



FPS Reimbursement Rules: Compliance Monitoring Regime

Version 5.0

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Documentation Information

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Document reviewers

| Version | Date | Description | Author | Comments |
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Action: P – Producer; C - Contributor; R – Reviewer; A – Authoriser; I – Information only

References

This document should be read in conjunction with the following documents.

| DOCUMENT |
|---|
| SPECIFIC REQUIREMENT 1 (JULY 2024) (FPS APP SCAM REIMBURSEMENT RULES) |
| SPECIFIC DIRECTION 19 (JULY 2024) (APP SCAMS FASTER PAYMENTS OPERATOR MONITORING) |
| SPECIFIC DIRECTION 20 (JULY 2024) (FPS APP SCAM REIMBURSEMENT REQUIREMENT) |
| COMPLIANCE DATA REPORTING STANDARD |
| FPS REIMBURSEMENT RULES – SCHEDULE 4 |
| APP FRAUD REIMBURSEMENT BEST PRACTICE GUIDE |

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1 Introduction to FPS APP Compliance Monitoring

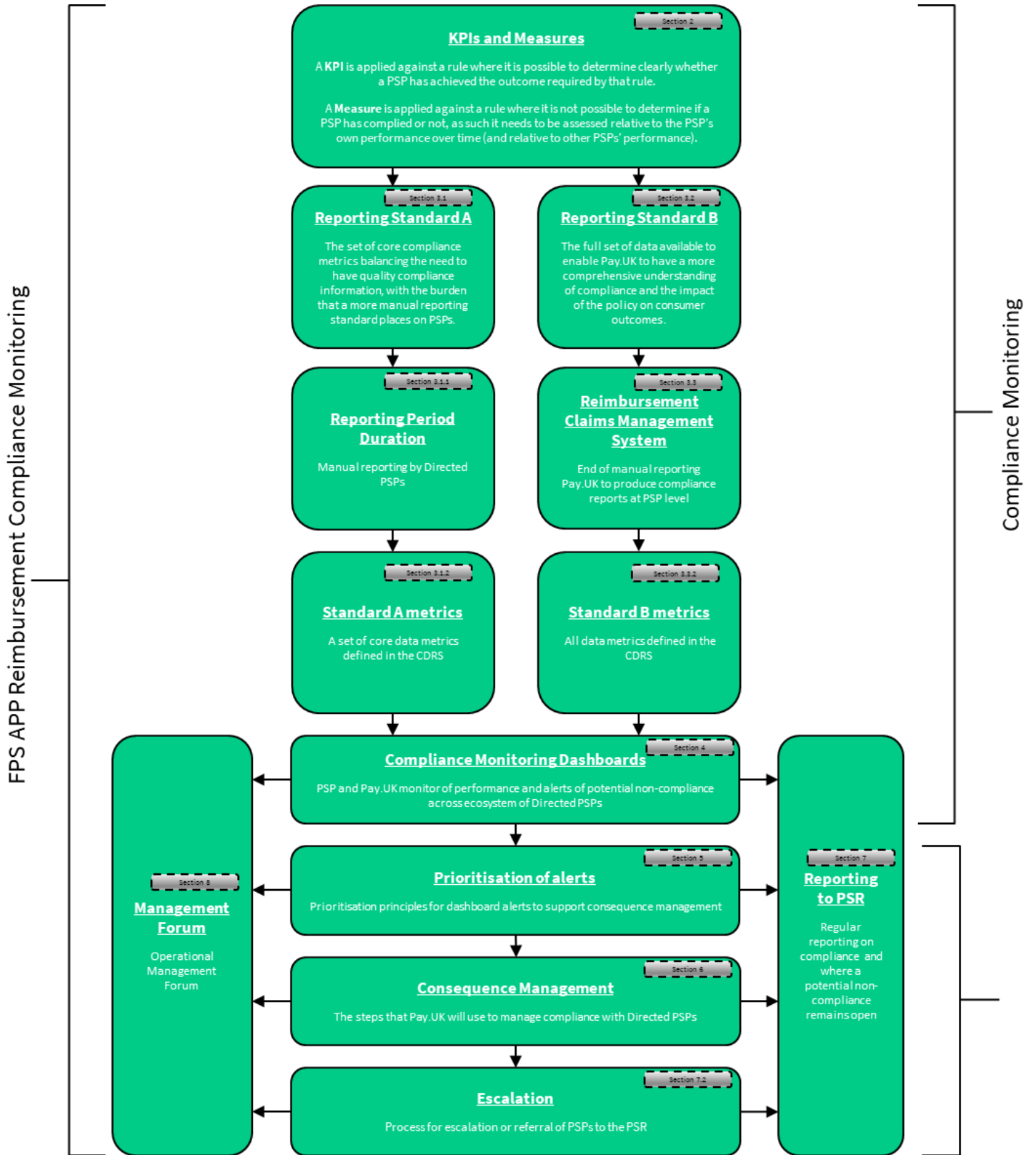
Under section 72 of the Financial Services and Market Act (**FSMA**) 2023, the PSR must introduce an APP reimbursement requirement for Authorised Push Payments (APP) scam payments made over the Faster Payments Scheme (FPS) by a Directed PSP, whether they are a Member of the Faster Payments Scheme or not. Under Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules), the PSR requires the Faster Payments Operator to change the Faster Payment Scheme rules by 31 July 2024 to achieve the specified purpose of incorporating the reimbursement requirement and additional exceptions and provisions into these rules. The FPS reimbursement requirement applies to all Reimbursable FPS APP scam payments executed from 7 October 2024. From this date, Directed PSPs are mandated to follow these rules via Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and to report compliance data as defined by the Faster Payments APP Scam Claims: Compliance Data Reporting Standard (July 2024) to Pay.UK. As the Payment System Operator, and in accordance with PSR Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring), Pay.UK must monitor and manage Directed PSPs' compliance with the FPS reimbursement rules.

