GD 2 & 4 Compliance Report – 2019

Purpose

This template comprises a set of forms and associated guidance to assist the operators of regulated payment systems in completing the compliance reports that are required by the PSR General Directions on Access and Governance. The table below summarise which of General Directions 2 and 4 is applicable to each operator:

Operator	GD2	GD3	GD4
Pay.UK (Bacs)	√		√
Pay.UK (C&CCC)	√		√
Pay.UK (FPS)	√		√
LINK		√	√
MASTERCARD		√	
VISA		√	

Operators must comply with our directions and also report annually on how they're achieving compliance. In doing this, it will be important to reflect on the principles-based nature of the obligations that are in place.

This key evidence will show how you have responded to these rules over the 12-month period from 1 October 2018 to 30 September 2019.

Confidential information

We recognise you deal with confidential information, some of which is relevant to the reporting arrangements. This information can be provided in one of the confidential annexes which are set out as part of this template. Information not contained within the annexes will not be treated as confidential and may be published in the course of our reporting on operators' compliance with these general directions.

Supporting documents

In completing the forms in this template you should reference documents to evidence your descriptions (i.e. Web links to public documents; sections where relevant). If any supporting documents are confidential they should be provided to us separately and marked up as confidential.

Contacting us

We hope the forms are clear, but if you have any questions please feel free to contact ███████████████████████ ██████████████████ .

Form A - General Direction 2

Please complete the form below. The main headings relate to the reporting requirements of general direction 2 (2.4, a-f). The sub-headings provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

GD2.1 Self-assessment by the operator on compliance of its access requirements with the obligation in Direction 2.1 throughout 2018/19.	
GD2.1.1 Please state whether you have or have not complied with General Direction 2 to have objective, risk-based and publicly disclosed access requirements which permit fair and open access. Please include a summary relevant to your response.	Pay.UK considers that it is compliant with General Direction 2.1 which requires us to have "…objective, risk-based and publicly disclosed access requirements which permit fair and open access…" and the activities and changes that have been reported within this report demonstrates our compliance. No significant changes have been made to our access requirements since last year's compliance report, as we deem them to be efficient and fair. As a result of scheme consolidation, Pay.UK is taking steps to harmonise the on-boarding process by reviewing its legal policies and documents. Any confidential information is highlighted in yellow.
GD2.1.2 Please highlight any changes to your access requirements over 2018/19 (that are now complete). Where changes have been made, please explain the impact on GD2.	Following good progress noted in the PSR's 2019 report, Pay.UK has kept its on-boarding process under review but has made no significant changes this year. **Bacs and FPS On-boarding.** No changes have occurred in relation to Bacs and FPS access requirement or on-boarding process. (It is envisaged that this will develop over the next 6 – 12 months – see 2.5.2). Previous work on our access requirements continues to bear fruit. (For all Directly Connecting Settling Participants (DCSP) please see 2.2.1). **FPS Directly Connected Non-Settling Participants (DCNSP.** In 2018 two DCNSPs joined FPS and are both now live. Revolut joined Pay.UK in August 2019 and there is interest from another PSP to join as a DCNSP for 2020.

	██ ██ ████████████████████ **Non-Bank PSP (Client Funds) Model.** This participation model is now fully implemented and we have three Non-Bank PSPs Clients Fund Participants in FPS to date who have been the first to migrate from the 'Own Funds' Model to 'Client Funds' Model.
GD2.1.3 Where applicable, please highlight how you have addressed the focus areas that we had identified in the 2019 Access and Governance report.	The PSR's 2019 report requested Pay.UK keep on-boarding under review following good progress in previous years. The on-going work and changes that have occurred during this reporting period are described under 2.1.2 and 2.5.1.

GD2.2 Details of all occasions in the 2018/19 period when an expression of interest in potentially securing direct access or direct technical access has been made and details of the operator's response to, and outcome of, such expression of interest.

GD2.2.1 Information for publication on new members and demand for access.	**Pay.UK On-boarding Schedule (inc. ring-fenced Banks)** Correct as 25.10.2019.

Bacs

Expressions of interest	Signed letters of intent	New members during reporting period	No. of participants
➢ 2	➢ 0	➢ 2	➢ 20

Faster Payments

Expressions of interest	Signed letters of intent	New members during reporting period	No. of participants
➢ 5	➢ 3	➢ 10	➢ 34

ICS (Settlement and Switch)

Expressions of interest	Signed letters of intent	New members during reporting period	No. of participants
➢ 3	➢ 1	➢ 0	➢ 18

GD2.2.2 Confidential information on demand for access.	Not applicable for this reporting period.

