

Kate Frankish
Chief Business Development Officer
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21 February 2024

Dear Kate

We are writing to you to provide details of the basis upon which the PSR will assess Pay.UK's proposals for monitoring compliance with the FPS (Faster Payment System) reimbursement rules, to determine whether to approve them.

Background

In [PS23/3: Fighting authorised push payment fraud: a new reimbursement requirement](#) the PSR set out our view that Pay.UK is the appropriate body to monitor compliance with the FPS reimbursement rules, and outlined our intention to require Pay.UK to create and implement a monitoring regime. In December 2023, the PSR published its final policy statement, [PS23/4 APP scams reimbursement policy statement](#) and three legal instruments to implement the policy. One of these, [Specific Direction 19](#) (SD19), places a number of obligations on Pay.UK as the FPS Payment System Operator (PSO), including to:

- a. prepare proposals for monitoring directed PSPs' compliance with the FPS reimbursement rules;
- b. give FPS scheme participants, whether they are members or not of the Faster Payments Scheme, reasonable opportunities to make representations to it about its compliance monitoring proposals, consider these and take them into account;
- c. submit the proposals to the PSR by 5 April 2024, for our approval; and
- d. publish the approved compliance monitoring regime, by 7 June 2024.

It's important for us to reiterate that the PSR requires Pay.UK to deliver proposals for monitoring the compliance of all PSPs in scope of the policy.

We wanted to take this opportunity to provide further detail on the approach that the PSR will take to reviewing, and determining whether to approve, Pay.UK's compliance monitoring proposals.



The ‘confidence objectives’ the PSR will use to review and approve Pay.UK’s proposals

The PSR will be using ‘confidence objectives’ to review and assess the proposals. By confidence objectives, we mean the things that Pay.UK must demonstrate and provide assurance of, for the PSR to approve the proposals.

For the PSR to approve the proposals, Pay.UK must demonstrate how it intends to comply with Specific Direction 19, and give the PSR confidence that it will:

- a. gather the necessary data from all PSPs and be clear on the steps Pay.UK will take to identify potential non-compliance, to enable effective monitoring of compliance with the FPS reimbursement rules.
- b. assure itself as to the accuracy and integrity of the data received.
- c. report data and information regularly to the PSR, including to support PSR monitoring activities, on:
 - i. PSP compliance, using clearly defined metrics; and
 - ii. Pay.UK’s monitoring activities.
- d. be clear on the steps Pay.UK will take in respect of managing potential non-compliance with the FPS reimbursement rules of the member PSPs, using the data it has collected and in line with its existing approach to consequence management.
- e. have a defined basis and process for escalating compliance issues to the PSR, including outside of the regular reporting cycle that Pay.UK will propose to the PSR.
- f. have developed a clear and effective process for how Pay.UK will manage subsequent changes to its compliance monitoring regime.
- g. have sought sufficient representations on its compliance monitoring proposals and demonstrated how it has duly considered these.
- h. be clear on where and how it will publish its compliance monitoring regime once approved by PSR.

The PSR is taking this approach as it provides certainty to Pay.UK about what is required, while giving it the flexibility to determine what specific information it will provide to the PSR to evidence how the proposals align with the confidence objectives, and ultimately how the proposals demonstrate compliance with the requirements in SD19.

We ask Pay.UK to carefully consider how it can concisely demonstrate that it is meeting the confidence objectives and ensure only relevant information is provided. The PSR will be limiting its review to information that specifically relates to the proposals.

Next steps

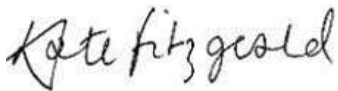
We wanted to take the opportunity to express our thanks to Pay.UK for engaging effectively with the PSR to develop detailed elements of Pay.UK's proposals. The PSR appreciates the open dialogue on this important work to date.

While Pay.UK has made good progress, there is still significant work ahead to continue preparations and be ready for 7 October 2024. As previously discussed, the PSR would welcome sight of draft proposals in March 2024, ahead of Pay.UK formally providing these by 5 April 2024. This will provide the PSR with additional assurance of progress and delivery and allow us to provide feedback as Pay.UK finalises the proposals.

And finally, as Pay.UK is aware, as SD19 does not give Pay.UK the power to require the provision of data or information from PSPs, the PSR will be consulting in April 2024 on a direction that will require all PSPs in scope of the policy to report data to Pay.UK to enable it to effectively monitor compliance with the FPS reimbursement rules. We welcome the work being undertaken by Pay.UK to put in place an effective mechanism to ensure that PSPs can report on compliance and comply with the obligations placed upon them.

We look forward to receiving Pay.UK's proposals in due course and continuing to engage with you on this critical work.

Yours sincerely



Kate Fitzgerald
Head of Policy



Oliver Hanmer
Head of Supervision and Compliance Monitoring