

David Pitt
Chief Executive Officer
Pay.UK Limited
2 Thomas More Square
London
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03 August 2023

Dear David

Result of assurance for Pay.UK's development of the New Payments Architecture

As you are aware, the PSR has asked Pay.UK to provide us with assurance at several points in the NPA programme; thank you for your ongoing engagement. This letter confirms that Pay.UK has met our requirements for the latest assurance point and therefore we do not object to Pay.UK continuing with its NPA programme plans.

As stated in our letter of 6 October 2022, the assurance provided by Pay.UK at this point was expected to explain how the following support our high-level objectives for the NPA and will enable competition between payment systems:

- the proposed design of the NPA;
- the proposed funding model and business case for the NPA;
- the proposed NPA scheme rules; and
- the proposed measures aimed at financial crime mitigation.

Our decision is that Pay.UK's submission is sufficient for this assurance point. We are aware that many of the details underlying the submission require further development, some in conjunction with Pay.UK's chosen vendor once it is appointed. Therefore, this letter outlines specific areas we will monitor carefully as your NPA programme enters its next phase.

Areas we will be monitoring closely

Our assurance process has highlighted four areas that we will closely monitor. These are:

- The further work Pay.UK will do to consider whether its proposed non-functional requirements relating to service availability (of up to 99.99% for key NPA services) are sufficient for the NPA to support a wide range of retail transaction types in the future;
- The further work Pay.UK will do to keep the proposed Instant Payment product type under review as part of its work on Account-to-Account Retail Transactions (A2ART). This includes Pay.UK's work to validate: design features for the Instant Payment product type; the use cases it is intended to support; the consideration of alternative options for supporting the use cases; and the timelines for introducing the preferred solution (whether using the Instant Payment product type or an alternative approach);

- Pay.UK's approach to rules development. In your assurance submissions your analysis is that the requirements for the NPA rules are very similar to those of FPS. We will expect your approach to the development of these rules to allow for necessary improvements, including by allowing for further evolution of those rules; and
- Pay.UK's work on its financial crime strategy and any dependencies on overlay providers. We note that this work requires engagement with prospective financial crime prevention suppliers and the current FPS CIS provider.

For clarity, the above does not impinge upon our decision that Pay.UK has provided sufficient assurance at this point and therefore we do not object to Pay.UK continuing with its NPA programme plans.

The next scheduled assurance point is ahead of NPA go-live¹ but we reserve the right to have additional assurance points where we consider it appropriate to protect our regulatory interests. These assurance points are, of course, one element of our engagement with Pay.UK about the NPA programme and we expect our regular engagement to continue.

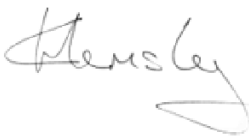
Next steps

Please acknowledge this letter and its contents by 11 August 2023.

We would appreciate an opportunity to discuss how we will work together to ensure that the PSR is able to closely monitor the four areas highlighted above.

I would like to take this opportunity to again thank you and your colleagues for your continued engagement and for the work that Pay.UK has already done to deliver the NPA.

Yours sincerely



Chris Hemsley
Managing Director

CC: Simon Morley, Director, Financial Market Infrastructure Directorate, Bank of England,
Mark Hoban, David McPhee and Sam Cope (Pay.UK)

¹ You will also be aware that our illustrative direction to Pay.UK published alongside our regulatory framework (December 2021) includes a non-objection process relating to the pricing methodology for CIS.