GD2.3 Details of all occasions in the <u>2018/19</u> period when an enquiry or objection regarding potential changes to the *access requirements* has been made to the *operator* and details of the *operator's* response to, and outcome of, such enquiry or objection.	
GD2.3.1 Please detail the number of enquires made to change your access requirements including a summary of the processes followed to deal with those enquiries.	Pay.UK did not receive any feedback from any Participant in relation to the access requirements this reporting period.
GD2.3.2 Please detail the number of objections made to any proposed changes to your access requirements including a summary of the process followed to deal with those enquiries.	Pay.UK has not formally received any objections in relation to access requirements from its Participants during this reporting period.
GD2.3.3 Confidential information on enquiries and objections.	Not applicable for this reporting period.
GD2.4 Details of all occasions in the <u>2018/19</u> period when the operator has engaged with, and considered, the views of payment service providers and other interested parties on the operation and effectiveness of its access requirements.	
GD2.4.1 Confidential information on views express relating to the operation and effectiveness of the access requirements.	Not applicable for this reporting period.

GD2.5 Details of any anticipated *operator* review, or engagement with *payment service providers* and other interested parties, that the *operator* plans to take over the following 12-month period in relation to its *access requirements*.

GD2.5.1 If you have work **on-going** reviewing your access requirements please include a description of that work, the progress that has been made so far, and the expected completion date.	There are no updates in regards to reviewing access requirements, however following consolidation of the Bacs Payment Schemes Limited (BPSL/Bacs), Faster Payments Scheme Limited (FPSL), and the Cheque & Credit Clearing Company (C&CCC) into Pay.UK, steps have been taken by Pay.UK to harmonise the on-boarding process, bringing on-boarding documents for FPS and Bacs in line with Pay.UK policies, with further synergies planned going forward. For participants joining FPS or Bacs under the 'client funds' participation model there is now a single document used to collateralise the security held in the prefunding account at the Bank of England which is executed and entered into by the participant and which applies to their participation in both Bacs and FPS (Single Settlement Trust Deed). Participants often first on-board onto either FPS or Bacs and then a few months later on-board onto the other and therefore this new document effectively makes on-boarding between the two schemes much easier and more streamlined as there is this one document in common. We are also aligning processes described in the FPS Rules, Bacs Rules and ICS manual so that they are the same (or as close as reasonably practicable) across the payment schemes making it simpler for Participants to understand and operate. This includes, for example, the appeals process (which is currently very different for each scheme), data privacy approach (to align with the unified Pay.UK data privacy policy); fraud information sharing, etc. Other 'on-boarding documents' such as the 'service principles' document are also being reviewed with a view to unifying the approach as we move into operating as a single organisation.

GD2.5.2 If you are **planning** to review your access requirements in the next 12 months please include a description of the planned work.	As mentioned in 2.5.1. Pay.UK will continue to work on opportunities to harmonise on-boarding processes (and requirements) over the next 12 months where possible/viable. Work has already started on the assurance activities across the individual Service Lines as well as on-boarding processes to ensure best practice is administered where prospective PSP's are looking to join a particular (or all three) Service Line(s).

GD2.6 Details of any anticipated future developments that the *operator* considers may require or justify material updates or changes to its *access requirements*.

GD2.6.1 Please provide an explanation of any anticipated future external developments you have identified that will impact on your access requirements.	████████████████████████████████ ████████████████████████████████ ███████████ In addition, please see answers provided in GD 2.5.2.

Form C - General Direction 4

Please complete the form below, ensuring that you respond to each section of the paper. The <mark>main headings</mark> relate to the reporting requirements of general direction 4 (4.2, a-c). The sub-headings provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

GD4.1 self-assessment by the *operator* on compliance with the obligation to represent the interests of service users in the operators governing body's decision, contained in General Direction 4, over **2018/19**	
GD4.1.1 Please state whether you have or have not complied with General Direction 4 to ensure that there is appropriate representation of the interests of service-users in your governing body's decision-making processes. Please include a summary relevant to your response.	Pay.UK considers it is compliant with General Direction 4 which requires us "…to ensure appropriate representation of service-users' interests in the decision-making processes of their governing bodies and to report on compliance with this direction. <mark>Any confidential items are highlighted in yellow.</mark> Service Users underpin everything Pay.UK does, and Pay.UK has worked hard to ensure that they are engaged in our activity and have the opportunity to input into Pay.UK decision making. We recognise that effective engagement is critical during this period of change for the industry to ensure we deliver safe and secure services that are fit for purpose develop, innovative products for the future and address detriments referenced in the PSODG Report. The activities described in this report continue to ensure that Pay.UK complies with the requirements and obligations set out in the PSR General Direction 4.
GD4.1.2 Please highlight any changes to the manner in which you have engaged with service-users in order to ensure there is appropriate representation within decision making processes. Please include any changes to Governance arrangements.	Pay.UK uses a number of channels to engage with service-users depending on the nature of the issue and who is impacted by it. This has ranged from regional roundtables to our public consultation processes. Following consolidation Pay.UK continues to develop its engagement strategy to ensure we capture feedback from the entire payments ecosystem. During this reporting period Pay.UK has used the following to engage its service users in key developments:

Consultations

Pay.UK has issued four consultations this year, where we considered this approach was the appropriate means of gaining an understanding of service user views.

1. **Facilities Management consultation**[1] Pay.UK carried out an industry consultation to obtain stakeholder views on how the FM accreditation approach and the Bulk Change Process (BCP) are functioning. We specifically asked for feedback around the use of the BCP for transferring Direct Debit Instructions for bundled products which include Regulated Financial Products. The FCA and the PSR have been engaged during this process.

2. **CRMF Call for information**[2] Our Call for Information seeking views on the UK Finance change request closed 1 October. The Request, received by Pay.UK in July, proposed a change to the FPS Rules for the payment of a CRM Fee to fund the reimbursement of all customers who fall within the category of 'no blame' as per the assessments outlined within 'The Contingent Reimbursement Model Code for Authorised Push Payment Scams'. We received c.40 responses in total from a broad range of stakeholders and are currently analysing these. The Pay.UK Board will make a decision at its November meeting and we will update the PSR following this. We are aiming to publish our decision by the end of November.

3. **FPS Migration Questionnaire**[3] We sent the FPS Migration questionnaire to existing and future FPS members, payment aggregators and other interested parties, to consider how best to transition FPS onto the NPA. We received a good response to the questionnaire. We are currently assessing the responses and working on a communication plan for the results.

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[1]https://www.bacs.co.uk/DocumentLibrary/Pay.UK%20Facilities%20Management%20Consultation%20Paper%20FINAL%20May%2019.pdf

[2] https://www.wearepay.uk/pay-uk-call-for-information/

[3] https://www.wearepay.uk/faster-payments-transition-questionnaire/

Governance

Following scheme consolidation, Pay.UK has continued to embed its new Governance framework. This framework continues to help us to ensure that service user views are appropriately represented in our decision making processes.

4. **Guarantors[4].** As a company limited by guarantee, our Guarantors hold our Board accountable for the continued fulfilment of our purpose and strategic objectives. Our aim is to build a balanced and representative group of Guarantors made up of participants and end users. We currently have 38 Guarantors representing different parts of the payments ecosystem. Pay.UK also runs an on-going engagement programme to encourage other organisations to become Guarantors.

   Pay.UK held its inaugural AGM on 11 September 2019. We plan to hold a Guarantors' Forum in March. This will focus on Pay.UK's purpose, strategic objectives and challenges, as well as reporting on our other fora (EUAC, PAC and PEF). The Guarantors' Forum discussions will not replicate the inputs of our other fora, rather they will help challenge us. We are in the process of seeking our Guarantors' views on this plan.

5. **End User Advisory Council (EUAC) and Participant Advisory Council (PAC).** Having been in place for the last 12 months, both of the Councils have published their first Annual Reports which cover their areas of focus over the last 12 months. Their work has provided feedback on Pay.UK's strategic approach to ensure we reflect the needs of our users. The annual reports can be found here:
   - **PAC:** https://www.wearepay.uk/participant-advisory-council-annual-report-published-by-pay-uk/
   - **EUAC:** https://www.wearepay.uk/the-end-user-advisory-council-annual-report/

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[4] https://www.wearepay.uk/who-we-are/guarantors/

6. **Participant Engagement Forum (PEF).** The PEF is attended by direct participants of our service lines. The PEF meets bi-monthly and covers a range of items, including the NPA Programme, Operations, Communications, Policy and Strategy. PEF is a senior-level meeting used by the Pay.UK Chief Operations Officer (COO) to update participants' Directors of Payments' on key topics. The COO reports PEF activity and discussions to the Pay.UK Board so that our participants' views are represented in the Pay.UK Board's decisions.

