NPSO

New Payment System Operator

Progress Update
9 May 2018
Housekeeping
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<th>Agenda</th>
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<td><strong>NPSO Progress update</strong></td>
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<td><strong>The Future of Payments</strong></td>
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<td><strong>Q&amp;A</strong></td>
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<td><strong>BREAK</strong></td>
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<td><strong>Evolution of the NPSO</strong></td>
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<td><strong>RTGS Renewal</strong></td>
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<td><strong>New Payments Architecture</strong></td>
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<td><strong>Q&amp;A</strong></td>
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<td><strong>Thank you</strong></td>
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Welcome

Melanie Johnson
Chair, NPSO
Enable a vibrant UK economy by providing an open, resilient and competitive payments infrastructure
Strategy

ENBLING A VIBRANT UK ECONOMY

Built for the Future

Safe & Secure

Open & Accessible

Create a UK payment infrastructure to be Secure, Open and to foster innovation

Inclusive - Honest - Reliable - Expert
NPSO Progress Update

Paul Horlock
Chief Executive Officer, NPSO
Our Vision and Goal

We will be the **leading retail payments authority** that will create best in class payment infrastructure and standards in the UK for the benefit of people everywhere.
Our Payments Environment

Enabling a Vibrant UK Economy

Customers

Payment Service Providers

Wholesale Payments BoE

Retail Payments NPSO

Regulation

Open Banking, PSD2, Consumer Protection, Standards
Core Beliefs
The Future of Payments

Jeremy Light
Guest Speaker
The Future of Payments

JEREMY LIGHT
MAY 2018
Market Dynamics

Positive Network Effects

More transactions → More connections

More connections → More joiners

More joiners → Greater demand

Greater demand → More value
Market Dynamics

New Business Models

IoT

Cloud

APIs

Data

Bio-metrics

UX

Real-time

QR

DLT

Identity

Mobile

AI

Interactions
The Future of Payments

Immediate

Ubiquitous

Consumerised
Ubiquitous

Contactless

Social Media

“The Pays”

Internet of Things

Retailer Apps

China “Pays”

Voice

Wearables
Immediate

- Real time
- 24/7 continuous
- Immediate fulfilment
- Bulk, no cut offs, no exceptions
- Account to account
- Cross border
Consumerised

Applications
• Request-to-Pay
• Credit + payments
• Recurring payments
• Identity
• ....

Technology
• Biometrics
• Open APIs
• QR
• In-app
• ...

Expectations
• Secure/trusted
• Contextual friction
• Convenience
• Experiential
• Interesting
Amplification through open APIs
Implications for UK

- New entrants
- New business models
- “Cambrian Explosion” of APIs
- Financial inclusion
- Cross-border e-Commerce
Break
Evolution of the NPSO

Matthew Hunt
Chief Operating Officer, NPSO
Collaboration

Enabling a Vibrant UK Economy
Advisory Councils

End User Advisory Council
Consumers, businesses and their representatives incl. charities, consumer & industry groups and corporate & government users

Participant Advisory Council
The payments institutions that participate in the UK’s payment systems and their representatives
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<tr>
<th>CEO</th>
<th>Communications &amp; External Relations</th>
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<tr>
<td>COO</td>
<td>Head of Change</td>
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<td>Ops.</td>
<td>Strategy</td>
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- FPSL
- BACS
- C&CCC
- UKPA
## Key Milestones - 2018

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<th>JAN</th>
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<th>MAR</th>
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<td>Development of risk framework</td>
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<td>Preparation of BoE criteria</td>
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<tr>
<td>Open Banking, RTGS Renewal</td>
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RTGS Renewal Update

Sara Ward
Engagement Lead, Bank of England
Delivering ISO 20022 through the RTGS Renewal Programme

May 2018
RTGS OUR VISION

- Increased resilience
- Strengthened end to end risk management
- Greater access
- Improved user functionality
- Wider interoperability
Indicative programme timelines

- Potential for new functionality to be delivered from 2020
- Cut over to the new ledger will be 2021 – 2022

RTGS Renewal is one of many domestic, European and global changes affecting the payments industry

For example:
- PSD2/ Open Banking
- NPA
- Structural Reform
- Target Instant Payments Settlement
- Brexit
- ISO 20022
- SEPA Integration
- GDPR
- Payments Canada CCSS
ISO 20022 will be adopted by CHAPS, Bacs and Faster Payments

ISO 20022 is a methodology designed to create consistent financial message standards. There are three key challenges that adoption of this standard would address:

- **Data Format**
- **Domestic interoperability**
- **International harmonisation**
In 2017, CHAPS, Bacs and Faster Payments settled over **8 billion transactions**, with a combined **value of** over **£90 trillion**
Adoption of ISO20022 has potential to bring significant benefits

- Improved cross border harmonisation
- Improved compliance and regulation ability
- Higher resilience through improved interoperability
- Improved analytics through enhanced data
- Flexibility to respond to changing industry requirements
- Less manual intervention due to improved straight through processing
- Higher levels of competition and innovation
- Transmission of enriched data
- Improved analytics through enhanced data
- Less manual intervention due to improved straight through processing
- Higher levels of competition and innovation
- Transmission of enriched data
What does ISO 20022 mean for users of RTGS?

Once implemented the standard will impact users in different ways.

- If you're a direct member of a payment scheme, you will need to make sure your payment instructions to the central infrastructure are ISO 20022 compliant.
- If you're an indirect member of a payment scheme, correspondent banks may require your messages to be sent in the new format.
- If you're a corporate treasurer or make payments, banks may require additional information which may also be in a different format.
How has the Bank engaged?

1. The Bank established two working groups to contribute to designing and implementing the new messaging standard.

2. Through early 2018, the Bank engaged a broad range of stakeholders through bi-lateral meetings and a series of workshops.

3. The Bank has also engaged with other central banks.

What next?
In early June the Bank will run a consultation to inform both the design of the core credit message (which will be used by FPS, Bacs and CHAPS) and the timeline for transition to ISO 20022 in CHAPS.
Who should complete the consultation?

Financial institutions
Corporates
Payment industry technology providers
Trade bodies and industry groups
Solicitors and conveyancers

The consultation will require input from multiple business areas:
- Treasury
- Product development
- Technology
- Legal
Find out more

Visit the Bank’s website

Email the programme via RTGSEngagement@Bankfoengland.co.uk

Follow the Bank

Sign-up for our RTGS Renewal bi-monthly Round-up
New Payments Architecture

Paul Horlock
Chief Executive Officer, NPSO
NPA Programme

Programme Office & Stakeholder Engagement
NPA: A Layered Architecture
Accreditation, Rules, Standards perhaps act as catalyst

Ecosystem: Overlay Services

Rules, Standards perhaps act as catalyst

Design Procure and Run

Core: Clearing

Core: Settlement

Core: Overlay Services

Identity and Trust

Set Rules and Standards Design, Procure and Run

Enabling Ecosystem
NPA Core (Clearing and Settlement) - Milestones

**Q3 2018**
- Service Definition for Participants
- RFP Publication to vendors and Requirements to Participants

**Q4 2018**
- RFP responses evaluation complete

**Q1 2019**
- Vendor(s) selected
- Start of joint detailed design

**Q2 2019**
- Central infrastructure and Participant Build to start in Q3

**Continued Stakeholder engagement**
(Participants and Service User stakeholders) across a number of fora
Request to Pay – Milestones

- **Q2 2018**
  - First revision of API Specifications published (v0.1)
  - Early Access Sandbox live

- **Q3 2018**
  - v0.2

- **Q4 2018**
  - v0.3
  - December V1.0 API specs published
  - Industry and sandbox user feedback

- **Q1 2019**
  - v0.4...
  - Request to Pay Service Launched

- Iterates API specs based on feedback
- Improve, add, streamline features

**Milestones**

- v0.2
- v0.3
- v0.4...

**Q2 2018**: First revision of API Specifications published (v0.1)

**Q3 2018**: Early Access Sandbox live

**Q4 2018**: December V1.0 API specs published

**Q1 2019**: Request to Pay Service Launched

Industry and sandbox user feedback
Proposition definition and GDPR/data privacy interpretations  
Logical specifications (API) & high-level architectural design published  
Open Banking collaborative development commences during Q3  
Rules and standards published tbc  
Testing phase begins during Q4  
Market Development of Confirmation of Payee
Stakeholder Engagement Activities

Manchester 27 Apr
Edinburgh 23 May
Birmingham 21 June
Cardiff July

Vendor events
June 18

NPA
CoP workshops
EUAC
Regional
Committees of Interest
Digital
Industry

Industry Wide Events
Sept 17
Jan 18, May 18, Sept 18

e-bulletin (coming soon)

Sign up to NPSO e-bulletin: enquiries@newpso.uk
Thank you

Melanie Johnson
Chair, NPSO