



Enabling a vibrant UK economy: Strategic Partner Procurement Prospectus



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We are seeking a long-term strategic partner capable of working with us to safely deliver a scalable infrastructure that can process trillions of pounds worth of payments every year.

Introduction

This is a once in a generation opportunity for potential partners to help shape, define, deliver and operate the future of retail payments in the UK.



This document is the starting point of the procurement process to appoint a strategic partner that will help Pay.UK collaboratively develop a solution for a critical national infrastructure that will benefit service users of the country's payments ecosystem. This commercially-attractive opportunity to partner with Pay.UK and create the UK's clearing and settlement capability will showcase the partner's potential to other countries.

Pay.UK is seeking to appoint an experienced partner that has a track record of delivery, is in tune with our values, is technologically agile and able to demonstrate leadership and innovation. This partner can be a single supplier, or a prime-led consortium, which can demonstrate it has the skills, values and vision to design, build, run and maintain a scalable and evolving world-class infrastructure for Pay.UK. The solution should also deliver value for money for participants and end users. Pay.UK welcomes diversity in thinking as well as in staffing.

Executive summary



Introduction

Payment systems form a vital part of the UK economy – they underpin the services that enable funds to be transferred between people and institutions. In 2017 the UK's retail payment systems processed more than 8 billion transactions worth £6.7 trillion through Bacs Direct Credit, Direct Debit, Faster Payments and cheques.

These payment systems are critical parts of our national infrastructure and comprise the hardware, software, secure telecommunications network and operating environments that support the clearing and settlement of payments. It is crucial that these infrastructure services are secure, reliable, efficient and deliver the best outcomes for service users.

About Pay.UK

Pay.UK (previously the New Payment System Operator) maintains and develops the UK retail payment systems and standards that are core to the economy being able to function on a day-to-day basis. We are the leading authority for retail payments, working in the public interest to ensure that the systems the country relies on for its banking transactions are safe, open, innovative and resilient.

Every day individuals and businesses use the services we provide to get their salaries, pay their bills and make online and mobile banking payments. Our vision for the future is to enable a vibrant economy, with Pay.UK delivering the best-in-class payment infrastructure and standards for the benefit of consumers and businesses nationwide.

Bacs Payment Schemes Limited, the Cheque and Credit Clearing Company Limited and Faster Payments Scheme Limited are wholly-owned subsidiaries of Pay.UK, which was incorporated on 18 July 2017 as a company limited by guarantee.

Pay.UK will...

Support a vibrant UK economy...

Pay.UK 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 Pay.UK will contribute to the growth, development and vibrancy of the UK economy.

... enabling a competitive payments landscape...

Pay.UK will be a key enabler for an innovative and competitive UK payments industry.

... by providing robust, resilient services...

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

... through collaborative working...

Pay.UK is operating in an environment where collaboration between competitors within the payments landscape is essential, or economically or socially highly desirable.

... in the retail payments market space...

Pay.UK is operating in the retail payments market space providing services that meet the needs of consumers, businesses, the third sector and government. It does not operate in the wholesale space.



Foreword



Pay.UK puts the needs of consumers and businesses at the heart of everything it does, to support a vibrant UK economy. We make sure that every retail payment sent or transferred in the UK is completed safely and securely. In addition to being guardians of the system, we are also pioneers, maintaining the UK's position of delivering and enabling world-leading payment operations.

We have been tasked by the Payments Strategy Forum (PSF) to deliver the future of payments in the UK via the New Payments Architecture (NPA). It is clear that delivery of this programme is a unique undertaking, bringing with it a massive opportunity for potential partners to be involved in delivering the core of a next-generation retail payments ecosystem.

To help us realise this objective we are seeking a long-term strategic partner capable of working with us to safely deliver a scalable infrastructure that can process trillions of pounds worth of payments every year.

This prospectus helps to set out the qualities required of potential partners who wish to be part of this, as well as explaining: what we want to procure; what we expect from them; how we are buying; when we are buying; how we will engage; and what the next steps are.

Pay.UK's core purpose is to enable a vibrant UK economy and this is the start of a hugely exciting journey to develop a new collaborative architecture to ensure just that. The successful strategic partner – whether single supplier or prime-led consortium – will help shape, define and build the future of payments in the UK. We look forward to engaging widely to find the right partner to help us deliver this future.

