



PAYMENT STANDARDS STRATEGY GROUP

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In partnership with:



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FOREWORD - UK FINANCE

In 2021, members of UK Finance outlined an ambitious ten-year strategy for the payments industry when UK Finance published its Future Ready Payments 2030 report. One of the conclusions of that report was for the payments industry to better understand how it could utilise standards to deliver benefit to payment service providers, financial institutions and, ultimately, the businesses and consumers who make and receive payments on a daily basis.

To help develop the industry's ambitions, we set up the Payments Standards Strategy Group and asked Ian Povey (NatWest) to drive these ongoing discussions. A task he has my thanks for accomplishing with great leadership and the far-seeing eyes of practical experience. Aided by the dedication and insight of the team from BCS, we are pleased to be able to say that these discussions have continued to be constructive and supportive of this work, culminating in the report that you are reading.

Although this report sets out a clear direction for the future, the work is not complete yet. The PSSG has outlined both immediate next steps for the industry and a standing forum through which the payments industry can continue the standards dialogue. How this forum is taken forward is yet to be determined. Members of UK Finance have been incredibly supportive to this process, and I believe it is essential for UK Finance to continue working closely with the Bank of England, Pay.UK, Visa, Mastercard, SWIFT, and our members to make this vision a reality.



JANA MACKINTOSH

Managing Director, Payments & Innovation
UK Finance

FOREWORD - INDUSTRY CHAIR

When Jana asked me to help corral the discussions on payment standards, I knew that the work would likely be challenging, yet also engaging and insightful. The standards that firms such as my own rely on often do not reflect available capabilities, can be open to interpretation and rarely demonstrate strategic coherence across all of the payment rails that the industry supports! When divergence occurs across the network, we have to reconcile these difficulties with more money and developer time until it's 'fixed' long enough to ensure that payments continue to flow safely.

What we, the PSSG, outline in this report are several recommendations for the industry to enable better co-ordination and collaboration between payment standard providers and their respective communities. As a network industry, I believe it is essential that the competition, stability and cost benefits of common and open standards are delivered across all of the payment methods that we use. This report delivers to us all a way forward to achieving that goal.

In chairing this group, I have been assisted not just by the team at BCS - Matthew Britton, Abdulla Mashaal and Caleb Norris – but also all of the members of the PSSG. Without your contributions and support, this undertaking would simply not have been possible. I trust that we will continue to be able to work together with such collaborative spirit in the years to come.

**IAN POVEY**

Head of Payments Services & Technology
NatWest

1.0 EXECUTIVE SUMMARY

Payment standards have demonstrated a positive, transformative impact on the UK payments industry for many years, and while standards are already central to payment services, members of the Payments Standards Strategy Group believe that they hold significant untapped potential to bring greater benefit to all industry stakeholders, from end users to direct and indirect market participants. To realise this potential, it is time to explore a new approach for the coordination and collaboration of UK payment standards.

UK Finance formed the Payment Standards Strategy Group (PSSG) with the specific intention of exploring whether these potential benefits exist and, if so, defining a new approach to enable them to be realised.

While the current coordination approach for UK payment standards was suitable in the past, the industry is now at a tipping point where closer collaboration and coordination is essential to support the continued evolution of UK payments and to realise untapped opportunities. This tipping point is driven by three waves of change¹:

- Recent initiatives – such as the implementation of Confirmation of Payee, Strong Customer Authentication, 3D-Secure, and Open Banking
- Current transformational changes – including the renewal of the Bank of England’s RTGS system, the development of the New Payments Architecture (NPA) and the migration of the SWIFT payment network² to ISO 20022, and
- Imminent areas of innovation – including development of digital identity standards, central bank digital currencies (CBDCs) and stablecoins, and novel payment initiation methods

If the industry aims to achieve the goals of interoperability, efficiency and near-frictionless payments within an ecosystem that is secure, open, and innovative, it is highly important and desirable that UK payment standards are approached holistically. We operate in a global environment, where some payment standards are set and managed globally, and it is paramount that UK and global standards continue to operate in harmony. Furthermore, the UK should actively influence and

contribute to global standards, in order to meet the needs of our highly innovative payments and financial sector, and thus, truly champion strategic payment standards opportunities in the UK and abroad.

If the UK payment industry chooses not to pursue this now, it may have to contend with a disjointed, divergent landscape of standards resulting in significant additional costs to maintain payment ecosystems, sub-optimal levels of operational resilience, and a poorer experience for end users. The tying up of expertise and resource in standards maintenance means some opportunities for innovation may be missed. Neglecting this opportunity would also mean missing the chance to lower the barrier to entry for newcomers, potentially impacting the level of competition, as well as a likely rise in fragmentation of approaches and implementations across the industry.

Given the timing of the three waves of change, and the time required to fully embed a new approach, there is currently an ideal window of opportunity to introduce a new approach to coordinating UK payment standards development. Therefore, the industry is now at a decision point where it can choose the path of maintaining the status quo, or take the path of implementing a new collaborative approach for standards, bringing long-term benefits to all industry participants and end-users. The PSSG believes that the industry should act now and is proposing the creation of a UK Payment Standards Engagement Forum. This will act as the vehicle and catalyst for the positive changes in standards coordination that the Group believes are so valuable and critical to support the next evolution of UK Payments. The objective

1. We explore this more in section 3.1.

2. SWIFT payments are migrating but not other domains e.g. securities.

of the forum will be “To collaboratively provide the UK payments industry with clarity, access, strategic direction, representation and consistency across payment standards”. To build on the momentum created by the PSSG, the Group has defined initial recommendations for the Forum to deliver to help achieve its objectives.

Imminent use cases where a coordinated approach to payment standards will be critical include open banking payments, the development of a Digital ID standard and standards to help reduce the impact of APP fraud on consumers and the industry. Without such a framework or approach being in place, it will be far more difficult (and indeed, less likely), to achieve the desired outcome for the payments and financial services industry across these wide-reaching topics.

This report highlights a series of tangible deliverables for the existing PSSG – and the proposed UK Payment Standards Engagement Forum. Some deliverables are short term in nature (such as the creation of a payment standards navigation map) while others are medium-long term (including the creation and maintenance of a strategic cross-payments standards roadmap). Collectively, the deliverables address the opportunities identified while responding to the collective challenges, and commitments, that the UK payments industry faces in coming years.

In summary, the PSSG has set out a clear need for a new approach to payment standards coordination, and the opportunities it would bring. The commitment to this idea is widely held by its members.

UK FINANCE PSSG MEMBERSHIP

The following organisations are represented at the PSSG as of June 2021:

- Bank of England (in its capacity as RTGS and CHAPS operator)
- Clear.Bank
- Fire Financial Services
- HSBC
- Lloyds Bank
- Mastercard and Vocalink
- Nationwide Building Society
- NatWest Bank
- Pay.UK
- Santander Bank
- SWIFT
- The Open Banking Implementation Entity
- Visa

Virgin Money was member to the Group in 2020 and early 2021.



2.0 BACKGROUND

Payment standards have demonstrated a positive, transformative impact on the UK Payment industry for many years. While standards are already central to payment services, the Payments Standards Strategy Group (PSSG) believes payment standards hold significant untapped potential to bring greater benefit to all industry stakeholders, from end users to direct and indirect market participants.

The Future Ready Payments 2030³ report, written by UK Finance and PwC, considers the opportunities and challenges for the UK payment industry over the next ten years, and sets out a vision for the payment industry in 2030. The report sets out numerous recommendations that would require standards to be devised, changed, or retired, in order to achieve the vision. These include initiatives around digital currencies, real time fraud information sharing across the financial sector, and global liquidity optimisation – all areas that are likely to require standards to flourish at a large scale.

The UK payment industry has long been regarded as being at the forefront of innovation and best practice. Over the next decade the potential in this sector is enormous, as advances in new technologies and evolving customer expectations will drive change in the market. These changes will further enable competition, innovation, choice and opportunity for consumers.

