

CP20/1: Proposal to vary Specific Direction 10

Stakeholder submissions to
consultation

February 2019

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Names of individuals and information that may indirectly identify individuals have been redacted.

Barclays

Confirmation of payee consultation
Cop.consultation@psr.org.uk

29 January 2019

Dear Sir / Madam

Barclay's feedback on the Payment Systems Regulator's (PSR) proposal to vary the direction it has imposed to require the implementation of confirmation of payee (specific direction 10 or SD10)

Barclays welcomes the opportunity to provide feedback on the PSR's proposals.

We support the PSR having additional flexibility to cover a range of circumstances so it does not inadvertently force directed institutions to introduce confirmation of payee where it is not reasonable or proportionate.

In the fast changing world of payments, the PSR should be able to apply reasonable exemptions that recognise specific difficulties or accommodate changes in the payments offerings of directed institutions whilst supporting innovation. This is specifically relevant for instances where existing services are being retired or where new services are being considered that do not pose risk of loss due to maliciously and accidentally misdirected payments.

We encourage the PSR to make timely decisions on exemption applications. This applies to applications made in advance of the regulatory deadline as well as any future applications made to exempt a directed institution from the obligations of the direction.

Transparency in the decision making process, open dialogue and timely decisions will also help ensure quality outcomes, and that directed institutions are not disadvantaged in comparison to those institutions not subject to specific direction 10.

We would be very happy to discuss any of the points raised with you in more detail.

Yours faithfully

BARCLAYS

BSA

PSR CP201- Confirmation of Payee

Response from the Building Societies
Association

Non-Restricted
23 January 2020

 **Building Societies**
Association

Introduction

Please find below the Building Societies Association's response to this consultation.

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 6 credit unions. Building societies have total assets of £420 billion and, together with their subsidiaries, hold residential mortgages over £330 billion, 23% of the total outstanding in the UK. They hold over £290 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 38% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

For the majority of BSA members, involvement in Confirmation of Payee comes in Phase 2.

An additional basis for a directed Payment Service Provider ('PSP') to ask for an exemption

We agree that the propose to vary the Confirmation of Payee direction (Direction 10) to add a new provision to allow a directed PSP to apply for an exemption where it is not reasonable or proportionate to require that PSP to comply with an obligation or obligations under the direction is a sensible one and gives both firms and the PSR itself the right level of flexibility to make sensible prioritisation between delivery of Confirmation of Payee and delivery of other essential projects.

We agree with the potential grounds for exemption suggested but would propose an additional criterion as well as "the transfer of an account from one technology platform to another, plans for new banking products or brands that were in active development the date SD10 was made) and where the application relates to particular types of accounts (for example, those held by types of corporate customers)."

Bearing in mind that Confirmation of Payee is a multi-phased programme that certainly doesn't stop once the firms directed to deliver COP in 2020 have done so, it is quite possible that the PSR may need to use its powers to direct firms more than once. Were this to happen further down the line, the PSR would not be dealing with the larger current account providers but with payment services providers who are smaller and with much less capacity to run large IT development programmes or to buy in resource to do so - building societies, smaller banks, money transfer service providers etc. We are also conscious that during the life of the COP programme regulatory obligations will not stand still.

We therefore propose that an additional criterion should give payment services provider the option to apply to the PSR for a Direction 10 exemption where there pressure of completing both Cop and projects required by other regulators and where expecting the firm (given its size and capacity / capability to deliver major development projects) would unreasonable or disproportionate.

We don't believe that any of the payment services providers currently under direction would require this type of exemption now. But this consultation is a good opportunity for the PSR to future-proof for managing subsequent phases of COP – given both the current uncertainty over the timing of the rest of COP and the absolute certainty that firms' wider regulatory burden will continue to grow.

HSBC UK Bank plc

We have no objection against the PSR's proposed course of action.



York House
23 Kingsway
London WC2B 6UJ



@BSABuildingSocs
www.bsa.org.uk

BSA EU Transparency Register No: 924933110421-64

www.bsa.org.uk

The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £420 billion, and account for 23% of the UK mortgage market and 19% of the UK savings market.

Danske Bank

[Redacted]

Good morning

With regard to the email below Danske Bank do not have any objections to what is being proposed.