Paul Horlock
Chief Executive
Pay.UK

New Payments Architecture (NPA)

The NPA is an architectural model for the delivery of new payment capabilities for the UK, as outlined in the PSF Blueprint, including:

- A clearing and settlement layer capable of clearing and settling existing real-time as well as bulk payments
- The capability to scale for the growth expected in retail payment commerce, on a single platform
- The migration of these payment capabilities onto the new platform on a phased basis, with the real-time capability being migrated first *(This is consistent with the approach set out by the PSF in their NPA Design and Transition Blueprint.)*

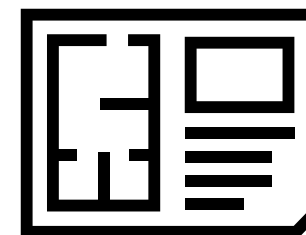
Pay.UK will consult with the wider community and industry in 2019 on the transition of bulk and multi-day transactions. We would also want to test the feasibility of including image-cleared cheques (ICS) in the future, should a business case for migration be identified.

The strategic partner selected to work with Pay.UK to deliver the NPA should ensure it:

- Provides a safe and secure platform
- Provides a stable and resilient service
- Is capable of running a scalable service
- Is commercially viable
- Allows them to work in partnership with Pay.UK
- Offers accessibility
- Delivers innovation and is agile
- Is compliant with ISO 20022 messaging expectations

This model for payments in the UK will take over the processing of Bacs, Faster Payments and, potentially, cheque payments. Bringing them together will catalyse innovation – meaning the potential for better payment services for everyone – by simplifying the rules, standards and processes that banks and others need to follow to use the systems.

The NPA will go beyond the current service provision to enable simpler access, ongoing stability and resilience, promoting greater innovation and competition, increased adaptability and better security, to meet the needs of current and future generations of payment service users.



Procurement background

Before their consolidation into Pay.UK, Faster Payments and Bacs instigated separate procurement projects, with scopes limited to the replacement of their individual services. These separate projects have now been stopped. The creation of Pay.UK has produced the opportunity to take an entirely new and holistic view to delivering retail payment services for the UK.

The NPA programme (see section 4) has been tasked to design and implement the new retail payments ecosystem for the UK.

The foundation of this ecosystem is a new, singular, clearing and settlement capability and procurement will focus on this element. We also need to consider the relationship with other, additional supporting overlay services necessary to deliver the real-time capability.

Regulatory Oversight

There are three organisations with either regulatory or oversight roles in this procurement:

- Bank of England
- Payment Systems Regulator
- National Cyber Security Centre



Five key challenges faced by the UK

Current UK payments landscape

- Meets majority of user needs
- Secure
- Unnecessarily complex
- Attractive for innovators, but access is inhibited
- Difficult to change
- Detriments to be addressed

1 Challenge 1
Changing needs of consumer, business and government end users

2 Challenge 2
Growing complexity across multiple schemes resulting from evolving technology and regulation

3 Challenge 3
Increasing sophistication of financial crime and fraud

4 Challenge 4
Increasing demands to foster innovation

5 Challenge 5
Requirement to meet as yet unknown future needs

Future UK payments landscape

- Adaptable to user needs
- Secure and resilient against new threats
- Efficient, simple and stable
- Encourages innovation and competition
- Easy to change
- Current detriments addressed, responsive to emerging detriments

Payments Strategy Forum Blueprint

The Payments Strategy Forum (PSF) was established by the industry in collaboration with the Payment Systems Regulator in 2015, with a brief to chart a new course for unlocking competition and innovation in UK payments. The PSF proposed the NPA in 2016 to transform the UK's interbank payment system and address the five key challenges that the UK payment industry faced, as shown in this infographic (left). This blueprint for realisation was published in December 2017 and can be downloaded at:

<https://implementation.paymentsforum.uk/sites/default/files/Consultation%20Document.pdf>.

What we want to procure

The opportunity

As highlighted in the introduction this is a once in a generation opportunity for potential partners to help shape, define, deliver and operate the future of retail payments in the UK. We require an experienced partner that has a track record of delivery, is in tune with our values, is technologically agile and able to demonstrate leadership and innovation.