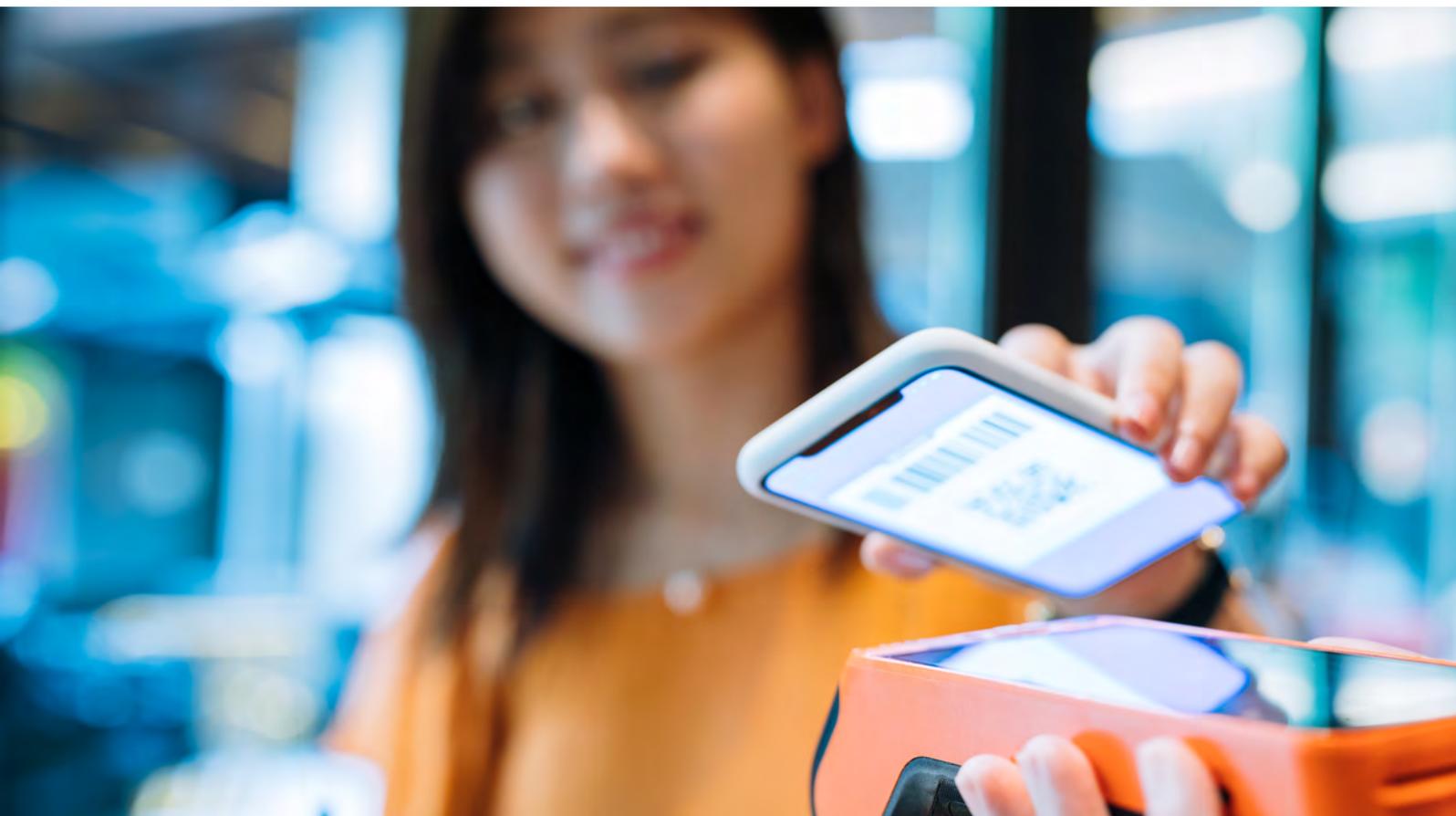
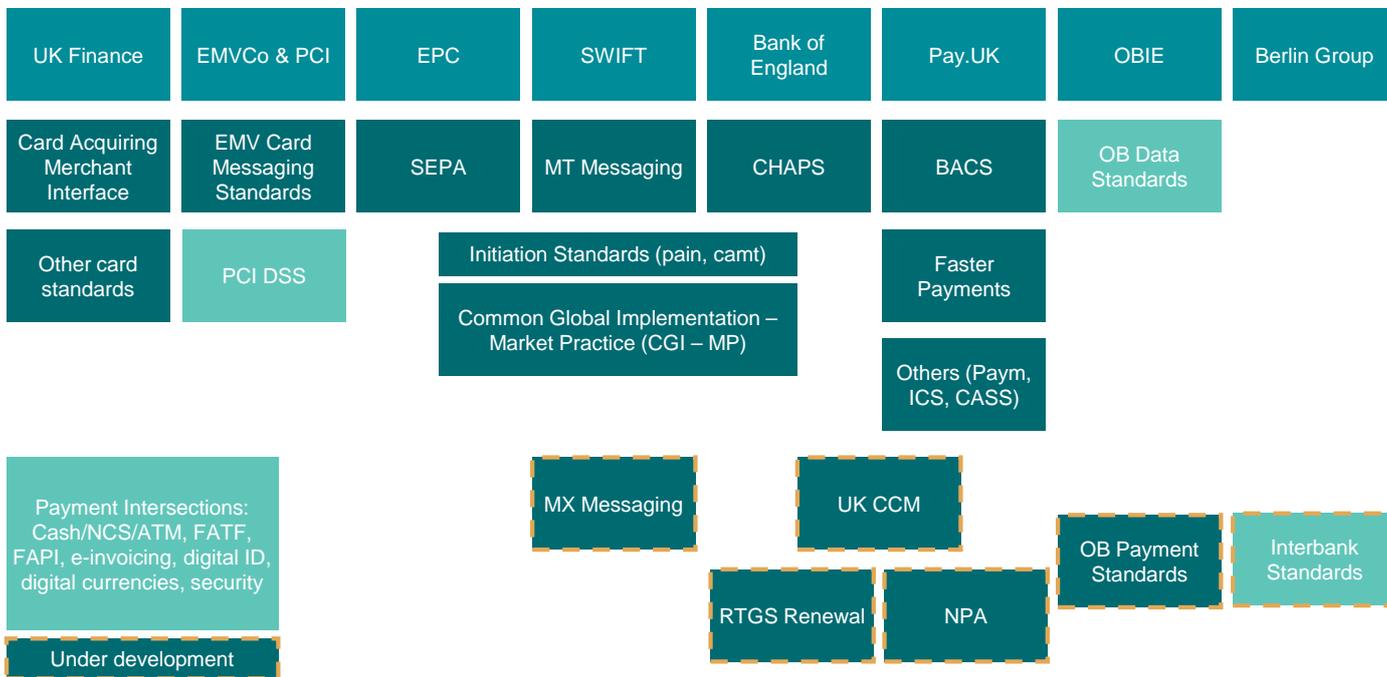
As a direct outcome of the report's recommendations, the UK Finance Payment Standards Strategy Group was formed to explore whether wider collaboration, commitment and/or governance models could enhance opportunities for UK payment standards. This was to be agnostic of payment type and include a wide range of stakeholders to enrich, and broaden, the discussion around strategic payment standards opportunities. It was believed that an approach for the realisation of those opportunities could emerge as an output from this work. BCS Consulting was engaged in December 2020 to lead this exploratory activity for the PSSG. The purpose of this report is to provide a summary of the PSSG's proposals and recommendations, and the rationale that underpins them. This will be evaluated before being put into practice.

2.1 EXISTING STANDARDS GOVERNANCE

To frame the challenges identified with UK payment standards, it is necessary to understand the current landscape. Figure 1.0 below provides an overview of key payment standards in the UK and the associated governance bodies. A number of areas, such as SWIFT, form part of an international set of standards that are agreed globally, and applied in the UK market.

3. The full report can be viewed at this link: <https://www.ukfinance.org.uk/system/files/Payment-future-report-150221-compressed.pdf>.

Figure 1.0 - Current Payment Standards and Bodies (illustrative/ non exhaustive)



3.0 THE CASE FOR CHANGE

To understand the need for change to the current payment standards landscape it is necessary to articulate the challenges currently faced by industry participants.

3.1 CURRENT CHALLENGES



Payments standards dialogue



Standards complexity and accessibility



Lack of holistic view of payments standards



Divergence in implementation



Lack of bandwidth for innovation

Payment standards dialogue

The payment ecosystem has expanded dramatically in recent years, but the standards dialogue has not always evolved accordingly. While standards bodies demonstrate fantastic engagement with direct stakeholders, there remain instances where it would be advantageous to ensure wider socialisation during the design phases to help to ensure that standards work well for the users whenever they choose to adopt a standard. The evolution of the standards for CoP and the widest possible adoption to tackle APP is a key opportunity.

This presents a number of risks or missed opportunities: a lack of awareness or understanding of changes by some participants; limited opportunities for new entrants to contribute innovative ideas; and standards potentially perceived, by those on the fringes, as a compliance obstacle rather than an opportunity.

Standards complexity and accessibility

While standards are generally easily accessed by those firms involved in the development of the standard, there are occasionally mechanisms which control access to standards for risk reasons. With CoP the intent was to prevent fraudsters and other criminals from acquiring details of this important consumer protection mechanism, but the result was the wider market being unable to understand the necessary build and function of the Confirmation of Payee standards, leading to questions as to the relative risk and benefits of the restrictions. As a result, Pay.UK has decided remove the need for an NDA to access the CoP standards, so these are available now via Standards Source without an NDA.

In addition to occasional restrictions, the sheer number and complexity of standards makes it expensive and labour-intensive for all participants to understand and engage with them, increasing the barrier to entry and potentially stifling some innovation. This is exacerbated by standards tooling that is at times non-user friendly or inaccessible, resulting in a heavy reliance on standards experts, for which the resource pool is constrained. As a result, too much time is spent by these experts on basic maintenance (e.g. reviewing annual Swift Standards releases) rather than being available to support standards bodies, or participants, with payment innovation. This is disproportionately impactful on smaller organisations which do not have the resource capacity to engage fully with standards consultations, further limiting their ability to influence the evolution of payments.

Lack of holistic view of payment standards

While there are many different payments industry forums and bodies, there are few mechanisms that enable all relevant parties to engage consistently to ensure that the end-to-end payment ecosystem can coordinate in an effective way.

This is most relevant for those areas of business which operate on different standards. The growth of the Open Banking ecosystem has provided a significant boost to innovation, enabling new functionality alongside existing payment rails. This innovation has been spearheaded by the development of new API standards; with appropriate coordination, these could evolve along with the wider migration to the ISO 20022 standard that interbank payment rails are migrating to.

