

**Participant Community Event
17th January 2018**

200 Aldersgate, London

Agenda

1. NPSO Purpose and Approach
2. NPSO Transition - Programme Status
3. Stakeholder Opportunities & Communications
4. Independent Advisory Councils
5. Participant Community
6. Working Session
7. Q&A

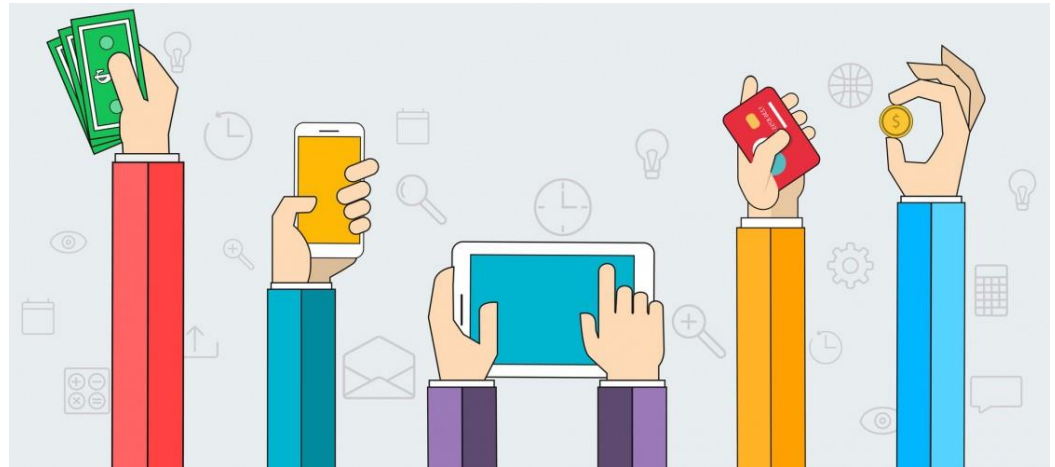
NPSO Purpose and Approach

Why was the NPSO formed?

In November 2016 the Payment Strategy Forum published *“A Payments Strategy for the 21st Century – Putting the needs of users first”*.

The strategy recommended creating a new payment system operator to:

- ✓ respond to End-User needs,
- ✓ improve trust in payments,
- ✓ simplify access to promote competition, and
- ✓ build a new architecture for payments.



As a response to the PSF, the Bank of England and the PSR established the PSO Delivery Group (PSO DG), to formulate a design and provide recommendations to consolidate the three existing schemes (Bacs, C&CCC and FPS) into the NPSO.

What is NPSO Limited?

“The pre-eminent body that will drive best in class payment infrastructure in the UK for the benefit of everyone.”



What is the NPSO's core purpose?



Enable a vibrant UK economy
by providing an open, resilient and competitive payments infrastructure

- Maintain trust in the certainty, integrity and security of our payments services (Robust & Resilient).
- Ensure the continued relevance, competitiveness and usefulness of the services we provide (End User Focused).
- Act as a catalyst for change in the payments industry (Agile & Innovative).
- Promote competition by supporting new entrants (Accessible).
- Ensure that our payments services remain economically efficient and sustainable for our stakeholders (Efficient).
- Attract and retain talented leaders and people who can deliver on our culture, principles and values (Excellent People).

Breaking down the NPSO's core purpose

Support a vibrant UK economy...

The NPSO exists to support the UK economy. Its purpose is not to build value directly or indirectly for a set of shareholders or a narrow set of stakeholders. The aspiration is that the NPSO will contribute to the growth, development and dynamism of the UK economy.

... enabling globally competitive payments ...

The NPSO needs to be a key enabler for an innovative UK payments industry that enables competition both in the UK and globally.

... providing robust, resilient ...

The safety and security of its services, given their critical national infrastructure status and systemic importance to the UK's financial system, are essential.

... collaborative ...

Generally, the NPSO is operating only in the spaces where collaboration between competitors within the payments landscape is essential, or economically or socially highly desirable.

... retail payments ...

The NPSO is operating in the retail payments market space providing services that meet the needs of consumers, businesses, the third sector and government, but not the wholesale space where banks and other financial institutions move money between themselves on their own account.



