

Consultation paper

Consultation on  
general directions  
on implementing  
Confirmation of Payee

November 2018

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We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 4 January 2019**.

You can email your comments to [app-scam-pso-project@psr.org.uk](mailto:app-scam-pso-project@psr.org.uk) or write to us at:

Confirmation of Payee Consultation  
Payment Systems Regulator  
12 Endeavour Square  
London E20 1JN

We will consider your comments when preparing our response to this consultation.

We will consider making all non-confidential responses to this consultation available for public inspection.

You can download this consultation paper from our website:

**[www.psr.org.uk/psr-publications/consultations/cp-18-4-consultation-general-directions-implementing-cop](http://www.psr.org.uk/psr-publications/consultations/cp-18-4-consultation-general-directions-implementing-cop)**

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# 1 Executive summary

- 1.1** We are considering whether to give general directions requiring that payment service providers (PSPs) offer the Confirmation of Payee (CoP) service to their customers making payments using the Faster Payments Scheme (FPS) and CHAPS payment systems. CoP will allow payers to check that the name on the receiving account matches their intended recipient. We want to gather views on the requirements that we are considering and evidence to support our decision making.
- 1.2** Each year thousands of consumers and businesses fall victim to authorised push payment scams (APP scams) when they make a payment to an account that isn't what they thought it was. These payments may be for goods, services, housing or as a present – and payers are tricked into sending the money to an account used by a scammer, rather than a legitimate account.
- 1.3** Thousands of payments are also sent to the wrong accounts accidentally.
- 1.4** CoP is a service which when introduced should reduce significantly the incidence of APP scams and accidentally misdirected payments.
- 1.5** When people set up payments from their account, their PSP often asks them to give the recipient's name, sort code and account number. The customer may expect the PSP to check all three of these during the transaction. However, the name is not checked. Therefore, a payment will not be stopped or returned if the name of the payee does not match the name of the intended recipient.
- 1.6** If payers were able to compare the name on the receiving account with their intended recipient, they would have a much better chance of avoiding scams or misdirected payments.
- 1.7** CoP is the industry-agreed way of ensuring that names of recipients are checked before payments are sent, so the payer can be confident that the payee is who they expect it to be.
- 1.8** CoP has been identified by both us and industry as an important tool for reducing losses from APP scams, particularly through significantly reducing the number of 'malicious redirection' scams – where a scammer tricks the victim into sending money for a genuine payment to the wrong account. Of the £145.4 million value of APP scams in the first six months of 2018, £93.9 million was attributed to malicious redirection.
- 1.9** The technical specifications for CoP are now available following work led by Pay.UK<sup>1</sup>, the operator of the Bacs, FPS and cheque payment systems in the UK. It is now ready for implementation by PSPs.

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1 <https://www.wearepay.uk/confirmation-of-payee/>

- 1.10** We are considering regulatory intervention to ensure that PSPs implement CoP in a timely and coordinated way. We believe there may be weak incentives for a PSP to be an early adopter of CoP, as its benefit depends on widespread take-up by other PSPs. In our view, for CoP to be effective and achieve the potential benefits for PSPs and their customers, it needs to be implemented quickly and be widely available to payers. People making electronic payments should be familiar with seeing CoP as part of their payment experience, and be afforded the protections it offers.
- 1.11** We are considering the best way to ensure PSPs deliver CoP to individuals and businesses in a timely, safe and secure manner. We are therefore considering giving general directions under the Financial Services (Banking Reform) Act 2013 (FSBRA) requiring all PSPs using Faster Payments and CHAPS to be able to receive, respond to, and send CoP requests.
- 1.12** These are our proposed timescales for introducing CoP:
- **By 1 April 2019:** PSPs must be capable of receiving and responding to CoP requests from other PSPs.
  - **By 1 July 2019:** PSPs must send CoP requests and present responses to their customers.
- 1.13** We are keen to understand the views of all those with an interest in this issue, including PSPs, other businesses involved in the transaction process, those who may offer CoP facilities to PSPs, payment system operators, and those who use FPS, CHAPS and other payment systems to send and receive money. We welcome suggestions for, and comments on, alternative approaches (including on whether intervention by the PSR is necessary.)
- 1.14** This is an initial consultation to gather views and evidence on whether general directions are the best way to achieve our objective of quickly reducing the number of APP scams and accidentally misdirected payments, through the timely introduction of CoP. We also want to gather views and evidence on the costs and benefits of implementing CoP through the directions we are considering giving, and on the impact of the timescales.

## 2 Issues we want to address

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Every year thousands of individuals and businesses fall victim to APP scams. The losses can be significant and life-changing.

Every year significant amounts of money are accidentally sent to the wrong account. Even where the money is recovered, accidental misdirection can cause anxiety and will require administrative effort and cost in remedying the mistake.

In this chapter, we explain the two main types of APP scam. We also explain why CoP is expected to reduce the number of APP scams and accidentally misdirected payments.

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- 2.1** Every year in the UK thousands of individuals and businesses fall victim to APP scams. The total loss in the first six months of 2018 was £145.4 million.<sup>2</sup> The losses to individuals and businesses can be significant and life-changing.
- 2.2** Someone falls victim to an APP scam when they are tricked into sending money to an account controlled by a fraudster. APP scams take many different forms but there are two main types.
- 2.3** The first are ‘malicious redirection’ APP scams, where someone intending to send money to an account held by a legitimate recipient is manipulated by a fraudster into sending the payment to an account under the control of that fraudster. For example, a person in the process of buying a house may be conned by someone posing as their conveyancing solicitor into transferring the deposit for the house into the scammer’s account instead of the solicitor’s. As no names are checked, the payment is not identified by the PSPs involved as a maliciously redirected payment. The purchaser will be unaware of what has happened until the solicitor informs them that the funds have not been received.
- 2.4** The second are ‘malicious payee’ APP scams where a fraudster persuades someone to transfer money to an account they control by persuading the payer that it is for a legitimate purpose. An example is where a fraudster pretends to be offering building services, is sent money for those services and then disappears, with the money, without any work being done.
- 2.5** The outcome we want to achieve is to reduce significantly losses from APP scams so that individuals and businesses do not face such financial loss nor the other non-financial consequences of such scams. We also want to reduce significantly the number of accidentally misdirected payments and any consequential harm and financial loss.

