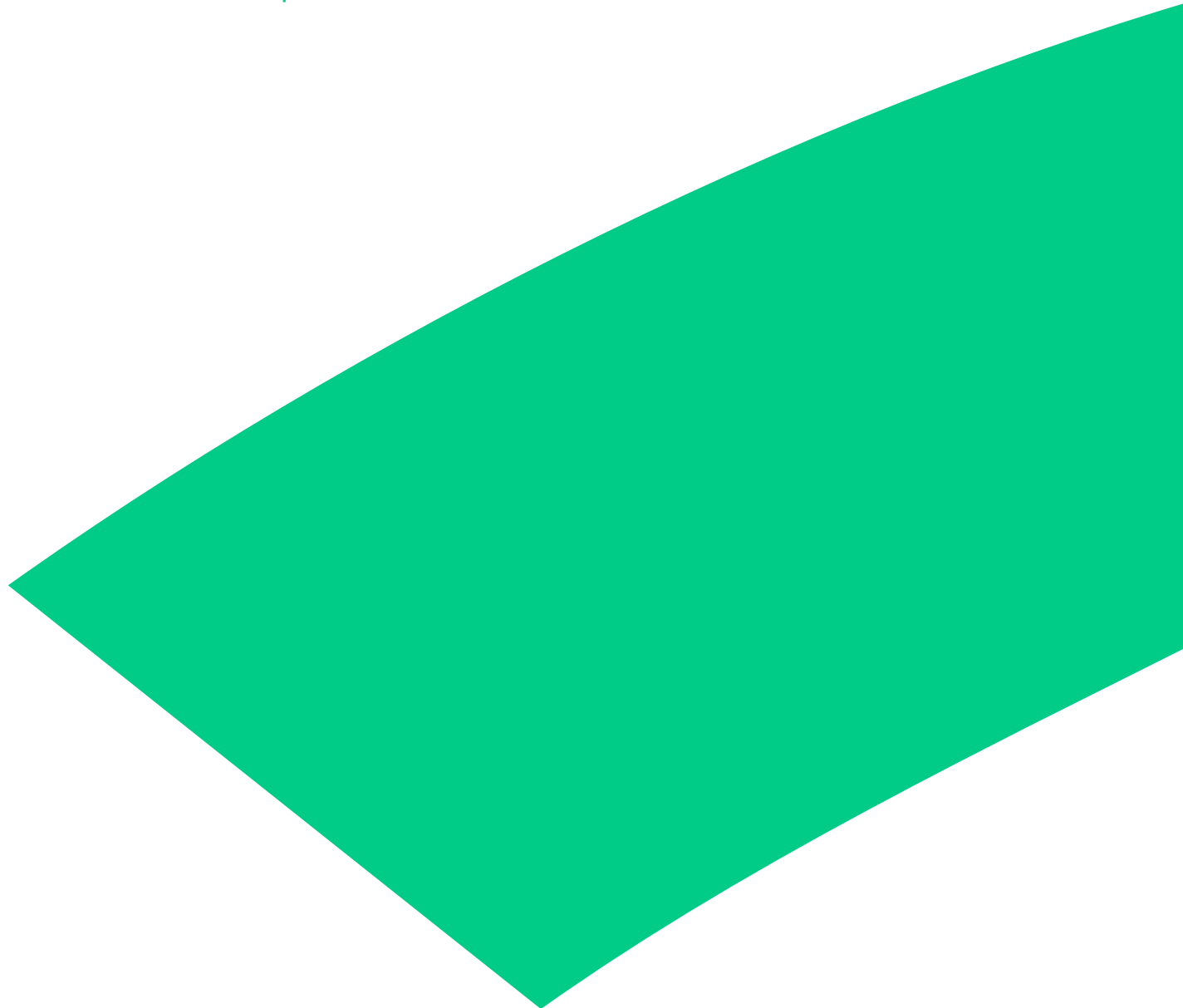




A view of our stakeholder (service user) engagement

October 2021 to September 2022



Contents

1	Foreword	3
2	Executive Summary	4
3	Strategy	5
3.1	New approach to external engagement	5
3.2	Pay.UK governance redesign of the organisation	6
4	Business Development	6
5	Deep Insight Programme	7
5.1	Horizon scanning	7
5.2	Research programme	7
5.3	Knowledge hub	8
5.4	House views	8
6	New Payments Architecture	9
6.1	Stakeholder engagement programme	9
6.2	Strategic Participant Group consideration of the NPA	10
7	Standards	10
7.1	Next Generation Standards for UK Retail Payments	10
8	Fraud	12
9.	Request to Pay	12
10	Confirmation of Payee	13
11	Pay.UK Systems & Services	14
11.1	Bacs Payment System	14
11.2	Faster Payment System	16
11.3	Image Clearing System	17
11.4	Current Account Switch Service	17
12	Annex - Council, committees and working groups	18

1 Foreword

Payments are central to our economy and key to almost every person and every business across the UK. Pay.UK is the recognised operator and standards body for the UK's interbank retail payment systems, making payments secure, safe and simple for the UK's banks, payment providers and their customers. The world of payments is continually changing and we are facing many opportunities and some challenges. This report will provide some insight on how we engage with our varied and extensive stakeholder communities. The pandemic accelerated the evolution of the already fast-paced world of payments, with consumers wanting faster, frictionless, digitalised payments. They want more choice alongside fraud protection when money falls into the wrong hands.

We recognise the new entrants into this field, including alternative payment fintech innovators who bring new highly-competitive business models enabled by the advancing capability of technology and creating payment solutions to meet end user needs. This backdrop requires more focus on Pay.UK's role: what we should lead on, and what we should enable for the payments ecosystem. We want to respond to the ever-changing industry we operate in in a way that best serves the ecosystem as a whole, and with end users at the heart of our cause. Our role as systemic risk manager is also key, and with these considerations in mind we have devised a new strategy, 'our foundation for the future', to introduce our unique role as a leader in payments.

Our expertise in technology, rules and standards and associated controls and policies come together to give us a powerful platform. We are building on this by providing a range of formal and informal channels, including committees, working groups, advisory councils and forums for open dialogue with our stakeholders and end-users – giving them the opportunity to challenge and liaise with us on the work we do. We want to drive innovation and competition as more players move towards our payments platform to create new products and services.

We have a renewed purpose: to power payments, champion innovation and give the UK choice in how it pays, and a new vision: to be the smartest way to move money, now and in the future

We are excited about our new strategy and look forward to bringing it to life through our continued and improved stakeholder and end user engagement. Customers and stakeholders will see and feel this in how we talk, act and work with them.

David Pitt

Chief Executive Officer

Pay.UK

2 Executive Summary

It is key to our fulfilment of General Direction 4 (GD4) that Pay.UK makes transparent decisions and considers service user interests in the decision-making processes. This report shows how we have taken our stakeholders' views into account so that we can deliver benefits to our customers, our end users and the UK economy.