While the Bank of England's renewed RTGS and Pay.UK's NPA programmes have been able to remain in close coordination through the good efforts of the Standards Advisory Panel (SAP); the same cannot always be said for their alignment with the API standards developed by the Open Banking Implementation Entity (OBIE). For example, at the current time, the Open Banking Risk profile data model utilises ISO 18245 to provide a Merchant Category code for the payment; this code set is not extant in its original form within the ISO 20022 pacs.008 message used by the Bank of England and Pay.UK for the Common Credit Message. This could lead to potential divergence of implementation should firms require the transfer of this data through a payment initiation journey. As the growth of the Open Banking ecosystem continues it will be important to ensure that the standards used within these initiatives remain aligned and are able to effectively facilitate the end-to-end transfer of data that will be a key enabler of future services.

Without a holistic view of standards, strategic opportunities for the benefit of the whole industry may be missed (such as a joined-up approach to Authorised Push Payment (APP) fraud⁴) and the potential for divergence of standards increases, thus creating more work for all participants, and disproportionately impacting smaller participants. The existence of a cross-industry body to discuss standards does not mandate that all standards should be rigorously aligned, but it ensures that open dialogue occurs, so any divergence is consciously accepted.

Divergence in implementation

Flexibility is a necessary attribute for any payment standard, to cater for multiple use cases and to provide the opportunity for innovation and competition. However, without clear guidelines, flexibility can lead to degrees of variation even within a single scheme, as each individual firm implements the standard in subtly different ways. The best example of this issue is the rollout of SEPA interbank payments across Europe where a light-touch approach to standardisation with a high degree of optionality resulted in a proliferation of variations upon the standard (or flavours of it), even though each firm has complied with 'the standard' and associated

rules. This has contributed to the implementation of hundreds of variations of the standard, differing by region and by institution, and increasing the effort required to participate in the scheme.

The divergence of implementation approaches results in increased work, often with limited added value for most industry participants. Technical solution providers, from payment engines through to corporate ERP systems, face extra costs to adapt their platforms for every permutation, resulting in fewer 'off the shelf' products and reduced competition⁵. Banks must cater for each variation imposed by their counterparties and end users, such as corporates wishing to re-bank (or even multi-bank) and have to be prepared for providing different information depending on their PSP. Each change request to the standard (annually or more frequently) requires a costly series of assessments, testing and implementations. For many, the aim in payments is to achieve interoperability⁶, yet we are not sufficiently coordinated and aligned to enable this outcome to be pursued or achieved.

Eliminating all flexibility and optionality is counterproductive as it stifles innovation, but it is better to acknowledge any opportunity for divergence and assess the potential impact rather than risk it evolving unchecked.

Lack of bandwidth for innovation

As a result of the challenges outlined above, the industry is forced to dedicate effort towards non value-add activities with the bandwidth for innovation being reduced.

Innovation, especially technological change, drives common changes across the industry and provides opportunities for the payments industry to better meet consumer needs. There are many areas where innovation, with accompanying standards, could enhance the industry, such as by using a mobile phone to access funds (e.g. at a till or ATM), enabling non-card online payment methods (such as open banking payment methods (such as open banking payment at POS) or the further exploitation of APIs.

4. See section 4.1 Use Cases – APP fraud.

5. While system vendors do not sit on PSSG, members provided first-hand experience of standards challenges faced by them.

6. It is worth noting that interoperability, while a strategic aim, may not occur at all levels. For example, a customer experience may one day be equivalent across card or account payments, but the back-end rails could still be entirely separate systems.

However, in this complex, fast-developing environment time is being spent and lost on multiple and overlapping standards conversations, which has both a direct cost and an opportunity cost of not tackling future needs or fostering innovation. While payments are at the forefront of innovation in financial services, the scope for improved efficiency when it comes to coordination of standards, and using standards as a platform for innovation, is significant.

3.2 WHY NOW?

The industry is now at a tipping point where closer collaboration and coordination is essential to facilitate the continued evolution of UK payments and to realise untapped opportunities, for both the established organisations and for newer, smaller market entrants. This tipping point is driven by three waves of change – recent initiatives, current transformational changes, and imminent future innovation.

There is currently an ideal window of opportunity for the introduction of a new approach to coordinating UK payment standards. Deciding not to act now would be a missed opportunity to acknowledge the seismic changes that the industry is facing, the collaboration that will be needed on standards, and the time it takes to respond in a coordinated manner.

3.3 THE COST OF INACTION

Analysis of industry examples has shown that when standards management is done well, such as the role performed by EMVCo within the Cards ecosystem, significant benefits can be realised. Indeed, steps towards increased coordination, such as the formation of a Bank of England & Pay.UK joint Standards Advisory Panel (SAP), have already brought benefit to the industry, through the agreement on the UK's ISO 20022 Common Credit Message.

If the UK payments industry chooses not to pursue this now, it may have to contend with a disjointed, divergent landscape of standards resulting in significant additional costs to maintain payment ecosystems, sub-optimal levels of operational resilience, and a poorer experience for end users.

The tying up of expertise and resource in standards maintenance means some opportunities for innovation may be missed. Neglecting this opportunity would also mean missing the chance to lower the barrier to entry for newcomers, potentially impacting the level of competition, as well as a likely rise in fragmentation of approaches and implementations across the industry. Given the critical role that payments play within the UK financial services industry, including the flourishing UK fintech sector, it is inevitable that it is more than just the payment ecosystem that would be hampered by inaction. The industry is now at a decision point where it can choose to maintain the status quo or choose to implement a best-of-breed approach for standards coordination bringing long-term benefits to industry participants, both large and small.

The PSSG believes there is a case for action, and thus, has articulated what a desired state should look like (opportunity statements) and has evaluated different ways of getting there, resulting in a set of clear proposals and deliverables⁷.

7. See section 5.0 PSSG Proposal.

Why address this now?

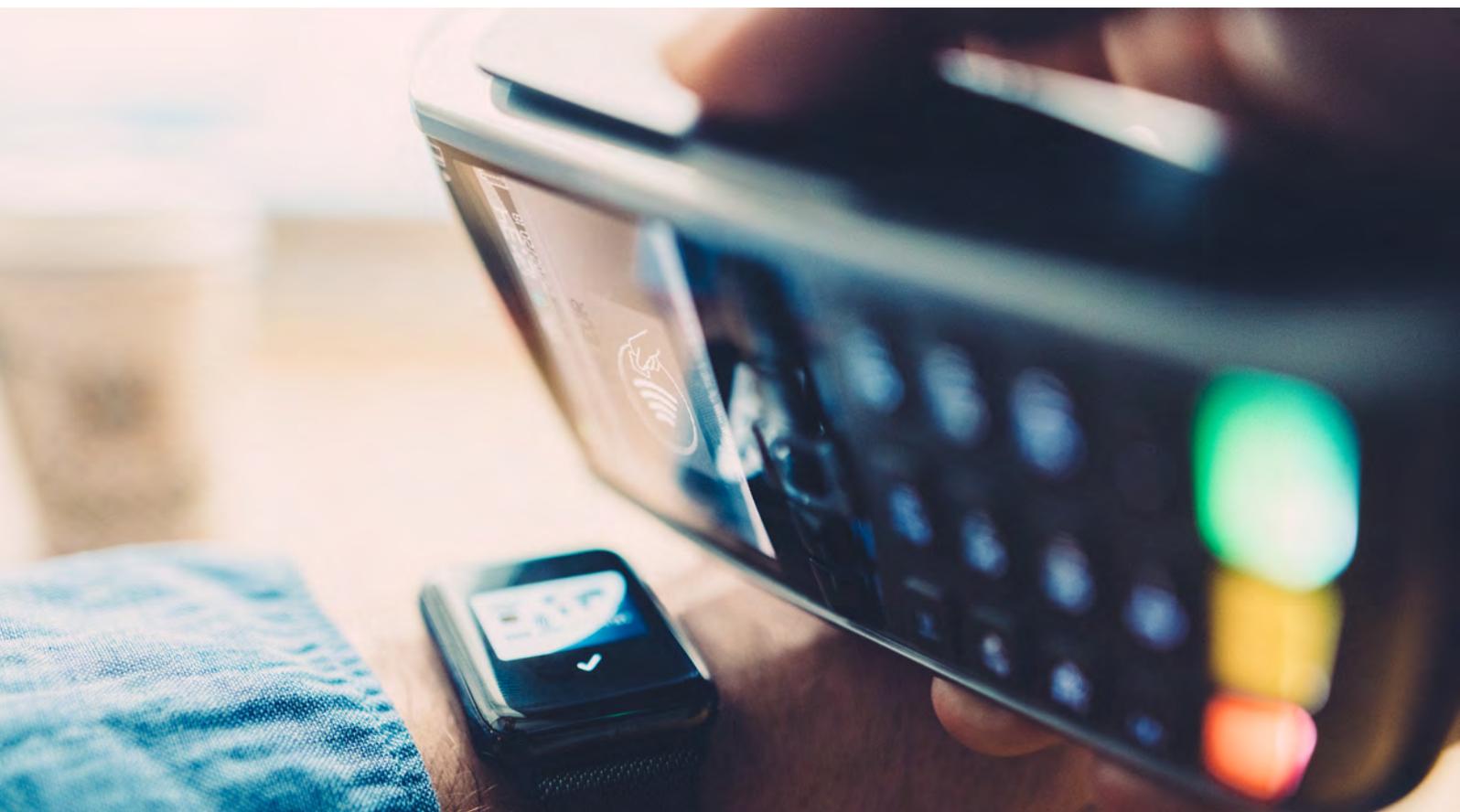


Recent years have seen significant initiatives in the payment landscape and a branching out from the bank-dominated system: the emergence of new payment participants (Payment Service Providers), new payment initiation ‘channels’ (e.g. payment initiation via Open Banking), and new industry initiatives such as Confirmation of Payee and Request to Pay. These developments have opened up the payment ecosystem to a much wider range of participants with organisations such as technology companies, fintechs, mobile phone companies and third party providers (TPPs) now actively involved in the payment value chain.