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<sup>2</sup> UK Finance estimate: see: [www.ukfinance.org.uk/criminals-steal-500m-through-fraud-and-scams-in-the-first-half-of-2018/](http://www.ukfinance.org.uk/criminals-steal-500m-through-fraud-and-scams-in-the-first-half-of-2018/)

- 2.6** In November 2017, we highlighted a range of developing industry initiatives which, if used by PSPs (such as banks), should help prevent APP scams.<sup>3</sup>
- 2.7** CoP was one of those initiatives. In brief, CoP is a process for checking that the name of the account holder being sent money matches the name the sender is expecting.
- 2.8** CoP will help tackle APP scams because the sender will have an opportunity to consider whether the name on the account to which they are sending money matches their expectation. This is likely to be particularly effective in preventing malicious redirection APP scams. It is also, however, expected to be of some benefit in stopping malicious payee APP scams as the sender may well have an expectation of what the account name ought to be and therefore be on notice to the possibility of fraud where the name of the account holder returned by CoP is not as expected.
- 2.9** CoP's benefits, however, are not limited to preventing fraud. Its introduction will also help reduce the number of misdirected payments where the wrong account identifier numbers are entered by accident.

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<sup>3</sup> PRS CP17/2, *Authorised push payment scams – PSR-led work to mitigate the impact of scams, including a consultation on a contingent reimbursement model* (November 2017)

# 3 Why are we consulting on directions?

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We are considering giving general directions to PSPs using FPS and CHAPS to require them to introduce CoP in two stages (by 1 April and 1 July 2019). This chapter explains why and invites views and evidence to be submitted on the consideration of giving a direction.

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## Background

- 3.1** How to provide greater confidence to a payer that the person being paid is the right one has been under consideration for a number of years.
- 3.2** In 2015, we established the Payments Strategy Forum (the Forum). The Forum included user representatives and PSPs and was established to identify, prioritise and help to deliver initiatives where it was necessary for the payments industry to work together. Additionally, we created the Payments Community to allow interested stakeholders to shape the Forum's work programme and contribute to its strategies. In October 2015, at its first meeting, the Forum reviewed the priorities identified by the Community.<sup>4</sup> The third highest ranking was 'Solutions for misdirected payments – e.g. real-time presentation or verification of payee'. One of the Forum's workstreams took forward the development of CoP. The Forum's proposal for CoP was included in its Blueprint, which it published in December 2017.<sup>5</sup>
- 3.3** In 2016, following a super-complaint to the PSR<sup>6</sup> from Which?<sup>7</sup> about concerns around consumer safeguards in the market for push payments, we investigated and issued findings.<sup>8</sup> Two findings were that banks needed to improve how they worked together in responding to reports of APP scams and banks could do more to identify potentially fraudulent incoming payments. We set out a programme of work for the PSR, the Financial Conduct Authority (FCA) and the payments industry to address APP scams.

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4 See: <https://consultation.paymentsforum.uk/sites/default/files/documents/PSF08102015%20-%20%283a%29%20ANNEX%201%20Payments%20Community%20Complete%20List%20of%20Topics%20and%20Priorities.pdf>

5 See especially the NPA Implementation Plan: <https://implementation.paymentsforum.uk/sites/default/files/documents/Implementation%20Plan%20Blueprint.pdf> and the Forum's Consultation Assessment Report: <https://implementation.paymentsforum.uk/sites/default/files/documents/171208%20PSF%20Consultation%20Report%20draft%20v1.0.pdf>

6 The Financial Services (Banking Reform) Act 2013 says that certain organisations can complain to us if they believe that features of the payment systems market are, or appear to be, significantly damaging to the interests of service-users.

7 Received by the PSR on 23 September 2016: [www.psr.org.uk/psr-publications/news-announcements/Which-super-complaint](http://www.psr.org.uk/psr-publications/news-announcements/Which-super-complaint)

8 Issued by the PSR on 16 December 2016: [www.psr.org.uk/psr-focus/which-super-complaint-payment-scams](http://www.psr.org.uk/psr-focus/which-super-complaint-payment-scams)



- 3.4** In November 2017, we issued a progress report.<sup>9</sup> We found that good progress was being made across all areas. We also said we saw merit in an industry proposal that would see PSPs provide contingent reimbursement to victims of APP scams. We then consulted on the development of a contingent reimbursement model that would establish when victims would get their money back and how that would be achieved.
- 3.5** Subsequently, further work<sup>10</sup> resulted in the establishment of the APP scams Steering Group made up of representatives of PSPs and consumers (with an independent chair). The PSR is one of the observers to the group<sup>11</sup>.
- 3.6** On 28 September 2018, the steering group issued a draft industry voluntary code for consultation.<sup>12</sup> The consultation closed on 15 November 2018. The APP Scams Steering Group is considering the consultation responses on that draft code.
- 3.7** The code, as consulted on, sets out standards expected of PSPs when an APP scam is believed to have occurred that are to be applied to whether the PSP should reimburse the customer for the loss suffered.
- 3.8** Paragraph 3.10 of the code issued for consultation by the steering group states: 'Firms should be incentivised to implement and use measures that effectively prevent and assist with the response to APP scams...' One of those measures is CoP. CoP is specifically referred to in the code. Paragraph 3.40 states:

*'The steering group's core principle (iii) is that the code should take advantage of future initiatives that are likely to be effective at preventing and helping respond to APP scams. This includes the use by firms of CoP. The steering group has worked closely with the NPSO<sup>13</sup> to date, and has positioned the code to align with CoP's development. However, until CoP is fully developed, it is accepted that the code relating to CoP will not have any practical effect. The steering group still thinks it right to publish these provisions, with a placeholder for when CoP should take effect in the code, so that stakeholders can give feedback on CoP as a standard of care. It is anticipated that a date will be included when the code is finalised.'*

- 3.9** The 'standards for firms' section of the draft code as published for consultation includes:

*'SF1 (3) From [DATE TBC] Firms should implement Confirmation of Payee in a way that the Customer can understand, and respond to it, including by:*

*(a) taking reasonable steps to ensure that the originating Customer receives appropriate guidance that the Customer can understand at the relevant stage of the Payment Journey to assist with the decision as to whether to proceed*

9 Issued by the PSR on 7 November 2017: see: <https://www.psr.org.uk/psr-publications/consultations/APP-scams-report-and-consultation-Nov-2017>

10 See, in particular, the document issued by the PSR on 28 February 2018: [https://www.psr.org.uk/sites/default/files/media/PDF/Outcome\\_of\\_CRM\\_Consultation\\_Feb\\_2018.pdf](https://www.psr.org.uk/sites/default/files/media/PDF/Outcome_of_CRM_Consultation_Feb_2018.pdf)

11 More about the Steering Group and its work can be seen on its website: <https://appcrmsteeringgroup.uk/>

12 <https://appcrmsteeringgroup.uk/consultation/>

13 'NPSO' refers to the New Payment System Operator which is now called Pay.UK.

