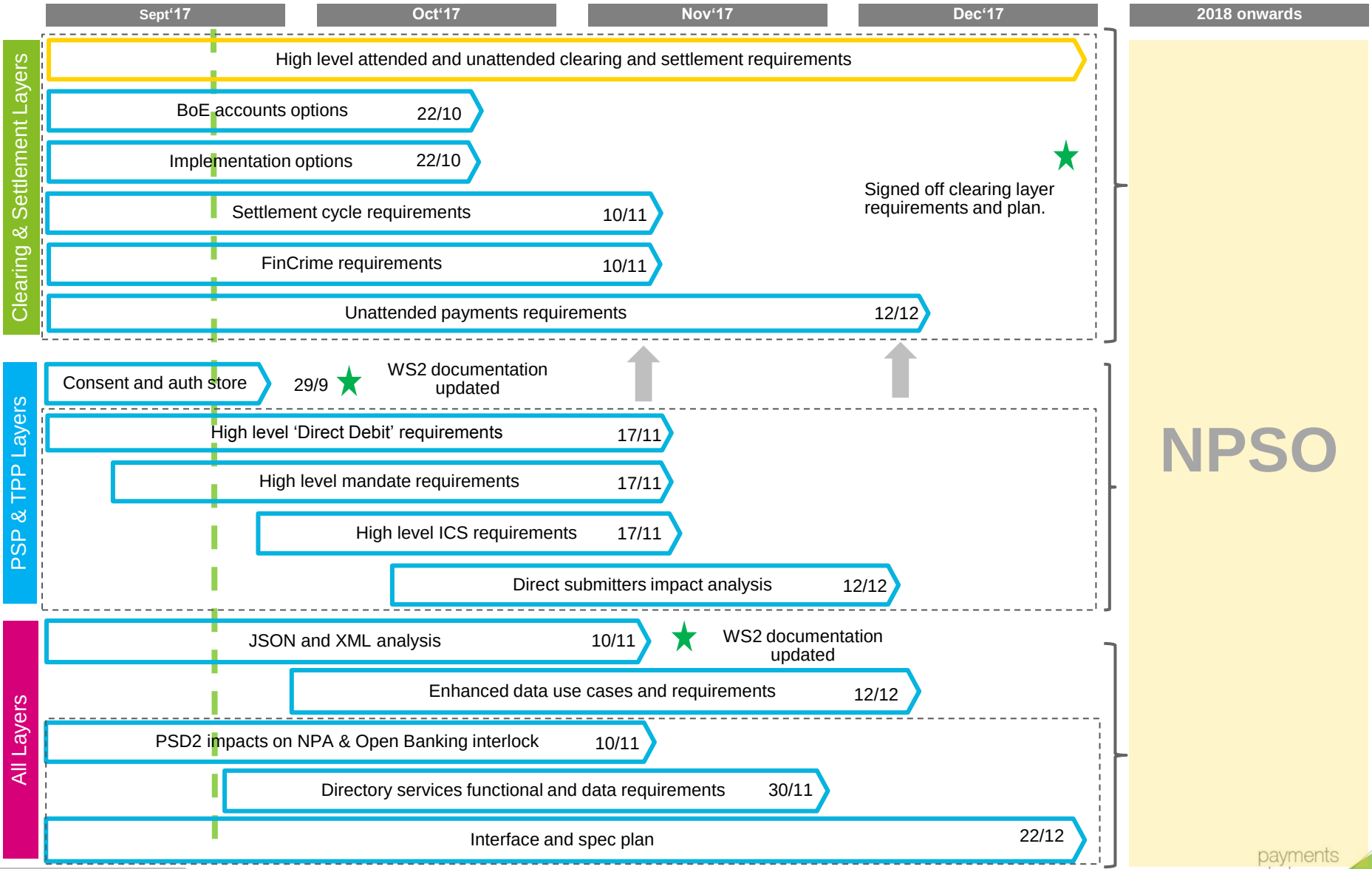
- A catalogue of the main APIs and interfaces along with a development plan for 2018 is underway
- A recommendation on the use of JSON and XML within the NPA is to be made with input from the Payments UK Standards team taking into account consultation
- Review being undertaken to determine if and how the Open Banking API and Directory Services capability could be used to support the NPA

