

The background of the slide is a blurred photograph of a person's hands using a payment terminal. A semi-transparent logo is overlaid on the image. The logo consists of two overlapping rounded shapes, one yellow and one green, with the text 'payments strategy forum' centered within them.

payments
strategy
forum

New Payments Architecture
Risk Outline
29th September 2017

NPA Risk Outline - Agenda

Our starting point

What are we looking to achieve

What we have done so far

Key Risks and Mitigations

Actions and Next steps

Initial Risk Register – Consultation document

Risk Type	Description	Mitigation
Design	<ul style="list-style-type: none"> • The high level design is conceptual with unproven elements • The bulk payments solution is radical and unproven • High dependency on concurrent change programmes e.g. PSD2/Open Banking • Over-engineering may deter suppliers • Design may not fully meet customer needs 	<ul style="list-style-type: none"> • Extensive stakeholder engagement to validate and assess the detailed definitions prior to tendering • Ongoing design socialisation and transition planning • Ensure the NPSO has the right delivery capability and approach • Ensure detailed design definition is not over-engineered • Regular customer and end-user research
Implement	<ul style="list-style-type: none"> • Lack of transition capacity to implement including new ISO standards • Dependency on market (FinTechs/Suppliers) to provide end-user needs solutions • Timescales to build, test and implement not validated • Quality of industry testing may be insufficient • Industry and customer ability to adapt to change 	<ul style="list-style-type: none"> • Deliver an industry agreed implementation plan • Early and wide engagement and socialisation. In depth diligence checks and competitive tendering processes • In depth transition plan assessment and agreement • Best practice implementation with unambiguous criteria • Develop detailed understanding of all end-user needs and incorporate into overall programme
Operate	<ul style="list-style-type: none"> • NPA does not deliver expected benefits or operational performance • Service is interrupted during transition • No embedded knowledge of new system elements • Resilience/vulnerabilities are exposed • Unforeseen or additional run costs 	<ul style="list-style-type: none"> • Establish clear performance/benefits criteria at the initial definition phase • Agree phasing of migration and parallel running as identified • Extensive consultation and knowledge transfer to all stakeholder groups • Resilience and security to be at the core of programme • NPSO business case includes all stakeholder impacts
Adopt	<ul style="list-style-type: none"> • End-user education is insufficient for degree of change • Increased fraud exposure during transition • Pace of change is impacted by end user/PSP capabilities • Solution is not sufficiently scalable • NPA proposals are rejected, in part or whole, by stakeholder groups • Insufficient priority delays transition and adoption 	<ul style="list-style-type: none"> • Develop consistent cross industry comms plans • Engagement with financial crime prevention representatives across industry • Best practice implementation techniques for large scale projects • Designed in scalability with robust monitoring • Compelling comms and socialisation plans developed • Clearly signposted migration milestones and end dates

Ensure any risk analysis considers;

- The original PSF strategy outcomes
- End user detriments – existing and any newly identified
- Clear mitigating actions for each risk identified
- Assurance of NPA vision into NPSO
- Ownership for each identified action or mitigation

Examine the opportunity to independently ‘audit’ the risk analysis;

- Test the programme risks with independent industry risk expertise
- Identify any overlap with the ongoing Forum/NPSO activities and ensure alignment

Distinguish risks between different stakeholder groups e.g.

- PSP/user
- ‘Central’ delivery
- Handover risks

Explore and examine the activity that will be required to mitigate identified risks

Risk workshop with Payments UK (now UK Finance)

- Determined the summary risks
- Included in the Consultation and supporting document

Initial meetings with NPSO, including existing PSO teams and PSR to;