The industry is currently mobilising once-in-a-generation infrastructure changes which will have a profound effect on the payment landscape – a renewed RTGS service, SWIFT ISO 20022 Payments Migration and the New Payments Architecture (NPA). These bring fundamental changes to the underlying standards for the most critical payment schemes, driving change across all industry participants. While these changes are all moving towards ISO 20022, given the vast optionality embedded within that standard, it is essential that divergence is not allowed to ‘mushroom’ unchecked.

Over the next five to ten years we will see the adoption of new payment instruments in both domestic and international markets. Some of these, such as Central Bank Digital Currencies (CBDCs), are likely to be governed by central banks while others, such as stablecoins, will likely be operated by private organisations. In parallel we are likely to see further technologically-driven innovations which impact payments, such as the rise of digital identity. While it is impossible to pre-empt standards for these developments, it is essential that a framework exists within which discussions on these standards can happen.

Emergence of new participants in the payments value chain



4.0 THE OPPORTUNITY

The six opportunity statements outlined below collectively articulate the future state for the key areas of improvement identified by the Group.

Opportunity Statement 1

Payment standards dialogue takes place across payment domains. It involves wider payment participants at certain stages, yet maintains a decision-making core. It educates the community on why standards are adopted and change. It actively seeks 'external' views to the dialogue.

Wider participation and dialogue can deliver several related benefits: increased adoption and compliance from a greater education and awareness of standards and their benefits; improved, coordinated decision-making with a diverse set of participants; and increased likelihood of benefits being truly industry wide with participant views, and consequences, being consolidated and considered.

An example of the benefits of greater industry participation and dialogue is UK Finance's approach to fraud data in payments. This utilises participation from a spectrum of members to share information to assist in the identification, intervention, and prevention of fraudulent payments.

Opportunity Statement 2

Continuous strategic industry co-ordination and dialogue that identifies strategic payment standards opportunities, aligns interests, and champions them.

The benefits of establishing a common dialogue will be to identify future strategic opportunities, align the industry around a single roadmap for payment standards, and ensure the market strives to deliver on a set of agreed common goals (where non-competitive interests align). This will support the payments industry in being evolutionary rather than revolutionary and will benefit and advance the UK payments industry, and the broader financial services industry.

For example, one area that has benefited from this kind of enhanced coordination and dialogue is the bringing together of the Bank of England and Pay.UK to establish the ISO 20022 Common Credit Message (CCM). This led to a joined-up approach and the groundwork being effectively laid for both retail and wholesale payment systems to use a common message format thus reducing variation, and therefore effort, across schemes.

A further example can be made with the establishment of standard financial services APIs. This technology has been widely adopted, and proven, across other industry sectors over the last 20 years and is now ripe to be applied in financial services, as outlined in a SWIFT-authored white paper⁸. Standard Specifications are now defined in by ISO/TS 23029:2020 Web-service-based application programming interface (WAPI) in financial services. This ISO work was led by Pay.UK and the BoE at ISO with support from China and Singapore.

Opportunity Statement 3

Continuous strategic industry co-ordination and dialogue that identifies strategic payment standards opportunities, aligns interests, and champions them.

There is a general acceptance that differences between standards are necessary (e.g. card acquiring; retail vs. corporate payments) and often beneficial; yet, there is an operational burden of maintaining and adhering to many different standards. Rules are payment-scheme specific and are used to mandate the standards being applied in a particular context.

The benefits of an environment that coordinates harmonisation of standards are: the increased interoperability opportunities; reduced costs related to both interoperability and increased resilience; more

8. Further detail can be found at <https://www.swift.com/swift-resource/184996/download>.

consistent, and therefore higher quality, data; and lowered barriers to entry for newcomers. While payment scheme rules are not the focus of this report, it is acknowledged that harmonisation of scheme rules can lead to a more streamlined participant experience especially from an operational and technical perspective (e.g. returns or fraud cases could be treated in the same way across schemes).

As an example, the development of the ISO 20022 Common Credit Message (CCM) demonstrates a coordinated and harmonised approach to the use and development of the CCM across payment schemes via the Standards Advisory Panel (SAP). Another example of a harmonised environment bringing benefit is UK Finance's approach to fraud data in payments, where appropriate discussions were held with members for a harmonised view and approach, utilising a wider range of expertise and opportunity.

Opportunity Statement 4

Payment standards are simple and accessible to all stakeholders including end-users. All organisations can access standards expertise. Tooling is accessible and user-friendly. Suppliers and vendors form part of standards dialogue.

More accessibility to standards and standards expertise, coupled with improved tooling, will reduce the time needed for participants to understand standards, thereby increasing adoption, and liberating them to focus on innovation and enhancements. For smaller, newer organisations the barrier to entry is significantly lowered, thus further increasing the opportunity for competition.

An example of the benefits of more accessible expertise is the 'Shepherd Bank' mechanism utilised in the CHAPS onboarding process. Broader participant consultation was seen in the Open Banking Implementation Entity (OBIE) Payments Proposition Consultation, seeing a large spectrum of participants engaged to understand and ensure alignment around industry needs, benefits, and opportunities.

Further, it is important that access to relevant payment standards SMEs is available to all participants, and that knowledge resources are centrally maintained. This will avoid SMEs being accessible to only select organisations and reduce the risk of knowledge being lost when individuals retire or organisations restructure their teams.

With regards to tooling, it is widely acknowledged that existing best practice exists in some areas, for example SWIFT maintains MyStandards tooling with broad access permissions for its standards. There is potential for existing tooling to be re-used or made available to a wider audience, such as Pay.UK's Standard Source, an online portal to access Faster Payments ISO 8583 to ISO 20022 mappings, and a testing simulator.

Opportunity Statement 5

A payment standard is interpreted in a consistent way by all participants. It must be clear to all what can and cannot be varied in the standard. A monitoring and adherence mechanism is in place at appropriate levels.

Greater clarity on the interpretation of standards, with monitoring of adherence to that standard, will bring benefits to the industry in the form of greater consistency, with participants having to spend less time catering for idiosyncrasies. Data will be more consistent and, as a result, more valuable. And interoperability between standards will be easier to achieve leading to further benefits.

An example of consistency being effectively governed is EMVCo, who as a governing body, create and evolve EMV standards, provide testing processes and certification of products, engage, and collaborate with the payments industry and manage EMVCo marks that certify compliance to EMV specifications. EMVCo has created a member-wide recognition for a shared responsibility regarding security and reliability of card-based payments and the technology infrastructure that surrounds them.

A further example of where opportunity lies is the work that Bank of England has carried out on market guidance for housing payments (and intended to extend to other payment types, including retail in collaboration with Pay.UK). The aim of the market guidance is to ensure consistent interpretation and use of ISO messaging throughout the end-to-end payment chain, and to reap the benefits of enhanced messaging, across different economic sectors. Whilst the Bank of England has instigated this work, market guidance doesn't usually sit within the Bank of England's remit and a new approach for payment standards could provide a logical centre of co-ordination for this activity.

Opportunity Statement 6

Consistency is achieved for the basic function of payment message exchange. The cost/burden of standards is minimised and the barrier lowered. Effort is directed to innovation e.g. overlays instead.

Achieving consistency for simple payment message exchange could reduce the cost of managing ‘utility’ aspects of the payment service. Across the industry this could free up time and cost to focus on innovative standards.

A ‘real world’ example of good consistency materialises in Standard 70. Standard 70 exhibits a high coefficient for commonality, allowing it to be used for all card types and transactions, in a scheme agnostic approach (as far as possible) and even has use for non-scheme cards.

4.1 USE CASES

As part of this work, the PSSG identified five examples where a more coordinated approach to UK payment standards would be highly advantageous, and indeed key to the initiative’s success. These were Open Banking Payment Standards, Digital ID, APP Fraud, the Standards Advisory Panel, and Confirmation of Payee.

Within all examples it was recognised that the development of the standard, or discussions on development, were productive and beneficial between the participants involved. However, it was felt that expanding those involved to a broader set of participants, or organisations, would have both increased the effectiveness of the initiative and reduced the risk of unintended consequences. In particular, for Open Banking, Digital ID and APP Fraud, as these have cross-industry impacts, it is essential that participants and standards bodies from across the industry are involved in the dialogue.

Each of the five examples highlighted are explored thoroughly in the Appendix⁹. In summary, the key findings from each use case related to greater coordination of payment standards are highlighted below.