Our work touches a broad spectrum of stakeholders, from the customers that use our systems, individuals and businesses that make and receive payments, to policy makers, regulators, consumer and trade representatives, and the wider payments ecosystem. We actively engage outside our organisation, and our relationships with our stakeholders help us make decisions and set objectives. We have engaged formally and informally with our stakeholders over the past year, reviewing and strengthening existing relationships as well as reaching out to new stakeholders and broadening our audience.

Collaboration and engagement have helped us evolve our products and our Board Advisory Councils, working groups and service committees have continued to advise and support our work. We have also benefited from informal engagement through, for example, our first digital webinar programme and our Knowledge Hub.

Development of our new five-year strategy has continued and a key pillar of our strategy is engagement. Therefore, to ensure we are collaborating with our different stakeholder groups in the right way and getting the most out of that work, we began a comprehensive review of our engagement programme in H2 2021. The findings of this review will help us set the foundation for even stronger working relationships with the wider payments ecosystem now and in the future.

We have continued to improve our payment systems through exploring the use of a messaging service through the Faster Payment System (FPS) to counteract fraud and misdirected payments, new message types in Request to Pay (RtP) and the roll out of Confirmation of Payee (CoP) Phase 2 with extended capability. We will also show how decisions regarding our payment systems and services have been driven by stakeholder engagement including: Bacs rule changes; a bulk change process review; our work on consumer protections and APP scams; a transaction limit increase in the Faster Payment System (FPS) and the evolution of the Current Account Switch Service (CASS) advertising campaigns.

This report also explains how we have considered the views and requirements of our stakeholders in our decision making regarding the following:

- The development of our strategy, our new approach to external engagement and the review of the skills and capabilities in our organisation needed to promote our role as a leader in the payments industry
- The insight and deep market understanding we have gathered for horizon scanning and research, our Pay.UK House Views, and to develop new products and services for fraud prevention in collaboration with UK Finance and the wider payments industry
- The continued development of the New Payments Architecture (NPA) as the next generation of payments infrastructure, including input from the future service users to deliver long-term value and a key enabler of our strategy
- The Next Generation Standard for UK Retail Payments 2021 Update, as a follow up to the Next Generation Standard for UK Retail Payments published in 2020.

3 Strategy

In developing our strategy (including our new approach to external engagement), we sought views and opinions from EUAC, PAC and over 50 stakeholders to support our decision-making. To truly understand the market and ensure that we make decisions in the best interests of all our stakeholders requires us to engage a broad cross section of our customers, suppliers, partners and end users, as well as the policymakers and regulators who set the framework that underpins our work.

The EUAC advice included the need for engagement with different segments of end-users. Members offered the use of their contacts which we were delighted to accept. The EUAC also advised on the importance of understanding the practicalities for retailers and other intermediaries to shed light on the reasons for shifts in customer behaviour, highlighting that retailers could act as the ‘canary in the cage’ and alert Pay.UK to strain within the system. EUAC advised that we should undertake a benchmarking exercise on research data to spot longer-term trends, and suggested more engagement with harder-to-reach end users and their representative bodies, including more vulnerable consumers and small businesses.

PAC advised that a measurable growth objective would give the opportunity to drive discussions about new services, and we covered this within the new strategy under ‘driving value’. PAC also suggested that we made more prominent the requirement for account to account (A2A) retailers to provide viable alternatives to card payments under our strategy’s purpose of giving end-users greater choice in how they choose to pay. PAC also suggested that we focus more on developing our colleagues’ skills for the future, in our ‘inspiring colleagues’ section.

The delivery of our new strategy is transforming our organisation. A new and dynamic approach to external engagement is a vital element of this transformation, and the strategy now rests upon two central elements: our role as a payment system operator, providing the foundation layer upon which others build value; and our role as a platform leader, providing a platform that inspires the payments industry to innovate, and promotes vibrant competition. Our Board approved the new strategy in September 2021.

3.1 New approach to external engagement

Our new external engagement approach, coupled with existing insights from other areas of the business, will enable us to deepen our market intelligence and monitor the evolution of the payments ecosystem during a time of significant change. We aim to capture this intelligence through our six house views, the vehicle by which we scan the horizon for changes that will affect our business. This enhanced market understanding will enable us to build deep coalitions with industry and help us to fulfil our strategic objectives.

We conducted a gap analysis in October 2021, which considered our existing stakeholder touchpoints to identify the relationships we held as an organisation, and whether they met our strategic needs. This analysis identified a number of gaps, resulting in us commissioning a piece of work to identify the key people we need to know to address these and in turn help us deliver our strategy, which concluded in April 2022. Our new Industry Engagement team will focus on implementing the recommendations and supporting our new engagement approach forward.

At the core of our new approach is the principle of engaging our stakeholders by generating and synthesising deep insight through: understanding what’s happening in the market; explaining the decisions we take about the role we play, (whether we lead, facilitate, enable or allow other player(s) in the market to lead); and the investments that we make to unlock commercial opportunities for new

and existing customers, such that end users benefit from the resulting innovation and competition. We seek to ensure that our customers understand, value, and continue to choose our service and that our platform is the place to invent their future.

3.2 Pay.UK governance redesign of the organisation

Following our Board’s approval of our strategy, we focused on what we needed to successfully deliver our strategy over the next five years and achieve our vision to be the smartest way to move money, now and in the future. We are now concentrating on reviewing the skills and capabilities that we need, creating some changes to internal team structures, at all levels of the organisation – our organisational design, including our committees, councils and forums.

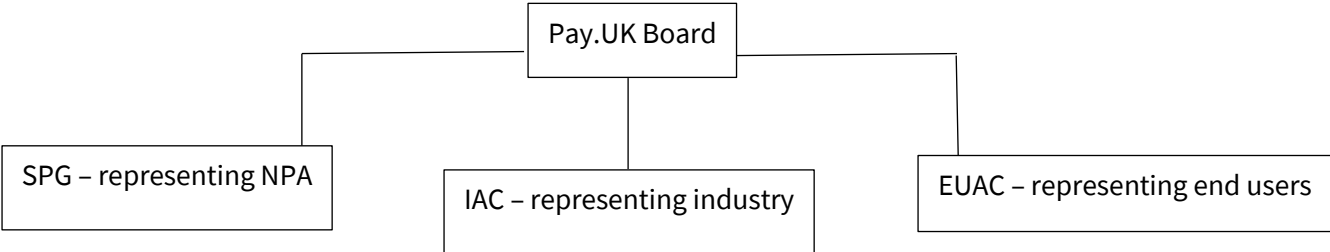
We reviewed our structures to ensure they aligned with our new vision and purpose, looking specifically at the Participant Advisory and End User Advisory Councils and the Strategic Participant Group (SPG).

As part of our review, and after consultation with our stakeholders, in March 2022 we decided to retire the PAC, as other member forums had superseded its role. Furthermore, to ensure we were not duplicating effort, and that we have a clear industry voice advising our Board, we created a new mechanism called the Industry Advisory Council.