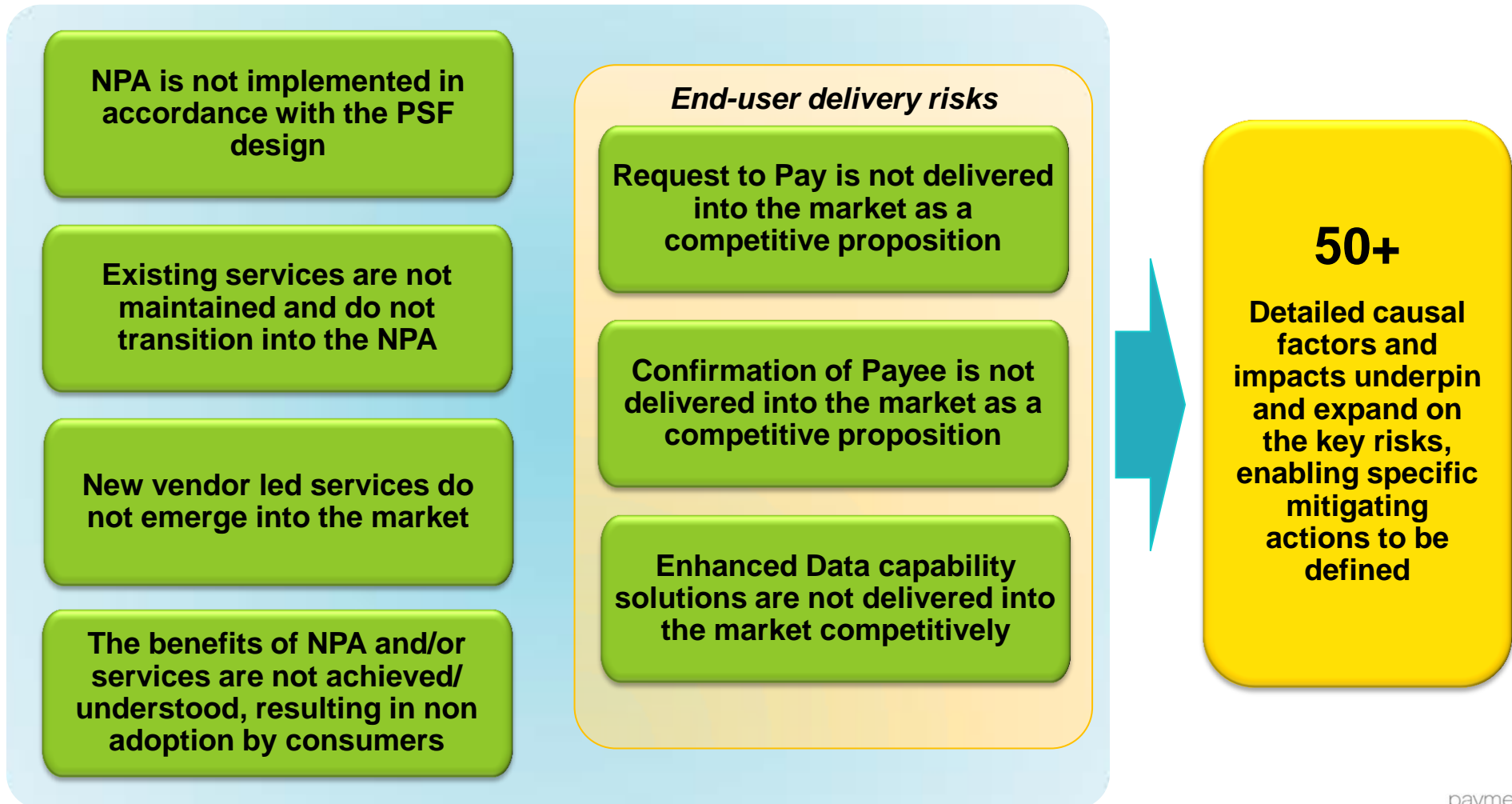
- Ensure alignment and avoid duplication
- Understand priorities and perspectives

First cut of a detailed risk register

- Determined key risk areas and mitigations
- Impact assessed
- Socialisation commenced to enable further refinement including;
 - Chronology
 - Consumer impacts
 - Ownership