Co-ordination with NPSO

- The Design Hub and NPSO teams are building a joint approach to coordinating the delivery of NPA architecture
- A governance model for this approach has been agreed at the Design Hub
- A simplified version of the governance can be seen opposite

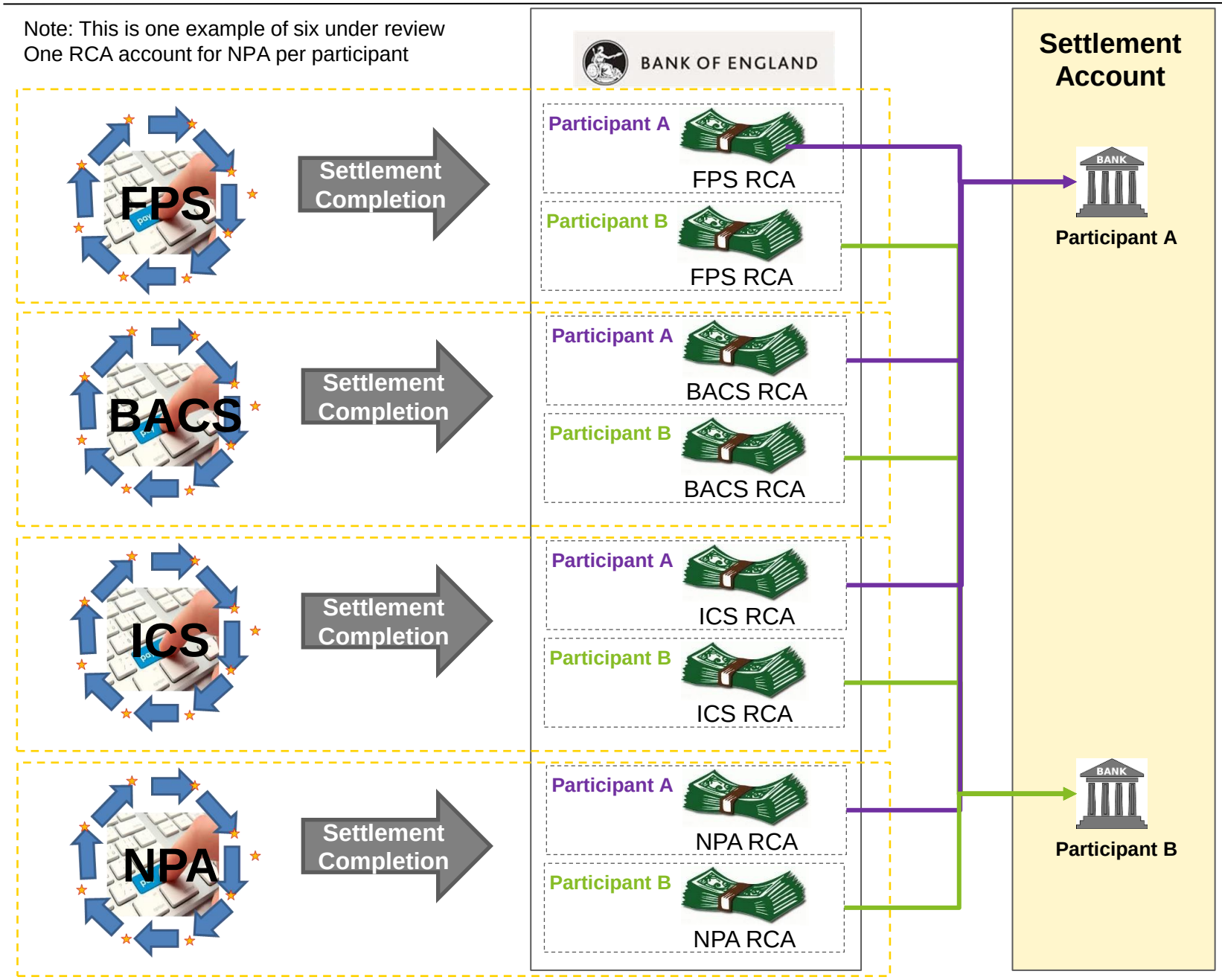


NPA Architectural Activities



Example option for BoE Accounts

Note: This is one example of six under review
One RCA account for NPA per participant