It is the role of IAC to provide strategic advice and guidance to our Board, as the single voice for the industry. IAC will consist of a broader group of industry representatives, including direct customers, indirect customers, partners/suppliers and other relevant industry voices.

The new forums will commence operations from September 2022 and into 2023.

Advisory forums



4 Business Development

We established a business development function in January 2022 to support the design and delivery of new products and services and underpinning our role as a platform leader. We published our first thought leadership paper on SMEs and payments – challenges and opportunities, in June 2022. We are also using market testing to align with our strategic goal of delivering value, and worked closely with our Advisory Councils on our RtP and PayM services. EUAC advised us to help demystify payments by using short videos and fact sheets to explain the product to end users and help with their promotion. EUAC also advised us to clarify end-user benefits, over and above what they already use, and to be clear about the difference between our core products, and our overlay services.

We carry out market research for insight and innovation, and our commercial framework allows us to assess all new ideas within the parameters of our wider strategic direction. This informs how we design new products and deliver value. Engagement with industry experts at our Customer Engagement Forum (CEF), with input from EUAC and PAC, helped us develop our fraud overlay service. For this, we

also gleaned valuable input and feedback from customer fraud and legal teams at our fraud prevention event in April 2021, and our Board approved the fraud overlay service in March 2022.

Key decisions made:

How stakeholder views were considered:

Next year: We will seek and expect to achieve customer commitment to the NPA, and deliver global market insights internally and externally, while identifying risk, through increased use of our Knowledge Hub. We also aim to deliver growth in the use of interbank payments in retail for customer to business transactions, deliver effective fraud controls and develop our current and future product roadmap.

5 Deep insight Programme

We have begun to deliver deep market understanding via an ongoing deep insights programme to inform our house views and the decisions we make to effect change. This gives us a strong independent voice and includes research and analysis, horizon scanning, modelling and simulation, market and business intelligence from customers, partners and end users, as well as engagement with policymakers, regulators, standards bodies and peer organisations.

5.1 Horizon scanning

We continue to develop our horizon scanning capability, using insights gained from our stakeholders as a key source of information. We have used EUAC contacts and advice on research methodology to carry out research and analysis into Buy Now Pay Later (BNPL), payments bridges and Open Banking. This will inform our decision-making and investments on our strategic roadmap, as well as serving to identify a number of areas scheduled for deep dive research projects.

Next year: Horizon scanning will be an ongoing activity as part of the Deep Insight Programme, continuing to incorporate insights gained from our stakeholders.

5.2 Research programme

Our research programme continued to deliver significant insight on financial vulnerability and inclusion, and small and medium-sized enterprise payment needs, the benefits of introducing interbank instant payments in retail environments, and the business case for Request to Pay. In carrying out this research, we engaged with representative samples of current and future customers, end-users (both organisations and consumers), and a large number of international PSOs. This engagement also supported our wider new engagement approach, helping us build valuable new contacts and relationships, including a set of international collaborators on areas encompassing standards, modernisation, data governance and shared research.

We surveyed our stakeholders in the summer of 2022 to help us understand their view of our work, and how well we respond to their needs. Our survey included a set of net promoter score questions, so that we could assess our customers' overall satisfaction with Pay.UK, and we also looked at how well our stakeholders think we include them in our decision-making. This will in turn help us to understand the issues that they consider most important, as well as what they think of our engagement with them more generally.

Next year: Our research programme will continue to incorporate the insights we gain from our

customers, stakeholders and end-users. In the second half of 2022 and into 2023, we plan to look at the future of switching services, payments and sustainability, and carry out a regular consumer omnibus survey. We also plan to introduce a direct regular stakeholder survey using the net promoter score approach.

5.3 Knowledge Hub

Our industry collaboration platform, the Knowledge Hub aims to foster a community of innovation, addressing the challenges that end users and the wider industry face. We continue to disseminate the outputs of our deep insight programme through the Knowledge Hub, and also use it to gather the views and ideas of stakeholders, and to encourage innovation. Currently, we have nearly 400 external industry stakeholders from approximately 250 organisations using our platform. In February 2021, we launched our first ‘ecosystem challenge’ asking the payments community to share views on how payments had changed as a result of the pandemic. The challenge complemented our white paper, Strategic trends: Retail payments in a future world, and resulted in global collaboration and insight from experts in markets as diverse as Pakistan and Canada.

Next year: With the introduction of our new business development capability, we will be increasingly looking to use the portal to increase engagement with stakeholders and leverage our insight to facilitate and enable innovation and competition in the payments ecosystem.

5.4 House Views

House views are our opinions on ongoing topics that we consider important for us, end users, our current and future customers, and the wider economy. We combine external and internal expertise to help us shape the conversation around issues that are important to us and inform our decision-making. A house view is a broad, long-lived subject that we can speak about in detail, demonstrating both our expertise and our relationship to these subjects. We are mindful of our EUAC’s advice that the pace of change could mean the house views become out-dated and so we are updating them periodically.

Our deep insight programme builds, supports and enriches our house views. They give us a clear structure within which to elicit debate and build coalitions, providing valuable context to the evidence-led decisions we make about what falls within, and outside, our strategic focus areas. In short, our house views are crucial to our delivering our strategy, vision and purpose.

Our house views

1. **The importance of our payment system** - fulfilling our role in a world of global competition. In the new era of global competition, our future success against global tech platforms, international networks of old and new competitors is dependent on the value we provide, and being the platform of choice for innovators to work with.
2. **The future of money** - the evolution of new forms of money and the technology that supports them. Our platform runs on sterling, but to power the UK economy we need to evaluate whether to support the new digital currencies like stablecoins and CBDC developed by traditional and new actors, to shape the future of the payments ecosystem.
3. **Enabling the instant economy** - how payments can become quicker, smarter and safer, to support the economy. Everyone needs money to move faster and more cheaply, without any compromise in security or resilience. Our platform has to enable innovators to make change happen across the system, in order to maintain and grow our share of retail payments.
4. **The power of trusted data** - building universal trust through shared data. Payments data has

significant power to enhance the ecosystem, or to cause significant harm if not used and governed effectively. We want the level of trust in the ecosystem to support a far more open approach to enable payments data to create value.

5. **The evolution of end users** - what drives consumers' and business' payment needs. Our platform can only benefit everyone if we understand how people and organisations want to interact now and in future. We need to understand how everyone wants to receive and spend money as the way we work, live and play changes.
6. **Driving out bad money** - combatting fraud, financial crime and other bad behaviour. Bad actors will always try to exploit vulnerabilities in the payments ecosystem. We are committed to doing whatever we can to make sure nobody using our platform is impacted by bad behaviour like fraud and other financial crime.

Next year: We will continue to develop our house views and the strategic conversations that they drive. This will help us to understand our impact on current and future payment provision, end users and on the economy.