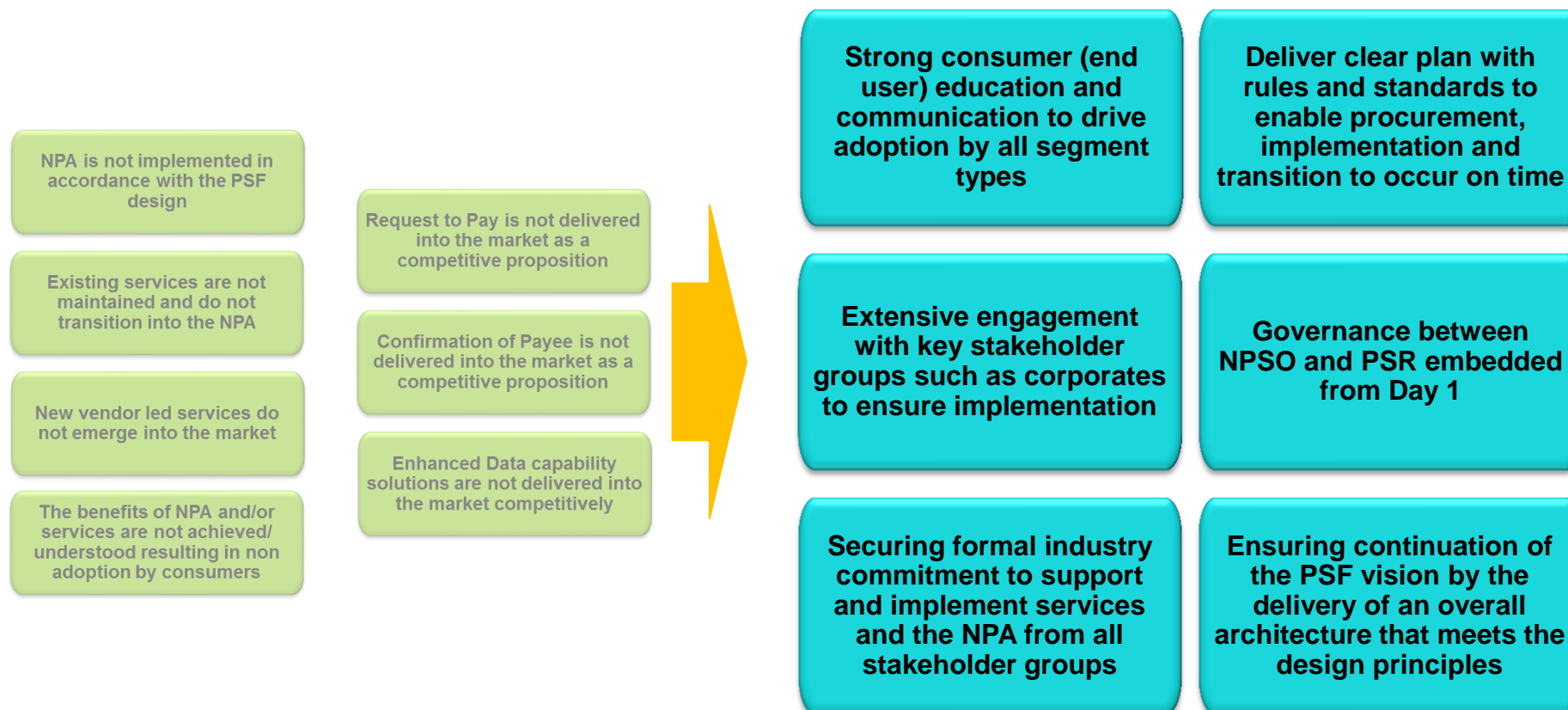
7 Key Risks have been Identified

Risks have been identified at a top level with a number of underlying detailed causal factors and impacts;



From these risks, 6 mitigating themes are emerging

The mitigation themes are being tested as part of the socialisation alongside the detailed causal factors and identified risks;



Socialisation will further refine the activity to identify detailed specific actions, priorities and owners

Create a delivery plan to manage risks

- Review and assessment of mitigations
- Wider socialisation to update including further engagement with PSP risk colleagues
- Define minimum assurance hurdles to satisfy industry risk appetite
- Ensure alignment and integration into NPSO activity
- Identify additional activity/scope to meet PSR needs and feedback
- Scope out independent audit activity
- Reaffirm scope of the work against each work stream activity

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Financial Crime Working Group (FCWG)

Risk Outline

29th September 2017

Financial Crime – Key Risks and Issues

- The following high level risks have been identified and applicable to all solutions:
 - Risk that consultation response are not supportive of the solution design and therefore the new entity/body will not take forward
 - Risk that the PSF handover documents do not sufficiently or correctly describe the required activity to deliver the benefits (e.g. design flaws, impractical implementation approach).
 - Risk that solutions are not taken forward by the new entity
 - Risk that without seed money the new entity will not take forward and therefore acceptance is subject to finance/board and delays acceptance until early 2018
 - Risk that the key stakeholders and governance in the new entity are not in place or have not committed to handover prior to the dissolution of the PSF
 - Risk that solution design implemented by the new entity deviates from the PSF and doesn't address detriments as per PSF design
- Each solution will take individual steps to mitigate these risks as outlined in the following slides.