Kind regards

[Redacted]

[Redacted]

From: psrcommunications@psr.org.uk [<mailto:psrcommunications@psr.org.uk>]

Sent: 20 January 2020 11:43

To: psrcommunications@psr.org.uk

Subject: Consultation on proposed variation to Specific Direction 10

[Redacted]

[Redacted]

[Redacted]

[Redacted]

HSBC Bank plc

HSBC BANK PLC

CP20/1

CONFIRMATION OF PAYEE

PROPOSAL TO VARY SPECIFIC DIRECTION 10

RESPONSE TO CONSULTATION DATED JANUARY 2020

29 JANUARY 2020

Introduction

HSBC Bank plc (**HSBC**) is the UK's non-ring-fenced bank within the HSBC Group. HSBC Bank plc's customers in the UK include our Global Banking and Markets clients within our wholesale and investment banking division, relevant Financial Institutions, large UK Corporate Banking customers and customers of non-UK branches of HSBC Bank plc. This includes those customers for whom we provide Indirect Access to one or more of the UK's main payment systems via our own Direct Access to these systems under a contractual arrangement.

HSBC welcomes the opportunity to respond to the Payment Systems Regulator's (PSR) consultation on proposed variations to Specific Direction 10 (SD10). A separate response has been submitted from HSBC UK Bank plc.

As noted in our previous responses to the PSR consultations on Confirmation of Payee, HSBC is supportive of Confirmation of Payee (CoP) and we are committed to its delivery. Given the need for interoperability in CoP services, we support the use of a direction. We believe a regulatory approach is helpful to drive widespread industry adoption ensuring significant market penetration when CoP goes live.

We were pleased to meet the first element of SD10 ahead of the deadline, requiring directed participants to respond to a CoP request made to them, from 31 December 2019.

Our response covers our view of the proposed changes to SD10 and our reasons for holding those views. It is structured as follows:

1. Our view of the proposal to introduce an additional basis for a directed Payment Service Provider ('PSP') to ask for an exemption from an obligation under the direction
2. Our view of the proposal to exempt HSBC UK Bank plc from the obligations of the direction in respect of accounts held with it that form part of its private banking business

Additional Basis for Exemption

HSBC broadly supports the proposal to vary the direction to add a new provision to allow a directed PSPs to apply for an exemption where it is not reasonable or proportionate to require that PSP to comply with an obligation or obligations under the direction. We agree that there may be circumstances, not qualifying as exceptional, that could justify an exemption; and support the PSR's suggestion that they take account of the objectives of SD10 when making decisions on applications.

Examples which we believe may be relevant and justified for an exemption may include:

- The transfer of an account from one technology platform to another

- Plans for new banking products or brands that were in active development on 1 August 2019 (the date SD10 was made) and where the application relates to particular types of accounts (for example, those held by types of corporate customers)
- Beta services, being used for service development and innovation
- Collection accounts that behave like Head Office Current Accounts or Suspense Accounts (which are excluded from SD10) but do not meet that definition.

However, we strongly support the statement in the consultation that whether an exemption should be granted will always depend on a detailed analysis of all the circumstances of a particular situation. As a result, a situation involving one of these examples may or may not justify an exemption and the list of examples is not intended to be exhaustive.

HSBC would expect the PSR to consider a range of factors when determining whether to grant the exemption. These might include:

- The risk of Authorised Push Payment scams and misdirected payments on the proposed channel or service
- Likely customer impacts
- Risk of customer detriment as a result of implementing SD10 on the channel or service seeking exemption
- Cost and resource to implement CoP on the channel or service seeking exemption, proportionate to the wider requirement to meet SD10
- Mitigations and plans to fulfil SD10 obligations in a reasonable time period
- Fairness in relation to delivery activity underway by other Directed PSPs

As with the current provision on exceptional circumstances, we would support and expect the PSR to impose conditions such as a new deadline for compliance with the obligation, where relevant and where it will support the PSR in meeting the objectives of Specific Direction 10.

As part of the PSR's notice to variation SD10, we encourage the PSR to consider whether any flexibility can be provided in relation to the concentration of CoP services launching across directed PSPs channels and brands in February and March 2020. Such flexibility could be valuable in order to mitigate the risks associated with this concentration, or to respond to customer detriment arising as a result of the concentrated rollout period.

HSBC Private Bank (UK) Limited

As noted in the consultation paper HSBC Private Bank (UK) Limited became part of HSBC UK on 1 January 2020 making it within scope for SD10.

We support the PSR's decision to propose that a notice of variation is issued for SD10, to specifically confirm that the private banking business within HSBC UK is not directed.

In our view, this is reasonable for the following reasons:

- When the PSR gave the direction in August 2019, it did not direct HSBC Private Bank (UK) Limited. In our view, there has not been a material change in the nature of the business, in private banking's customer base or risk of APP Scams or misdirected payments following the change in legal status of the business.
- The change in legal status does not impact the PSR's objectives regarding SD10, it is not relevant to impose Confirmation of Payee obligations in respect of accounts held previously at HSBC Private Bank (UK) Limited and now held within HSBC UK Bank plc as part of the private banking business (or new accounts opened by that business).
- The PSR's proposal to maintain its position from before the legal transfer of the HSBC Private Bank (UK) Limited to HSBC UK is in alignment with the exclusion of Royal Bank of Scotland's accounts held at its Adam & Co brand, as provided in the direction as originally given in August.