6 New Payments Architecture (NPA)

The New Payments Architecture is the next generation payments platform. It will modernise the way payments happen, allowing people and businesses across the UK to transfer money to others whenever they need to, quickly, safely and cheaply.

6.1 Stakeholder engagement programme

2021 saw an increased level of industry engagement for the NPA programme specifically. In total we had over 190 engagement touchpoints with the industry.

This engagement supported the development of the NPA Consolidated Design and Impact Document (CDID), a critical programme document to facilitate mobilisation of our customers' internal programmes of work. Our Board approved the design concept in November 2021 and we released the CDID to all directly connected Faster Payment System (FPS) customers. To broaden our reach, we worked with UK Finance to publicise the document with indirect customers and other industry stakeholders, launched a series of regular "Keep in touch" emails providing updates on customers' questions and provided a dedicated email inbox for specific questions.

Our work around the CDID has stimulated a lot of interest from our customers. Our overall engagement has increased and we have brought in additional resource to the Pay.UK Industry Engagement team. We are now increasing the cadence of our quarterly individual meetings, to meet the level of support that our customers require. Additional meetings have also been set up on an ad hoc basis to support our customers with further questions or clarification as needed.

Our FPS direct customers completed their impact assessments by February 2022, which examined their readiness activities and determined their ability to meet the NPA programme plan timelines. Pay.UK arranged individual walkthroughs to ensure that our customers were able to understand how to approach their impact assessment and respond to our questionnaire with all requisite detail. Once all of the business impact assessments were received, we shared the CDID with the wider industry.

Our strategic user groups and working groups all met regularly and we have encouraged all direct customers to join the Technical User Group and Operational User Group combined meeting as a minimum.

6.2 Strategic Participant Group consideration of the NPA

The Strategic Participant Group (SPG) brings together customers of various types and sizes from across the industry, providing feedback and sentiment towards NPA programme decision points. The forum is co-chaired by a Pay.UK executive as well as an industry executive. The group meets monthly, typically following industry group sessions (End User Industry Group, Commercial Industry Group and the Execution and Operational Readiness Industry Group) and before Board sessions. Pay.UK NEDs attend the SPG and then feed any outcomes and comments back into the Board meetings. The agenda covers programme progression, milestones, and emerging topics.

We held regular fortnightly meetings with Government Banking Services (GBS) and additional workshops to ensure that their unique and high-volume requirements are considered in the NPA design. There is a desire within the GBS to make greater use of Faster Payments in the future. We also undertook several individual meetings, forums and engagements with the GBS and the Bank of England.

For the second half of 2022 our plan is to continue with the existing cadence of bilateral meetings with the following agenda items:

- Use of standards
- Operational rules
- Commercial funding and pricing
- Participation models
- Confirmation of scope (post-vendor responses)

Working groups continue to run on a monthly basis, communicating plans and gaining feedback as we go through our vendor selection process.

Our Board approved the issue of the Request for Proposal (RfP) in January 2022. The scope confirmation work with our customers will start in the second half of September 2022 and run until the end of October 2022. We also held an NPA customer event in September to provide additional updates and start the scope confirmation work.

Our new Industry Advisory Council will engage more widely with indirect customers and stakeholders. Planning is also underway for additional communications activity including webinars and email updates to drive engagement with a wider audience of stakeholders in the second half of 2022 and into 2023.

Next year: Following our analysis of the impact assessments, working groups will be put in place from October 2022 with the legal representatives from our FPS customers. We will also run frequent bilateral meetings, provide full commercial details and build towards final commitment in Q2 2023.

7 Standards

7.1 Next Generation Standard for UK Retail Payments

In November 2021 our Standards Authority published an update relating to our 'Next Generation Standard for UK Retail Payments' consultation, published in 2020. We received a substantial number of responses to the consultation from a wide range of customers, end users and solution providers.

Respondents had a strong interest in the migration to ISO 20022 and the benefits it will provide. There was interest in ensuring that standards were set end-to-end and worked for everybody, driving

payment and non-payment related services forward. This was against a backdrop of growing international support and momentum for secure and frictionless payments, with a focus on increasing data quality and straight-through processing by enhancing data and market practices.

We received strong industry support for: our direction as a standards-setting body; our role in the ecosystem; our partnership with the Bank of England as operator of CHAPS and RTGS, and a commitment to work with us as we move forward.

Following publication of the first collection of NPA standards in draft earlier in 2021, in December we published the second set of technical collateral for industry, in draft, to provide new ISO 20022 message information to support the latest NPA use cases.

We then produced a third collection in May 2022 to support the latest NPA use cases. This ‘next generation UK retail’ standard allows for significantly enhanced data exchange with richer information through an increased quality and quantity of data.

2022 will see final versions of the technical collateral published, enabling customers to commit to development of their NPA solution designs. These collections are a cornerstone for the establishment of a customer-testing simulator, in readiness for their transition to the NPA, as well as a significant factor for the NPA’s prime vendor selection assessment. We continue to support customers through bilateral meetings and events regarding how the new ISO 20022 standard can create benefits from this improved quality and quantity of data.

We have also been a keen advocate and supporter of UKF’s new Standards Engagement Forum, an external group specifically set up to surface and support end-user outcomes that could be enabled by standards beyond the interbank payments space. We have been asked to play a key role in this by UKF and other senior industry stakeholders to ensure the industry can capitalise on payments-related opportunities. We will use this group to expand our reach to end-user groups and evidence demand for our work.

Another focus area for 2022 and going into 2023 in response to customer feedback, and supported by the Standards Advisory Panel, will be our work to convene an Enhanced Data Taskforce. This initiative will build on our SME research which revealed that 25 per cent of SMEs spent, on average, 3.6 hours a week manually reconciling payments, due to a lack of consistent and effective payment data. Our initiative will bring together a diverse set of users to define how enhanced and structured data should be used to unlock benefits and support innovation.

Next year: We will be supporting NPA customers’ transition readiness as customers start development and testing using our simulator. Our engagement with industry to develop a standard to address fraud will continue, as will the Enhanced Data Taskforce to establish standards and rules for effective data use. We have welcomed industry’s desire to improve data usage in a cross-border payment context and we will look to play a leading role, with the Bank of England, regarding UK payments in the Committee on Payments and Market Infrastructures (CPMI) G20 enhancement initiatives.

8 Fraud

Our house views include ‘*Driving out bad money: combatting fraud, financial crime and other bad behaviour*’. Engagement with industry experts at our Customer Engagement Forum, with input from EUAC and PAC saw us develop our fraud overlay service, with approval from our Board received in March 2022. In April 2022 we held a fraud prevention event, at which we asked for feedback from customer

fraud and legal teams to help us and the industry improve fraud detection and prevention. We continue to develop our fraud overlay service using the input received.

Standards

Our standards team collaborated with UK Finance's (UKF) Enhanced Fraud Data Working Group to tackle Authorised Push Payment (APP) fraud. As a result, we have developed a new 'logical data model' to serve as a foundation approach for categorising relevant customer data that enables both the sending and receiving bank to more easily identify a fraudulent transaction. The first iteration of this data model is available via our external portal, Standards Source. We continue to work towards establishing a new standard for industry to use in the fight against fraud.

