

Lowering risks to delivery of the
New Payments Architecture

Annexes 1 and 2

Conceptual design of
the NPA and additional
views raised by
respondents

July 2021

Contents

Annex 1 Conceptual design of the NPA	3
Annex 2 Additional views raised by respondents to CP21/2	6
Risks to successful delivery of the NPA	6
Design, business case and governance of the NPA	10
Alternative ways of developing the UK's interbank payments infrastructure	14

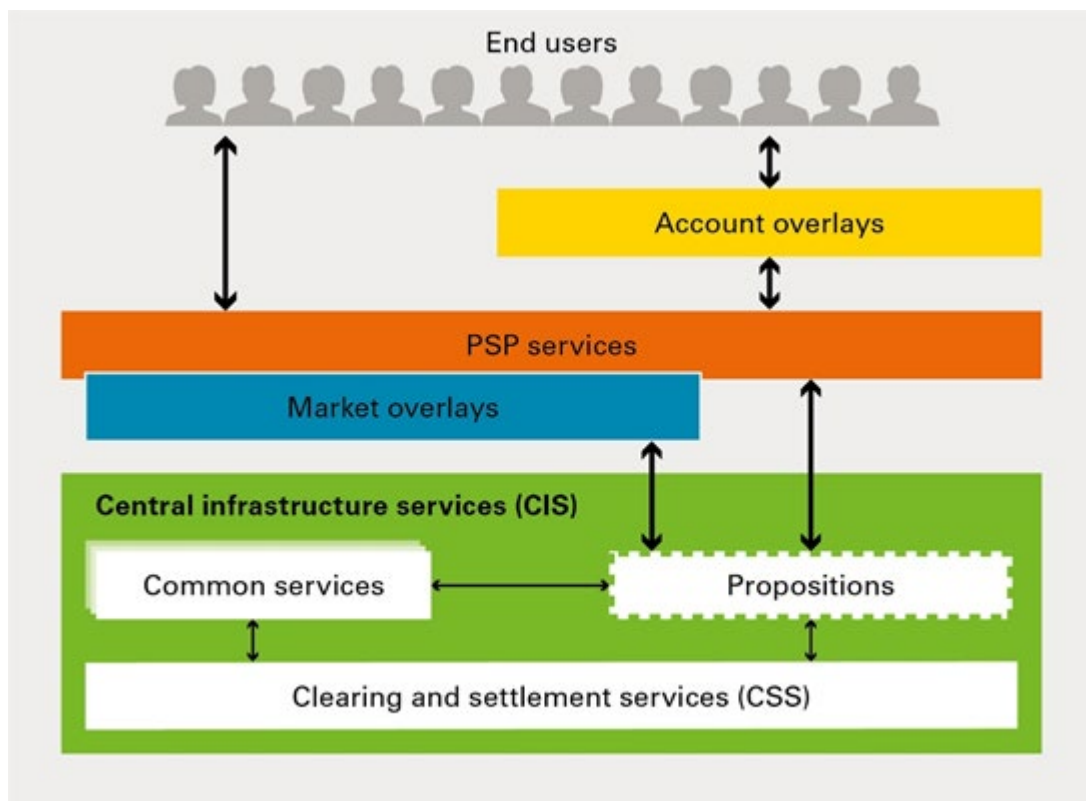
Annex 1

Conceptual design of the NPA

1.1 Pay.UK, the operator of Bacs and Faster Payments, is responsible for the design and delivery of the NPA. This role includes procuring central infrastructure services (CIS) for the NPA. The CIS consists of ‘core’ clearing and settlement services (CSS), several common services and functionality to determine how an individual payment is processed. This annex provides an overview of the current conceptual design of the NPA.

1.2 Figure 1 shows our representation of Pay.UK’s current thinking on the conceptual design of the NPA. It consists of the separate layers shown in Figure 1 and explained in paragraphs 1.3 to 1.7. The NPA ecosystem comprises all the layers shown in Figure 1 and all the participants¹ in those layers.

Figure 1: Pay.UK’s current conceptual design of the NPA



PSR simplified representation of Pay.UK’s current conceptual design of the NPA.

¹ The term ‘participants’ is used broadly to refer to all parties offering services within the NPA ecosystem and is not limited to PSPs.