This document, which should be read in conjunction with the documents listed in the reference section, sets out how Pay.UK will monitor and manage Directed PSPs' compliance, both for Direct and Indirect participants. This includes compliance monitoring, managing the consequences of non-compliance by Directed PSPs, and how Pay.UK will work with the Directed PSPs and the PSR to report on compliance. This document contains principles for how Pay.UK expects compliance monitoring to operate, rather than prescriptive and specific rules for how it must behave in all scenarios. It is not possible to anticipate all scenarios that may arise in the reimbursement regime, and some discretion and flexibility will be required. Pay.UK will maintain ongoing close engagement with the PSR on how it is operating the compliance monitoring element of the reimbursement regime. It is likely that compliance monitoring will need to change as more experience is gained in operating the regime, and any such change will involve the PSR and Directed PSPs as appropriate.

Pay.UK will be responsible for monitoring compliance with the FPS reimbursement rules (as required by Specific Direction 19 (July 2024) (APP Scams Faster Payments Operator Monitoring) but will not be enforcing Directed PSPs' compliance against any PSR directions. Enforcing Directed PSP compliance against regulatory directions remains the responsibility of the PSR.

1.1 Overview of the compliance monitoring regime

The below diagram sets out an overview of the different elements of the compliance monitoring regime and how they relate to each other. It also serves as a guide to how this document is structured.



2 Key Performance Indicators (KPIs) and Measures

At the core of compliance monitoring and management are a series of Key Performance Indicators (KPIs) and Measures which are aligned to the PSR's Compliance Data Reporting Standards (CDRS). These KPIs and Measures have been designed to monitor and measure the compliance and performance of a Directed PSP against the requirements in the FPS reimbursement rules.

2.1.1 A KPI is applied against a rule where it is possible to determine clearly whether a Directed PSP has achieved the outcome required by that rule.

2.1.2 A Measure is applied against a rule where it is not possible to determine if a Directed PSP has complied or not, as such it needs to be assessed relative to the PSP's own performance over time and relative to other Directed PSPs' performance to look for indicators of potential non-compliance.

The KPIs and Measures are used as indicators of a Directed PSP's performance and form the basis for Pay.UK's decision-making on whether a Directed PSP is potentially non-compliant with the FPS reimbursement rules. Section 3 describes how the KPIs and Measures relate to the reporting data standards set by the PSR within the Compliance Data Reporting Standard (CDRS). Section 4 describes how the KPIs and Measures will be used to determine indicators of PSP performance against the data reported as it aligns to the FPS reimbursement rules.

3 Reporting Standards and Record Keeping

This section should be read in conjunction with the PSR's Compliance Data Reporting Standard (CDRS). The CDRS sets out in regulation what data Directed PSPs are required to report to Pay.UK and place record-keeping requirements on all Directed PSPs.