Confirmation of Payee (CoP)

Confirmation of Payee helps an end user, when initiating a payment, to check who they are paying before they confirm the transaction and is an essential tool in the fight against some types of fraud and misdirected payments.

Faster Payment System (FPS) messaging

Pay.UK is looking at a messaging service through FPS to assist in speeding up the process for advising that a fraud has been perpetrated between 2 or more financial institutions.

This potential new messaging service could allow the extent and scale of industry issues and response times to be better understood and actioned, by faster and more accurate reporting. By standardising the process, it will enable more accurate reporting and save time for organisations and individuals trying to recover funds that may have been stolen or misdirected.

Pay.UK is currently consulting with stakeholders such as UK Finance and our customers to get their initial thoughts on what they think about this proposition. We have also raised this through a number of Pay.UK committees including Credit Payment Recovery which is run by the Faster Payment team and one to one meetings with individual organisations.

Next year: Our business development team will develop our current and future product roadmap informed by market intelligence. Our standards team will continue to engage with industry to develop a standard to address fraud, as will our Enhanced Data Taskforce to establish standards and rules for effective data use. We will continue to consult with UK Finance and monitor the impact of the Faster Payment System transaction limit increase on the volume of fraud.

9 Request to Pay

Request to Pay (RtP) is an overlay service that helps when initiating a payment, providing a new, flexible way for bills to be settled between people, organisations and businesses. We are working with our customers and the payments ecosystem to develop the RtP service further and to give potential RtP providers other opportunities to enrol in the RtP Framework. To help with this development we have continued to consult with a range of stakeholders, including individuals, organisations and government departments.

Early in 2022 we commissioned Accenture to assist us in understanding the economic value of the RtP proposition, and the output of this research will feed into various workstreams. We have also improved the visibility of RtP through the use of social media, as well as in webinars and at external events.

New message types

We have been focused on developing three new message types for the RtP framework: The 'Interactive Advance Notification' (IAN); 'Cancellations'; and 'Overpayment' messages.

- **IAN:** This is a new message profile that allows Direct Debit merchants to send the Advance Notice through the RtP messaging service, and payers to request a new date for the Direct Debit to occur and to interact with the biller. Input received from consumers and corporate stakeholders helped to identify appropriate functionality and features, along with the support of our Electronic Payments Affiliates Forum. Our RtP Development Group was engaged in the design of the IAN to ensure that any message implemented works for all our stakeholders. This has now gone through all governance and is available to be utilised as an additional feature by RtP providers.
- **Cancellations:** A new message that allows an RtP request to be cancelled by the biller if a payment has not been made. This is now available as an additional feature for use by RtP providers.
- **Overpayments:** An enhancement to the RtP message specification to allow a payer to make additional payments in a transaction, for purposes such as charity donations or gratuities. The initial scoping on this message was undertaken alongside in-depth engagement with charities, government departments such as HMRC and our RtP Development Group.

Next year: RtP will continue to evolve to meet market needs and in response to ideas suggested by industry. These include proxy identification and progressing with the implementation of Overpayment messages as a priority. We are also looking to develop more message types, with further research and engagement with stakeholders and supporting groups to ensure RtP services meet the requirements of all users. We are planning to develop the following message types in the latter part of 2022 and deliver in 2023:

- **Point-of-sale:** Work with organisations to integrate point-of-sale terminals to use RtP.
- **Proxy Identification:** Use of proxy identifiers such as email or mobile numbers to link to the Payment Identifier (PID).
- **Cash settlement:** Work with organisations to develop the capability to settle a request using cash.
- **Remittance Advice:** A new message to allow a business to pay a number of requests with a single payment and provide details of what the payment relates to.

10 Confirmation of Payee

Confirmation of Payee (CoP) is a name-checking service that gives payers greater assurance that their payments are going to the intended recipient and not being accidentally or deliberately misdirected (by a fraudster). Since launch in June 2020, more than 50 organisations have implemented CoP.

In June 2022 we surpassed 1 billion CoP checks with a daily average of more than 1 million checks. With the level of interest being expressed by traditional PSPs and new, less familiar firms, it is reasonable to judge that CoP has become an essential utility service that end users expect to see when sending a payment to another party for the first time. CoP has been widely recognised as a positive addition to the fraud-prevention landscape, notably through its success in winning industry awards.

Roll out of Extended Capability (Phase 2)

In July 2021, we rolled out the extended CoP capability (Phase 2). In 2022 there was focus on completion of the Phase 1 customers into the CoP-only role profile. A key development has been enabling the capability for organisations that use a sort code, account number and a unique reference to offer CoP.

Other developments we are planning include:

- **Vendor Model** – this involves technical solution providers being provided a model to directly connect to CoP, which will allow ease of access to mass market, including smaller customers and corporates.
- **Confirmation of Payer** – a name-checking service to support the set-up of Direct Debit payment mandates. We have consulted with current and potential customers through working groups and bilateral meetings.

A view of our stakeholder (service user) engagement

The technical design clarifications for the use of Secondary Reference Data in Confirmation of Payee was conducted through collaborative discussions in customer working groups, which defined the best approach. The migration activity of the existing 33 Phase 1 customers to the Phase 2 environment was developed and agreed through the regular meetings and then progress tracked against key milestones. There has been open and collaborative engagement to enhance and constantly refine processes for testing, onboarding and documentation considering feedback from customers.

We hosted CoP vendor presentations in October 2021 to promote the service to a broader cross-section of stakeholders and potential customers. Our engagement with stakeholders continued through bilateral consultations as well as technical, implementation and other working group meetings with existing and prospective CoP customers, including the vendor community.

We continued to engage on a bi-monthly basis with our Industry Steering Group and our key focus for the remainder of 2022 into 2023 will be to complete the migration of the existing Phase 1 customers into the CoP-only role profile. We are also collaborating with the PSR on a consultation regarding a significant expansion in CoP participation between now and 2025. This expansion would ensure near-total market coverage of CoP on Faster Payment and CHAPS transactions. Other developments we are planning include:

Next year: We will continue to evaluate and develop changes and enhancements such as including more customer and payment types and offering more accessibility choices for the service.

11 Pay.UK Systems & Services

11.1 Bacs Payment System

We continued to work closely with Bacs users to support them through the pandemic. The May 2020 temporary rule change - to allow non-automated Direct Debit instruction service (non-AUDDIS) users to accept a scanned Direct Debit Instruction (DDI) via email from their customers which can then be passed encrypted (password protected) via email to the paying payment service provider (PSP) - was extended until 31 December 2022.

There was also an extension of the minimum dormancy period from 13 months to 24 months. This was introduced because of the pandemic to avoid DDI's dropping off payers' accounts during a payment holiday or suspension in collections. This received positive feedback from our service users. With this feedback in mind we consulted with customers in making this a permanent change, which was subsequently agreed and implemented in November 2021.