1.3 The CIS consist of the following:

- The 'core' **clearing and settlement services** (CSS). These include services that are essential to payment clearing and for supporting the net settlement processes at the Bank of England. Examples include:
 - payment message validation
 - orchestration and routing
 - netting and settlement reporting
 - security features
 - payment redirection and reference data services
- A number of **common services**. Pay.UK deems that each common service is:
 - critical to ensuring that the CIS can support the intended payment propositions and services, including some common services that are intended to support the migration of payments from Faster Payments (and potentially subsequently from Bacs)
 - best provided centrally, through a single provider
- System functionality to determine the **NPA proposition** used by an individual payment – the payment type. This will dictate which, if any, of the common services are needed to process the payment.

1.4 In the NPA context, an overlay service will be a service or solution that is not provided as part of the CIS. Overlay providers are participants in the NPA ecosystem that provide overlay services. Through the analysis that Pay.UK has conducted to date, it envisages two types of overlay service: market overlays and account overlays. These are described below.

1.5 Market overlays are services or solutions delivered by third parties. These will use the CIS, CIS data, or NPA propositions, for which Pay.UK will set the technical standards and rules. Pay.UK may also procure or create a data environment and develop the frameworks that market overlay providers use when providing data or reporting services. The third-party market overlay providers will develop their own customer-facing standards and rules for use of the services or solutions they develop and provide. Examples could include:

- fraud identification or prevention services
- access-related solutions such as payment gateways and software products
- reference data distribution services

- 1.6** Account overlays are services that support end users in initiating or receiving payments but do not directly use the CIS or CIS data. They include Pay.UK's existing account overlay propositions for Confirmation of Payee and Request to Pay, which support users to initiate payments but are not payments in themselves.
- 1.7** Payment service provider (PSP) services consist of end-user channels, products and services, including mobile apps and browser-based applications such as online banking services.

Annex 2

Additional views raised by respondents to CP21/2

- 2.1** We summarise and respond to the comments we received on the scope and approach to the CIS procurement in Chapters 3 and 4 of PSR CP21/8.² This annex summarises and responds to other comments we received to CP21/2³ on de-risking delivery of the NPA. These related to:
- risks to successful delivery of the NPA
 - the design, business case and governance of the NPA
 - alternative ways of developing the UK's interbank payments infrastructure
- 2.2** We have published non-confidential versions of responses to CP21/2 alongside CP21/8.⁴
- 2.3** This annex does not cover comments on our proposals for mitigating risks to competition and innovation relating to when the NPA is operational. We will summarise and respond to these comments in the policy statement setting out our regulatory framework for the NPA, which we plan to publish in Q4 2021 (see Chapter 6 of CP21/8).

Risks to successful delivery of the NPA

Respondents' views

- 2.4** Question 1 of CP21/2 asked stakeholders if they agreed with our view of the risks to successful delivery of the NPA. Most of the respondents who answered this question said they agreed or broadly agreed. The remainder partially agreed, did not express a clear view or – in one case – disagreed on the grounds that the greatest risk is that the NPA is not delivered at all.
- 2.5** Around one third of respondents to this question commented on the risk that the NPA programme will not deliver value for money. Some of these, including a few large PSPs and UK Finance, expressed concerns about the costs the NPA programme has incurred

² <https://psr.org.uk/publications/consultations/cp21-8-lowering-risks-to-delivery-of-the-new-payments-architecture/>

³ CP21/2 can be found here: www.psr.org.uk/publications/consultations/cp21-2-consultation-on-delivery-and-regulation-of-the-new-payments-architecture/

⁴ Non-confidential versions of responses to CP21/2 are published here, as well as a related submission from the End User Advisory Council (EUAC): <https://psr.org.uk/publications/consultations/cp21-8-lowering-risks-to-delivery-of-the-new-payments-architecture/>

relative to what has been delivered. Respondents also identified a variety of factors that are driving or increasing the risk that the NPA programme does not deliver value for money. These include the scope or complexity of the procurement, delays in the procurement process and the lack of clarity about the services being bought.