Open Banking Payment Standards	<ul style="list-style-type: none"> • Continue best practice coordination between OBIE, Pay.UK, UK Finance • Ensure TPPs benefit from innovative and competitive opportunity • Coordinate market engagement ensuring a coherent industry voice
Digital ID	<ul style="list-style-type: none"> • A coherent engagement model within and outside financial services is required that can deliver the benefit of a digital identity ecosystem • Ensure that the financial industry’s voice is clearly presented to government and other industries
APP Fraud	<ul style="list-style-type: none"> • Coordinate across OBIE, Pay.UK and Bank of England (and participants) to drive benefit from sharing fraud data in payment journeys • Create the ability to flexibly adjust models and standards to respond to industry demand and new fraud vectors
Standards Advisory Panel	<ul style="list-style-type: none"> • Continue joint coordination between Pay.UK and Bank of England as well as participants and solution providers for a joined-up approach to ISO 20022
Confirmation of Payee	<ul style="list-style-type: none"> • Coordination between Pay.UK, PSR and industry to identify use case and opportunity, and to reduce consumer harm

9. See section 8.4.

5.0 PSSG PROPOSAL

It is clear that there is both a need and a drive within the payments industry to realise the opportunities articulated above, and a series of short-term deliverables¹⁰ have been proposed to move this initiative forwards, along with an initial draft of longer-term deliverables¹¹. However, while the deliverables provide a clear set of actions, the PSSG is unanimous in its view that a ‘vehicle’ is needed that can take ownership of these deliverables.

This section will outline the deliverables and the proposed structure of the vehicle and the initial, high-level requirements that this needs to satisfy for its success.

5.1 ENGAGEMENT FORUM

It is clear that stakeholder engagement, coordination and alignment were at the very heart of what the Group believed was important and would deliver most benefit to the payments industry. Building on this, we propose that the vehicle for the PSSG’s recommendations should be the creation of a payment standards engagement forum, with a headline objective as follows:

“To collaboratively provide the UK payments industry with clarity, access, strategic direction, representation and consistency across payment standards”

For the purposes of this document, the working name for this forum will be “the UK Payment Standards Engagement Forum” (PSEF). This is deliberately functional and can be modified or replaced when the forum is formally scoped and shaped by its facilitator and members.

The structure and scope of the forum are expected to evolve over time, but initially the following should be used as a guide:

- There is clear benefit in having a single, coordinating body for standards rather than having the deliverables managed by multiple bodies. However, rather than propose a specific structure in this report, the forum should have the mandate to structure itself in the best possible way to deliver the objectives raised in this report
- To allow the momentum from the PSSG to be continued, it was agreed that the ‘vehicle’ for a new standards body should be, at least initially, an existing industry body to minimise the burden of creating a new corporate entity and governance structure. Relationships with existing standards bodies should be well understood to ensure neither participants nor those bodies are adversely impacted. The aim of the PSEF is to work collaboratively with existing groups, looking to bring about better outcomes; the only change to existing bodies/arrangements is the extension of working groups, with the PSEF aiming to work collaboratively in parallel, ensuring participants are given a voice without taking away accountability from existing bodies. The benefit of the forum residing in an existing body would be primarily short-term as it would bring immediate credibility and access to industry networks. In the long-term, it may be beneficial to reassess the ‘vehicle’ for the forum
- The forum should initially limit its scope to focus on the development of new standards and seek to become involved in functional enhancements to existing standards
- The forum should focus on the development of standards, rather than the oversight or enforcement of standards, which would remain the responsibility of the incumbent standards bodies
- The forum should adopt a strategic focus on standards, ensuring current and future needs are met with standards as an enabler, rather than getting immersed in detailed, technical standards content

10. See Section 5.4.

11. See Section 8.5.

However, it will be necessary for the forum to continuously assess its scope and remit as the industry evolves (as per the ‘waves of change’) and as the forum itself becomes more established.

In addition, there was a strong preference to re-purpose the PSSG in the short-term as a cross-payments industry advisory group while the PSEF itself was being mobilised. This would enable the momentum achieved since the inception of the PSSG to be maintained as the deliverables are addressed and the first use-cases are tackled. However, it will be important to ensure the terms of reference for the PSSG are clear and the relationships with any existing groups, such as the SAP, are well understood and documented.

5.2 FORUM OBJECTIVES

As the PSEF is established it will be prudent to define initial objectives for the forum, derived from the opportunity statements, to provide a broad direction during the mobilisation phase. The forum should be empowered to amend and add to these objectives as the needs of the industry and the role of the forum evolve. The following table shows how the initial objectives correspond to the original opportunity statements defined by the PSSG:



Opportunity Statements	Initial objectives (per diagram above)
<p>Payment standards dialogue takes place across payment domains. It involves wider payment participants at certain stages yet maintains a decision-making core. It educates the community on why standards are adopted and change. It actively seeks 'external' views to the dialogue. (OS1)</p>	<p>Advocate wider representation and engagement in payment standards meetings (objective 6)</p>
<p>Continuous strategic industry co-ordination and dialogue that identifies strategic payment standards opportunities, aligns interests, and champions them. (OS2)</p>	<p>Provide a forum for standards bodies to define a strategic direction for UK payments standards, to benefit all participants (objective 3)</p>
<p>A Payment standards industry environment that coordinates harmonisation of non-competitive standards, and in turn, influences any harmonisation of rules. (OS3)</p>	<p>Support standards bodies by championing consistency of approach for the creation/development of standards (objective 4)</p>
<p>Payments standards are simple and accessible to all stakeholders including end-users. All organisations can access standards expertise. Tooling is accessible and user-friendly. Suppliers and vendors form part of standards dialogue. (OS4)</p>	<p>Provide point of coordination for firms engaging with UK payment bodies, instruments & standards (objective 1)</p>
	<p>Provide simple access and guidance for participants to relevant payment standards material (objective 2)</p>
<p>A payment standard is interpreted in a consistent way by all participants. It must be clear to all what can and cannot be varied in the standard. A monitoring and adherence mechanism is in place at appropriate levels to be achieved. (OS5)</p>	<p>Encourage consistency of implementation of non-competitive elements of payment standards to enable industry participants to focus effort on innovation (objective 5)</p>
<p>Consistency is achieved for the basic function of payment message exchange. The cost/burden of standards is minimised, and the barrier lowered. Effort is directed to innovation e.g. overlays instead. (OS6)</p>	

5.3 PSEF REQUIREMENTS

The previous section outlined the form the PSEF could take, and given the proposal to embed the forum within an existing industry body, there is a need to further define the requirements that an existing body would need to satisfy in order to establish and operate the forum.

This vehicle will need to provide the structure and resources to deliver the short-term objectives, as well as looking ahead to the longer term and ensuring that actions are taken to move the payments industry in the direction outlined by the opportunity statements. It will need to identify future innovations and actions, prioritising them according to the greatest perceived value for the payment standards community.

A set of initial requirements have been defined for the successful establishment and running of the engagement forum, building on the existing dialogue and momentum achieved through PSSG, and reflecting the Group's feedback and preferences to date.

Each requirement is considered in light of whether it is needed for the set up of the PSEF or for its ongoing delivery. These are subject to change as the PSSG thinking evolves and as new requirements are identified. This will support any selection or validation process that may be required to identify a suitable home for the PSEF.

ID	Requirement	Set-up / Run
1	Ability to build on existing momentum, membership and engagement from UKF PSSG while the engagement forum is shaped and mobilised	Set-up
2	Existing and proven ability to engage the whole of UK payments market (e.g. cards/international/account) and to engage international and non-payments stakeholders where relevant	Set-up
3	Awareness of payment standards horizon and upcoming priorities and challenges	Both
4	Ability to create and maintain a publicly accessible resource for all deliverables (e.g. portal, roadmap etc.)	Both
5	Ability to deploy a secretariat to manage and coordinate the engagement forum activities	Run
6	Ability to operate as an impartial forum, independent of any particular payment instrument, type or scheme	Run
7	Ability to scale the engagement forum team effort required for peaks and troughs of payment standards activity, by leaning on a wider team or by seconding time and effort from members	Run
8	Ability to manage the backlog of deliverables to ensure the scope and influence of the PSEF evolves in line with market needs	Run

5.4 SHORT-TERM DELIVERABLES

To ensure that momentum from the PSSG is maintained, a series of short-term deliverables have been defined. These are deliberately short-term in nature to ensure they are achievable and will deliver meaningful change.

For all deliverables it is proposed that they are initially developed with a limited scope and scale to ensure quick time to market, with additional detail and complexity layered in as the deliverable matures, and in line with demand.

Deliverable	Description
Create a Payments Standards Navigation Map, outlining the standards governance landscape	A map to help participants navigate the UK payments landscape, providing a visual aid of the different standards governance bodies and mechanism, and how they interact. Supplemented with an overview of the schemes, the key organisations and fora, and other useful information such as contact details.
Create a portal for payments standards links and engagement, hosted for the industry and widely accessible	A one-stop shop for all payments standards information relevant to the UK market. Would host the navigation map outlined above, along with further detail on specific standards and links through to the 'golden source', such as Pay.UK's Standards Source. Also potential for this to act as a communication board, ensuring updates and changes to standards are accessible and circulated within the industry. Should also provide a decision-tree structure with multiple branches to aid navigation through the information by different organisations and for different needs.
Identify best practice for creation/development of standards	Best practice guidelines for the key processes required for the creation and development of standards, such as running consultations, agreeing periodic changes, or communicating technical details. Should not be overly prescriptive but instead outline 'lessons' to apply, highlighting what has previously worked well and what hasn't, and what steps must be taken to replicate or avoid these outcomes. Focus should be on practicality of the standards development rather than prescribing an academic, purist approach.
Identify where the market needs best practice and implementation guidelines and create them with others	Identification of areas that would benefit from guidelines, and then documenting the associated best practice. Would seek to provide more structure around unofficial market practices to assess their value, and codify those that are beneficial and seek to eliminate those which cause wider issues.
Extend existing standards meetings to broader participants such as indirects / vendors / end users	Increase the range of participants involved in standards dialogue to enable a greater breadth of industry discussion. May be necessary to provide different levels of membership to existing fora, such as full members, 'observer' members (attend but not actively contribute) and 'papers only' members (receive the minutes and outcomes, but don't attend).
Document a strategic payments standards industry roadmap, and proactively identify strategic common interests and outcomes	A strategic, standards roadmap for UK payment standards. Should be a 'living document', revised on a regular basis to include strategic common interests (e.g. APP Fraud), capture key aspects of individual standard roadmaps, and discuss potential cross-schemes solutions. This cannot control the industry agenda, but can be a powerful tool in helping to influence the direction of payments standards to bring about more positive outcomes.