We continued to engage with our customers at scheduled committee meetings as well as at regular service reviews, which are held with individual customers. We have also continued to communicate to our stakeholders via regular e-comms, highlighting to them important updates, processing dates, tips to reduce the number of Direct Debit Indemnity Claims (DDIO) as well as the annual updates to the Direct Debit and Bacs Direct Credit Scheme Guide and Rules.

We held a virtual event for our service users in January 2022 with over 1,000 attendees learning about Direct Debit and Pay.UK. We are planning another event for later in 2022 which will focus on indirect users of the Bacs service. In February 2022 we began discussions with the Bacs Participants Committee regarding any unplanned bank holiday, with broad agreement to continue processing subject to further investigations.

A roadmap for the remobilisation of each project paused by the pandemic was presented to the Bacs committees in Q2 2021 with agreement to implement service improvements during 2022 and 2023.

Projects underway are as follows:

Bulk Change Registration Process (now Bulk Change Process Review)

Elaboration workshops took place during H2 2020 to look at enhancing the bulk change process. One of the key challenges faced by service users and Facilities Management (FM) providers is the completion of the required paperwork. Costs were received from Vocalink but these were significantly higher than initially forecast. The project was then closed but a working group with customers and FM providers was established to investigate whether we could improve the current process without the need for development work with Vocalink.

A workshop was held in December 2021 and was attended by over 80 attendees from sponsoring PSPs and FM providers (service users), with Vocalink and Pay.UK in attendance to facilitate and support. Assessments of agreed actions is ongoing but a 'bulk change process contact list' has been created and shared to enable discussions between FM providers at an early stage, and benefits have already been reported as a result.

Non AUDDIS to AUDDIS Migration

A communications approach aimed at promoting AUDDIS migration for existing non-AUDDIS service users commenced at the start of 2021. The project has undertaken a number of key activities including: audience analysis; targeted customer e-comms to raise awareness of the benefits of AUDDIS; completion of two customer case studies; a review of current collateral; and the introduction of new collateral.

Initial market research was undertaken in 2021 to understand barriers to migration, followed in 2022 with further research into awareness levels of AUDDIS within the same community. Research results show a positive improvement as a direct result of our communications. The project intends to build on this and will focus on increasing targeted 1-2-1 engagement with service users to better understand their migration challenges and provide guidance. This project continued throughout 2022, with regular checkpoints to discuss progress and feedback. Decisions were made at the Bacs Participant Committee in December 2021 to continue the Non-AUDDIS to AUDDIS project and engagement with service users through 2022 in collaboration with sponsoring PSPs, with change requests and temporary rule changes taken through our governance process.

Direct Debit Indemnity Claim (DDIC) Challenge Process

The requirements for this project, which was initiated in 2020, were revisited in February 2021 to ensure

they were still fit for purpose. The scope of the project means moving the DDIC Challenge Process onto a central solution, removing the need for both telephone and email exchanges, providing a consistent process and outcome for all parties involved. There is regular engagement with customers that are supportive of the move to a central solution as this will provide consistency for both the paying PSP and the service user. It is anticipated that testing will commence in Q3 2022 with customers and selected service users, followed by implementation in the latter part of the year.

Direct Debit Error Recovery

Workshops have been held with PSPs in April, May, June and July 2022 (and will be ongoing) to discuss the requirements for this project to remediate a payer's account if a Direct Debit has been collected in error. The proposed process will provide a common central solution that will generate Faster Payments to correct payers' accounts on the debiting date, improving the customer experience and minimising operational impact on customers. It will also improve the reconciliation processes and remediation activity for service users that have made an error.

Next Year: Engagement with our stakeholders will continue at committee level via working groups and e-comms. In the latter part of 2022 a number of projects will come to fruition, which will mean that the existing propositions will need to be enhanced to reflect changes and developed such as 'Little Bacs Guides' to support the Bacs service.

11.2 Faster Payment System

During 2021 we have engaged extensively with our Faster Payment System customers. Two examples where this engagement has supported our decision making are below:

Transaction limit increase

In early 2021 we followed up our 2020 questionnaire that sought views on an increase to the Faster Payment System transaction limit. Our project team undertook a consultation process to seek the views of our customers, as well as government bodies and large and small corporates, to establish if there was still an appetite for us to increase the limit. The consultation showed that demand still existed and we successfully undertook a live-proving exercise in February 2021.

We created a working group to ensure that the views of our customers were reflected in everything we did, formed via volunteers from our customer community, as well as fintechs and aggregators interested in how we planned to implement the increase. This group met regularly and provided valuable advice to help ensure a successful implementation.

We received non-objection from the Bank of England's Financial Market Infrastructure Directorate in August 2021 and further consultation with our customers then took place to determine the best time to implement the increase. Following further internal governance and guidance from the working group the increase was approved by our Board and then implemented in February 2022.

Throughout the process we engaged with other stakeholders such as the Bank of England (in its role as operator of the RTGS infrastructure and CHAPS payment system) and UK Finance, to ensure that we captured a broad range of views and, in particular, had a clear understanding of any impacts the increase might have, with specific focus on fraud values and volumes.

Next Year - We will consult with UK Finance and monitor the impact of the increased payment limit on the volume of fraud. We will engage with relevant stakeholders, the CEF and EUAC to keep them

informed of any further increase to the limit and for discussions on consumer protection which we will also discuss with our working group during a policy phase which will conclude in 2022.

11.3 Image Clearing System

In Nov 2021 we renewed our Image Clearing System (ICS) contract with our supplier whilst continuing to review our strategic plans with our customers. The cheque volume decline accelerated as a result of Covid-19. However, we did see some improvement in volumes from June 2021. In December 2021 we completed a review of the ICS Manual, Operating Manual and Fraud Manual, with ICS committee input. We are working to understand more on the future usage of cheques and in 2022 we have focused on the future strategy of cheques and protecting end users, ensuring that cheques remain a viable payment method for as long as users require them.

Next year: Pay.UK will continue working with our customers on a strategic plan for the long-term usage of the ICS, taking into consideration the cost of processing in a declining market to ensure that cheques remain a viable option.

11.4 Current Account Switch Service

End User Engagement and Marketing

The Current Account Switch Service (CASS) enables UK current account holders to switch banks or building societies in a simple, reliable and stress-free way.

Our research showed that end users were becoming interested in accessing banking services digitally so, in Autumn 2021, we launched another mass awareness campaign as a continuation of the campaign from September 2020. We engaged with the wider population to share real-life stories about CASS, showing that switching a current account was still a quick and easy thing to do.