7. **NPA Advisory Groups[5].** Established from November 2018, these groups ensure that service user input into programme decision making is effective. Groups are formed strictly as required and disbanded when appropriate. For example, the Procurement Advisory Group was established in November 2018 but stood down in April 2019 as the programme's work shifted to focus on commercially sensitive information.

8. **NPA Transition working groups.** The transition working groups typically meet monthly (however activity is currently on hold due to the NPA reset), and consist of a cross section of stakeholders drawn from Direct Participants, Non-Settling and Indirect Participants, Third Party Service Providers/FinTechs, Directly Submitting Organisations and entities representing end-users. The groups provide advice to the NPA programme on the transition of services from the existing schemes to the NPA.

Engagement

Pay.UK recognises it has a broad range of service users, and in order to engage effectively with these users we use a number of communication channels. Some examples of our tailored engagement with service users are listed below.

9. **Facilities Management (FM) provider workshops.** We held a series of regional workshops during 2019. These support the Accreditation process for identified commercial FM providers that we introduced in response to the PSR Specific Direction 7 at the beginning of 2018. The workshops provide a forum for both improving the FM proposition and gaining insight into the potential introduction of automated processes.

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[5] https://www.wearepay.uk/new-payments-architecture-programme-advisory-groups/

10. **Direct Debit enhancements.** We have identified a series of potential enhancements to the Direct Debit product and we have engaged with stakeholders individually and collectively to confirm their requirements and ensure any solutions meet users' needs. We will use the outcome of this work to inform the priority of our identified enhancement opportunities and to develop a roadmap for delivery for 2020 onwards.

11. **Regional roundtable programme.** In response to feedback that our events were largely London-focused, which can make it hard for small regional businesses to engage, we have been implementing a programme of regional engagement. We have so far held roundtables in Manchester, with one more in Leeds scheduled for November. We have spoken to a range of stakeholders from around the country and the feedback has been very positive. We will continue this engagement programme in 2020.

12. **Affiliates**. The Electronic Affiliates Interest Group is made up of end user organisations, FinTechs, agency PSPs and intermediaries. This quarterly meeting provides updates on topics such as potential rule changes to allow users to feed into our decision making. It also helps us refine our products and services and our engagement approach. Recent workshops have focused on updates to the Direct Debit rules and Confirmation of Payee phase 2.

13. **End User Community**. Pay.UK founded its End User Community in August 2019 at a reception hosted by the End User Advisory Council. The Pay.UK End User Community comprises the wide range of people and businesses that use Pay.UK services every day. The Community provide valuable insights into Pay.UK's work from an end user point of view – a vital part of our decision-making process.

14. **Regular bilateral meetings.** Pay.UK executives hold regular bi-laterals with their counterparts within participant organisations. These meetings cover a wide ranging agenda across operations, strategy, stakeholder engagement and the New Payments Architecture, as well as wider industry developments. NPA Programme and Participant NPA Programme Directors also hold separate NPA bi-laterals.

15. **Wider corporate and end user engagement.** Pay.UK is looking to work in partnership with appropriate representative bodies. This will enable us to fulfil our position as a payments authority by engaging with, for example, corporate users of payments on Pay.UK priorities. Pay.UK 'partnering' could also lead to specific engagement opportunities, for example, industry fora and briefing sessions to inform a wider range of users about Pay.UK and its market catalyst activity. We are exploring opportunities to work in partnership with appropriate representative bodies in 2020 to help us engage with specific groups. Using industry fora and briefing sessions to inform a wider range of users about Pay.UK will help us implement our market catalyst activity and protect the needs of service users.

16. **Faster Payments Business Initiatives.** FPS has continued to collect and document service-users' views and engagement, for example, through the Development Forum. This approach has recently been helpful to our work to consider an increase to the FPS transaction limit. We have engaged with regulators, corporates and other businesses interested in the transaction limit change, and will reflect the outputs of these discussions in our eventual proposals to the Pay.UK Board.

17. **FPS Bilateral Meetings with existing and potential service-users.** The FPS Product team has continued to engage with a wide range of existing and potential future service-users and representative bodies. In 2019 the team spoke to over 90 organisations and to every Participant on a one-to-one basis at least once. These meetings increase awareness of FPS, educate service-users about current products and services, and ensure that service-users have the opportunity to share their views, feedback, ideas and concerns with regard to their payment experiences in general, and specifically their experience of FPS.