*(b) helping the Customer to be able to understand what actions they need to take to address the risk*

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*SF2 (2) From [DATE TBC] Firms should implement Confirmation of Payee in a way so that the Customer can understand, and respond to it*

*(a) Firms should not use Confirmation of Payee as a means to reduce their risk of potential liability for funding the cost of a reimbursement to a Customer in a way that would be likely to prejudice or unduly disrupt legitimate payments.'*

**3.10** The section of the draft code dealing with the reimbursement of customers following an APP scam says that a firm may choose not to reimburse a customer where:

*'(b) The Customer did not take appropriate actions following a clear negative Confirmation of Payee result, where the Firm complied with SF1(3) or SF2(2), and those actions would, in the circumstances, have been effective in preventing the APP fraud;'*

**3.11** The PSR welcomes the inclusion of provisions about CoP in the draft code. The likely benefits CoP will bring to this task have been recognised by the PSR and others<sup>14</sup> throughout the various different phases of work on reducing APP scams.

**3.12** Pay.UK have now produced rules, standards and guidance for implementing CoP which are available to PSPs.

## Why we are considering directions and what we are consulting on

**3.13** The more PSPs that offer CoP, the greater the benefits from its introduction. This is because both sending and receiving PSPs must have the necessary technology in place. If, for example, only one PSP offered this service, then its customers would not have the benefit of CoP when sending money to an account at a different PSP. A limited ability to use the service in practice may affect the perceived utility of the service to customers and disincentivise customers from using and having confidence in the service. If the limited availability of CoP when it is first introduced (perhaps because only one PSP makes it available) means that CoP is perceived as being of limited utility then that may cause PSPs not to introduce it or to delay its introduction. Further, fraudsters may well try and use accounts at a PSP that does not provide a response to a CoP request to carry out their scams.

**3.14** The particular, and immediate, benefit of CoP is that it is a technical solution that, at the time the payer is considering making the payment, alerts the payer that they might be about to make a payment to the wrong person as a result of a scam or accidental misdirection. Other steps being considered to reduce the prevalence and impact of APP

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14 For example, the *Which?* super-complaint said that the introduction of CoP would be a 'welcome step'.

scams (such as customer education and the draft code on when a customer will be reimbursed) have clear benefits but do not have the immediate real-time benefit of CoP.

- 3.15** We understand that PSPs and those who may support them in introducing CoP have been exploring its introduction for some time, and there is now a technical standard. However, there is considerable uncertainty as to the timeframes for CoP to be introduced. We understand that some PSPs already have plans in place, but others have not. Noting the significant and immediate benefits that CoP will bring to reducing APP scams and accidentally misdirected payments, the PSR considers that CoP should be introduced without unnecessary delay.
- 3.16** We are, however, considering if there are obstacles to CoP's timely introduction and whether it is appropriate to give directions to PSPs, using our powers under section 54 of FSBRA to mandate its introduction to the timescales described in Chapter 5. In particular, we are considering whether we should give two general directions to PSPs; one in relation to FPS and one in relation to CHAPS.<sup>15</sup>
- 3.17** We are issuing this consultation to seek views and gain evidence to decide whether to give directions or to take alternative action or no action at this point. If we do decide to proceed with giving directions, we will consult on drafts of those directions in early 2019.

## Overview of the directions under consideration

- 3.18** We are considering giving directions, to the timescales set out below, to PSPs using FPS and CHAPS as follows:
- **By 1 April 2019:** A PSP must be capable of receiving and responding to CoP requests from other PSPs.
  - **By 1 July 2019:** A PSP must send CoP requests and present responses to their customers.
- 3.19** One area on which we invite representations is whether it is necessary for any direction to include a provision requiring those PSPs which are not the sending or receiving PSP, but are in some way involved in the transaction, to facilitate the CoP process.
- 3.20** The rationale for these timescales is, in summary, that the rules, standards and guidance are available and the anticipated effectiveness of CoP, including in preventing significant losses to customers through stopping APP Scams, strongly supports early introduction.

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<sup>15</sup> One possible outcome of this consultation is that we would give **specific** directions under section 54(3)(c) FSBRA. This is most likely to be because of the category of PSPs to which the directions are given.

**3.21 Question 1:** Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and, if so, what are they? Do you have any other comments on the issues raised above?

## 4 The proposed scope of the directions

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In order to leave little room for scammers to operate from accounts that remain anonymous, widespread and quick adoption of CoP is needed. The same is true if the number of accidentally misdirected payments are to be reduced significantly. The greater the number of PSPs sending and responding to requests, the greater the chance of CoP's benefits being achieved. CoP will be successful if it is introduced widely so that it is generally available to verify a payee for any particular transaction. In this chapter, we explore further questions on what this means including which transactions should be covered by the direction.

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### Transactions covered by the directions

- 4.1** CoP will be most successful if it is introduced widely so that it is generally available to verify a payee for any particular transaction. As a result, the greater the number of PSPs sending and responding to requests, the greater the chance of CoP's benefits being achieved.
- 4.2** As developed by the Forum and then Pay.UK (with industry participation), the current specification of CoP does not require CoP solutions to be provided for all transactions. Our current consideration (on which we seek views and evidence) is to exclude from the scope of any direction those transactions to which the current specifications do not apply. We understand these to be:
- transactions where one or more of the parties is outside of the UK<sup>16</sup>
  - transactions where the payment is not routed by sort code and account number, i.e. where a payment will be routed via IBANs or BICs
  - transactions to or from a Head Office Collection Account (HOCA) and then associated with a roll number or other identifier (this is proposed for phase 2 of the CoP design in 2019)

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<sup>16</sup> Where either the sender or payee is outside of the UK. Overseas transactions including the use of nostro or vostro accounts, or to CLS for foreign currency transactions are also out of scope.