From 7 October 2024, Directed PSPs which are Sending PSPs are required to report data to Pay.UK as the basis to monitor and manage compliance under 'Reporting Standard A'; the contents of which are set out in the PSR's Specific Direction 20 and the PSR's Compliance Data Reporting Standards (CDRS).

As is specified by the PSR, a Sending PSP must ensure for all the time that Reporting Standard A is in place that it collates and retains all information falling within the scope of Reporting Standard A. All Directed PSPs must retain decision-making records about individual FPS APP scam claims for at least five years, including the final decision and accompanying rationale for making that decision. Sending PSPs will report regularly to Pay.UK on a set of data which provides Pay.UK with oversight of a core set of compliance metrics.

The CDRS also defines 'Reporting Standard B'. 'Reporting Standard B' is the full set of compliance metrics. The CDRS provides the details of this reporting standard, for if and when the PSR requires Directed PSPs to report against it.

3.1 Reporting Standard A

Directed PSPs will be required to report on a set of core compliance data metrics which are defined in the CDRS under Reporting Standard A. This data will be submitted by the Sending PSP and will enable Pay.UK to monitor compliance using the data that Directed PSPs report.

3.1.1 Reporting Standard A Period Duration and Reporting Due Date

Under Reporting Standard A, the data is submitted by the Sending PSP covering FPS APP scam transactions it has sent, and not those it has received. Reporting periods will run from the first to the last day of each calendar month and reports will be due on the last Business day of the month which follows the reporting period. Reports must be submitted to Pay.UK by each Directed Sending PSP on the reporting due date by no later than 17:00hrs.

Exceptionally, as the effective date of 7 October 2024 is after the first day in October 2024, the inaugural reporting period will run from 7 October 2024 to 30 November 2024. Reports for that inaugural reporting period must therefore be submitted to Pay.UK by each Directed PSP by no later than 17:00hrs on the 6 January 2025. Each subsequent report must cover one month (the "reporting period"). Each subsequent report is due by close of business on the last Business day of the month after each reporting period.

As the cut-off day for each reporting period is the last calendar day of each month, each report must only cover all cases closed in that reporting period, meaning that all closed FPS APP scam claims up to and including the last day of the month must be included within that month's reporting. Any FPS APP scam claims that have been reported by a Consumer and are being assessed, but have not exceeded 35 Business days, must not be included in the data for that month; instead, these should be included within the next monthly reporting period.

Failure of any Directed Sending PSP to report the Reporting Standard A data via the means specified by Pay.UK in any reporting period may result in Pay.UK commencing consequence management with that Directed Sending PSP.

All Directed Sending PSPs must report Standard A data to Pay.UK. This data should be reported via the Reimbursement Claims Management System (RCMS) Core as specified by the FPS reimbursement rules. The RCMS Core has been designed to minimise the risks of reporting across

all Directed PSPs and it is vital that Pay.UK can clearly identify the Directed PSP and that what is reported cannot be repudiated. Using the RCMS Core as the means to report will ensure data integrity, accuracy, security, and privacy is maintained at all times. Directed Sending PSPs are expected to use the RCMS Core as the method of reporting Standard A data but Pay.UK may consider other means of reporting if reasonable in the circumstances. In considering what is reasonable, Pay.UK may take into account the fact that Directed PSPs are expected to use the RCMS Core unless it is unreasonable to do so, such as where it is not available. Each Sending PSP will be able to monitor their performance via their own compliance monitoring dashboard. Each dashboard will be updated based on the data reported by each Directed PSP after it has been processed by Pay.UK.

A Sending PSP must report to Pay.UK even when it has not received any FPS APP scam claims in-scope for reporting, in the relevant reporting period. This should be via the Reimbursement Claims Management System (RCMS) Core as specified by the FPS reimbursement rules. This is achieved by submitting a nil return using the Standard A reporting data with all data reporting entry fields set to zero.