The PSSG has defined further deliverables (documented in Section 8.5 Backlog) to be considered and pursued in future, if appropriate.

5.5 REDUCED EMPHASIS ON GOVERNANCE

While increased governance around payments standards was initially discussed, there was a clear steer from the PSSG that the effort required to establish a new body with a mandate to 'govern' payments standards outweighed the potential benefit, at least in the short term. For example, taking on governance responsibilities would potentially need lengthy discussions with existing governance bodies to transfer those responsibilities, and the business case for such a change was not established. It was felt there was more value and likelihood of achieving and delivering tangible, short-term gains by channelling effort into delivering the collaboration-focused initiatives. A number of governance-related deliverables remain in the backlog for future consideration and adoption, should the rationale and priority emerge.



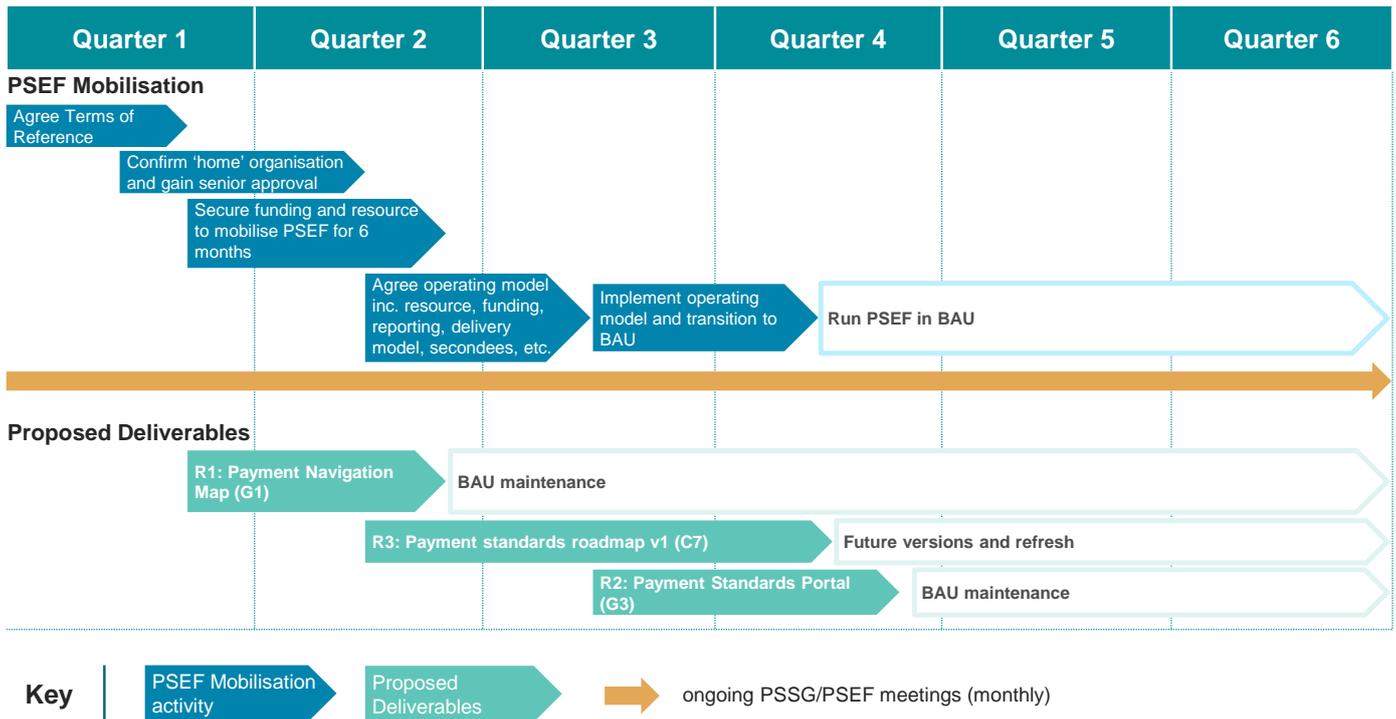
6.0 APPLYING THE DELIVERABLES TO IMMINENT USE CASES

To demonstrate their immediate benefits, the deliverables have been considered against some imminent use cases in the payment standards environment to showcase their value in practice.

Deliverable	Application to use cases
G1: Create a Payments Standards Navigation Map	<ul style="list-style-type: none"> • Supports general standards coordination and engagement • Lowers barriers to entry in payment standards • No direct benefit to specific use cases
C3: Create a portal for payments standards links and engagement	<ul style="list-style-type: none"> • A 'one stop shop' for the PSEF members to find relevant information for standards and standards bodies • Accelerates existing engagement on APP fraud, digital ID and potentially aligning OBIE and payment standards discussions • Communication and engagement tool to seek input and drive consultations across the industry for working groups
C15: Identify best practice for creation/development of standards	<ul style="list-style-type: none"> • Identify and make best practice easily accessible to all, to ensure standards development follows best in class models (greater efficiency, greater adoption) • Apply to new standards development
C7: Document a strategic payments standards industry roadmap	<ul style="list-style-type: none"> • Prioritises payment standards focus and efforts on key collective needs e.g. APP fraud prevention • Focuses conversation on developing meaningful and practical use-case outputs
C14: Extend existing standards meetings to broader participants such as indirects / vendors / end users	<ul style="list-style-type: none"> • Open banking decision making extends beyond CMA banks and considers payment standards bodies • APP Fraud discussions take place cross-domain including representation from fraud, payments, financial crime, vulnerable customers, user groups etc. • A wider range of views and ideas included in discussions and incorporated into any solutions, improving benefit and adoption
G3: Identify where the market needs best practice and implementation guidelines and create them with others	<ul style="list-style-type: none"> • ISO 20022 guidelines for specific use cases such as housing payments, corporate payments etc. • Specific optional elements treated as mandatory to improve efficiency and harmonise practices • Wholesale and consistent adoption

7.0 INDICATIVE ROADMAP AND NEXT STEPS

7.1 INDICATIVE ROADMAP FOR THE PAYMENT STANDARDS ENGAGEMENT FORUM



7.2 NEXT STEPS

This report articulates the views of the PSSG on how to assist the industry in driving forward the standards agenda for the UK payments market. There are other stakeholders in this environment who will need to be engaged on the proposals made and the PSSG believes it will be necessary to ensure that these parties are made fully aware of the proposals and any implications that they may have.

It will also be necessary to arrange for an appropriate industry body to take forward the deliverables recommended by this report. Based on the conclusions of this report, it is in the best interests of the industry to be able to coordinate on standards matters in the future and we hope, in the next six months, to be able to arrange with the industry an appropriate home for the PSEF. This will need ratification with the leadership of any existing

entity and for the appropriate governance and funding mechanisms to be arranged. In order to truly reap the benefit of the work conducted over the last six months and the opportunity presented to the industry at this time, it will be imperative to swiftly establish the PSEF and enable the industry to begin working against the early deliverables proposed within this report. In summary, next steps are:

- broader socialisation of this report outside of the PSSG audience and stakeholders
- run a selection or validation process for one or multiple organisations to establish and run the PSEF
- gain confirmation through senior management of the organisation selected to establish the PSEF
- implement the proposals including establishing the PSEF and early proposed deliverables.

8.0 APPENDICES

8.1 PAYMENTS STANDARDS STRATEGY GROUP (PSSG) CONTEXT

Standards have long been used to enable collective solutions to address a variety of industry, regulatory and supervisory objectives and have become an important enabler for innovation and competition within financial services. Within the UK, several entities have the responsibility for developing and maintaining standards across card payments (e.g. Standards 70), interbank payments (e.g. ISO 20022), APIs (e.g. Open Banking) and other standards (e.g. security standards). UK Finance (a trade association for the UK banking and financial services sector) convened relevant industry participants to form the Payment Standards Strategy Group (PSSG). The PSSG considered what changes may be made to the UK's approach to payment standards to achieve an industry-wide improvement to the approach, adoption, operation, and governance of payment standards, with benefits realised across the payment chain.

8.2 PSSG PURPOSE AND OBJECTIVES

Payment standards have demonstrated a positive, transformative impact on the UK payments industry for many years. While standards are already central to payment services, the Payments Standards Strategy Group (PSSG) believes they hold significant untapped potential to bring greater benefit to all industry stakeholders, from end users to direct and indirect market participants. The PSSG will explore whether wider collaboration, commitment and/or governance models could enhance opportunities for UK payment standards. This will be agnostic of payment type and include a wide range of stakeholders to enrich and broaden the coordination of strategic payment standards opportunities. It is believed that an approach for the realisation of those opportunities could emerge as an output from this work.