## PSPs that the directions would apply to

- 4.3** Having regard to the benefits from general usage, we are considering whether the direction should apply to all or only some PSPs carrying out FPS and CHAPS transactions.
- 4.4** This includes the question of whether directions should be given to direct participants in FPS and CHAPS but not indirect participants<sup>17</sup>.
- 4.5** We wish to receive views and evidence on whether there are any factors we should take into account when deciding which PSPs should be subject to the requirements of any direction made including on matters such as:
- Technical barriers to introducing CoP.
  - The costs of introducing CoP.
  - Whether the non-inclusion of any PSPs (for example, by type or size) would reduce the chances of the benefits of CoP being realised. This includes considering whether deciding not to direct a particular PSP, or type of PSP, would lead to scammers favouring using accounts at that PSP, or type of PSP, to facilitate fraud.
  - Whether the relevant considerations for determining which PSPs would be subject to the requirement vary between the obligation to respond and the obligation to send a request.
- 4.6** **Question 2: Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions? What is the basis for your view, particularly having regard to the likelihood of achieving the benefits of CoP?**
- 4.7** **Question 3: Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?**

## Products and services covered by the directions

- 4.8** The design of the CoP solution covers a wide range of products, services and other aspects of CoP. We are keen to understand views on whether all, or a subset, of these should be subject to any direction.

### The types of payment products that would be covered by any directions.

- 4.9** We are currently considering giving directions to participants in FPS and CHAPS, and in respect of the checking occurring in advance of a new payment mandate being set up, or an existing mandate being changed.

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<sup>17</sup> 'Direct' means both directly connected settling participants and directly connected non-settling participants. For an explanation of how different participants connect to a payment system see Figure 3 on page 14 of: <https://www.psr.org.uk/sites/default/files/media/PDF/A-G-Report-March-2018.pdf>

- 4.10** The reason for our current view that we should direct in relation to both FPS<sup>18</sup> and CHAPS is that FPS has a high volume of transactions and CHAPS, although lower in volume, tends to be used for high value transactions (such as a house deposit). CoP is a discrete messaging system that can be used for both.
- 4.11** We want to gain views and evidence on whether our proposed approach is correct and whether it poses any unintended consequences.
- 4.12** **Question 4: Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions? If you believe that we should consider giving directions in relation to only one of these payment systems, or more than FPS and CHAPS, please set out why. Are there any other issues that we should consider when deciding which payment systems should be in scope?**
- 4.13** Our current expectation is that any channel that could initiate an FPS or CHAPS payment would be in scope. Examples may include mobile, internet, telephony and branch-initiated payments.
- 4.14** **Question 5: Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from? Should a CoP request only apply when a new payment mandate is being set up or changed?**

#### Transactions when an account is held by a person who has opted out of CoP

- 4.15** In considering the scope of any directions, we need to take account of whether it would be legitimate for a person to opt out of CoP.
- 4.16** In considering this issue, we need to take account of the risks to the efficacy of CoP that might be caused by individuals and businesses opting out.
- 4.17** We welcome views and evidence on this issue, including the factors that we should be taking into account in deciding on whether, and in what circumstances, it would be appropriate for someone to opt out and the consequences for any directions.
- 4.18** **Question 6: How should any directions deal with the potential for people to opt out of the CoP process?**

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<sup>18</sup> The UK Finance statistics for APP scams in the first half of 2018 show that the number of APP scams over FPS was 47,520 with a total value of £99.3 million and over CHAPS was 355 with a total value of £13.3 million. On that basis the average FPS APP scam was approximately £2,090 and for CHAPS was approximately £37,465.

Should the directions apply to transactions being sent from business accounts as well as personal accounts?

**4.19** Both individuals and businesses can be victims of APP scams and can suffer from accidentally misdirected payments. We welcome evidence and views on whether any directions given should cover transactions initiated from the accounts both of individuals (including joint accounts) and businesses.

**4.20** **Question 7: Should any directions cover the sending of money from both individual and business accounts?**



## 5 The rationale for our timeframe

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We are consulting on whether any directions should include the following deadlines: 1 April 2019 for the capability of receiving and responding to CoP requests; and 1 July 2019 to send CoP requests (and return the result to the payer). The rationale for a phased approach is to ensure that the solution is delivered in a safe and stable way, and appropriately phased in.

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- 5.1** We are consulting on whether any directions should:
- a. separate the deadline for being capable of responding to CoP requests from sending CoP requests
  - b. include the following deadlines for responding and sending respectively: 1 April 2019 and 1 July 2019
- 5.2** The rationale for a phased approach to delivering the capability to receive and respond to CoP requests prior to the capability to send CoP requests is to ensure that CoP is delivered in a safe, stable fashion. Individual PSPs having in place CoP capabilities for receiving requests helps ensure that individual PSPs' CoP processes will work successfully with each other once requests are being sent. It may also allow those PSPs who have CoP sending solutions in place earlier than other PSPs to begin sending CoP requests.
- 5.3** We would like views and evidence on the appropriateness of separating out responding to, and sending, CoP requests in any directions we give. Views and evidence are also sought on whether the directions need only cover responding to a request, or sending a request (rather than both).
- 5.4** **Question 8: Should the directions separate out responding to CoP requests from being able to send CoP requests? Should directions cover both sending and responding?**
- 5.5** Based on our understanding of what PSPs need to do to set up CoP, we currently believe the deadlines are achievable. For this reason, we currently consider that the directions should include these deadlines to ensure that the significant benefits of CoP are quickly achieved. However, we are keen to understand whether there are any barriers that PSPs will face in meeting these timescales.
- 5.6** Some PSPs are looking to build their own solutions and some are looking to procure third party solutions. We are aware that third-party vendors are looking to offer commercial solutions for PSPs. Vendors are expected to provide different levels of service provision, from specific elements for a CoP solution through to a fully managed service. It is apparent that many vendors have yet to bring a product to market, and we

are keen to understand the timelines that it will take to develop commercial services. We are also keen to understand whether there are any current barriers to vendors being able to develop and deliver the products they intend to, and what could be done to overcome them.