-oOo-

HSBC UK Bank plc

HSBC UK BANK PLC

CP20/1

CONFIRMATION OF PAYEE

PROPOSAL TO VARY SPECIFIC DIRECTION 10

RESPONSE TO CONSULTATION DATED JANUARY 2020

29 JANUARY 2020

Introduction

HSBC UK Bank plc (**HSBC UK**) is the main ring-fenced bank entity within the HSBC Group, which started trading on 1 July 2018. Our customers include HSBC personal and commercial customers in the UK as well as our retail brand first direct, which is a division of HSBC UK.

As noted in the consultation, on 1 January 2020, HSBC Private Bank (UK) Limited transferred to HSBC UK Bank plc, making it part of the same legal entity and part of HSBC UK.

The Group also includes Marks and Spencer Financial Services Limited (trading as M&S Bank) which is a separate legal entity and direct subsidiary to HSBC UK.

HSBC UK welcomes the opportunity to respond to the Payment Systems Regulator's (PSR) consultation on proposed variations to Specific Direction 10 (SD10). A separate response has been submitted from HSBC Bank plc.

As noted in our previous responses to the PSR consultations on Confirmation of Payee, HSBC UK is supportive of Confirmation of Payee (CoP) and we are committed to its delivery. Given the need for interoperability in CoP services, we support the use of a direction. We believe a regulatory approach is helpful to drive widespread industry adoption ensuring significant market penetration when CoP goes live.

We were pleased to meet the first element of SD10 ahead of the deadline, requiring directed participants to respond to a CoP request made to them, from 31 December 2019.

Our response covers our view of the proposed changes to SD10 and our reasons for holding those views. It is structured as follows:

1. Our view of the proposal to introduce an additional basis for a directed Payment Service Provider ('PSP') to ask for an exemption from an obligation under the direction
2. Our view of the proposal to exempt HSBC UK Bank plc from the obligations of the direction in respect of accounts held with it that form part of its private banking business

Additional Basis for Exemption

HSBC UK broadly supports the proposal to vary the direction to add a new provision to allow a directed PSPs to apply for an exemption where it is not reasonable or proportionate to require that PSP to comply with an obligation or obligations under the direction. We agree that there may be circumstances, not qualifying as exceptional, that could justify an exemption; and support the PSR's suggestion that they take account of the objectives of SD10 when making decisions on applications.

Examples which we believe may be relevant and justified for an exemption may include:

- The transfer of an account from one technology platform to another
- Plans for new banking products or brands that were in active development on 1 August 2019 (the date SD10 was made) and where the application relates to particular types of accounts (for example, those held by types of corporate customers)
- Beta services, being used for service development and innovation
- Collection accounts that behave like Head Office Current Accounts or Suspense Accounts (which are excluded from SD10) but do not meet that definition.

However, we strongly support the statement in the consultation that whether an exemption should be granted will always depend on a detailed analysis of all the circumstances of a particular situation. As a result, a situation involving one of these examples may or may not justify an exemption and the list of examples is not intended to be exhaustive.

HSBC UK would expect the PSR to consider a range of factors when determining whether to grant the exemption. These might include:

- The risk of Authorised Push Payment (APP) scams and misdirected payments on that channel/service
- Likely customer impacts
- Risk of customer detriment as a result of implementing SD10 on the channel or service seeking exemption
- Cost and resource to implement CoP on the channel or service seeking exemption, proportionate to the wider requirement to meet SD10
- Mitigations and plans to fulfil SD10 obligations in a reasonable time period
- Fairness in relation to delivery activity underway by other Directed PSPs.

As with the current provision on exceptional circumstances, we would support and expect the PSR to impose conditions such as a new deadline for compliance with the obligation, where relevant and where it will support the PSR in meeting the objectives of Specific Direction 10.

As part of the PSR's notice to variation SD10, we encourage the PSR to consider whether any flexibility can be provided in relation to the concentration of CoP services launching across directed PSPs channels and brands in February and March 2020. Such flexibility could be valuable in order to mitigate the risks associated with this concentration, or to respond to customer detriment arising as a result of the concentrated rollout period.

HSBC Private Bank (UK) Limited

As noted in the consultation paper and above, HSBC Private Bank (UK) Limited became part of HSBC UK on 1 January 2020 making it within scope for SD10.