3.1.2 Standard A metrics

Reporting Standard A data metrics will give Pay.UK oversight of the total volume and value of FPS APP scam claims that have been reported by consumers:

- a. that have, or have not, been reimbursed
- b. that have been closed within 5 Business days
- c. that took longer than 5 Business days to close the claim, up to a maximum of 35 Business days
- d. where the Receiving PSP was notified within the timeframe specified in the FPS reimbursement rules
- e. where the consumer was vulnerable and reimbursed
- f. where the Consumer Standard of Caution Exception was applied and the consumer was not reimbursed
- g. where the Sending PSP confirms receipt of the Reimbursable Contribution Amount from the Receiving PSP(s) within the timeframe specified in the FPS reimbursement rules

Where a Sending PSP reports data to Pay.UK which evidences a potential non-compliance, Pay.UK may request information from that Directed PSP as per the steps of consequence management (section 6). An impacted Directed PSP must respond to information requests from Pay.UK where Pay.UK has a reasonable belief that the reported data evidences a potential non-compliance, or that data indicates a reasonable likelihood of a future non-compliance.

3.2 Reporting Standard B

This data reporting standard will become effective only if the PSR decide to bring it into effect following consultation.

Reporting Standard B data, as specified in the CDRS, would be accessible to Pay.UK via the RCMS Core + Claims to provide holistic oversight of Directed PSP compliance. In this scenario, Directed PSPs would not need to undertake manual reporting as compliance data would be extracted directly by Pay.UK from the RCMS Core + Claims, therefore there is no reporting due date under Reporting Standard B as Pay.UK could monitor and manage compliance of Directed PSPs in near-real time. This would make Reporting Standard B more efficient and effective compared to Reporting Standard A.

3.3.2 Standard B metrics

Reporting Standard B data metrics would give Pay.UK oversight of all reporting metrics as defined in the CDRS and therefore provide a much richer understanding of how Directed PSPs are complying with the FPS reimbursement rules in near real time, as opposed to retrospectively.

Availability of this data would be made possible through the RCMS Core + Claims which would avoid the burden of manual reporting processes for Directed PSPs. This would enable Pay.UK to efficiently produce and review compliance reports at Directed PSP level based on the claim management data within the RCMS Core + Claims.

3.3 Reimbursement Claims Management System (RCMS)

The RCMS will be used in two ways to support Directed PSPs to manage reimbursement in compliance with the FPS reimbursement rules. The first is that the RCMS Core provides a means for Sending PSPs to report Standard A data to Pay.UK and to access the FPS reimbursement directory to route FPS APP scam claims to the correct Receiving PSP. The second is that the RCMS Core + Claims is an effective means for all Directed PSPs to technically interact together in the exchange of claim data to collaborate in the assessment and management of FPS APP scam claims in compliance with the FPS reimbursement rules. In this document, when the term RCMS is used and it is not qualified by either Core or Core + Claims, it is meant to apply to both system usages equally.

3.4 Standard A Data Assurance

Pay.UK will use its existing payment system assurance approaches as they apply to data that is provided to us for the purposes of ensuring compliance with the FPS reimbursement rules.

Reporting Standard A data metrics require that Pay.UK rely upon Directed PSPs' administered controls and operating evidence to achieve its regulatory obligations. A Sending Directed PSP must ensure it can provide decision-making records about individual FPS APP scam claims, including the final decision and accompanying rationale for making that decision as the basis to demonstrate compliance with the FPS reimbursement rules from 7 October 2024.

A Sending Directed PSP must have in place appropriate internal controls over the data it reports to ensure data integrity and accuracy. This is because Pay.UK must rely on the data for the purposes of compliance monitoring. By submitting data via the RCMS Core, the Directed Sending PSP attests to the integrity and accuracy of the data, therefore creating an umbrella attestation to reduce the manual reporting burden.

Reporting Standard B data metrics, that will become effective only if the PSR decide to bring it into effect following consultation, may not require Pay.UK to place a reliance upon Directed PSPs' administered controls and operating evidence to achieve its regulatory obligations. This is because a Directed PSP is expected to meet its requirements via participation and evidence of conduct within the RCMS and at all times it is the Directed PSP's responsibility to ensure that the data it provides within the RCMS is accurate and that its conduct is within the expectations set out in the RCMS legal framework.

Directed PSPs are required to respond to reasonable requests for information from Pay.UK as part of consequence management (section 6). Responses will be expected within 20 working days as a guideline but can be extended where the information request is complex or challenging. This represents a fair and proportionate period in which Directed PSPs must provide compliance data and information to Pay.UK and balances the need for Pay.UK to have timely access to data and information, whilst providing sufficient time for Directed PSPs to gather the necessary information and take it through their assurance and governance processes.

3.4.1 Limiting data usage

The RCMS Core + Claims will hold data and information from Directed PSPs for the purposes of claim assessment and management. Pay.UK will not have access to claim-level data or personal data that is stored in the RCMS. In line with the CDRS and Reporting Standards A and B, Pay.UK will not be collecting any claim-level or personal data.