Key Stakeholder Opportunities

EXISTING GUARANTORS (members)

- NPSO, as a single entity, will take an over-arching view of the strategic development of products and services across the retail payments sector – for the benefit of all.
- NPSO will be more efficient: it will be able to ensure that there are no gaps or duplications across the payment schemes' products, either now or in the future.

END USERS (customers)

- Our top priority is to ensure complete continuity of all Bacs, Cheques and Faster Payments services.
- Positive evolution; it is change in order to make payments better than they already are.
- Our work will be customer-centric, with an End User Council created to ensure all sections of society have fair and equal access to payment services.

PARTICIPANTS

- Choice of what services participants want to be involved in without additional overhead.
- Secure, open and easily accessible while adding value across the payments landscape.
- Our Participant Council will provide the opportunity to advise the NPSO Board on the general strategic context of payments.

REGULATORS

- Deliver the outcomes set for the market.
- Efficient and aligned with expectations.
- An organisation 'fit for purpose' for evolution.

NPSO COLLEAGUES

- The people that work and will work for the NPSO are its key asset.
- Their drive, skill, knowledge and professionalism are key to its success.
- The NPSO provides great opportunities for all existing employees to play a part and help shape and deliver the UK's payments infrastructure of the future.

NPSO Programme Status

NPSO Programme Phases

There are three phases to this programme:

1

Transition

- NPSO Limited set up
- NPSO handed baton for NPA
- People and stakeholders becoming engaged
- Initial preparation for NPSO operations
- FPSL, Bacs, C&CCC and UKPA become subsidiaries

2

Transfer

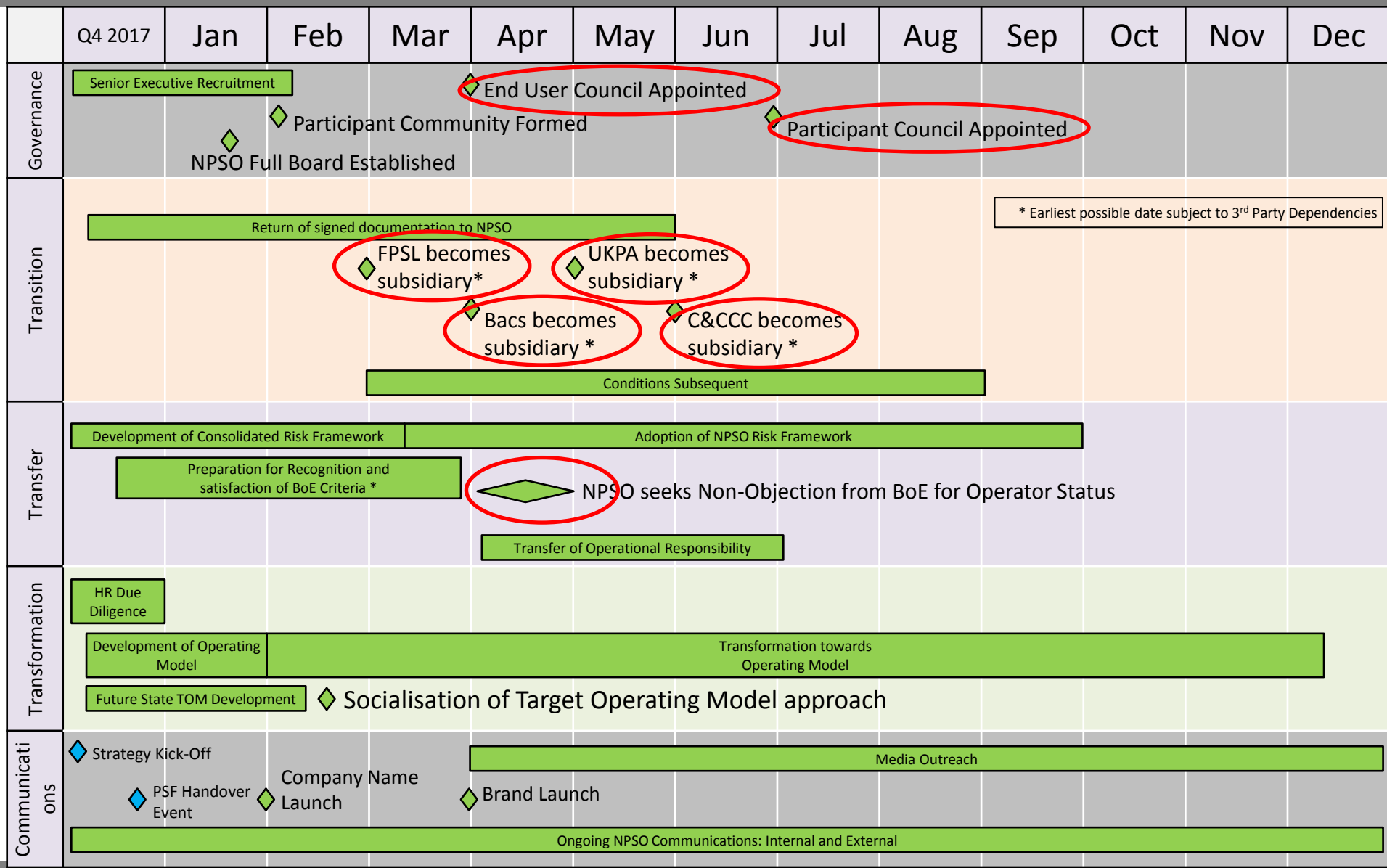
- NPSO becomes recognised as the system operator
- All working within one team with a common strategic framework
- Operating Model 1.0 – maintain stability and resilience in current operations