2.6 Around one third of respondents to question 1 commented on the risk that the NPA programme stifles competition and innovation. A consultancy said this risk would only arise in the absence of a competitive procurement, though UK Finance argued that the Payments Strategy Forum's (the Forum's)⁵ NPA design is intended to increase competition. UK Finance said its implementation, irrespective of how the CIS contract is secured, will deliver the best outcomes for industry. One large PSP said the NPA would not stifle competition and innovation because risks from appointing a single CIS provider can be mitigated. A large end user said we had not evidenced our statement that there is a risk that the NPA will stifle competition. A small percentage of respondents argued that the scope of the CIS should be minimised to help promote competition and innovation. Two technology services providers and the Emerging Payments Association argued that the Bacs and Faster Payments systems have not been enhanced in recent years, with the result that delays to the NPA programme risk stifling competition and innovation. A large PSP said that tendering for the CIS and uncertainty about the scope was stifling innovation in overlay services.

2.7 Some respondents commented on the risk that the current NPA programme could delay NPA benefits. Most large PSPs said that the existing broad scope of the procurement or its complexity is slowing progress or will delay benefits. UK Finance said that delay to NPA delivery is the primary driver of industry's desire to change the scope and approach to the CIS procurement. UK Finance also said that delay is creating a significant opportunity cost for its members. This is because technical innovations may be delayed by a lack of certainty about delivery timescales for the NPA. Similarly, one smaller PSP said the end state for the NPA needs to be agreed urgently so users can start to develop products and services. Two respondents, including the Emerging Payments Association, said delays and uncertainty could make it difficult for Pay.UK to attract necessary expertise. Two large PSPs said these factors are making it difficult to arrange funding and resource.

2.8 Some respondents commented on the impact of the COVID-19 pandemic. These included two large PSPs, a large end user and Vocalink who said that COVID-19 has or may reduce the resources available to support and fund the NPA programme. Two large PSPs and a smaller PSP also raised concerns about the amount of industry change and a consultancy said this must be taken into account. One technology services provider, a consultancy and the Emerging Payments Association said the pandemic should not be the determining factor in deciding the way forward. Another technology services provider agreed with us that COVID-19 makes it more pressing to deliver the NPA, recommending it be delivered by adopting an iterative, minimum viable product (MVP) approach, as this would allow faster delivery and help future-proof the system.

⁵ The Forum consisted of a mix of representatives from end users and PSPs. It prepared a strategy for the development of interbank payments, and a blueprint to deliver this strategy. See: <https://www.psr.org.uk/payments-forum-archive/>

2.9 Among other points raised in relation to question 1, a small percentage of respondents, including two consultancies, said one driver of the risks to successful NPA delivery is a lack of skill and expertise at Pay.UK. A smaller PSP also said Pay.UK would benefit from greater technical leadership. A few respondents expressed concerns that no provider other than Vocalink would be willing or able to participate in a tender. One smaller PSP said the biggest long-term risk is that Bacs is not replaced because of the benefits that can be realised from reforming the existing three-day processing cycle. One large end user said that the more the NPA impacts on existing systems and process, the harder it will be to implement changes in a safe and timely way. The large end user was also concerned about PSPs passing on their implementation costs to end users, with slow progress in developing a multi-day proposition driving their concerns about costs and benefits realisation risks.

Our response

2.10 We remain of the view that, without changes, there is a risk that the current NPA programme will:

- not provide value for money
- stifle competition and innovation in payment services
- further delay realisation of the benefits of the NPA

2.11 We agree with those respondents that identified the scope of the procurement as an important driver of the risk that the NPA programme does not provide value for money. As explained in Chapter 3 of CP21/8, Pay.UK set out to procure CIS based on a broad set of requirements including the CSS and services intended to support the migration of both Bacs and Faster Payments transactions to the NPA. Some of the requirements, though, have not been fully determined or validated with stakeholders. This creates a risk that the NPA programme does not provide value for money, because without clear requirements Pay.UK may buy solutions or services that are not necessary or have become redundant by the time they are scheduled for use.

2.12 The challenges of determining requirements for all the services Pay.UK set out to procure is also slowing progress. This in turn contributes to the risk of further delay to the realisation of the benefits of the NPA.

2.13 We consider the NPA, delivered right, can support increased competition and present opportunities for innovation. Our concern is the risk that the current scope of the CIS procurement could stifle realisation of these benefits. Procuring services to support the migration of Bacs transactions to the NPA, without a proper assessment of the implications, could stifle competition and innovation because it may be possible for such services to be provided competitively as overlay services. With this in mind, we agree with those respondents who argued the central infrastructure should be kept as thin as reasonably possible.