This partner can be a single supplier, or a prime-led consortium, which can demonstrate it has the skills, values and vision to design, build, run and maintain a scalable and evolving world-class infrastructure for Pay.UK. The solution should deliver value for money for participants and end users. We welcome diversity in thinking as well as in staffing.

The successful partner will have a longer-term vision for the ongoing, continuous improvement and proactive evolution of the service, and will demonstrate a culture of collaborative working and a constant drive to innovate for the benefit of service users.

For non-prime vendors willing to form part of a consortium, Pay.UK will add the vendor's name to a list of suppliers willing to lend their expertise to a prime-led consortium.

Design and build

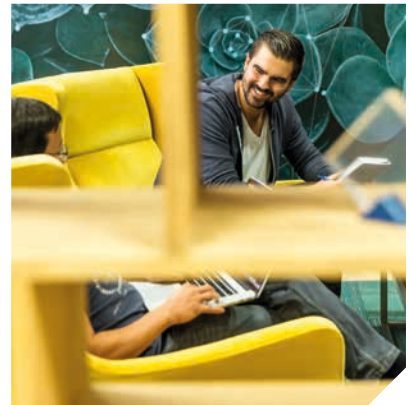
The successful partner will be responsible for the design and build of the clearing and settlement layer of the NPA, which includes the provision of hardware, software, secure communications and security standards and operating environments. The design of the infrastructure should be able to flex and accommodate future volume changes that arise as a result of the 'Internet of Things', PSD2, interoperability demands, the predicted consolidated traffic of Bacs and, potentially, cheque payments. In addition, the design should be: flexible so it can incorporate new thinking in payments services; a platform for innovation and competition in the UK payments ecosystem; and capable of supporting different end user propositions' outcomes, as well as the maintenance and development of other critical payment instruments. Key to this stage will be delivering the design and build on time and to budget.

Potential partners will also be invited to provide an outline and details of their design and build approach, as well as migration strategies.

The design and build of the NPA will take place with other industry developments and initiatives in a collaborative manner, such as the Bank of England's RTGS Renewal Programme.

Run and maintain

The preferred partner will also be responsible for running and maintaining the NPA infrastructure that supports the clearing and settlement layer, as well as any services that have been migrated to the new platform. The partner should therefore bring leading-edge industry skills, rigour and thinking from within and outside the payments industry. They will embrace work with other partners to foster innovation and benefits across the payments ecosystem and they will work closely with Pay.UK's operational teams. We are looking to build a relationship that is built on a collaborative and flexible culture of openness and transparency.



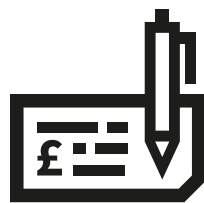
Volumes



Real-time volumes for **2017** were **1.7 billion**, to a total value of £1.4 trillion, which constitutes a **16% uplift** on 2016 volumes.