With many people still working remotely and spending more time at home, CASS used longer-form broadcast media, and expanded how we reach people via digital forums. The service commissioned research into the benefits financial control gives people in their daily lives, and partnered with a behavioural psychologist to create a new animation campaign. This culminated in a radio day in May 2021, with more than half a million listeners tuning in to hear Pay.UK discuss the findings. As life returned to normal the campaign aired on TV, radio, digital, cinema, social media, Instagram, Facebook and TikTok from September to November 2021. Through third-party communication we reached more than 5 million 18 to 24-year olds, and influencer-led content generated more than 165,000 impressions with an engagement rate of 12%, well exceeding the industry benchmark of 3%. A follow up campaign went live in September 2022 and also targeted the financially vulnerable.

Annual CASS Strategy Day – engaging/informing stakeholders

We have had a CASS annual strategy day every year since 2016. This helps us meet the Competition and Markets Authority retail banking review undertakings, as well as ensuring that CASS is representative of the marketplace and consumer markets.

The strategy day held in October 2021 was with a wide group of industry stakeholders and consumer representatives and helped us to gain perspective and input from stakeholders on the future delivery of the service. The CASS committee also approved revisions to the CASS Key Performance Indicators (KPIs), followed by Board consideration and approval in January 2022.

Next year: The outputs from our strategy day will support the development of our 2022-2023 Switching Services workplan, whilst ensuring the Current Account Switch Service remains aligned to the wider Pay.UK strategy.

12 Annex – Councils, committees and working groups

We have a comprehensive committee and working group structure to support our decision making. Below are some of our key committees and working groups referenced within this report.

Participant Advisory Council (PAC)

The Participant Advisory Council (PAC) advises and makes recommendations to our Board on issues that are likely to be of current and future significance to customers in our payment systems.

In 2021 the PAC helped us to establish our house views and to renew our strategy as a foundation for the future. The Council has also provided us with its opinion on: our ‘North Star’ strategy implementation programme; our culture development project; essential fraud prevention strategy; and on activity undertaken in collaboration with UK Finance. In addition, the PAC has provided us with useful insights on our products and market testing, an area now being explored in greater detail by our new business development team.

We embarked on an external stakeholder engagement review in 2021 in order to clarify the roles of the different stakeholder engagement forums and to assess the impact of our new strategy on our stakeholders. The PAC provided constructive feedback on the Council’s structure and engagement and, further to the review, it was agreed that the PAC would be disbanded in March 2022 and replaced by the Industry Advisory Council later in 2022.

Membership: PAC membership included independent rather than organisational representation from a range of customers including small, medium and large payment service providers (PSPs), challenger and new-entrant PSPs, corporates, government, fintechs and consultants.

Frequency: PAC met on a quarterly basis.

Industry Advisory Council (IAC)

As a result of the 2021 external stakeholder engagement review the PAC was retired and restructured to form the Industry Advisory Council (IAC) which held its first meeting in September 2022.

The IAC includes the members of the Strategic Participant Group (SPG), which helps achieve our objective of joined-up strategic discussion across IAC and SPG. IAC looks at the medium and long-term evolution of the wider payments ecosystem with members representing the full breadth and diversity of the ecosystem.

Membership: IAC membership includes: SPG members and representation from customers (direct and indirect); organisations with whom we have commercial relationships; and partners and suppliers. Members are appointed to represent the views of the organisation with which they are associated/employed.

Frequency: IAC meets on a quarterly basis.

End User Advisory Council (EUAC)

The End User Advisory Council (EUAC) continued to give advice and challenge to our Board throughout 2021. In early 2021 the EUAC produced an NPA advice note for the PSR which was complementary to that produced by the Council in August 2020, covering the Council's response to the PSR's NPA consultation document. In addition, the Council collaborated with us to explore the PSR's Call for Views on APP scams and consumer protections in interbank payments. It also gave insights from an end-user perspective on the fraud prevention project being carried out in collaboration with UK Finance and the wider payments industry.

We also sought EUAC's input when: establishing our house views, refreshing our strategy and to help shape our market testing, North Star strategy implementation programme and our culture development. EUAC welcomed our management restructure and formation of a business development directorate, which has helped to facilitate effective research dialogue and outcomes.

Council members utilised their knowledge, expertise and contacts to take part in working groups to discuss consumer protections and the approach to research and methodology. EUAC also gave input on making the most of RtP and any end user considerations for decommissioning the Paym service.

The Council's structure was also discussed as part of the external stakeholder engagement review and we have provided updates regarding our findings from this review to both the Participant Advisory Council and the EUAC.

Membership: EUAC membership is based on independent and individual representation of end user interests rather than on an organisational basis. It includes the interests of consumers with specific needs and those in circumstances that make them vulnerable. It includes private and not for profit users, SMEs, large corporates and Government Banking Services.

Frequency: EUAC meets on a quarterly basis.

The EUAC and PAC publish independent annual reports, which are available on the Pay.UK website.

Customer Engagement Forum (CEF)

The Participant Engagement Forum (PEF) was re-titled as the Customer Engagement Forum (CEF) in May 2022 and we continued to provide regular updates on finance, standards and operations to our senior level customers at this forum. Updates were also given on the NPA programme, with discussions on the programme structure, industry engagement and our response to the PSR's consultation document. In addition, we reported on work undertaken with our infrastructure supplier to ensure the ongoing resilience of our payment systems.

Important discussions in 2021 at this forum included the renewal of our key strategic priorities and work being carried on our fraud strategy and fraud prevention overlay concept. We considered it important to invite the PSR, UK Finance and industry fraud specialists to an interactive session to give their input on a holistic industry approach. Key to these discussions was our collaboration with UK Finance on enhanced fraud data standards, with UK Finance working on a standardised set of data attributes and a proof of concept to test the data for effectiveness.

The CEF continues to be a valuable forum for provision of Pay.UK updates, receiving customer feedback and sharing views on important payment industry matters including Pay.UK's new Cloud Policy/Code of Conduct and access to data for the Office of National Statistics (ONS).

Membership: CEF membership includes direct customers of Bacs, the Faster Payment System and the Image Clearing System.

Frequency: CEF meets every two months.

NPA

Strategic Participant Group (SPG)

Description: To provide advice and challenge to the process of delivering the NPA – it is not a decision-making body. Its outputs offer insight to the NPA programme team and the Pay.UK Board.

Membership: 14 members, including up to 12 senior industry representatives nominated by the UK Finance Payments, Products and Services Board (PPSB). All representatives are at Head of Payments or Accountable Executive level.

Frequency: SPG convened on a monthly basis until July 2022 when, in recognition of the programme's transition from the design to the development phase, it will convene bi-monthly for the foreseeable future.

Number of sessions (Oct '21 – Sept '22): 11

Commercial Group (operational from September 2021)

Description: To challenge and put forward recommendations to the SPG on matters of commercial interest such as funding and pricing, vendor selection and the NPA business case framework.

Membership: Ranging between 10 to 15 members, including SPG and non-SPG direct customers and indirect customers representing high, medium and low transaction volumes across the industry.

Frequency: Monthly, since September 2021.