- 2.14** We do not agree with respondents that argued the approach to the procurement has limited or no impact on the potential for the NPA to support competition and innovation. The procurement determines the price and quality of the CIS. An ineffective procurement could lead to high prices or low quality of service, which would deter entry by PSPs and overlay service providers. This would reduce the intensity of competition and innovation. In addition, as set out in paragraph 2.13, a broad procurement scope could mean that services are provided centrally when they could be provided competitively.
- 2.15** We note the concerns raised by some respondents that competition and innovation in payment services is already being stifled because of delays to delivery of the NPA and uncertainty about its design, and because the Bacs and Faster Payments systems are not being enhanced in the meantime. There are also concerns about the challenges of securing funding while the timetable for delivery is unknown. These concerns underline the need to make progress quickly with the NPA, which was a key theme in responses and has been an important consideration for us in deciding on the way forward. We recognise our decision to require Pay.UK to narrow the scope of the CIS contract will mean Bacs transactions are migrated to the NPA more slowly. This is outweighed by the advantages of our approach as set out in Chapter 3 of CP21/8, including enabling some benefits of the NPA programme to be realised sooner.
- 2.16** Similarly, we consider that COVID-19 makes it more important to realise the potential benefits of the NPA quickly. As set out in Chapter 2 of CP21/8, the NPA presents an opportunity to meet the growing demand for digital payments, which has accelerated during the pandemic. It also presents an opportunity to deliver improved services, make payments more resilient and strengthen competition between payment services and payment systems, to benefit people and businesses across the UK. We note the comments about COVID-19 reducing stakeholders' capacity to support the NPA programme, the general concerns about the extent of industry change, and the potential benefit of adopting an iterative MVP approach initially. Pay.UK will need to take these factors into account in updating its plan for the delivery of the NPA.
- 2.17** We note stakeholders' concerns about Pay.UK's skills and expertise. Our work to establish an effective way forward for the NPA programme gives Pay.UK an opportunity to build further the capability and skills it needs to run an effective procurement. Our decision to narrow the scope of the CIS contract also makes this easier to achieve (see Chapter 3 of CP21/8). We are monitoring this work closely.
- 2.18** One respondent disagreed with our view of the risks on the grounds that the biggest risk is that the NPA is not delivered at all. We agree that this is a risk and consider that the steps we are taking will lower the likelihood of it materialising. We also note the concerns raised by a smaller PSP that the most significant risk is that Bacs is not replaced. We have decided Pay.UK should narrow the scope of the CIS contract, but we are not changing the industry's intention that Bacs transactions should migrate to the NPA. We are also placing an obligation on Pay.UK to report on its work to develop a future long-term strategy for Bacs. To ensure that this important work remains visible on the industry's agenda, we can require Pay.UK to publish its reports or publish them ourselves.

Design, business case and governance of the NPA

Respondents' views

2.19 Some respondents provided views on the objectives, design, business case and governance of the NPA, emphasising much had changed since the Forum delivered its blueprint for the NPA in December 2017.

Objectives and business case for the NPA

2.20 A small percentage of respondents said the NPA needs a clear strategy or objectives. A large end user said it is unclear how consumer needs are being balanced against the industry's capability and capacity.

2.21 UK Finance said its members believed a number of outcomes will be enabled through the NPA, including:

- new services and end-to-end payment enhancements delivered through enhanced data deliverables and the implementation of ISO 20022 messages
- enhanced ability to detect and reduce fraud and other economic crime, reducing end-user harm, through the use of purpose codes and other enhanced data
- increased innovation and new services through the implementation of overlay services
- use of latest technology and best practice
- efficient and cost-effective operation with transparency of costs to industry of operation and development
- continued high standards of security, resilience and minimum service standards for the central infrastructure and the implementation of future overlay services

2.22 It added there is a 'strong case for building out these deliverables into a compelling justification for the implementation of the NPA alongside a robust delivery model.'

2.23 Two large PSPs said the NPA needs a 'meaningful business case' that demonstrates the benefits and takes account of all industry costs. The same respondents also said the scale of investment to deliver the NPA underlines the importance of establishing clear benefits and fair allocation of costs. A large PSP emphasised the importance of ensuring that the replacement of Faster Payments is needed and that the benefits case for this is clear. The same respondent said consideration needs to be given to services outside of Bacs and Faster Payments that will depend on the NPA, such as Variable Recurring Payments.