When Directed PSPs respond to Pay.UK with further information as part of Consequence Management (Section 6), they must not include claim-level data or personal Consumer data in their responses

4 Compliance Monitoring Dashboards and Indicators of potential non-compliance

Each Directed PSP will be able to monitor their performance via their own compliance monitoring dashboard, which Pay.UK will make available from 6 January 2025. Under Reporting Standard A, the performance of each Directed PSP will be displayed via their dashboard using the data provided by that Directed PSP on the limited set of metrics set out in the CDRS. Each dashboard will be updated based on the data reported by each Directed PSP after it has been processed by Pay.UK. If the PSR decide to bring Reporting Standard B into effect following consultation, the dashboards will report on Directed PSP compliance across all reporting metrics set out in the CDRS.

All Directed PSP dashboards will be accessible only to Pay.UK and the PSR for the purposes of monitoring and managing compliance. Dashboards are key to the interaction between Directed PSPs and Pay.UK for the purposes of compliance monitoring and consequence management.

4.1 Performance Indicators

As explained in section 2, potential non-compliance is determined using performance indicators. These are the indicators of performance of the Directed PSP tracked against the KPIs and Measures using the data reported by that Directed PSP. Each performance indicator is displayed within the compliance monitoring dashboard. Indicators will be updated using the data reported by the Directed PSP and cannot be altered in any other way by the Directed PSP. All performance indicators will be calculated and displayed in the dashboards as percentages of the total volume and value of FPS APP scam claims reported within the reporting period. Therefore, performance indicators will apply equally to all Directed PSPs and are the basis to summate the performance of the Directed PSP fairly and proportionately and, to compare and contrast the performance of one Directed PSP versus another.

4.2 Performance Indicators and Thresholds

Pay.UK will use the KPIs and Measures (described in section 2), expressed as a percentage of the total volume and value of claims reported to the Directed PSP, as indicators of a Directed PSP's overall performance. These indicators will be used as the basis for identifying potential non-compliance by Directed PSPs. As a principle, compliance monitoring and consequence management will consider the overall performance of a Directed PSP. Pay.UK will not identify and examine specific instances of potential non-compliance for individual claims

A Directed PSP will be compared against its own past performance as well as its performance against all other PSPs. The principle is that if the Directed PSP's performance is observed to be worsening over time, or is an adverse outlier against other Directed PSPs, this could be an indicator of non-compliance. These Directed PSPs will then be put through a prioritisation process, which could result in commencement of the Consequence Management steps (the prioritisation criteria and steps are set out in Section 5). For KPIs where it is possible to determine compliance in a binary way (e.g. % of claims reimbursed within 35 days), there will be a confidential threshold applied which triggers the potential non-compliance alert.

4.2.1 Thresholds as indicators of potential non-compliance

Pay.UK will apply a set of thresholds which will be treated as an indicator of potential non-compliance. Thresholds will be confidential and will be managed outside of this document between Pay.UK and the PSR in the operation of the Compliance Monitoring Regime.

Once a threshold has been reached, it will be treated as an indicator of potential non-compliance and will trigger the processes set out in section 5 regarding prioritisation and consequence management.

Thresholds will apply consistently across all Directed PSPs to establish a uniform baseline of compliance. The thresholds are likely to be adjusted over time based on data and evidence from 6 January 2025 onwards. Variations to the thresholds will be put through the change management process and discussed with the PSR. Pay.UK may also need to exercise discretion to flex these thresholds ad hoc; any such activity and the rationale will always be discussed with the PSR.

The table below shows the calculations that will be measured against the confidential thresholds, aligned with the PSR’s CDRS. Text that is struck through indicates that that calculation would only be applicable if and when Reporting Standard B comes into effect.