Number of sessions (Oct '21 – Sept '22): 8

End User & Propositions Group (operational from September 2021)

Description: To challenge and put forward recommendations to the SPG on matters concerning the customer journey and service management such as: customer journey mapping; end user use cases; future propositions; and overlay services.

Membership: Ranging between 10 to 15 members including SPG and non-SPG direct customers and indirect customers representing high, medium and low transaction volumes across the industry. Membership is to also include a solution provider that is also an SPG member.

Frequency: Monthly, since September 2021.

Number of sessions (Oct '21 – Sept '22): 11

Execution & Operational Readiness Group (operational from September 2021)

Description: To challenge and put forward recommendations to the SPG on matters concerning the execution and operational readiness of the NPA system.

Membership: Ranging between 10 to 15 members including SPG and non-SPG direct customers and indirect customers representing high, medium and low transaction volumes across the industry.

Frequency: Monthly, since December 2021.

Number of sessions (Oct '21 – Sept '22): 10

Non-Executive Directors Forum (operational from September 2021)

Description: To provide customers with direct access to our NEDs before any Board meeting where anything relating to a set of agreed strategically-important topics will be raised.

Membership: Ranging between 35 to 40 representatives from direct and indirect customers representing high, medium and low transaction volumes across the industry. Member will also include solutions providers.

Frequency: Convenes monthly since September 2021 and aligns with Pay.UK Board meetings.

User Groups (operational from March 2021)

Technical User Group (TUG) and Operational User Group (OUG)

Description: To inform a broad range of industry stakeholders on the NPA message flows and definitions, and enable the opportunity to review and discuss the technical aspects of message flows and message definitions of the NPA.

Membership: 33 members - direct customers, indirect customers, solution providers, end user representatives, solution providers and trade bodies.

Frequency: Since October 2021 the Operational User Group amalgamated with the Technical User Group. This group convenes on a monthly basis (with the exception of May 2022).

Number of sessions (Oct '21 – Sept '22): 8

Retail Settlement and Liquidity User Group (RSLG)

Description: To allow the industry to discuss the proposed approaches put forward by Pay.UK on Settlement and Liquidity Management for the NPA, as well as to provide preferences for how NPA settlement works (including default protections).

Membership: 11 members – direct customers, indirect customers and trade bodies.

Frequency: Quarterly, with additional ad hoc sessions.

Number of sessions (Oct '21 – Sept '22): 9

Request to Pay (RtP)

RtP Development Group

Description: To provide insight and guidance to Pay.UK on the best way to develop the RtP Framework. This group replaces the RtP Advisory Group, which was used for guidance on launching the framework.

Membership: Fintechs, utility companies, challenger banks, accounting software firms.

Frequency: Monthly.

Affiliates Forum

Description: We have created an inclusive Affiliates Forum to promote discussion, the exchange of ideas and collaboration with financial institutions of all sizes. We are currently broadening the scope of this forum.

Membership: Our Affiliates represent much of the payments landscape, including high-street names, fintechs, overlay service providers, challenger banks, retail and e-commerce platforms, government and industry associations.

Frequency: This group has convened quarterly in the past, but as it evolves it will convene as and when required.

Confirmation of Payee (CoP)

CoP Participant Working Group

Description: A business level working group to discuss the implementation of CoP Phase 2.

Membership: Existing and prospective CoP customers.

Frequency: As required.

CoP Participant Migration Working Group

Description: A business level working group to manage the migration from Phase 1 to Phase 2.

Membership: Phase 1 customers.

Frequency: Bi-weekly until the end of June 2022, then 25 meetings from July – Sep 2022

CoP Technical Working Group

Description: Technical working group.

Membership: Existing and prospective CoP customers.

Frequency: Ad hoc – as required for focused technical and business developments.

CoP Vendor Group

Description: Vendor group meeting.

Membership: Existing and prospective vendors providing CoP solutions.

Frequency: Ad hoc – as required for focused technical and business developments.

CoP Service Enhancement Working Group

Description: To provide a platform to discuss service enhancements around CoP.

Membership: Existing and prospective CoP customers.

Frequency: Ad hoc – as required and might move to a more regular footing depending on the enhancement's development life cycle.

CoP Industry Steering Group

Description: To provide a platform to discuss industry level issues around CoP.

Membership: All accredited customers and those who are testing to join the service.

Frequency: Every two months.

Bacs

Bacs Payments Participant Committee

Description: This committee provides a forum for Pay.UK to share information with Bacs customers, and for Bacs customers to provide feedback on the performance of the Bacs service to Pay.UK.

Membership: Customers.

Frequency: Quarterly, or as required.

Bacs Payments Operations Committee

Description: This committee monitors all issues related to the operation of, and compliance with, the Bacs service, affecting suppliers, customers and service users.

Membership: Customers.

Frequency: Bi-monthly.

Faster Payment System (FPS)

FPS Participant Committee

Description: To allow Pay.UK the opportunity to discuss issues affecting Faster Payments with the customers that directly connect to the Faster Payment System Central Infrastructure. It also allows customers to raise topics for discussion.

Membership: All Faster Payment System Directly Connected Customers.

Frequency: Quarterly.

FPS Transaction Limit working group

Description: To provide input into the implementation process of the FPS transaction limit increase.

It also gave the industry an overview of Pay.UK's activities in the area.

Membership: FPS customers and aggregators.

Frequency: Every two months and is now retired.

Consumer Protections Working Group (CPWG)

Description: Joint working group with UK Finance to discuss consumer protections in interbank payments with the wider industry.

Members: UK Finance, PSR, banks, end user representatives and fintechs.

Frequency: Paused – awaiting PSR policy statement.

Image Clearing System (ICS)

ICS Participant Committee

Description: This committee provides a forum for Pay.UK to share information with ICS customers, and for ICS customers to provide feedback on performance to Pay.UK.

Membership: Direct customers.

Frequency: Quarterly.

ICS Operations Committee

Description: This committee is responsible for monitoring all issues related to the operation of and compliance with the ICS, affecting suppliers, customers and service users.

Membership: Direct customers and Vocalink.

Frequency: Monthly.

ICS Fraud Advisory Group

Description: This group establishes best practice in fraud prevention within the ICS.

Membership: Direct customers and third-party suppliers with initial invitation from a direct customer.

Frequency: Quarterly.

Current Account Switch Service (CASS)

CASS Communications Working Group (CWG)

Description: The CWG is responsible for managing, monitoring and maintaining CASS' key performance indicators (KPIs).

Membership: Customer representatives who have expertise in marketing and advertising strategy, brand development, public relations, customer attitudes and behaviours towards financial products,

and regulatory and government affairs in banking.

Frequency: Quarterly.

Switching Services Participant Committee (SSPC)

Description: Following the ExCo annual approval of the CASS strategy and budget, the SSPC is responsible for overseeing the delivery of the Account Switching Services (CASS, Cash ISA and Bulk Payment Redirection Service).

Membership: Nine customer representatives and three independent members. One independent member is the Chair, and the remaining two are selected to represent CASS service users.

Frequency: Quarterly.