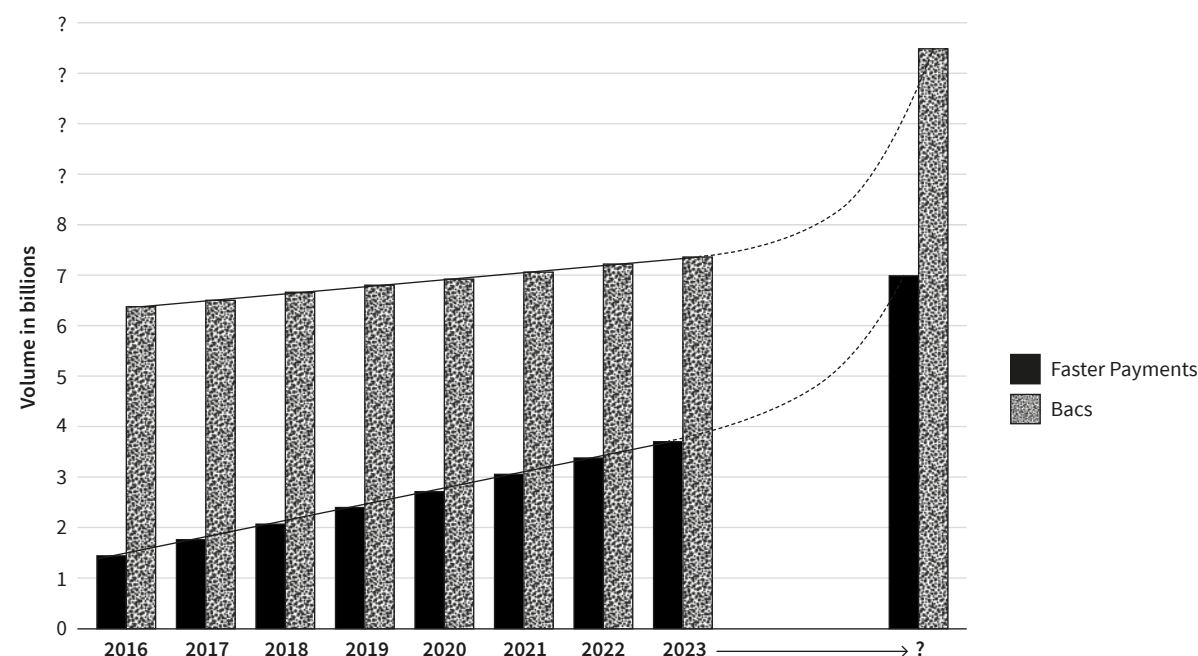


Bacs volumes in **2017** were **6.35 billion** (a **2% increase** on 2016 volumes), to a total value of £4.9 trillion.



Cheque volumes in **2017** totalled **293 million** (a **15% decrease** on 2016 volumes), to a value of £356 billion.

Payment volumes: the future?



What we expect from our strategic partner

Our successful strategic partner will play a pivotal role in realising the vision for the NPA and delivering a world-class payment system. They will need to have a blend of skills including designing and operating payment systems, developing and delivering innovation and the ability to work with a number of stakeholders to achieve success.

Potential partners will be expected to demonstrate a proven track record regarding:

The capability to provide a safe and secure platform

- Design a security model that protects payment integrity that is consistent with Pay.UK's security framework
- Proactively highlight any emerging security threat and implement effective solutions and mitigating actions
- Evolve the security model to deliver continuous improvement of the NPA security
- Perform vigorous testing to ensure any system changes do not breach security
- Protect users' data and meet GDPR requirements

Delivery of a stable and resilient service

- Deliver a service that operates 24/7/365; consistent with the Bank of England/PRA/FCA's framework of operational resilience at business service level; and with failure recovery processes in place
- Customer service will be available around the clock and scaled up to provide support during intensive testing and migration phases
- Design for high-availability mission critical services
- Design the system to have no single point of failure
- Plan and deliver a migration process that ensures a seamless migration of the current service users with a phased and controlled migration plan



The running of a scalable service

- Cater for peak loading and spikes in volume of transactions
- Deal with potential growth of volumes over the lifetime of the service contract

Working in partnership with Pay.UK

- Form a collaborative partnership with Pay.UK, based on honesty and integrity
- Be transparent in all dealings with Pay.UK, adopting open book policy and providing meaningful and regular management information
- Provide continuity of a committed leadership, with extensive industry experience and gravitas
- Provide a dedicated and knowledgeable core account team
- Adopt a ‘no blame’ culture, where the focus is on horizon-scanning and offering solution-focused recommendations
- Provide support to Pay.UK or relevant regulatory bodies for ad hoc requests

Ensuring accessibility

- Develop a streamlined onboarding and offboarding process for service users that makes use of automation/ self-service to provide an efficient service
- Deliver an effective communication plan with participants/end users

The development of a commercial proposition

- Demonstrate a strong financial standing and be in a position to manage and mitigate the risks inherent in a project of this nature

The delivery of innovation and agility

- Continually look for innovative ways to improve the operational performance of the system, making use of automation and self-service to improve the turnaround time
- Enable Pay.UK to bring new products and services to market quickly

As well as demonstrating these deliverables, we expect our strategic partner to support us regarding our purpose and strategic objectives, and we will be seeking evidence and case studies from this partner to demonstrate how their organisation’s values and objectives will complement ours.