| CDRS Theme | Calculation of the Performance Measure per PSP per data reporting period |
|------------------------------------|--|
| Claim Assessment | Total volumes and values of FPS APP scam claims that are reimbursable divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| | Total volumes and values of FPS APP scam claims that are not reimbursable divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| Timescales / Stop the Clock | Total volumes and values of FPS APP scam claims closed within five Business days divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| | Total volumes and values of FPS APP scam claims closed within 35 Business days divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| | Total volume of FPS APP scam claims where stop the clock is used at least once divided by Total volumes and values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| Inter-PSP Communication | Total volume and value of FPS APP scam claims where the Sending PSP informed the Receiving PSP of the claim within the notification period divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| | Total volume and value of FPS APP scam claims where the Receiving PSP responded to information requests from the Sending PSP within the timing defined by FPS reimbursement rules divided by Total volumes and values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| Exceptions | Total volume and values of FPS APP scam claims where the Consumer standard of caution exception is applied divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |

| | |
|--|--|
| | Total volumes and values of FPS APP scam claims where the value of the claim is above the maximum level of reimbursement divided by Total volumes and values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| Vulnerability | Total volume and value of FPS APP scam claims from consumers assessed as vulnerable divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| Rate of Reimbursement | The total volume of FPS APP scam claims reimbursed and value of reimbursement to consumers divided by total volumes and values of FPS APP scam claims reported by consumers that are deemed ‘in scope’ for assessment. |
| Apportionment Reimbursable Contribution | Total volumes and values of FPS APP scam claims where the Sending PSP received the Reimbursable Contribution Amount within the timeframe specified in the FPS reimbursement rules (5 Business days) divided by total volumes and values of FPS APP scam claims reimbursed to consumers. |
| | Average time taken for the Reimbursable Contribution Amount to be paid by the Receiving PSP to the Sending PSP divided by Total volumes of reimbursable contribution claims reported by the Sending PSP. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| Apportionment Repatriated Funds | Total volume and value of FPS APP scam claims where the PSP has repatriated funds divided by Total volumes and values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| | Total value of repatriated funds for FPS APP scam claims divided by Total values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |
| | Total volume of FPS APP scam claims where repatriated funds have been apportioned between the sending and Receiving PSP, in the reporting period divided by Total values of FPS APP scam claims reported by Consumers that are deemed ‘in scope’ for assessment. <i>Reporting Standard B data metric, will apply if the PSR decide to bring it into effect</i> |

5 Prioritisation of potential non-compliance

As described in section 4, a potential non-compliance will occur when a Directed PSP reports data indicating that it has breached a performance indicator threshold. Whenever necessary (for example for reasons of operational capacity), Pay.UK will apply a number of prioritisation principles to determine whether Pay.UK should focus on identifying the cause of the potential non-compliance and support the Directed PSP to improve its performance by commencing consequence management (set out in section 6). This section describes those prioritisation principles.

The principles do not constitute a precise set of rules which cannot be deviated from. It is important that Pay.UK will have discretion in how it applies these principles in the first instance. Pay.UK expects to apply all these principles ‘in the round’ to come to a judgement about whether to commence consequence management for a particular Directed PSP.

As Pay.UK gains experience in operating the compliance monitoring regime it may modify these principles, including making them more granular or specific. As with all elements of Pay.UK’s compliance monitoring regime, Pay.UK will remain closely engaged with the PSR on how it applies these principles and whether modifications are needed as experience is gained.

5.1 Principle 1: Pay.UK will prioritise the Directed PSPs whose potential non-compliances could generate the most harm to Consumers

The application of this principle will be based on determining a potential impact score:

$$\begin{aligned} \text{Potential impact score} \\ &= \text{PSP volume of reported claims that are potentially noncompliant} \\ &\times \text{PSP value of reported claims that are potentially noncompliant} \end{aligned}$$

Higher potential impact scores will result in higher prioritisation.

5.2 Principle 2: Pay.UK will prioritise Directed PSPs whose potential non-compliances most affect the core objectives of the PSR’s reimbursement policy

The core objectives of the PSR’s policy are to ensure victims receive reimbursement in a timely manner, for Receiving Directed PSPs to have the maximum chance of freezing and recovering funds, and for the cost of reimbursement to be shared between the Sending and Receiving Directed PSPs. Therefore, the following potential non-compliances will be prioritised:

5.2.1 Sending PSP shows high rates of rejections for reported claims

Meaning that a large proportion of claims reported to it are not being reimbursed. This could be for legitimate reasons but could indicate non-compliance with the reimbursement requirement.

5.2.2 Sending PSP failed to close claims in 35 Business days

Meaning that the Victim has not been reimbursed by the Sending PSP within the timescale set by the FPS reimbursement rules.

5.2.3 Sending PSP failed to notify the Receiving PSP upon receiving the claim

Meaning that what is required by the FPS reimbursement rules has not been achieved. As a result, the Receiving PSP was denied the opportunity to respond and prevented in taking any mitigating actions to prevent the reported FPS APP scam payment(s) being obtained by criminals.