18. **Confirmation of Payee (CoP).** In early 2018 Pay.UK commissioned Trinity McQueen to conduct a series of roundtables with potential future service users to test and validate the CoP proposition and support the technical development of the CoP solution. Fieldwork took place in June and July 2018 and included testing with Pay.UK's End User Advisory Council. The findings from this research, published in October 2018[6], were key to finalising the rules and standards of the CoP proposition. ███████████████████████████████████████

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[6] https://www.wearepay.uk/wp-content/uploads/2019/10/Confirmation-of-Payee-brochure.pdf

	Pay.UK has identified four additional propositions for CoP that will be considered in Phase 2. To validate these we are conducting a series of service user-workshops, the first two of which took place in September 2019. Following successful validation, a broader programme of engagement will accompany the development of the rules and standards, planned to begin in early 2020. This work is being further supported by an on-going programme of regular engagement through the Confirmation of Payee advisory group. 19. **Request to pay (RtP)**[7]. Pay.UK has continued to engage stakeholders to develop and refine the RtP rules and standards throughout 2018/19, including regular advisory group meetings and a sandbox testing environment. To date more than 400 separate organisations have engaged with Pay.UK through the sandbox and these organisations have built over 100 repositories and applications. In January 2019 Pay.UK commissioned IPSOS Mori to conduct a series of roundtables and interviews with potential request to pay vendors and service users to independently validate the RtP proposition and to consider potential opportunities for the service and barriers to market uptake. We published the findings from this research in September 2019[8] and this will help inform the development of the final rules, standards and accreditation regime for the service, as well as a plan for future development In our role as market catalyst, Pay.UK continues to engage with potential request to pay vendors and service users in the lead up to the launch of the rules and standards, planned for Spring 2020.
GD4.1.3 Please highlight any changes to how discussions and decisions are fed back to service-users.	Pay.UK is committed to deploying effective engagement to support the organisation in harnessing user feedback in our decision making. Key decisions made by the business are communicated to service users through a number of channels, which we have referenced above in GD4.1.2. Examples include: 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16 and 17.

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[7] https://www.wearepay.uk/request-to-pay/
[8] https://www.wearepay.uk/independent-report-request-to-pay-exploring-industry-views-published/

GD4.1.4 Where applicable, please highlight how you have addressed the focus areas that we had identified in the 2019 Access and Governance report.	Pay.UK continues to focus on its new governance arrangements and engagement with stakeholders, Pay.UK has continued the work it has been doing throughout the year. Section 4.1.2 details our progress in these areas, specifically 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11.

GD4.2 Details of all occasions in 2018/19 when the operator has engaged with, and considered, the views of service-users (including indirect payment service providers) and other interested parties on the effectiveness of the representation of the interests of service-users in its decision-making processes of its governing body.

GD4.2.1 Confidential information on engagement with service-users.	In the past 12 months, the views of service-users on the effectiveness of the representation of their interests in Pay.UK's and individual scheme's decision-making processes of their governing bodies have been captured through the range of engagement activities with users as described in the previous sections.

██████████████████████████████ **or engagement with service-users (including indirect payment service providers) and other interested parties, that the operator plans to take over the following 12-month period in the representation of the interests of service-users in its decision-making processes of its governing body.**

GD4.3.1 If you have **on-going** work reviewing or changing your engagement with service users please include a description of that work. Please include the progress that has been made so far, the way in which stakeholders have informed the work, and the expected completion date.	**Stakeholder engagement** ████████████████████████████ Pay.UK is continuing to develop its strategic approach to stakeholder engagement and communications, and the effectiveness of any engagement mechanisms we have in place (as detailed above). As this work continues, we will consider any appropriate changes to our service user engagement.

	This approach relates to the way we engage with all Pay.UK and its managed services' external stakeholders, including regulators, government, standards bodies, participants, end users (people, businesses, charities, public sector organisations etc. that use Pay.UK's services), challenger banks and FinTechs, vendors and suppliers of products and services, individual members of the public and the media. **NPA Stakeholder Engagement** The NPA Directorate is currently recruiting a Stakeholder Engagement Lead, who will be responsible for end to end stakeholder engagement strategy and on-going management across the NPA Programme.
GD4.3.2 If you are **planning** to review or change your engagement with service users please include a description of the planned work. You should explain the aim of the work, the planned stages of the project and the expected completion date.	Pay.UK has considered how technology might be used in service user engagement to harness views to support decision making. We have invested in a Customer Relationship Management (CRM) system, which will be implemented from late 2019. In early 2020 we plan to review the role of our Affiliates group to ensure it continues to reach relevant service user communities and its feedback is captured and harnessed in our decision making. We are also considering how best to engage FinTechs on innovation and market opportunities, building on the success of the RtP sandbox.