8.3 USE CASE DETAIL

Open Banking payment standards

Since the introduction of payments made via the Open Banking ecosystem, this market segment has shown great growth and potential to provide customers with innovative and competitive products and services. With the requirements of PSD2 delivered, there is a growing recognition that more needs to be done to develop

these propositions and ensure that they can meet the demands of the industry and customers. The UK has a world-leading open banking infrastructure to meet this demand; developed by industry and the Open Banking Implementation Entity (OBIE). As the CMA Order implementation requirements are now largely delivered, UK Finance has undertaken to arrange a number of workshops to consider what obstacles to open banking payments may need to be removed by industry, and to establish the ambition, strategy and next steps to develop open banking payments.

The strategy will assess a number of potential barriers to adoption, including standards, customer protection mechanisms and how structures like payment arrangements may be able to facilitate greater uptake of this payment mechanism. It is anticipated that the workshops will be able to make recommendations to the future governance of the OBIE to take forward some of the recommendations, particularly around standards, within a proposed participant group.

Throughout this work, it has become clear that there is a need to ensure alignment between the continued development of Open Banking payment standards and the underlying payment standards provided by Pay.UK in its role as operator of the BACS and Faster Payments infrastructure, as well as supporting services such as Confirmation of Payee, the exchange of additional data to support APP fraud prevention measures and the development of NPA messaging standards. These are ongoing standardisation efforts being led variously by UK Finance and Pay.UK.

Ensuring that there is an industry function that facilitates continued coordination between these parties on the formulation of these standards, roadmaps for further change and, fundamentally, the implementation of these standards by their constituent stakeholders will help the industry to:

- allow the OBIE, Pay.UK and UK Finance to continue to demonstrate excellent best practice in the development and co-ordination of overlapping standardisation initiatives and ensure that their mutual stakeholders understand the full impact of standards changes and how best their businesses can structure

their own change programmes to support coherent service implementation (maps to Opportunity statement OS2)

- ensure that Third Party Providers (TPPs) are able to benefit from new payment messaging standards, regardless of their mode of access, will facilitate innovation and competition and ensure that the network benefits of new standards are fully realised (OS3)
- enable the OBIE, Pay.UK and UK Finance to coordinate on their market engagement, enabling a more coherent voice to the industry on proposed changes and to better identify instances where changes to standards may result in unintended consequences for different communities involved in payments (OS4).

DigID standard

In support of the government's work on digital identities, and particularly the Department for Digital, Culture, Media and Sport's (DCMS) ongoing engagement with the industry on this topic, UK Finance is currently working with industry to understand the use cases and benefits to the financial industry of this innovation. There is a recognition that this could provide significant benefits to payments as well as to industry efforts to prevent economic crime and other fraud risks.

There are a number of potential models for the implementation of such an identity scheme, all of which have benefits and risks for the financial industry, and other industries who would benefit from this innovation. In order to drive forward coherent implementations across such a wide number of stakeholders and potential vendors of services, it is likely that common standards will be required to deliver the full benefit of this innovation. At this point in time, it is unclear how these standards will be developed, and UK Finance is already working with the industry to ascertain how the financial services industry can speak with a coherent voice into these developments.

Already, financial services firms are working on potential solutions to the issues around digital identity, and there will no doubt be other technology firms outside of the financial services domain who can provide solutions across a wide market base, including the financial services industry. This is also an area of opportunity for many organisations already providing standards to the market.

However, without clear leadership and the ability for firms to coordinate on technical solutions, while also engaging with the policy objectives of government, it is unlikely that the true benefit of a digital identity solution can be delivered to the industry. There isn't a clear 'home' or 'owner' for this work within UK payments. There is an opportunity for the financial industry to coordinate internally and with other industries in order to ensure that open and accessible standards are used to support a model that enables an open and competitive market that delivers services that meet industry expectations. This ties to the opportunity statements as follows:

- a coherent engagement model for the industry across all stakeholders within and without the financial services industry is required in order to deliver the full benefit of a digital identity ecosystem and ensure that the financial industry's voice is clearly presented to government and other industries (OS1).

APP fraud standard

Authorised Push Payment (APP) fraud continues to result in negative outcomes for both UK consumers and financial services firms. In 2020 a total of £479 million was lost to APP fraud – up five per cent compared to 2019. The industry has been focusing heavily on reimbursement of these funds, with £206.9 million returned to consumers in 2020, a 78 per cent increase on 2019. These figures highlight the clear opportunity for the financial industry to increase its ability to prevent these scams from impacting UK consumers and from allowing criminals to continue to collect and launder monies through money mule accounts.

UK Finance has been collaborating with representatives from both its Economic Crime and Payments membership to identify if the two-way sharing of specific elements of data, at strategic points within the payment journey, would enable firms to make informed decisions about the risks associated with specific payments. The objective is to identify APP frauds and the associated mule account prior to the payment being completed. The sharing of this data should be conducted in real time and enhancing existing functionality within the payment infrastructure is being considered as a potential mechanism for delivery; such as enhancements to Confirmation of Payee (COP), or the use of the existing reason code within the FPS message. It is also necessary to consider how this sharing of data may be accomplished across the industry and include

firms involved in the Open Banking ecosystem. As the industry continues to pursue a layered approach to the provision of payments and other related services to consumers, there is an increased need for the OBIE standards to coordinate and align with the technical development undertaken by Pay.UK and wider industry on this issue. Beyond this, how these data standards may be incorporated by the industry in support of CHAPS payments or other international standards is an issue that will need to be considered throughout the development of potential solutions.

Taking the work forward will require the identification of appropriate data points that will assist financial institutions in their fraud identification endeavours. It also requires the development of standards that will enable these data points to be included at suitable junctures within the payment journey, to enable all firms involved to make appropriate decisions regarding the activities of their customers, and in order to ensure their financial lives are appropriately protected. Coordination across the industry will be required to ensure that all appropriate stakeholders are able to benefit from this research and are able to develop solutions that take advantage of the standards. This aligns to the opportunity statements as follows:

- Coordination across Pay.UK, the OBIE and the Bank of England, along with other market participants, will be necessary to fully realise the benefit of sharing fraud-related data through payment journeys (OS1)
- In order to respond appropriately to new fraud vectors, it may become necessary to re-assess the data shared between participants and allow the industry to flexibly adjust to industry demand; if there is not coordination between Pay.UK, the OBIE, the Bank of England and other stakeholders, there is a risk that implementation of future standards will be mis-aligned (OS6).

Standards Advisory Panel

Since the establishment of the Standards Advisory Panel (SAP), Pay.UK and the Bank of England have worked closely to ensure that their standards are aligned and remain interoperable.

Benefits:

- Ability to engage relevant stakeholders and drive forward standardisation opportunities to beneficial industry outcomes (OS2, OS3)
- Ability to engage with stakeholders to take forward standards development work (OS2, OS3)

Risks and opportunities:

- While the SAP has actively engaged the interbank payment community, there are potential knock on impacts for the cards industry and the Open Banking ecosystem; it is not clear how these will be taken forward (OS4)
- SAP's remit is currently focused on the Bank of England and Pay.UK's collaboration on ISO 20022 common credit messages. The Terms of Reference of the SAP note an ambition to advise on other new payments standards, such as APIs. However the function of this group to support collaboration or exploration of opportunities across a wider range of payment systems has not publicly been made explicit
- As Pay.UK and the Bank of England complete their implementation programmes it is unclear at this time what the role of the SAP will evolve into. Nonetheless, there likely remains an ongoing need for the industry continue to drive standardisation and harmonisation between these market infrastructures into the future (OS2, OS3).

Confirmation of Payee

The industry's implementation of Confirmation of Payee has demonstrated both the benefit of standards development as well as several potential opportunities for a revised model:

Benefits:

- Identification of an opportunity for strategic standardisation opportunity collectively by the PSR, Pay.UK and industry (OS2)
- An effective mechanism for the funding and development of common standards (OS3)
- A clear mechanism for the coordination of implementation (OS1)

Risks and opportunities:

- Ongoing standardisation dialogue does not involve all potential users of the standard (OS1)
- Ongoing development of the Confirmation of Payee standard remained locked into a limited number of stakeholders (primarily the COP 6) due to the initial approach taken for the implementation and funding of development
- Wider engagement with stakeholders was inhibited due to the limited accessibility of the Confirmation of Payee standards; firms were required to sign an NDA prior to access to the standards and rulebook (OS4)
- Lack of open standards development threatens the

non-competitive nature of standards, meaning that some firms may perceive CoP functionality to deliver a competitive function (OS3) and reduce collaboration for future development.

The wider benefits of CoP standards to other areas of payment innovation are constrained as a limited number of stakeholders are actively engaged in the implementation and standardisation processes, other industry stakeholder groups remain concerned about how to implement Confirmation of Payee for their user groups, particularly the work of the OBIE in this regard (OS3).

In summary, these use cases provide clear examples in recent past and in the near future where effective standards coordination will be critical to success and help achieve better outcomes more efficiently.

8.4 PSSG DELIVERABLES BACKLOG

Other recommended deliverables were considered and discussed by the Group and during the evaluation process. Whilst these do not feature as deliverables for the early stages of the engagement forum, they remain relevant and should be considered moving forward as challenges and requirements within the payment ecosystem continue to evolve. The backlog deliverables may not have been selected at this time due to unfavourable cost and implementation requirements; however, as momentum grows and value is proven, costs or implementation effort may become palatable. Below are the deliverables currently on the backlog.