**5.7 Question 9: Do you agree with the deadlines for the introduction of CoP? If you do not agree, please set out why you consider different dates would be more appropriate and your view of the impact that would have on the costs and benefits of CoP. If the dates are not considered achievable, please give reasons and alternative dates that you consider achievable and the reasons why.**

## 6 Other alternatives

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We are interested in views and evidence for alternatives to the approach we are considering of giving directions to PSPs.

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- 6.1** There may be alternative approaches that achieve the same, or similar outcomes, to giving directions to PSPs on the introduction of CoP. We invite views and evidence that may support alternative approaches (including any approach that does not involve PSR intervention).
- 6.2** In suggesting alternatives, please set out the advantages and disadvantages of your proposal and how the impacts of your proposal may differ from the anticipated impacts of giving directions to PSPs as set out in this document.
- 6.3** **Question 10: Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?**

# 7 Cost benefit analysis

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It is important that any direction we give is proportionate – that is, it does not provide adverse effects that are disproportionate to its aim of reducing the harm to service users. In this chapter, we explain the benefits and the costs associated with the directions we are considering giving and how we have estimated each of these. We then set out our current approach to the cost benefit analysis, including our assumptions, the counterfactuals we have considered and our current view that the benefits of giving the directions outweigh the costs.

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## Benefits

- 7.1** The benefits of the directions we are considering giving are the reduction in APP scams (particularly malicious redirection APP scams), and accidentally misdirected payments.
- 7.2** To estimate the benefit of reducing maliciously misdirected APP scams, we have taken the APP scam statistics published by UK Finance for the types of scams that typically involve malicious redirection that CoP should help prevent.<sup>19</sup> These types of APP scams include: invoice and mandate scams, CEO fraud, police or bank staff impersonation scams, and other impersonation scams.<sup>20</sup>
- 7.3** We recognise that within each of these types of scams, there may be some instances where the name given to the victim will match the account and CoP will not be able to prevent it. However, conversely, CoP could prevent some instances of malicious payee scams – for example, purchase scams where the fraudulent website is a clone of an established store. We therefore consider it reasonable to refer to maliciously misdirected APP scams overall.
- 7.4** The total value of APP scams that typically involve malicious redirection was £93.9 million in the first half of 2018, according to statistics published by UK Finance. For some of these scams, the money is recovered (i.e. recovered by PSPs where they have been able to freeze the victims' funds preventing them reaching the fraudster). Some victims also received reimbursement in the form of goodwill payments by PSPs, but because the PSPs ultimately bear the loss this still represents an overall system loss that CoP can help prevent.
- 7.5** For the purposes of our modelling, we therefore want to estimate the overall losses that CoP can help prevent, which we take to be the total value of maliciously misdirected APP scams less the amount recovered. Statistics published by UK Finance indicate that 29% of the total value of maliciously misdirected APP scams was returned to victims, which

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19 UK Finance 2018 half year fraud update (September 2018), pages 23-26: <https://www.ukfinance.org.uk/wp-content/uploads/2018/09/2018-half-year-fraud-update-FINAL.pdf>

20 A description of the different types of APP scams is set out in UK Finance's 2018 half year fraud update.

captures both money recovered and goodwill payments made to victims. We have assumed that around two-thirds of this is money that has been recovered – that is, that 20% of the total value of maliciously misdirected APP scams is recovered.

- 7.6** Based on this, we estimate the overall losses due to maliciously misdirected APP scams that CoP could help prevent in the second half of 2019 once it is implemented effectively to be around £75 million. We extrapolate this to estimate the annual losses that could be prevented by CoP in future years. We recognise that there may be instances where CoP identifies an APP scam where the details do not match and alerts the payer but, for various reasons, the payer may choose to proceed with the payment and lose their money.
- 7.7** In contrast to APP scams, we understand that accidentally misdirected payments tend to be returned to the payer (we seek views and evidence on whether this understanding is correct). We therefore assume that there is no benefit related to losses avoided due to the prevention of accidentally misdirected payments, although, as stated below, each accidentally misdirected payment has associated anxiety and stress which would be avoided. We also recognise that PSPs will benefit from an administration cost saving related to investigating and returning accidentally misdirected payments.<sup>21</sup> We do not attempt to estimate this benefit but would be interested in consultees' views on the size of this benefit.
- 7.8** There are also several qualitative benefits from the prevention of malicious and accidentally misdirected payments that are difficult to quantify. These include:
- Reduction of the emotional impact that APP scams can have on victims such as acute stress and anxiety, particularly for high-value losses. This can have a significant impact on victims even if the money is eventually returned to the them.
  - Improved trust in electronic payment systems.
  - Improved customer experience, with greater assurance that the payment has gone to the right place.
- 7.9** Given that we have not quantified the benefits set out in paragraphs 7.7 and 7.8, the estimated benefits of the proposed directions should be considered as a conservative estimate of the overall benefits.
- 7.10** **Question 11: Is our assessment of the benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.**

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<sup>21</sup> This cost saving was noted in the Forum's blueprint for the New Payments Architecture and Confirmation of Payee. Payments Strategy Forum, *Cost benefit analysis of the NPA: NPA blueprint* (November 2017), page 12: <https://implementation.paymentsforum.uk/sites/default/files/documents/Cost%20Benefit%20Analysis%20Blueprint.pdf>

## Costs

**7.11** The costs associated with our proposed directions include:

- PSPs' costs to implement CoP. These include:
  - a. capital expenditure costs associated with changing customer interfaces, implementing or procuring APIs and name matching services
  - b. annual running costs associated with maintenance and support
- Costs incurred by PSPs for customer awareness campaigns about CoP and customer support.

**7.12** We assume there are no end user costs associated with CoP as PSP customers should access the solution via the existing PSP interfaces.

**7.13** Some of the larger PSPs provided us with recent estimates of implementation costs that range between £6 million and £15 million. We spoke to two challenger PSPs that have newer, more agile technological capabilities – one does not consider the cost of implementing CoP to be significant, the other was not concerned about the timing or costs associated with meeting our proposed dates. Other PSPs we spoke to were not able to provide estimates at this time. Smaller PSPs, such as agency PSPs that do not operate on a 24/7 basis and have limited technological systems, may incur relatively high implementation costs.

**7.14** The Forum estimated the industry implementation costs associated with CoP in its blueprint for the New Payments Architecture.<sup>22</sup> It estimated that the total capital expenditure across industry to be £200 million, with an annual running cost of £20 million.