3

Transformation

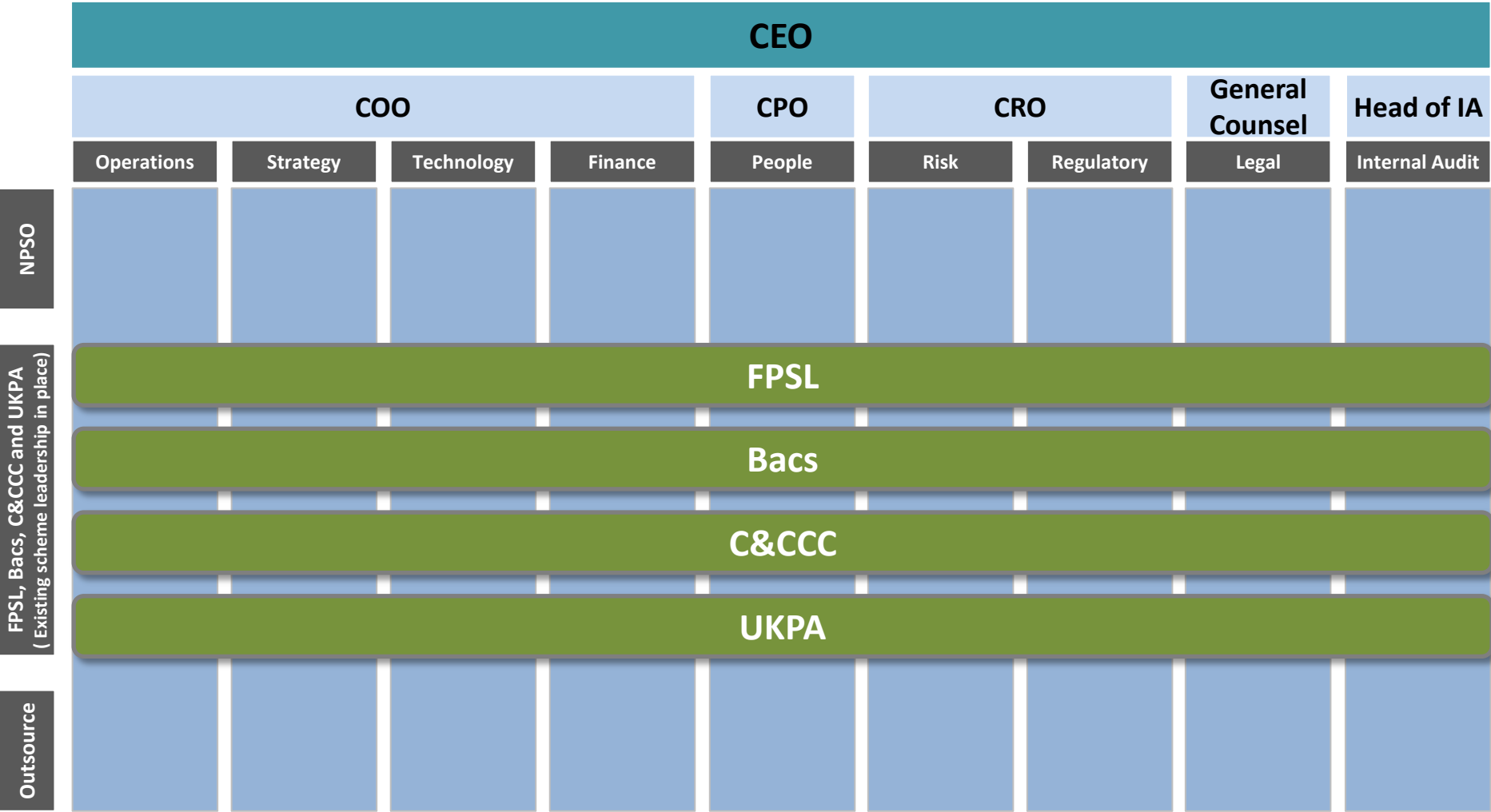
- NPSO Limited ready to embark on Transformation
- Pursue strategic operating model