We support and welcome the PSR's decision to propose that a notice of variation is issued for SD10, to specifically confirm that the private banking business within HSBC UK is not directed. Our reasons are as follows:

- When the PSR gave the direction in August 2019, it did not direct HSBC Private Bank (UK) Limited. There has not been a material change in the nature of the business, in private banking's customer base or risk of APP Scams or misdirected payments following the change in legal status of the business.
- The change in legal status does not impact the PSR's objectives regarding SD10, it is not relevant to impose Confirmation of Payee obligations in respect of accounts held previously at HSBC Private Bank (UK) Limited and now held within HSBC UK Bank plc as part of the private banking business (or new accounts opened by that business).
- The PSR's proposal to maintain its position from before the legal transfer of the HSBC Private Bank (UK) Limited to HSBC UK is in alignment with the exclusion of Royal Bank of Scotland's accounts held at its Adam & Co brand, as provided in the direction as originally given in August.

More broadly, and as stated in our response to the consultation on a Specific Direction for Confirmation of Payee in June 2019, we do not believe SD10 should apply to the private banking business within HSBC UK for the following reasons:

- *[Confidential text]*

However, it is important for us to confirm that the private banking business within HSBC UK is within scope for our overall CoP programme *[confidential text]*.

[Confidential text]. We propose to keep the PSR apprised of our progress through our bi-monthly status reports, starting March 2020.

-oOo-

LBG

LLOYDS BANKING GROUP PLC
CP20/1- Confirmation of Payee: Proposal to vary
Specific Direction 10

Submission Date 29 January 2019

Response to Consultation Questions

1. WE PROPOSE TWO CHANGES TO SD10:

TO INTRODUCE AN ADDITIONAL BASIS FOR A DIRECTED PAYMENT SERVICE PROVIDER ('PSP') TO ASK FOR AN EXEMPTION FROM AN OBLIGATION UNDER THE DIRECTION (THE ONLY CURRENT BASIS RELATES TO EXCEPTIONAL CIRCUMSTANCES).

TO EXEMPT HSBC UK BANK PLC FROM THE OBLIGATIONS OF THE DIRECTION IN RESPECT OF ACCOUNTS HELD WITH IT THAT FORM PART OF HSBC GROUP'S PRIVATE BANKING BRAND.

WE WOULD LIKE TO KNOW WHAT YOU THINK OF OUR PROPOSED CHANGES TO SD10 AND WHY YOU HOLD THAT VIEW.

- 1.1 Lloyds Banking Group agrees with the PSR's proposal to introduce an additional basis for a directed PSP to ask for an exemption from an obligation under the direction.
- 1.2 We continue to support the need to enable a confirmation of payee service for customers of the six directed banking groups from 31 March 2020, which was mandated by way of Specific Direction 10 in August 2019. We are aware though that obstacles to delivery in some specific areas have emerged since the direction was issued, and so were not known when the PSR was finalising the wording of the direction.
- 1.3 We have reviewed the PSR's list of examples where it considers an extension *may* be justified, but where the circumstances are not necessarily exceptional. Having done so, we agree that it is pragmatic to add a new ground to the direction that an exemption can be sought on the grounds that it is not reasonable or proportionate to require the directed bank to comply with an obligation under the direction.
- 1.4 Regarding the proposal to exempt HSBC UK Bank plc from the obligations of the direction in respect of accounts held with it that form part of HSBC Group's private banking brand, we agree with the PSR's rationale and have no further comments.

Nationwide

Confirmation of Payee: Proposal to vary Specific Direction 10

Thank you for the opportunity to respond to the proposal to update Specific Direction 10 (Confirmation of Payee).

Nationwide agrees with your proposal to add the *'new provision to allow a directed PSP to apply for an exemption where it is not reasonable or proportionate to require that PSP to comply with an obligation or obligations under the direction'*.

Our reasons for this are similar to those laid out by the PSR. While it could be that an exceptional circumstance could make a requirement to comply with the Direction disproportionate or unreasonable, the addition of the new provision enables participants to apply for an exemption where the circumstances are not exceptional but where compliance with the Direction would be disproportionate or unreasonable.

Given the very limited window now to the regulatory compliance date, we would request that rather than, as set out in section 3.8 of the consultation, PSPs with existing applications for exemption re-submit these under the new grounds, the PSR could consider whether requiring compliance in those circumstances would be proportionate or reasonable on the basis of the existing application. Our reason for this being that in many cases the information submitted by PSPs will apply to that question. If the information submitted was not sufficient in a specific case, then the PSR could notify the PSP that it would have an opportunity for a further submission.