Backlog items

1. Identify divergences and encourage

harmonisation: Any new model could ensure mechanisms are in place to identify standards divergences, either within, or across schemes and where necessary proactively push for harmonisation, engaging payment system operators to enact standards changes, adoption, or retiring standards. Although the overall scoring did not favour this requirement, only two other components scored higher on industry benefit. This alludes to cost and ease of implementation being the restricting factors influencing this deliverable falling short of the initial proposal. Key comments from PSSG members talk to the very high benefit that could be achieved, but that challenge exists around cross-scheme buy in and traction to

implement, as well as questioning what authority would mandate and monitor implementation.

2. Galvanise unity to reduce gaps and divergences:

A deliverable that proposes an ongoing ability to generate unity around standards elements that should be mandatory to address a gap or divergent outcome. This deliverable was another that scored highly in terms of industry benefit with comments highlighting use cases such as Confirmation of Payee which could have avoided rework. However, there was uncertainty, and so a low scoring, surrounding the ease of implementation and its reliance on effective governance.

3. Internally facing sub-groups to identify industry lessons and for artefact production, in an effort to avoid negative or inconsistent outcomes:

Depending on the scope, several sub-groups were recommended to aid in the new capability's ability to ensure both effective and consistent implementation, and for the definition and production of payment standards artefacts. These groups included:

- An implementation sub-group: consisting of parties such as corporates, retail end users and vendors to name a few. The purpose of this would be to identify issues and lessons for industry or payment system operators to address in an effort to avoid similar issues further down the payment chain. This deliverable scored moderately across all three criteria. Ease of implementation was a concern given the breadth and volume of stakeholders implied.
- A developer sub-group: for the definition and production of payment standard artefacts including but not limit to sandpits, software development kits (SDK), technical diagrams and data schemas. Whilst benefit was seen, some of the components of this deliverable presented cost and implementation challenges for example the maintenance of a sandbox which has been proven difficult on a local level and so on an industry wide level is likely to follow suit. The resourcing anticipated to deliver this deliverable is considerable especially considering the technical system-based constraints. However, if a version of this deliverable was to exist, with any variance of the suggested artefacts, there are further considerations to explore

surrounding the choice or freedom of artefacts and whether existing communities can be harnessed, for example, organisations such as Pay.UK that already accommodate an active community of developers and various sandbox environments.

4. Externally facing sub-groups/liaison groups to identify, align and engage with existing and future standards and use cases:

The PSSG saw value in a number of sub-groups/liaison groups externally facing in order to identify future use cases and to engage with standards both more widely within the UK and at an international level. These recommended groups scored moderately across all three criteria with comments suggesting this was due to uncertainty of benefit in practice. These groups include:

- A horizon scanning sub-group: a tool to identify future standards use cases for the proposed capability to engage with. This deliverable poses some short-term benefits in theory, with existing horizon scanning resources across standards bodies and UK Finance being leveraged with enhanced levels of coordination. However, in practice the degree of benefit is uncertain, with a risk of this horizon scanning sub-group becoming a discussion forum as opposed to a body with affirmative and positive engagement with use cases to produce positive tangible outcomes.
- A wider engagement sub-group: could be utilised to align with initiatives for example digital identity, financial crime (inbound expertise and outbound advocacy) to name a few. This deliverable saw theoretical benefit to the industry, ideally holding a remit to actively contribute to discussions surrounding initiatives and advise on how standards might benefit from them. This deliverable was again met with the practical concern of becoming yet another discussion forum.
- International engagement sub-group: to maintain visibility and to engage on payment standards globally, including inbound expertise and outbound advocacy. The PSSG saw this sub-group as a valuable tool for enhancing interoperability and stimulating global competition, and giving the UK a clear voice and influence on a global stage.

5. Enhanced and extended industry engagement and awareness with standards governance:

A suggestion that sees all industry participants, including vendors, indirect participants, and end-user groups, participate in standards governance. Whilst benefit was seen in wider participation with governance, the implementation ease and ensuring maximum benefit received comments of caution. The PSSG recognises that too many participants can cause significant logistical issues and could render governance unmanageable.

6. Greater harmonisation and consistency through extended standards body scope:

By extending the standards body scope to include access to schemes and implementation of standards, benefit will be experienced through greater harmonisation and consistency through this enhancement of access and awareness. Potential benefit was identified in extending the remit of standards bodies, but the ease of implementing such a deliverable was met with some concerns. One cause of this is the potential for this to impair the ability of the PSO to meet systemic risk management duties causing a need for the new body to coordinate or agree an MoU with FMID/PSR. There is the additional barrier of CPMI's PFMI principles requiring PSOs to set standards as part of their system risk management role, so outsourcing this to a third-party body is an unlikely outcome.

7. Mandating to improve consistency and compliance:

A standards body could encourage greater harmonisation and consistency regarding standard changes through greater involvement and engagement with their development and BAU use through mandates such as a "mandate to consult". This body would hold a mandate to be consulted on standards developed and standards changes, although this should not allow the standards body to force action upon PSOs. This component was scored to show some benefit and little significant amount of expected cost or implementation difficulty however there were still some concerns. The practicalities of this deliverable were of particular concern and whether there is danger of impeding innovation and responsiveness if the "time to market" for standards changes is increased. The final consideration is whether this is being done enough in existing bodies to date.

8. Ensure entry process for new participants is understood and support provided: Much like the Shepherd Scheme existing within the CHAPS onboarding process, the PSSG perceives worth in an industry standard buddying scheme for key standards scenarios – for example for new indirect members. Although not making the top recommended deliverable, there was no detrimental scoring for this buddying scheme with relatively high scoring benefit, affordability, and ease of implementation. It was well recognised that a buddy scheme could have a positive effect on competition, accessibility of standards, lowering of barriers to enter the industry and increased innovation, however consideration would be needed as to where this sits in relation to and how it interacts with any wider scheme-specific onboarding buddying scheme.

9. Greater transparency for standards accessibility: It should be clearly determined and articulated which standards are open or restricted and there should also be a common, predictable, objective means of access/deciding access to standards in order to ensure a lowered barrier to entry and to ensure standards are accessible in a way that promotes consistency. PSSG members saw a transparency charter as a tool to determine such

features. This was scored to reflect a high level of benefit amongst the PSSG, however it scored lower for ease of implementation. Member discussion shows that this is due to the requirement for schemes to agree and comply with this charter in order to achieve enhanced transparency and that risk-based decisioning may vary per body and per standard. This deliverable was still viewed as a quick win and a tool to be used dynamically in progressively opening standards such as Confirmation of Payee 2.

8.5 GLOSSARY

- PSP – Payment service providers – organisations that provide payment services and are regulated to do so either as Authorised Payment Institutions (API) including electronic money issuers (EMI), small EMI, PSPs, or Payment initiation service providers (PISP)
- API – application programming interface
- FPS – UK Faster Payments scheme
- BACS – UK Sterling domestic batch payment scheme including direct debits, direct credits and standing orders

Further detail on the current state of payment standards and standards bodies is outlined in the table below.

Table 3.0 – Current Payment Standards & Bodies

Standard	Current Governance Model	Standards	Domain	Region
ISO 7812 and ISO 7816	Issuance activities by Pay.UK (under contract with BSI, ABA (ISO 7812) and Danish Standards (ISO 7816)	ISO 7812, ISO 7816	Cards Standards	International
Card network standards	Managed separately by international card schemes and through various international fora, such as EMVCo, PCI & ISO.	ISO 8583, various administered by EMVCo, PCI & ISO	Cards Standards	International
Standard 70 - acquirer standards	UK Finance, outsourced activities to Pay.UK	ISO 8583	Cards Standards	UK
UK Terminal Approval Process and Pin Mailer Security Process	UK Finance	Associated EU/ International standards	Cards Standards	UK

Standard	Current Governance Model	Standards	Domain	Region
SWIFT Standards	International Financial Services Co-Operative	ISO 15022, ISO 7774, MT, MX	International Payments	International
Open Banking Standards - AISP, PISP, CBPII	Open Banking Implementation Entity - funding from CMA9 under CMA mandate	FAPI, OAuth 2.0, various bespoke payloads	Open Banking	UK
SEPA standards	Managed by EPC, European membership body	ISO 20022	Retail Payments	EU
Faster Payments	Pay.UK, independently governed and owned industry body	ISO 8583, ISO 20022 translation standards	Retail Payments	UK
Pay.UK supporting services (Paym, CASS, ISA Transfer etc.)	Pay.UK, independently governed and owned industry body	Various ISO 20022 based, API standards and Bacs related standards	Retail Payments	UK
NPA	Pay.UK, independently governed and owned industry body	ISO 20022 (proposed), Common UK Credit Message (BoE)	Retail Payments	UK
Bacs	Pay.UK, independently governed and owned industry body	Standard 18, ISO 20022 translation standards	Retail Payments	UK
ICS	Pay.UK, independently governed and owned industry body	ISO 20022 derived	Retail Payments	UK
IST/17, IST/12 and ISO engagement	Pay.UK, under contract with the BSI	Govern ISO 20022, ISO 8583 and other related standards	Standards Advocacy	International
CHAPS/RTGS Standards	Managed by Bank of England, collaborating with participants and Pay.UK	MT messaging (current, ISO 15022), ISO 20022 (proposed) - incl. Common UK Credit Message	Wholesale Payments	UK
Common UK Credit Message	Managed by Bank of England and Pay.UK partnership	ISO 20022	Wholesale/ Retail Payments	UK

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