5.2.4 Receiving PSP has not paid the Reimbursable Contribution Amount to the Sending PSP, or has paid consistently late

Meaning that the Sending PSP has not been able to share the cost of FPS APP scam reimbursement and that the Receiving PSP is not financially ‘motivated’ to improve their controls over accounts and/or their customers that may have been manipulated by criminals.

5.3 Principle 3: Pay.UK will prioritise Directed PSPs that demonstrate low performance across a wide range of indicators

Directed PSPs which demonstrate potential non-compliance across a number of performance indicators will be prioritised over Directed PSPs demonstrating potential non-compliance over fewer performance indicators.

5.4 Principle 4: Pay.UK will prioritise Directed PSPs that demonstrate low performance across an extended period of time

As an example, in a scenario where a Directed PSP submitted data that indicated low performance but Pay.UK did not consider that to be a sufficiently high priority to commence consequence management for that reporting period, given data that other Directed PSPs had submitted. If in subsequent reporting periods the Directed PSP’s performance improved then it would be de-prioritised; whereas if the Directed PSP consistency triggered the potential non-compliance alerts over an extended period of time, or demonstrated significantly worsening performance, it would contribute to the Directed PSP being designated as higher priority. Pay.UK will exercise discretion as to what constitutes an ‘extended period of time’, but the initial expectation is that this could be over at least 3 reporting cycles.

6 Consequence Management

This section sets out the consequence management steps that will be taken to manage potential non-compliance by Directed PSPs (once it has been determined through the prioritisation process that Pay.UK should commence consequence management with the Directed PSP). As explained in section 4, a potential non-compliance alert is triggered when the data reported by a PSP indicates that it has breached one of more of the performance indicator thresholds.

The consequence management steps apply consistently, irrespective of whether a PSP is using Reporting Standard A or B.

6.1 Consequence Management Principles

As a principle, consequence management aims to support the PSP to identify, analyse and overcome non-compliance. This will be evidenced by improvement of its performance indicators over time. Throughout consequence management Pay.UK will not consider individual FPS APP claim level data or assert judgement on whether a PSP has breached any obligations in relation to individual claims¹; the focus will always be on the overall performance of the Directed PSP and its capability and capacity dealing with FPS APP claims. Consequence management will focus on the quality and evidence of the controls, processes, and capabilities that the Directed PSP will have implement to comply with the FPS reimbursement rules aligned to PSR SD20.

Directed PSPs must not share any claim level data with Pay.UK. If claim level data is submitted, it will not be accepted or stored by Pay.UK.

6.2 Actions once Pay.UK commences consequence management with a Directed PSP

What follows are the steps of consequence management which are the actions that Directed PSPs and Pay.UK will take and the decisions required. Full records will be retained by Pay.UK of all communication to evidence the steps taken. These steps are expected to take place in sequence and are the principles of what is expected to happen under each step, rather than a precise or prescriptive rule for what must happen. It will be important to maintain some degree of flexibility as it is not possible to anticipate all possible scenarios.

| Action | Description | Directed PSP input (data/action) required | Pay.UK action |
|--------|---|--|--|
| 1 | Identify root cause and to categorise the cause as type A (internal to the Directed PSP) or type B (external to the Directed PSP). This could be submitted through the RCMS or through other means, | Explanation of the root cause, including reasons for the potential non-compliance (e.g. internal process failure, human error, complex FPS APP claims, insufficient information received when requested to allow an accurate | Log as type A or B and look for trends in root cause for non-compliance. Where there are trends of continued non-compliance or where the root cause information does not build confidence that the Directed PSP has a credible and justifiable reason this may be challenged by Pay.UK at an operational level with a representative of the Directed PSP that attends the APP management forum, or in writing requesting a response. |

¹ It is envisaged that Consumers will be able to pursue their claims through the Financial Ombudsman Service if necessary.