Pay.UK: Purpose and Strategic Objectives

Purpose

Pay.UK will support a vibrant UK economy enabling a competitive payments industry through the provision of robust, resilient, collaborative retail payment services, rules and standards for the benefit, and meeting the evolving needs, of all users

Strategic Objectives

Robust and Resilient



Maintaining trust in the certainty, integrity and security of our payments services as operators of systemically important financial market infrastructures

End User Focused



Ensuring the continued relevance, competitiveness and usefulness of the services we provide as part of the UK payments ecosystem

Agile and Innovative



Acting as a catalyst for change in the payments industry – realising opportunities: addressing threats: and supporting industry-wide initiatives

Accessible



Promoting competition by supporting new entrants through comprehensive and consistent application and onboarding processes

Efficient



Ensuring that our payments services remain economically efficient and sustainable while facilitating competition in both upstream and downstream services

Excellent People



Attracting and retaining talented leaders and people who can deliver on our culture principles and values

Underpinned by fairness and transparency in all our interactions

How are we buying?

Pay.UK will run a competitive procurement process, which will be based on the broad principles of fairness, transparency and non-discrimination. This should ensure there is a level playing field whilst encouraging a diverse set of responses. All potential partners will be provided with the same, stage-appropriate information and all bids will be judged against the selection criteria.

We have designed the process so we can take into account views from the market as we are confident that this will drive a solution that is technically and commercially viable. Our objective is to have an appropriate number of potential partners that have the capacity and capability to deliver the services so that we have a robust competition. The procurement process will include the following principles:

Fairness, transparency and non-discrimination

This is a private sector procurement, although we will follow the fundamental principles of EU public procurement, including:

- **Equal treatment throughout** – we will treat all suppliers equally.

- **Transparency** – the process will be open and predictable. We are setting up a portal and will be open about all aspects of the process.
- **Proportionality** – we will carefully consider the technical, commercial and other subject matter requirements. We do not want to impose a disproportionate or excessive requirement on bidders.

Iterative process

To enable potential partners to develop solutions, the procurement process will be designed to be iterative, with a focus in the early part of the competition on understanding Pay.UK’s requirements and key technical and commercial priorities.



Selection approach

We will structure the procurement process so that only potential partners that have the full complement of skill sets are shortlisted quickly. This can be a single supplier or a prime-led consortium. We will ensure that bidders are able to manage their bid costs effectively, and full dialogue and bidding will only take place with organisations that are able to deliver all the services. Any bidders that do not have the full set of skills needed are encouraged to join a consortium.

Prime suppliers leading a consortium should clarify their position, e.g. if they are looking to confirm consortium members for aspects such as innovation.

For non-prime vendors willing to form part of a consortium, Pay.UK will add the vendor’s name to a list of suppliers willing to lend their expertise to a prime-led consortium.