NPSO Programme - Milestones



Operating Model 1.0

NPSO will initiate the following operating model as schemes become subsidiaries. Schemes will continue to operate separately.



Communications Strategy

- To enable the NPSO communications function: setting structure, processes, channels and capabilities.
- Create an engaging and compelling vision and visionary narrative to share with internal and external stakeholders in order to preserve the core DNA of NPSO and to stimulate progress towards a meaningful goal.
- Keep internal PSO executives and teams informed and engaged during transition, recognition/ designation and transformation, so they feel involved and ready to work in the new organisation.
- Keep external stakeholders informed and engaged during transition, recognition/ designation and transformation, so they feel involved and ready to work with the new organisation.
- Create and promote NPSO public face, name and brand.
- Launch and continue to communicate NPSO's transformation phase (internal and external engagement).

- NPSO Transition
- Open Banking
- PSD2
- GDPR
- NPA Programme
- Confirmation of payee and other new overlays
- Financial Crime

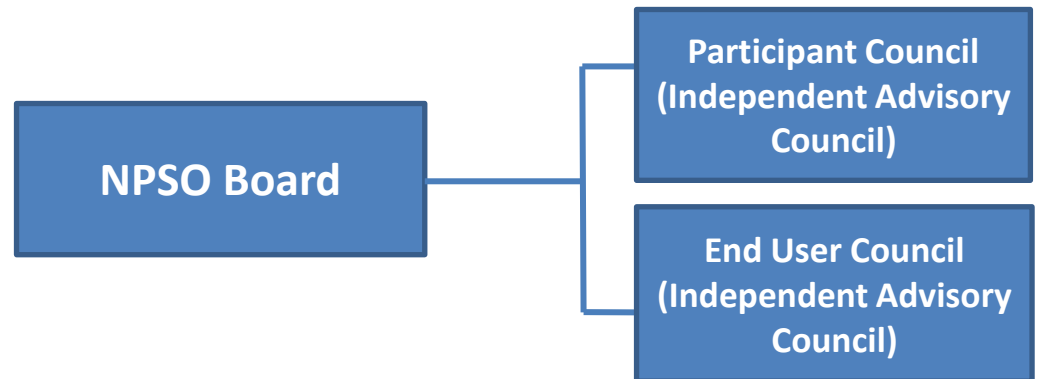
Independent Advisory Councils

Independent Advisory Councils

A group of experts and interested parties from the Participants and End Users of payment systems who give early stage input to the NPSO on the basis of access to information that may not otherwise be available to wider stakeholders.

Advisory Councils should aim to:

- improve NPSO outputs
- help ensure outputs are better received by Participants and End Users.



One or Two Councils?