- 2.24** One consultancy said it would be unacceptable for the NPA to be delivered without guaranteeing that authorised push payment (APP) fraud will be rendered impossible from day one, and a large PSP said the 'strongest possible anti-fraud measures' should be designed into the NPA. Another large PSP said there should be more focus on identifying consumer protection measures required to support new payment propositions that could be supported by the NPA, instead of the current focus on replacing existing measures (such as the Direct Debit Guarantee).
- 2.25** A small percentage of respondents commented on the continued benefits and importance of delivering ISO 20022 messaging standards, with the NPA offering a clear migration path for this. The Global Legal Entity Identifier Foundation also said that using ISO 20022 can help to mitigate migration risks and that Legal Entity Identifiers can help ensure accurate and unique identification of NPA participants. However, one respondent queried if ISO 20022 is still the best data format for the NPA. They said ISO 20022 'is already quite old, and its messages are bloated', and argued international examples show slow adoption (only expedited through the introduction of regulations).
- 2.26** A small percentage of respondents raised the need for clear requirements and technical functionality to be defined for the NPA, and a few said a proof of concept activity could help define requirements. Separately, a large PSP highlighted the need to align the NPA with timescales for the Bank of England's RTGS Renewal Programme, which will move the CHAPS system onto ISO 20022. The Emerging Payments Association said the NPA needs to join up with the Financial Stability Board's cross border payments roadmap.

Technology change

- 2.27** Some respondents commented on how technology had advanced since the Forum's blueprint, including as a result of Open Banking and this was also raised by several participants at our webinar in March 2021.⁶ Two large PSPs and UK Finance said there needs to be careful consideration of the technology solution. One smaller PSP stressed the importance of ensuring that '*the marketplace being created [by the NPA] is that of 2021 and beyond, not that of the past.*' A technology services provider said cloud technology has an important role to play in the development of the NPA. The same respondent said leveraging open standards and modern cloud architectures could facilitate a robust, scalable and functionally flexible foundation for the NPA. A consultancy said that the industry should revisit the first principles of the NPA programme and bring the needs of end-users back to the centre, given the changes in technology since the blueprint.
- 2.28** A large PSP said there should be a fundamental reset of the NPA programme, including due to technological developments since the Forum's blueprint, specifically use of cloud technology. Among other things, it said Pay.UK should devise clear economic outcomes and objectives for the NPA, and research and develop a technological roadmap, with an emphasis on building the NPA in a cloud-hosted environment.

⁶ A summary note of the PSR webinar on CP21/2 – Risks to delivery of the NPA can be found here: <https://www.psr.org.uk/publications/general/summary-note-of-webinar-psr-consultation-cp21-2-risks-to-delivery-of-the-new-payments-architecture-10-march-2021/>

Governance and management of the NPA programme

- 2.29** Some respondents provided comments on Pay.UK's role as the delivery body for the NPA and the governance and management of the NPA programme.
- 2.30** A large PSP said Pay.UK 'has, at times, laboured under its current programme delivery model and governance', and that 'Pay.UK's historical approach of keeping participants largely at arm's length has potentially hindered progress'. The same respondent also said more inclusive programme governance, bringing together participants and stakeholders, could support effective delivery of the NPA. They pointed to the example of collaborative working under the Open Banking Implementation Entity, and the original implementation of Faster Payments.
- 2.31** Another large PSP said the NPA programme lacks governance arrangements that would enable work to move forward at pace and that Pay.UK needs to put effective governance in place for the oversight of the development and delivery of the NPA. UK Finance said its members are concerned about the existing governance processes for the NPA and had discussed alternative models with members.
- 2.32** A few respondents said the CIS procurement process needs to be better managed and planned. Some offered suggestions, including for Pay.UK to introduce fee incentives to motivate its team and manage timelines, and to seek advice from those with global expertise in leading similar procurements. The Electronic Money Association (EMA) and two large PSPs emphasised the importance of effective stakeholder engagement to the successful delivery of the NPA; the EMA said such engagement has been lacking so far.