**7.15** In line with the Forum, we assume a capital expenditure cost of £200 million and an annual running cost of £20 million. We also assume the capital expenditure cost is incurred in the first year as these related to one-off costs. We welcome evidence and views on these assumptions.

**7.16** Some PSPs have told us that it will be important for PSPs to run customer education and awareness campaigns and have staff ready to support their customers in using CoP, for which they will incur cost. To estimate this cost, we have considered the consumer awareness campaign costs for the Current Account Switching Service (CASS), which involved a campaign to raise end users' awareness about the service and how it works. This industry-wide campaign takes an integrated approach utilising paid, owned and earned media. In 2016, 2017 and 2018, the costs of the media and production only for the paid element of the campaign ranged between £6 and £8 million.<sup>23</sup>

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<sup>22</sup> Payments Strategy Forum, *Cost benefit analysis of the NPA: NPA blueprint* (November 2017), page 18, section 4.2:  
<https://implementation.paymentsforum.uk/sites/default/files/documents/Cost%20Benefit%20Analysis%20Blueprint.pdf>

<sup>23</sup> This excludes all costs for the owned and earned activity and other paid activity costs such as usage and agency fees

- 7.17** We recognise that CASS requires ongoing campaigns as the service is optional, while customers will need to use CoP under the proposed directions and should learn to use it. Therefore, for CoP, we expect that the consumer awareness campaign and support costs should be incurred in the lead up to, and during the early stages of, implementation. We do not expect that awareness campaigns and support should be required going forward. We therefore assume these are one-off costs incurred the same year that CoP is implemented. We also note that when a similar solution was implemented in the Netherlands, there were no awareness campaigns run as customers learned from the response messages.
- 7.18** Based on the annual CASS consumer awareness campaign costs and to account for additional costs related to support staff for customers, we assume the customer awareness campaign and support costs for CoP to be £10 million in the year of implementation. We currently consider this an upper bound estimate for these costs.
- 7.19** **Question 12: Is our assessment of the costs the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.**

## Cost benefit analysis

- 7.20** In our cost benefit analysis, we assume two different counterfactuals:
- 7.21** The first counterfactual (C1) assumes that without the proposed directions, CoP would not be available to the majority of consumers without regulatory intervention.
- 7.22** The second counterfactual (C2) assumes that CoP is implemented one year later than the proposed directions – that is, in 2020. For this counterfactual, the cost we consider is the incremental cost that PSPs incur from implementing CoP one year earlier.
- 7.23** To assess whether the benefits outweigh the costs, we take the net present value (NPV) of the total benefits and the total costs over time to calculate the net benefit under both counterfactuals (C1 and C2). Net benefit is the difference between the NPV of total benefits and the NPV of total costs. We have made the following assumptions to do this:
- **Time period:** We calculate the NPV over a ten-year period, from 2019 to 2028. CoP is an API-based solution that should be relatively easy and cost-effective to maintain or upgrade. We therefore do not expect PSPs to incur significant additional capital expenditure costs within this period.
  - **Social discount rate:** We have applied a social discount rate of 3.5%, in line with the Treasury's Green Book, to calculate the NPV of the benefits to service users.<sup>24</sup>
  - **Firms' discount rate:** This discount rate should reflect the opportunity cost of the expenditure to implement CoP that could have been invested elsewhere. The FCA is currently undertaking a review of the cost of capital for retail banking, so we have

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24 HM Treasury *The Green Book* (2018):

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/685903/The\\_Green\\_Book.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf)

considered other measures.<sup>25</sup> In the FCA’s Asset Management Market Study, the cost of capital is estimated to be between 5.5% and 8.5%.<sup>26</sup> However, this may be considered an upper bound estimate for retail banks as their business models may allow them to raise capital more cost effectively.<sup>27</sup> An appropriate lower bound for the firms’ discount rate would be the social discount rate to align with the Treasury’s Green Book. For our calculations, we assume a firms’ discount rate of 5%.

- **Growth in APP scams:** We have been told by PSPs that it is likely that APP scams will continue to increase over time. Due to more PSPs reporting statistics in 2018 relative to 2017, and other factors, it is not possible to use the APP scam statistics published by UK Finance as an indication of recent growth.<sup>28</sup> To be conservative, we assume an annual growth of 5% in attempted APP scams.
- **Prevention rate:** There may be instances where CoP has alerted a customer that the name does not match, but they choose to proceed with the payment and lose their money. To account for this, we assume that CoP should help prevent at least 90% of APP scams where the name entered does not match the account details.

**7.24** Based on these assumptions, there is a positive net benefit of our proposed directions to implement CoP in 2019 of around £1 billion under C1, and £174 million under C2 (see table below). We set out our calculations for the cost benefit analysis under both counterfactuals in Annex 2.

**Table 1: Net benefit of proposed directions to implement CoP in 2019**

<b>Counterfactual 1 – CoP not implemented</b>	£1,004 million
<b>Counterfactual 2 – CoP implemented in 2020</b>	£174 million

**7.25** We performed a sensitivity analysis around our key assumption variables and the impact these have on the net benefit for both counterfactuals. We find that there remains a positive net benefit under both counterfactuals when more conservative assumptions are used for the time period, growth in APP scams, prevention rate, firms’ discount rate and the capital expenditure. Furthermore, we performed a sensitivity analysis around the net benefit if we were to assume there would be a higher capital expenditure if CoP is implemented in 2019 than if it is implemented one year later in 2020. We find that the net benefit for both counterfactuals remains positive even if the

25 Financial Conduct Authority *Strategic Review of Retail Banking Business Models: Progress Report* (June 2018): <https://www.fca.org.uk/publication/multi-firm-reviews/strategic-review-retail-banking-business-models-progress-report.pdf>

26 Financial Conduct Authority *Asset Management Market Study – Annex 8* (November 2016): <https://www.fca.org.uk/publication/market-studies/ms15-2-2-annex-8.pdf>

27 This is being considered by the FCA in its strategic review of retail banking business models.

28 UK Finance describes this in its statistical publication. See UK Finance *2018 half year fraud update*: <https://www.ukfinance.org.uk/wp-content/uploads/2018/09/2018-half-year-fraud-update-FINAL.pdf>



capital expenditure would cost 95% more to implement one year earlier under our initial assumptions, and 50% more under more conservative assumptions (see Annex 2).