Natwest

CP 20/1

**Confirmation of Payee - consultation
on the proposal to vary Specific Direction 10**

National Westminster Bank plc response

January 2020

Response

NatWest¹ welcomes the PSR's action to consider a variation to Specific Direction 10 to introduce an additional basis for directed participants to ask for an exemption under the direction.

The initial exemption grounds of 'exceptional circumstances' which would reasonably prevent a participant from complying with its obligations under Specific Direction 10 seemed sufficiently wide to encompass many circumstances.

However, with no clear measure of how the PSR might assess what could be considered 'exceptional', we believe that some of the challenges that have emerged for example, corporate name matching complexities, are better covered by the new 'reasonable and proportionate' grounds.

As a bank that has [REDACTED], and [REDACTED] by [REDACTED] which we are working to deliver or to enhance matching capability. Please see the Appendix with [REDACTED].

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The experience of industry working together on CoP delivery has identified that, as with most large scale projects, a managed and phased rollout is better to ensure good technical performance (here real-time accurate responses) and for front line and operational support staff to manage queries and issues that emerge effectively. This means that phasing of certain business channels may be beneficial in more ways to good CoP delivery.

In the current stage of our delivery, we [REDACTED].

We look forward to the PSR's findings once it has considered responses submitted and note that these can be expected in February. We would also welcome guidance for firms to follow to ensure that current or new exemption requests are updated or submitted using the correct reason, as well as a clear indication of when participants might expect to receive the PSR's decision on any exemption request.

We also confirm that we have no objection to the PSR's proposal to exempt HSBC UK Bank plc from the obligations of the direction in respect of accounts held with it that form part of HSBC Group's Private Banking brand, based on the information which the PSR has provided in section 4.

Appendix:

¹ NatWest means National Westminster Bank plc responding for itself and its affiliates and subsidiaries. These cover The Royal Bank of Scotland plc, Coutts and Company and Ulster Bank Limited.

We set out here, those exemptions we have made and are considering. Those made are referred to in more detail in our January Progress Report to the PSR.

Exemption	Grounds
<p>██████████ – send</p> <p>One Account – send – revised – pre-exemption update</p>	<p>Reasonable and proportionate grounds - reducing use channels with low fraud volumes and customer assistance by trained staff. ██████████</p> <p>Reasonable and proportionate grounds, although we continue to consider whether we may seek its full exemption because of the product type.</p> <p>This is a legacy mortgage product, closed to new customers, with ability for customers to make payments. This has been under review as part of a wider mortgage replatforming programme. The full review has concluded that payments should in future be supported for CoP, but as yet the way forward is not decided on, nor delivery timing certain. We will make a decision during February and seek an exemption once PSR has advised the outcome of its proposal to vary SD10.</p>
Bankline Classic	<p>Reasonable and proportionate grounds - Bankline Classic is a legacy channel and the number of customers using it continues to reduce. We continue to be on track to deliver CoP send capability into the channel ██████████ and consider the new grounds a more appropriate exemption designation, if approved.</p>
<p>██████████</p> <p>██████████</p>	<p>Reasonable and proportionate grounds - we notified the PSR of our decision ██████████</p> <p>██████████. This ██████████</p> <p>██████████ by the mandated date.</p> <p>We will submit a formal exemption application and would welcome the PSR's view on whether the grounds proposed are the appropriate ones to use.</p>
Complex Business products – receive - new	<p>Reasonable and proportionate grounds - specialist account products which allow the bank and professional firms to manage client monies through individual designated accounts. PSR is aware of these name matching challenges. We have not requested an exemption for these, but plan to so because of the name matching complexities.</p>
Bó – receive and send – to be revised	<p>Exceptional circumstances grounds - Bó is a digital brand of NatWest which was in its internal beta-development stage at 1 August 2019 and did not exit this until November 2019.</p> <p>Although Bó plans to deliver CoP, it remains our view that it should be exempted fully from the SD10 to deliver CoP, in the same way as other smaller and new firms.</p>

----- end of response -----

Northey Point



CP20/1- Confirmation of Payee: Proposal to vary Specific Direction 10

To: PSR Confirmation of Payee Consultation: cop.consultation@psr.org.uk

Background:

UK Finance report that the finance industry prevented £820 million of unauthorised fraud in the first half of 2019, up 14 per cent on the previous year. This is equivalent to £2 in every £3 of attempted unauthorised fraud being stopped, or £4.5 million of fraud being prevented a day.

Over the same period, UK Finance report that £408 million was stolen by criminals through unauthorised card, remote banking and cheque fraud and a further £208 million was lost to authorised push payment (APP) fraud.