Our response

- 2.33** We support the initiative to renew the UK's retail interbank payments infrastructure. Delivered right, the NPA can help facilitate our proposed long-term strategy, which we published in June 2021 for consultation.⁷ The NPA presents a significant opportunity to deliver improved services, by, for example, enabling better payment status tracking and the ability to send more information with payments. It should also make payments more resilient, help meet the growing demands for digital payments and strengthen competition between payment services and payment systems, to benefit people and businesses across the UK.
- 2.34** We understand Pay.UK is in the process of refreshing the business case for the NPA, and this will be further updated during the procurement process. Pay.UK anticipates involving stakeholders in this work through participant working groups in Q3 and Q4 2021. We expect Pay.UK to keep the costs and benefits for the CIS procurement under review as the NPA programme progresses. Pay.UK has also developed a set of objectives for the NPA. We agree that Pay.UK should clearly articulate these to stakeholders and how it will deliver them through its work, including the CIS procurement.

⁷ PSR, *Our proposed PSR Strategy* (2021) <https://www.psr.org.uk/publications/general/our-proposed-strategy/>

- 2.35** A few respondents said it was important the NPA combats APP fraud and that consumer protection measures are identified to support new NPA payment propositions. Protection in interbank payments is an ongoing priority for us, both in terms of prevention and getting the right outcomes for victims. We are doing parallel work on these important issues to improve outcomes for end-users of Faster Payments, as well as end-users of the NPA in the future. As part of this, we recently published calls for views on APP scams⁸, Confirmation of Payee⁹ and consumer protection in interbank payments.¹⁰ We plan to publish updates on all these later this year. Usage of payments data could help generate fraud detection measures and personalised services, among other benefits to end-users. As we set out in RP19/1, *Data in the payments industry: Response to our discussion paper*¹¹, there are potential benefits available from enabling interested parties to access NPA 'scheme-wide' data. We will work with Pay.UK to look at how this might best be put into effect.
- 2.36** One respondent queried if ISO 20022 is still the best data format for the NPA. We note that ISO 20022 continues to remain the standard of choice around the world for new implementations of interbank payment systems, and its use for the NPA continues to be supported by Pay.UK and other stakeholders. This includes the small percentage of respondents to CP21/2 who commented specifically on the benefits and importance of delivering ISO 20022 messaging standards. We believe the rationale for mandating ISO 20022 that we set out in our Infrastructure Market Review¹² still holds.
- 2.37** We agree that recent technological developments and possibilities should be considered as part of the CIS procurement process, including the fact that PSPs are increasingly using cloud technology. Pay.UK said it will evaluate suppliers' technology stacks as part of the procurement process.
- 2.38** We also agree that Pay.UK needs to have robust and effective governance and decision-making arrangements, and the right capability and skills, to deliver the NPA programme successfully. As per paragraph 2.17, our work to establish an effective way forward for the NPA programme gives Pay.UK an opportunity to build further the capability and skills it needs to run an effective procurement. We are monitoring Pay.UK's work closely.
- 2.39** It is important that Pay.UK appropriately engages with stakeholders to allow them to input on key decisions and explains how views have been taken into account. We consider this an important part of being an effective delivery body for the NPA. We intend to take account of the adequacy of stakeholder consultation in deciding whether to object to any proposal from Pay.UK to buy additional services and system functionality beyond that

8 CP 21/3 - Authorised push payment scams – call for views: www.psr.org.uk/publications/consultations/cp21-3-authorised-push-payment-scams-call-for-views/

9 CP 21/6 – Confirmation of Payee – Phase 2 call for views: www.psr.org.uk/publications/consultations/cp21-6-confirmation-of-payee-phase-2-call-for-views/

10 CP 21/4 – Consumer protection in interbank payments: call for views available here: www.psr.org.uk/publications/consultations/cp21-4-consumer-protection-in-interbank-payments-call-for-views/

11 RP 19/1 – Data in the payments industry: Response to our discussion paper: <https://www.psr.org.uk/publications/policy-statements/rp19-1-data-in-the-payments-industry-response-to-our-discussion-paper/>

12 Our final report for the IMR can be found here: <https://www.psr.org.uk/publications/market-reviews/psr-mr15-2-3-final-report-market-review-into-the-ownership-and-competitiveness-of-infrastructure-provision/>

required to deliver the minimum scope set out in SD3 (as proposed to be varied by SD3a). We include a similar provision in SD2 (as proposed to be varied by SD2a). We also note that some stakeholders have provided more positive feedback on Pay.UK's engagement with them recently, specifically on the issues raised by our consultation.

- 2.40** We agree that Pay.UK needs to develop clear procurement requirements. Our decision to require Pay.UK to narrow the scope of the CIS contract (see Chapter 3 of CP21/8) makes this easier to achieve.