- 7.26 Question 13: Is our assessment of the trade-off between costs and benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.**
- 7.27 Question 14: What is your view on the impact of the proposed dates in our approach to the trade-off between costs and benefits. Do you consider that imposing April and July deadlines impacts either the costs or benefits of implementing CoP relative to a later implementation date – for example, 2020 or later?**

## 8 Equality impact assessment

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In line with our public-sector equality duty under the Equality Act 2010, we must assess the likely equality impacts and rationale of giving any directions. In this chapter we explore further the impacts we believe CoP, and its implementation through giving the directions we are considering, will have including on those with relevant protected characteristics and we ask for comments and evidence to support us in carrying out our assessment.

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- 8.1** In line with our public-sector equality duty under the Equality Act 2010<sup>29</sup>, we must assess the likely impacts and rationale of what we are considering doing. In particular, and as part of our decision-making processes on whether to give directions, we must assess the extent to which giving the directions would generate any negative impacts on those that can be considered as having any relevant protected characteristics.<sup>30</sup>
- 8.2** Overall, we currently believe that giving the directions we are considering should have a positive impact on all those sending and receiving money, including those with protected characteristics, because they will reduce the risk that they will become victims of APP scams and help to ensure that payments are accurately made. We believe that the CoP solution will introduce an appropriate and necessary level of friction for those making payments because it will require them to consider whether the CoP result gives any cause for concern. The level of friction in making the payment will be reasonable to the benefits, in particular giving greater assurance that the right person is getting the money.
- 8.3** Nevertheless, we are mindful that CoP could present a greater risk of poor outcomes to some consumers with protected characteristics. This may include the elderly or those with serious physical or mental health conditions. Our decision making on whether to give the proposed directions will therefore consider issues around, in particular, the risk of the additional friction introduced by CoP affecting people with these characteristics because they may find it harder to make an FPS or CHAPS payment or may be prevented from doing so.
- 8.4** We note that to mitigate these potential adverse impacts, Pay.UK, when developing the rules, standards and guidance for CoP, engaged with consumer groups and conducted independent research. Pay.UK also plans to work with PSPs during the implementation of CoP to ensure that the needs of people with disabilities, the elderly and other groups considered to be vulnerable are met. We also expect PSPs' consumer communication campaigns to be as inclusive as possible, with a focus on consumers with protected characteristics.

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<sup>29</sup> See section 149 Equality Act 2010

<sup>30</sup> The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

- 8.5** We welcome comments and representations from all with knowledge or expertise in issues connected with relevant protected characteristics and will take these into account in deciding on the giving, and content of, any directions.
- 8.6** **Question 15: Do you have any comments on our assessment of the impacts of the directions we are considering on protected groups or vulnerable consumers? Do you have any evidence that will assist the PSR in considering equality issues, and in particular complying with its public equality duty, in deciding whether to give directions and considering alternatives?**

## 9 Next steps

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In this chapter, we explain how to respond to our consultation and how we will deal with your responses. We also explain that, if we proceed with giving directions, we will consult further on the proposed text of those directions.

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### How to respond

- 9.1** If you wish to respond to this consultation paper, please send us your answers to our questions and any other comments by **5pm on 4 January 2019**.
- 9.2** You may answer as many or few questions as you wish, depending on your particular areas of interest.
- 9.3** You can email us at [app-scam-pso-project@psr.org.uk](mailto:app-scam-pso-project@psr.org.uk) or write to us at the following address:

Confirmation of Payee Consultation  
Payment Systems Regulator  
12 Endeavour Square  
London. E20 1JN

### What our next steps will be after this consultation

- 9.4** We will take into account all responses to this consultation in deciding on next steps. If we decide that we should proceed to give the proposed directions, we will consult on the proposed text of those directions.

### Disclosure of information

- 9.5** Generally, we seek to publish views or submissions in full or in part. This reflects our duty to have regard for our regulatory principles, which include those in relation to:
- publication in appropriate cases
  - exercising our functions as transparently as possible
- 9.6** We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you wish to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request.

Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

- 9.7** We take our data protection responsibilities seriously and will process any personal data that you provide to us in accordance with the Data Protection Act 2018, the General Data Protection Regulation and our PSR Data Privacy Policy. For more information on how and why we process your personal data, and your rights in respect of the personal data that you provide to us, please see our website privacy policy, available here: <https://www.psr.org.uk/privacy-notice>

# Annex 1

## Consultation Questions

We are asking for responses to the following consultation questions.

### Why are we consulting on directions?

**Question 1** Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and, if so, what are they? Do you have any other comments on the issues raised above?

### The proposed scope of the directions

**Question 2** Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions? What is the basis for your view, particularly having regard to the likelihood of achieving the benefits of CoP?

**Question 3** Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?

**Question 4** Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions? If you believe that we should consider giving directions in relation to only one of these payment systems, or more than FPS and CHAPS, please set out why. Are there any other issues that we should consider when deciding which payment systems should be in scope?

**Question 5** Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from? Should a CoP request only apply when a new payment mandate is being set up or changed?

**Question 6** How should any directions deal with the potential for people to opt out of the CoP process?

**Question 7** Should any directions cover the sending of money from both individual and business accounts?

## The rationale for our timeframe

**Question 8** Should the directions separate out responding to CoP requests from being able to send CoP requests? Should directions cover both sending and responding?

**Question 9** Do you agree with the deadlines for the introduction of CoP? If you do not agree, please set out why you consider different dates would be more appropriate and your view of the impact that would have on the costs and benefits of CoP. If the dates are not considered achievable, please give reasons and alternative dates that you consider achievable and the reasons why.

## Alternative approaches

**Question 10** Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?

## Cost Benefit Analysis

**Question 11** Is our assessment of the benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

**Question 12** Is our assessment of the costs the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

**Question 13** Is our assessment of the trade-off between costs and benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

**Question 14** What is your view on the impact of the proposed dates in our approach to the trade off between costs and benefits. Do you consider that imposing April and July deadlines impacts either the costs or benefits of implementing CoP relative to a later implementation date – for example, 2020 or later?

## Equality Impact Assessment

**Question 15** Do you have any comments on our assessment of the impacts of the directions we are considering on protected groups or vulnerable consumers? Do you have any evidence that will assist the PSR in considering equality issues, and in particular complying with its public equality duty, in deciding whether to give directions and considering alternatives?