NPSO NPA Clearing and Settlement Project – Current Proposed Approach

- The ongoing Faster Payments Project Devon will be aligned with the NPA architecture as specified by the Forum
- Bacs specification work being carried out under Project Somerset will also be aligned with the NPA architecture as specified by the Forum
- The Design Hub WS2 TDA will be asked to ratify this alignment by end December 2017
- This approval will require communication to all Forum stakeholders
- Procurement for the clearing and settlement layers will follow a single process made up of a number of sub-procurement programmes that map across the different elements and the phased delivery of the NPA (starting with attended clearing and settlement first)

Handover and Risks

Handover and Risks Progress

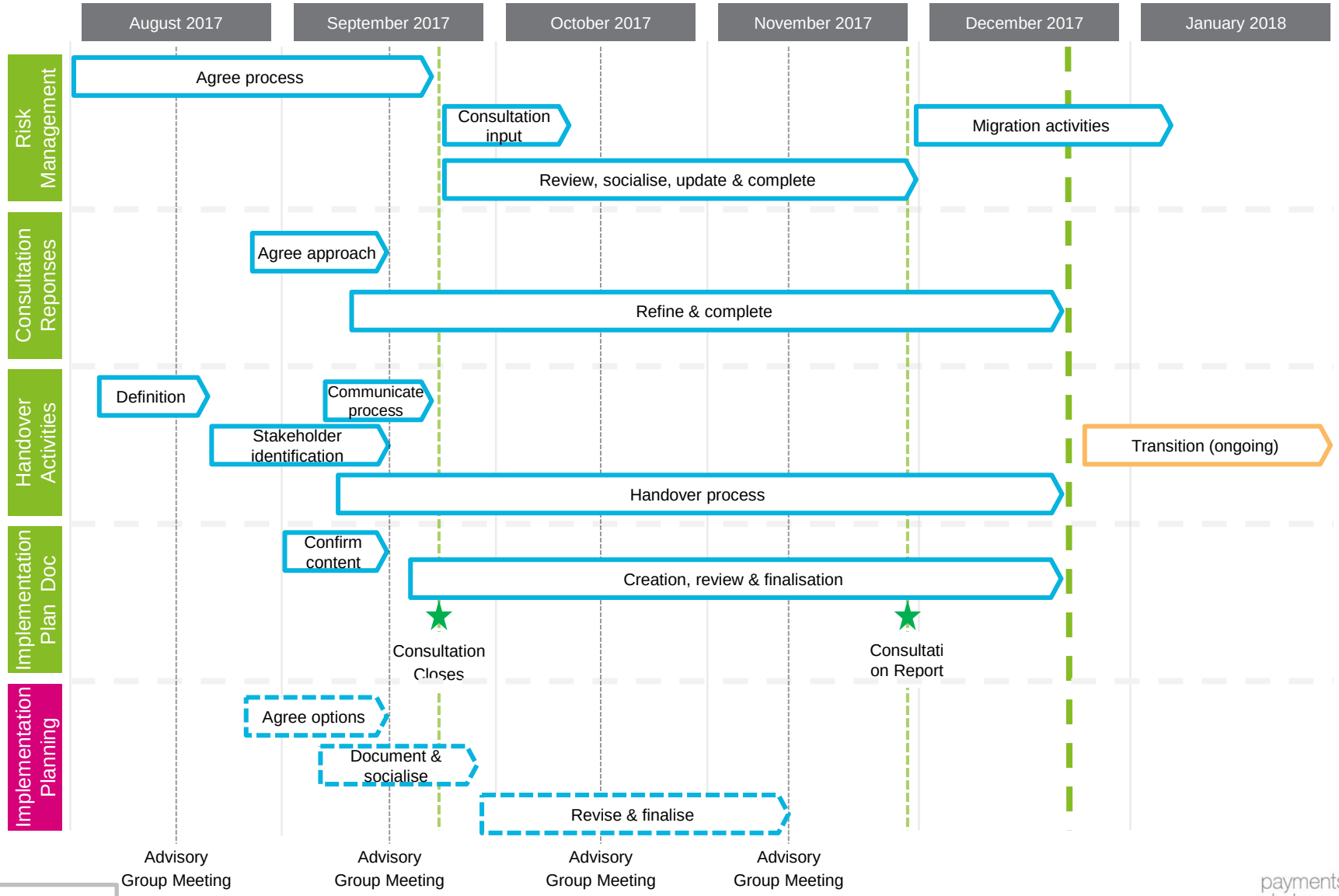
NPA Risk Assessment

- Augmented the Risk Analysis summarised in the Consultation Document
- Aligned risk approach with emerging NPSO risk approach to facilitate handover and remove duplication of effort
- Built and summarised an updated risk register
- Produced a summary deck to be discussed under a later agenda item

NPSO Handover