Alternative ways of developing the UK's interbank payments infrastructure

Respondents' views

- 2.41** A small percentage of respondents suggested alternative ways of developing the UK's interbank payments infrastructure. Specifically, one large end user said an option is to do nothing and continue with existing services. However, this respondent observed that this creates risks that services will not be technologically up-to-date and conflicts with continued support for transforming UK payments. Two respondents suggested an option could be to procure like-for-like Faster Payments and Bacs services competitively to reduce costs but one of these respondents said this would be inefficient, as 'the need to enhance the current infrastructure beyond data messaging standards is well-established'. A small PSP suggested keeping the Faster Payments system but running it down by implementing a new parallel faster payments service. This could de-risk migration and enable competition and innovation on the new service.
- 2.42** A few respondents discussed the option of 'upgrading' the existing Faster Payments system. A large PSP argued that while upgrading Faster Payments and Bacs could come at a lower cost and enable payments to carry additional data, it would not enhance resilience and efficiency, and could increase costs longer term. Another large PSP said it could be more cost-effective to realise benefits by upgrading rather than replacing Faster Payments. A further large PSP argued that Faster Payments should be upgraded to allow quick realisation of some benefits while Pay.UK, in parallel, leads a new initiative to design the future architecture for push and pull payments. A large end user suggested that upgrading Faster Payments could provide a more controlled environment to implement further connectivity options, before consolidating these into the NPA. A consultancy said an impact and gap assessment of the viability of pursuing an upgrade to the Faster Payments system versus the NPA is needed.
- 2.43** A consultancy said we and other bodies should work together to create a strategy for a payments architecture that takes account of technological changes like the Internet of Things, distributed ledger and stablecoins. A few respondents also said that systemically important payment systems could potentially be directly delivered by a payment system operator, rather than outsourced.

Centralised vs. decentralised infrastructure models

2.44 Some respondents discussed the option of a decentralised / distributed payment system model. One large PSP said that in its view there is a growing desire for bilateral exchange of payment instructions between participants, driven by Open Banking. Another respondent argued that the concept of centralised infrastructure in a highly networked environment is increasingly outdated. UK Finance said industry needs to be reassured that 'the case for centralised infrastructure is well-founded'. A large PSP said a distributed model could enhance resilience and deliver competition benefits. Another said it would negate the need for a competitive procurement of CIS and foster even greater competition and innovation. The Federation of Small Businesses suggested that an ecosystem with several providers of the CIS could encourage competition. The Emerging Payments Association said that this could relieve Pay.UK of procurement pressure.

Our response

2.45 A few respondents suggested broad approaches involving 'upgrading' existing Faster Payments and Bacs infrastructures. Our view is that a limited upgrade of Faster Payments would likely fail to deliver many of the intended benefits of the NPA (for example, its ISO 20022 capability would be limited). On the other hand, a more significant upgrade would likely start to resemble an NPA CIS. Introducing a truly ISO 20022 central infrastructure, and the other key desired NPA improvements to support competition and innovation, will mean implementing a new CIS software and hardware package, to replace the current Faster Payments system. Therefore, we do not support the idea of seeking to upgrade the existing Faster Payments central infrastructure in preference to the delivery of new purpose-built NPA CIS.

2.46 The option of having Pay.UK develop and run the new system itself, rather than outsource it, is not a realistic proposition in the short to medium term, taking into account its background and existing resources and skillsets. It might also mean foregoing the potential benefits of future competitive provision of infrastructure supply.

2.47 We do not consider that other models for the NPA's infrastructure, such as a decentralised, bilateral exchange model as discussed by some respondents, should be pursued at this time. The Forum considered this option at the time of creating its blueprint. It concluded the NPA should be based on having a single CIS that routes payment messages and determines participants' settlement obligations. There have been important changes in the payments sector and the adoption of new technologies during recent years. We are not persuaded, however, that it would be beneficial to reconsider alternative NPA designs that the Forum deemed unsuitable, given respondents' widely shared views on the need to make progress with delivering the NPA. Such action could result in significant further delays to the NPA programme, as could designing a new strategy for interbank payments. Nevertheless, we expect the design of the NPA CIS to take into account participants' changing approaches and use of technology.

PUB REF: CP21/8 Annexes 1 and 2

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