Whilst not a silver bullet the implementation of Confirmation of Payee is expected to be an effective way of combatting Authorised Push Payment Scams. On 1 August 2019, the PSR gave Specific Direction 10 to members of the UK's six largest banking groups to fully implement Confirmation of Payee by 31 March 2020.

The PSR is consulting on a proposal to vary Specific Direction 10 (SD10) on Confirmation of Payee.

Two changes to SD10 are proposed:

- to introduce an additional basis ('justified') for a directed Payment Service Provider ('PSP') to ask for an exemption from an obligation under the direction (the only current basis relates to 'exceptional' circumstances).

and

- to exempt HSBC UK Bank plc from the obligations of the direction in respect of accounts held with it that form part of HSBC Group's Private Banking brand.

The PSR notes that the consultation will be of particular interest to PSPs, especially those subject to the obligations of the direction, and to others with an interest in the introduction of Confirmation of Payee.

As a provider of payments advisory services and a commentator on the changing landscape of payments in the UK, Northey Point Limited is pleased to be able to provide feedback on the proposed changes to SD10.

Response:

Payment fraud has a devastating impact on victims, the money stolen goes on to line the pockets of organised criminal gangs involved in drugs, arms and human trafficking.

Given the devastating human and corporate impact of payment fraud it should always be considered that, unless there is a very exceptional reason, it is both reasonable and proportionate to require the directed PSP to comply with the obligation of SD10.

To the person who has been subjected to a fraud it will seem perverse to suggest that resources were concentrated on introducing processes that most benefited the achievement of the wider objective and allowed the regulator to concentrate its work on monitoring compliance on the areas that were deemed to be most useful to ensuring the wider objective was met.

The PSR has stated that its objective in giving the SD10 direction is to seek a significant reduction in losses due to authorised push payment (APP) scams and accidentally misdirected payments. Rather than seek to provide further exemption criteria to the recipients of SD10 that would only serve to dilute the effectiveness of the Direction it would be more appropriate for the PSR to (a) hold the recipients to account in complying with SD10 and (b) seek a full and speedy market wide addition of Confirmation of Payee.

When seeking to address payment fraud it is incumbent upon the PSP's to serve their customers well and not afford their customers lesser levels of protection by virtue of where their account is domiciled or the limitations of the technology that is used to process their payments.

Also, given the nature of the Confirmation of Payee proposition and the changing shift in liability the PSP also has a unique obligation to the sender of the payment (and their PSP) to be able to confirm (or not) that money is being sent to the legitimate recipient. The sender of the payment should not be made vulnerable when seeking to validate a beneficiary prior to making a payment.

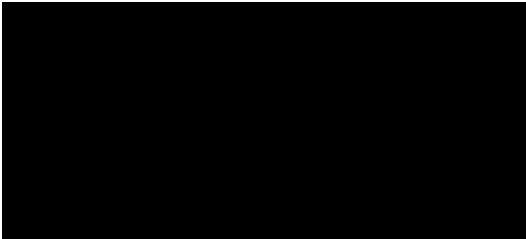
In a similar vein to the above, it would seem to inappropriate from the perspective of both the sender and the receiver of a payment to deem that a subset of accounts held within HSBC UK Bank plc should not be subject to Confirmation of Payee obligations. Whilst SD10 was directed at defined PSP's in the UK there should be an expectation that, over time, all PSP's will afford the protections provided by Confirmation of Payee to all payments.

Conclusion:

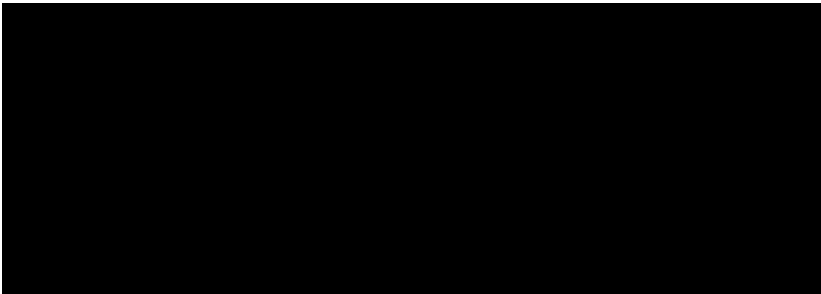
SD10 already provides for exemptions for to be permitted for 'exceptional' circumstances and given the importance of minimising customer detriment and addressing fraudulent and

misdirected payments the exemption threshold should remain 'exceptional' and, when granted, always include a revised date for compliance (i.e. an end date).