The Participant Council and End User Council will be:

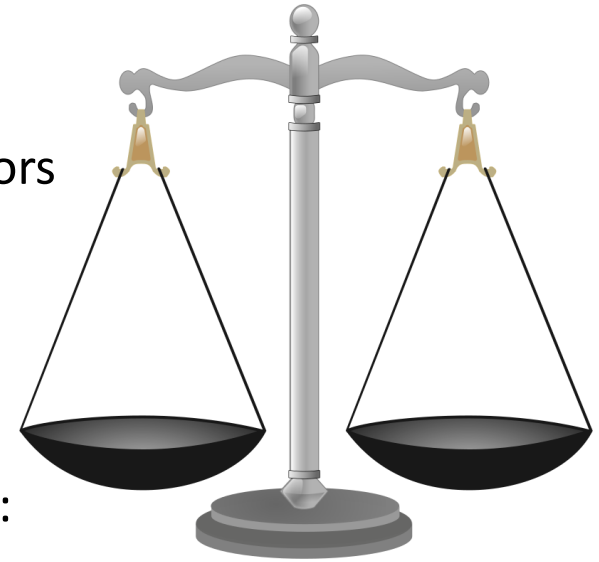
- **Sufficiently collaborative** - allowing each expert group to air their internal differences, find common ground and give clear views to NPSO.
- **Sufficiently joint** - ensuring each group hears the other's views and starts to accommodate; making the NPSO less of an arbiter.
- **Set up as separate** - at least for first period.
- **With a duty to co-operate** - including some co-working on specific projects and joint discussions of strategic direction and priorities, all at the request of the Board.

Council Mobilisation

End User Council	Participant Community / Council
Inaugural meeting (March '18)	Community established today
Recommend End User strategy to Board	Council representation and selection (to Summer '18)
Strategy operational (August '18)	Participant Council in place to advise Board (September '18)