Dialogue

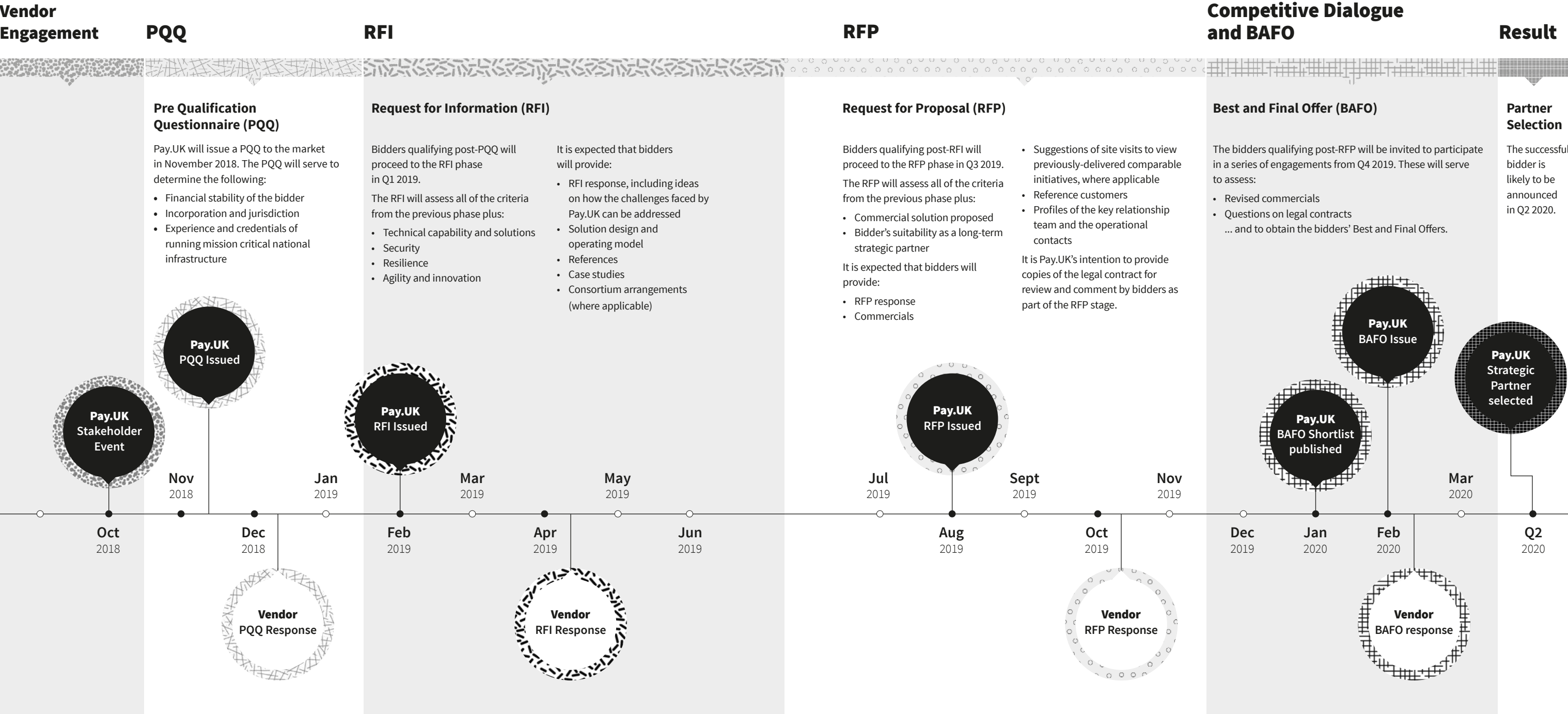
We understand the complexity of the procurement technically, operationally and commercially and, as a result, the process will include the principles of dialogue. This will allow us to explore more complex parts of the procurement in detail with potential partners, so the solution can be co-created.

When are we buying

There are four key phases to the process of identifying the best strategic partner. There will be an initial ‘bidder engagement’ period when potential bidders, whether singly or as part of a consortium, will have the opportunity for bilateral discussions with Pay.UK’s NPA Programme Team.

These discussions will act as a two-way communication process. They will allow Pay.UK to share the latest information regarding the NPA core requirements, the procurement process and timeline, and they will also allow for bidders to provide feedback and information on costs, inputs, risks and technical restrictions that can be fed into the requirements development. Bidders will have the opportunity to raise questions. By holding these events early on during the procurement process, there will be an opportunity for potential bidders that may only be interested in providing a specific area of the requirements to meet other bidders that they may wish to form a consortium with to provide a full service.

After the bidder engagement period, the Pre Qualification Questionnaire will be issued to market.



How we will engage and next steps

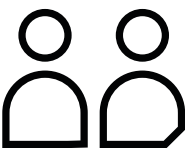
Prospectus



This document’s purpose is to highlight the opportunity the NPA Core procurement represents and therefore generate momentum in the market.

This is the launch of the procurement process.

Bilateral meetings with potential partners



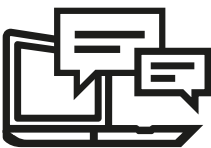
Following the Pay.UK event on 18 October, the NPA Programme team will be available to meet potential partners before the procurement process starts. This will give potential partners the opportunity to ask questions about the procurement, scope of work and terms of the contractual arrangement.

Communication channels



We will make use of our website to provide regular updates on the progress of the procurement. A calendar of events and dates will also be published for public viewing.

Electronic tools



To capture your feedback and queries, all answers will be made available to all suppliers in the interests of equality of disclosure. We intend to use Confluence (a collaboration tool) to this effect.



Next Steps

Contact us to book a bilateral meeting

Book a slot



Book a slot with us by emailing: npaenquiries@wearepay.uk, with ‘procurement’ in the subject line

Visit our website



Visit our website regularly for more information: www.wearepay.uk

Any enquiries?



For any related enquiries, please contact: enquiries@wearepay.uk



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