Confirmation of Payee will be most successful in reducing fraudulent and misdirected payments when the full range of join the PSPs directed under SD10. The benefits of the new service should not be diluted by way of open ended exemptions for PSP sub brands, if there is a case for an exemption it ought to progressed under the existing provisions for time-bound 'exceptional' exemptions.



Santander



Confidential

Good afternoon,

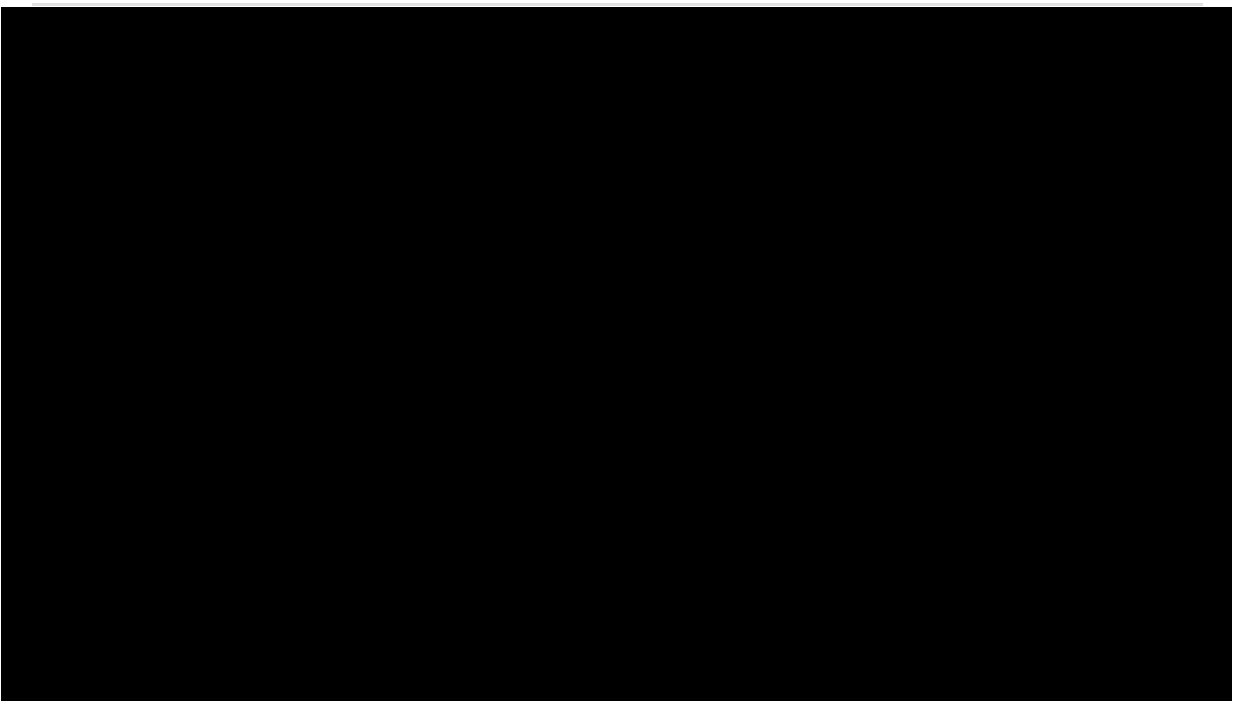
Thank you for your email dated 20th January 2020 regarding the consultation on proposed variation to Specific Direction 10.

Santander continues to support the introduction of Confirmation of Payee, recognising the value and added protection it could bring to the market. We welcome the proposed variation, and thank the PSR for their ongoing support to the Industry and look forward to discussing our application in due course.

We have no material comments on the proposed variation, please accept this note as our approval.

Many thanks,





UK Finance

CP 20/01 – Proposal to vary Specific Direction 10

UK Finance Response

Date: 29 January 2020

Address: Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

Sent to: cop.consultation@psr.org.uk

UK Finance is the collective voice for the banking and finance industry.

Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

UK Finance is pleased to respond to the PSR's consultation on their draft amendments to Specific Direction 10 regarding the industry's implementation of Confirmation of Payee (CoP). We are glad to see the PSR responding to their ongoing discussions with firms implementing CoP. Our members remain in full support of the implementation of CoP in a collaborative, pro-competitive and cohesive manner that will result in a beneficial outcome for end-users.

In particular: both the provision of an exemption for HSBC Private Bank (UK) Ltd accounts, similar to the exemption granted to the Royal Bank of Scotland's accounts held at its *Adam & Co* brand; and the provision for other firms facing similar unreasonable or disproportionate circumstances to gain such an exemption are sensible propositions by the PSR to help the industry manage the level of change required across the industry. This will help to ensure that appropriate resources are dedicated to bringing the benefit of CoP to the customers of these financial institutions responsible for an estimated 90% of retail interbank payments made in the UK.