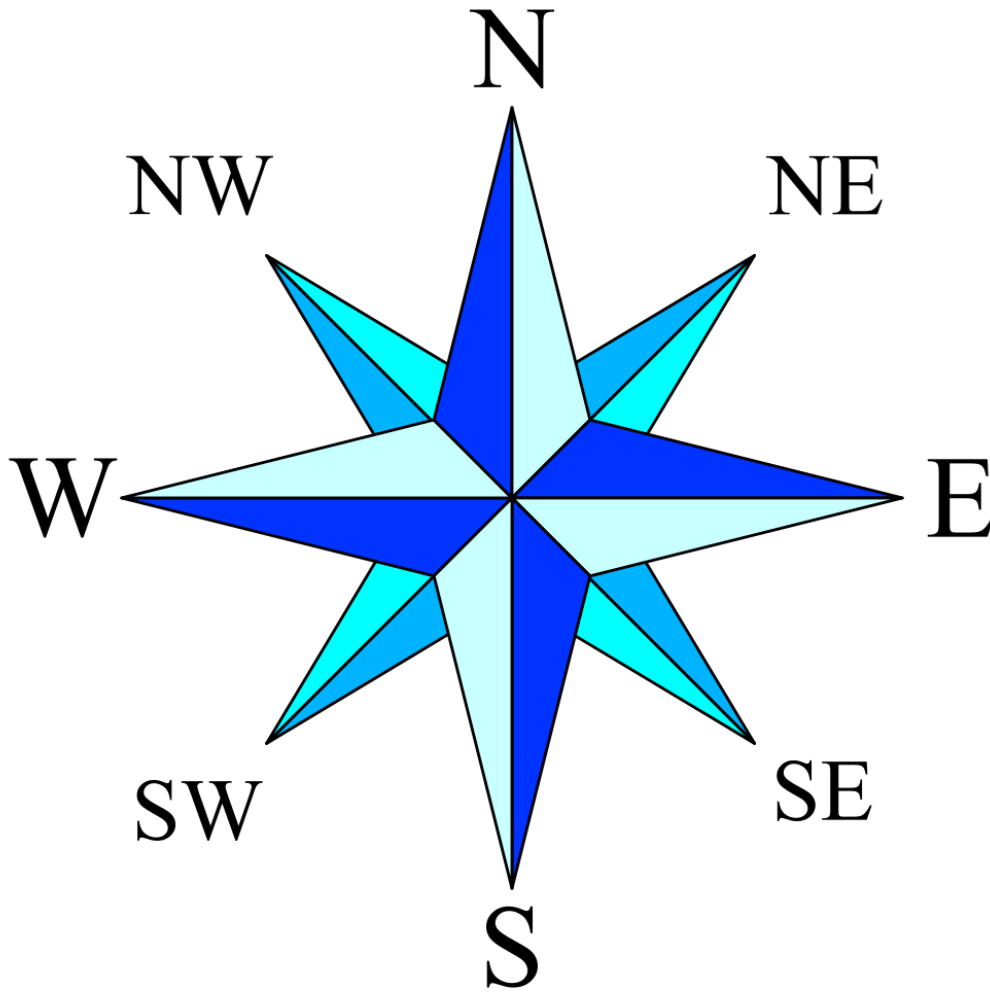
Advisory Council Independence

- Open recruitment with members selected on merit for a maximum of two 3-year tenures
- Transparency around Council working
- Both led by NPSO independent Non-executive Directors
- NPSO will formally respond to advice and challenge posed by the Councils
- An annual public report will be produced, setting out:
 - the work done by each Council; and
 - the extent to which the NPSO has addressed participant and end-user interests



Participant Community

Participant Representation



Representation from all points of the compass.

A Participant Community that reaches all directions and a Participant Advisory Council that is able to be fully representative.

The need for balance, reflection and inclusion of all viewpoints.

Participant Community

We have started to develop the NPSO Participant Community to build the Participant Council agenda and membership approach:

- The Participant Community will consider and validate several fundamental questions and themes to ensure representation and parity;
- The Participant Community will help the NPSO Board identify the best membership (representation) for the Participant Council.



Participant Council - Purpose and Activity

The Participant Council will:

- Represent all groups of participants, advising, commenting and making recommendations.
- Provide advice to NPSO, focussing on activities that are/ could be delivered by NPSO, as well as NPSO's strategic objectives and its operational policies, practices, standards and rule-making.
- Undertake further collaboration within the payments industry by representing the interests of participants.
- Adopt an evidence-based approach.

Participant Council - Engagement and Research

In order to provide strategic input to the NPSO Board's discussions and decisions, the Participant Council will:

- Accept commissions from the NPSO board to consider specific impacts of NPSO priorities on current and future participants; and
- Identify its own research and analysis on issues that it considers from a participant perspective to be strategically important to the NPSO, in order to advise the NPSO Board appropriately.



Participant Community – next steps

- Next Participant Community meeting (spring 2018)
- further group working and consultation;
- Participant Council selection process (summer 2018);
- Participant Council in operation from September 2018.

Working Session

- How do we make sure that the Participant Council represents the full breadth and diversity of the community?
- Should we consider representation for particular participant categories?
- What, if any, obstacles will there be to recruiting the right people?

Briefing

- Several discussion topics /questions have been placed on your table
- For the next 25-30 mins please discuss your topic
- Facilitators are nearby to guide you and answer questions
- Capture your thoughts on the feedback paper provided
- Feedback from the room for 10 mins after your discussion
- **Please leave your workings on the table for us to collect**

Discussion theme: Market and Sector Representation

The Participant Council shall have around 'N' members, appointed by the Board, with the help of the Participant Community, with a view to securing representation of the full range of participants including:

- Payment Service Providers (PSP) of all sizes:
 - Small/ challenger / new entrants
 - Medium size institutions
 - Large institutions
 - Foreign banks
 - Non-bank PSPs.
- Non-PSP participants; for example, Corporates, Government, Fintechs and industry bodies.

**Should there be an optimum size for the Participant Council?
Should it have sub-groups? How is the membership made up?**

Discussion theme: Member Qualities

What are the ideal member qualities and capabilities which will best serve the Participant Council? For example, should they be:

- senior and experienced;
- able to take part as an individual and represent a segment view;
- engaging and open to argument
- able to explore and debate whilst focussed on effective outcomes
- able to be joined by other experts from the participant constituency for specific meetings or to present on specific matters, at the discretion of the Council's Chair.

Discussion Theme: Recruitment

The proposed expectation for members of the Participant Council are that:

- Members will need to commit their time and effort
- People may have conflicting commitments and affiliations
- Collaboration on certain topics may be conflicted
- Member recruitment will need to be open and transparent
- Equal opportunity for all. All appointments made on merit
- Maximum of 2 to 3 year tenures

What obstacles may there be to recruiting the right people?

Thank you

For general questions about the NPSO, or to share any feedback on today's briefing please contact enquiries@newpso.uk