Financial Crime Workstreams – Risk Assessment

Key Risks						
ID	Likelihood	Impact	Description	Key Risk Indicators	Mitigating Activities	Residual Risk (RAG)
FCWG-001	L	H	Risk that consultation response are not supportive of the solution design and therefore the new entity/body will not take forward	<ul style="list-style-type: none"> - Feedback from the Consultation Briefing - Consultation Feedback - Feedback from delivering against stakeholder engagement plans 	<p>Transaction Analytics:</p> <ul style="list-style-type: none"> - Monitor developments / feedback from Tactical Solution implementation - Continue to progress engagement with Law Enforcement, Financial Institutions, service Providers, Insight Providers <p>Trusted KYC:</p> <ul style="list-style-type: none"> - Work with Solution Delivery Body to understand their areas of concern and challenge. <p>Liability:</p> <ul style="list-style-type: none"> - Consultation has closed – Roundtable session with respondents scheduled for 11/10 to finalise recommendation 	G
FCWG-002	L	M	Risk that the PSF handover documents do not sufficiently or correctly describe the required activity to deliver the benefits (e.g. design flaws, impractical implementation approach).	<ul style="list-style-type: none"> - Feedback from Consultation - Consultation Feedback - Feedback from stakeholder engagement plan - Feedback from Solution Delivery Body 	<p>Transaction Analytics:</p> <ul style="list-style-type: none"> - Engage in NPSO / NPA handover approach to develop required supporting design materials - Roundtable on design with core stakeholder groups (end Oct) <p>Trusted KYC:</p> <ul style="list-style-type: none"> - Determine areas for design refresh post consultation - Develop collaborative handover mechanism with solution delivery body <p>Liability:</p> <ul style="list-style-type: none"> - Consultation has closed – Roundtable session with respondents scheduled for 11/10 to finalise recommendation 	G
FCWG-003	L	H	Risk that solutions are not taken forward by new delivery entity	<ul style="list-style-type: none"> - Feedback during stakeholder engagement - Feedback from Consultation or during development of the handover letter - In 2017 updates on progress to the PSF - 2018 status updates on progress 	<p>Trade Body:</p> <ul style="list-style-type: none"> - Ensure commitment from the Board on each solution - Stakeholders for each solution to be understand a clear route for escalation to the board to hold them to account. - Ensure transparency to stakeholders in the approach and progress that is being made <p>NPSO:</p> <ul style="list-style-type: none"> - Ensure commitment from Board on the NPSO role in delivering the transaction analytics solution - Progress updates on the progress to the board 	G

- R** Serious challenges exist, and the committed baseline has been or will be missed. Mitigating plans and resources are not in place.
- A** Issues exist with some risks to committed baseline. Mitigating plans and resources agreed and in progress.
- G** Issues may exist, but on target to deliver against the committed baseline.



Financial Crime – Key Risks and Issues

Key Risks and Issues						
ID	Likelihood	Impact	Description	Key Risk Indicators	Mitigating Activities	Residual Risk (RAG)
FCWG – 004	M	L	Risk that without seed money the new entity will not take forward and therefore acceptance is subject to finance/board and delays acceptance until early 2018	<ul style="list-style-type: none"> - Feedback from proposed solution delivery bodies 	<p>Transaction Analytics:</p> <ul style="list-style-type: none"> - Monitor developments / feedback from Tactical Solution funding approach - Engage in NPSO / NPA handover approach to develop required supporting design materials <p>Trusted KYC:</p> <ul style="list-style-type: none"> - Progress engagement with Solution Delivery Body to determine strategic positioning and funding alignment <p>Liability:</p> <ul style="list-style-type: none"> - Finalise recommendations and timeline in collaboration with solution delivery body(ies) to develop likely funding / resource ask 	G
FCWG – 005	M	L	Risk that the key stakeholders and governance in the new entity are not in place or have not committed to handover prior to the dissolution of the PSF	<ul style="list-style-type: none"> - Feedback from handover approach with solution delivery body / NPSO 	<p>Trade Body:</p> <ul style="list-style-type: none"> - Develop collaborative governance engagement plan to determine transparently the timelines and dependencies for handover - Include timeline and expectations on handover - Map key stakeholders that have a role capable of overseeing solution delivery in the trade body. <p>NPSO:</p> <ul style="list-style-type: none"> - Engage in NPSO / NPA handover approach and understand the interim measures and associated dependencies 	G
FCWG – 006	L	M	Risk that solution design implemented by the new entity deviates from the PSF and doesn't address detriments as per PSF design	<ul style="list-style-type: none"> - Post handover detailed plans - Post handover detailed designs - RFI / RFP for delivery partners / solution approach responses 	<p>Trade Body</p> <ul style="list-style-type: none"> - Include timeline and expectations on handover - Map key stakeholders that have a role capable of overseeing solution delivery in the trade body. <p>NPSO:</p> <ul style="list-style-type: none"> - Handover letter to include an expectation of reporting to PSR on progress and final solution design 	G

- R** Serious challenges exist, and the committed baseline has been or will be missed. Mitigating plans and resources are not in place.
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- G** Issues may exist, but on target to deliver against the committed baseline.