- Handover is progressing
- A number of joint Forum and NPSO working sessions held
- High-level handover process has been agreed between Design Hub and emerging NPSO stakeholders
- A shared NPSO/Forum repository has been created and document transfers under way

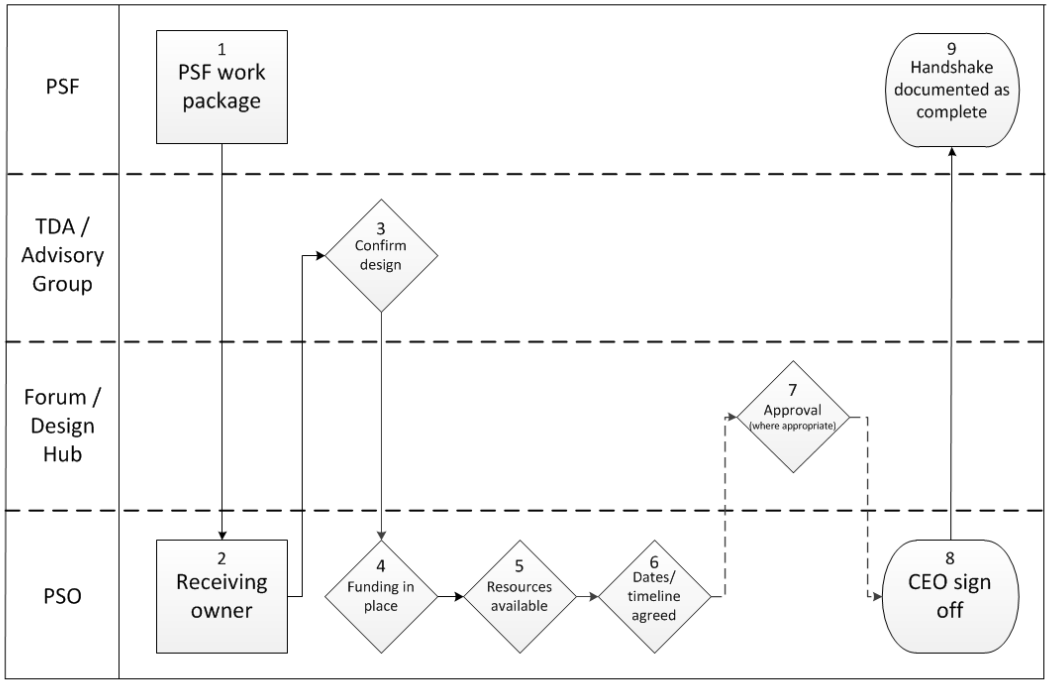
Workstream 3 Plan Update



KEY

- ★ **Milestones**
- **(N)PSO led tasks**
- **PSF led tasks**

High-level NPSO Handover Process



1. PSF work categorised into packages e.g.:
    - Requirements - end user needs solutions, standards
    - Technical – specifications, design
    - Plans – implementation, CBA, funding
    - Governance – meeting papers, public documents, Consultation responses etc.
2. Receiving owner within PSO identified
3. Confirmation by the Technical Design Authority or applicable Workstream Advisory Group that the NPSO plans will meet the PSF design requirements
4. Funding plan in place to complete the work
5. Resource capacity available
6. Delivery dates and timelines agreed
7. Forum or Design Hub approval where appropriate
8. Signed off by relevant PSO CEO
9. Handover complete – WS3 document completion of handshake