# Annex 2

## Cost Benefit Analysis

In this annex, we set out the details of our Cost Benefit Analysis, including the initial assumptions we have made and the sensitivity analysis we have performed.

- **Table 1** sets out the key variables and our initial assumptions of the Net Present Value (NPV) assessment we made.
- **Table 2** sets out the Net Present Value assessment we carried out based on our initial assumptions.
- **Table 3** sets out the spectrum of our sensitivity analysis. Ranges go from our initial assumptions to more conservative assumptions.
- **Table 4** sets out scenarios with a higher capital expenditure than our initial assumption (£200 million) if CoP is implemented in 2019 rather than one year later in 2020.

### Table 2: Assumptions

The key variables and our initial assumptions of our Net Present Value (NPV) assessment.

Key variables	Core assumptions
<b>Benefits of CoP Direction</b>	
Overall losses due to maliciously misdirected APP scams	£75m in half a year (or £150m a year)
<b>Costs of CoP Direction</b>	
Capital expenditure	£200m in first year
Running costs	£20m annually
Customer awareness campaigns and support	£10m in first year
<b>Other variables</b>	
Time period	10 years
Social discount rate	3.50%
Growth in APP scams	5% annual growth from 2019
Firms' discount rate	5%
Prevention rate	90%



**Table 2: Net Present Value analysis based on our initial assumptions (figures in millions)**

<b>Counterfactual C1:</b>											
<b>Confirmation of Payee is not implemented</b>											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	NPV
<b>Benefits</b>											
Losses from maliciously misdirected APP scams prevented	68	142	149	157	164	173	181	190	200	210	
<i>Total benefits</i>	68	142	149	157	164	173	181	190	200	210	£1,376
<b>Costs</b>											
Capital expenditure	200										
Annual running costs	20	20	20	20	20	20	20	20	20	20	
Consumer education campaigns and support	10										
<i>Total costs</i>	230	20	20	20	20	20	20	20	20	20	£372 (A)
Net Benefit											£1,004
<b>Counterfactual C2:</b>											
<b>Confirmation of Payee is implemented one year later</b>											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	NPV
<b>Benefits</b>											
Losses from maliciously misdirected APP scams prevented	135	71									
<i>Total benefit</i>	135	71									£204
<b>Costs</b>											
Capital expenditure		200									
Annual running costs		20	20	20	20	20	20	20	20	20	
Consumer education campaigns and support		10									
<i>Total cost</i>		230	20	20	20	20	20	20	20	20	£342 (B)
<i>Incremental cost of implementing one year earlier (Jul 2019)</i> <i>[(A) - (B)]</i>											£30
<b>Net benefit of implementing one year earlier</b>											£174

**Table 3: Sensitivity ranges**

Ranges go from our initial assumptions to more conservative assumptions.

<b>Key variables</b>	<b>Ranges</b>
Capital expenditure	£200m to £300m
Time period	5 to 10 years
Social discount rate	3.50%
Growth in APP scams	0% to 10%
Prevention rate	65% to 100%
Firms' discount rate	3.5% to 9%
<b>Net benefit comparison</b>	
Net Benefit under C1	£4m to £1,582m
Net Benefit under C2	£114m to £193m

**Table 4: Sensitivity analysis around year of implementation**

Scenarios with a higher capital expenditure than our initial assumption if CoP is implemented in 2019 rather than one year later in 2020 (assuming capital expenditure if implemented in 2020 is £200m).

<b>Key variables</b>	<b>Assumptions</b>	<b>Assumptions</b>
Capital expenditure if implemented in 2019	£300m	£390m
Time period	5 years	10 years
Social discount rate	3.5%	3.5%
Growth in APP scams	0%	10%
Prevention rate	65%	100%
Firms' discount rate	3.5%	9%
<b>Net benefit comparison</b>		
Net Benefit under C1	£4m	£1,392m
Net Benefit under C2	£18m	£3m

# Glossary

<b>Expression or abbreviation</b>	<b>Definition</b>
Account number	A unique number, per PSP, that identifies the account of a customer. Together with sort-code often used to route payments.
agency access (also agency PSP)	An indirect PSP which has its own sort code provided by its Indirect Access Provider.
BIC	Bank Identifier Code, a Swift code that is used internationally to identify a bank, often used in High Value and International payments systems to make sure the money is going to the right PSP.
CHAPS (Clearing House Automated Payment System)	The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's Real-Time Gross Settlement (RTGS) system.
CLS	Continuous Linked Settlement is a specialist US financial institution that provides settlement services globally, in the foreign exchange market.
direct access	A PSP has direct access to a payment system if the PSP is able to provide services for the purposes of enabling the transfer of funds using the payment system as a result of arrangements made between the PSP and the operator.
Directly Connected Non-Settling Participant (DCNSP)	A PSP who is directly connected to the payment clearing infrastructure but who settles its obligations via a sponsor PSP or IAP that holds an account at the Bank of England.
Direct Participant (also Directly Connected Settling Participant (DCSP))	A PSP who is directly connected to the payment clearing infrastructure and who also settles its obligations from its account held at the Bank of England.
FPS (Faster Payments Scheme)	The regulated payment system that provides near real-time payments as well as standing orders.
FSBRA	Financial Services (Banking Reform) Act 2013.
HOCA	Head Office Collection Account, an account used by businesses to collect funds from clients which may then be routed by a further reference code such as roll number for building societies.
IBAN	International Bank Account Number, used when making and receiving cross-border payments. Iban codes often use a combination of BIC, sort code and account numbers.

<b>Expression or abbreviation</b>	<b>Definition</b>
indirect access (also indirect PSP)	A PSP has indirect access to a payment system if it has a contractual arrangement with an Indirect Access Provider to enable it to provide payment services (for the purposes of enabling the transfer of funds using that payment system) to its customers. An indirect PSP may be classified as either an agency or non-agency PSP also.
Nostro and Vostro accounts	An account held by one PSP with another PSP, typically in relation to international trading or moving funds overseas.
payment service provider (PSP)	A PSP, in relation to a payment system, means any person who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that payment system. This includes direct PSPs and indirect PSPs.
Roll Number	A reference code with numbers and letters traditionally used by building societies instead of sort code and account numbers.
sort code	A six-digit number, usually written as three pairs of two digits, used for the purpose of routing payments in certain UK interbank payment systems.

PUB REF: CP18/4

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