The implementation of CoP by firms will take place over a relatively short period of time, as the industry is a little over two months away from the PSR's deadline. Should clear customer detriment be identified in the rapid deployment of this capability to businesses and consumers, it may be necessary for the industry to swiftly respond to these detriments and, working with the PSR, establish a suitable direction forward. The inclusion of this criteria would help to ensure the smooth deployment of this functionality to its users.

UK Finance also understand that the PSR has received applications from its members for limited exemptions under previous criteria. Given the short timescales between the finalisation of any amendments and the current deadline of the 31 March 2020. UK Finance request that the PSR consider existing applications for exemptions under the new criteria, rather than requiring a renewed submission; particularly where information common to both assessments should have been provided in the initial application.

One of the objectives of Specific Direction 10 is '*a significant reduction in losses due to APP scams and accidentally misdirected payments.*' It is relevant to consider to what extent exemptions from the implementation to deploy CoP within the original dates mandated by the PSR are to be made

public. Customers whose accounts are made exempt from any obligation to implement CoP may be put at greater risk of fraud. UK Finance invites the PSR to consider how this potential risk to consumers may be mitigated within their supervisory process.

In order to support the implementation of CoP, we recognise the importance for the PSR to be able to introduce new deadlines for compliance to any exemption and are sure that the industry and the PSR will be able to agree upon suitably adjusted timelines in order to minimise the harm to consumers, resulting from any delayed implementation deadlines.

CoP will involve a significant change to the manner in which consumers and businesses within the UK make and receive payments and it is important that all parties are suitably prepared for this change.

If you have any questions relating to this response, please contact

[REDACTED]

[REDACTED]

[REDACTED]

Which ?



29 January 2020

Dear 

This letter is in response to the PSR's Confirmation of Payee consultation: Proposal to vary Specific Direction 10.

Authorised push payment (APP) fraud is having a devastating impact on its victims and the introduction of Confirmation of Payee (CoP) is a crucial step in drastically reducing this fraud. In our previous consultation response we set out our position that it should be a requirement for all payment service providers using Faster Payments and CHAPS to both respond to and send CoP requests. We were disappointed at the decision to only apply the obligation to the institutions named in the Specific Direction and we cannot endorse a proposal to further reduce the reach of CoP.

Our view remains that without complete coverage of both institutions and payment channels scammers will simply target those areas not covered. This lack of consistency will be both confusing for consumers and potentially undermine the effectiveness of the Contingent Reimbursement Model Code.

While there may well be good technological reasons to temporarily extend the introduction of CoP for certain brands, the consultation document fails to provide sufficient detail to either explain what the technological challenges are, or to assure us that these institutions have taken appropriate mitigating actions to avoid these delays. In any circumstance we believe that the current 'exceptional circumstances' exemption provides the PSR an opportunity to address the issues raised in the consultation, and the widening of exemptions to include 'where it is not reasonable or proportionate' is not required.

Furthermore, we are concerned that the late timing of this Proposal creates the appearance of rewarding institutions for not engaging properly with this process. As we highlighted in our response to the PSR consultation of last year, CoP has been under consideration since at least 2011 by the then Payments Council and to exempt further providers, for example, for developments under way as late as August 2019 cannot be justified. It is inconceivable that institutions have not been aware of these proposed developments for many years.

Overall we are concerned about the lack of detail within the consultation. In addition to the



exceptionally short timeframe to respond, there is not enough information to make an informed decision. For example, there is no clarification if an exemption is temporary or permanent. Nor is there any clarification of the number of institutions or accounts this may capture, nor the percentage of transactions it may affect now or in the future. Nor is there any explanation on what impact this will have on the value of frauds to be prevented.

It would appear that significant discussions have taken place between institutions and the regulator to get to this point, although the detail of these has not been shared. While we understand that in circumstances like this certain confidentiality must be maintained, there still remains an obligation to provide enough information to enable effective engagement from all interested stakeholders, not just one group. A reasonable consultation process ought to include proper consideration of informed consumer insight given that CoP is seeking to address the devastating consumer detriment caused by APP fraud.

There have been fewer than eight complete working days between the publication of the consultation on Monday 20 January and today's deadline. Given the clear gap in the provision of information and the timeframe we have serious concerns that any decisions taken on the basis of this consultation will be both flawed and procedurally unsound.

It is important we all take responsibility in the face of rising APP fraud. We urge the PSR to not reduce the scope of CoP any further for risk of undermining the overall objective of reducing APP scams and misdirected payments.

Yours sincerely,

A black rectangular redaction box covering a signature or name in the bottom left area of the letter body.