| | | | |
|----------|---|--|--|
| | to be agreed with the Directed PSP. | assessment within the timing required, other). | As a principle, if following the above actions Pay.UK considers that actual non-compliance is likely to have occurred and the reasons for this fall broadly under type A, the Directed PSP will move into the next step of consequence management. |
| 2 | Directed PSP identifies and implements mitigation action plan. This could be submitted through the RCMS or through other means, to be agreed with the Directed PSP. | Details of the actions that are proposed, the expected timing to complete, and how this is expected to result in improved performance. Noting that external dependencies, such as a large number of complex claims, should be set out if they will challenge closure of the issue by the Directed PSP. | <p>Review the Directed PSP’s proposals to check that they are credible and likely to result in the Directed PSP improving its performance in a reasonable timeframe. If this is not the case, Pay.UK will communicate why it does not think so, and there will be a process of engagement to support the Directed PSP to refine the action plan.</p> <p>If Pay.UK and the Directed PSP cannot agree on a plan, Pay.UK reserves the right to refer to the PSR for its review and potential investigation. This scenario is expected to be rare.</p> |
| 3 | Observe whether the Directed PSP’s performance is improving over time. | Implement action plan over the agreed timescale and continue providing Standard A or Standard B data to Pay.UK. | <p>Pay.UK will monitor the Directed PSP’s performance indicators to look for evidence of improvement over the timescale envisaged in the action plan.</p> <p>If improvement is observed, the Directed PSP will fall out of the consequence management procedure. The level of improvement needed will be case-by-case but will have regard to the specific circumstances of the Directed PSP and the thresholds for identifying potential non-compliance.</p> <p>If improvement is not observed, Pay.UK would notify the Directed PSP in the first instance and seek further explanation. Following this, Pay.UK’s next steps would depend on the specific circumstances:</p> <ul style="list-style-type: none"> - If the Directed PSP is an FPS Direct PSP: depending on the further explanation provided, Pay.UK could initiate the next step (enhanced monitoring), or it could refer the issue to the PSR for regulatory review and potential investigation. Pay.UK expects that the latter would be rare and exceptional, where the specific |

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| | | | <p>circumstances are such that there would be little to be gained by going through the enhanced monitoring steps.</p> <p>- If the Directed PSP is an FPS indirect PSP: Pay.UK will produce a summary of the potential non-compliance and engagement with the Directed PSP to date. This will be provided to both the Directed PSP and the PSR. The PSR can then choose whether to review and take further regulatory action. Pay.UK will continue to monitor the performance indicators of the Directed PSP as usual.</p> |
| Enhanced monitoring (only applicable to direct customer Directed PSPs). | | | |
| 4 | Provide further input to substantiate progress or to provide re-set of mitigation plan | Continue to implement improvements brief senior management. Respond to Pay.UK communications in a timely manner. | Pay.UK would internally name the Customer at Executive Risk Committee. Pay.UK would engage with the senior manager (if applicable, otherwise to a suitable senior management person at the customer) via email to obtain reassurance of action and timing. |
| 5 | Non-compliance remains unresolved Pay.UK escalate to Participant Senior Manager Regime representative (or other suitably senior manager or executive). | Senior management to engage with Pay.UK directly. | <p>Raised with Customer senior management (or other suitably senior manager or executive if the Participant is not a Directed PSP subject to the SMR regime). Communicate via telephone, email, letter, or face to face. Reference the outputs of prior consequence stages (as appropriate) and formally request a response using Pay.UK headed paper.</p> <p>Informal notification to PSR – “Pay.UK are concerned but have actions agreed”.</p> <p>Participant can “challenge” this step through discussions with the Pay.UK accountable Executive.</p> |
| 6 | Actions agreed from prior step have failed. Escalate to Customer CEO (or other suitably senior executive in a large organisation) | CEO or Senior Executive engagement and briefing | <p>Communication via letter on Pay.UK - headed paper. Reference the outputs of prior consequence stages (as appropriate and formally request a response.</p> <p>Further notification to PSR – “Pay.UK are concerned and are escalating”.</p> <p>Participant can “challenge” this step through discussions with the Pay.UK CEO. This scenario is expected to be rare.</p> |

6.3 Ongoing prioritisation and flexibility within the consequence management steps

At each step, if necessary, Pay.UK will have regard to the prioritisation principles set out in section 5 to determine whether it is proportionate to proceed in consequence management. This will consider the information that the Directed PSP has submitted as part of that step, as well as any new information from the ongoing data reporting process. Escalating consequence management beyond action step 3 is expected to be rare.

For example, if during step 2, data (from the regular reporting cycle) indicates that the Directed PSP is already significantly improving its performance compared to previous reports, Pay.UK could pause or remove the requirement for a Directed PSP to submit its mitigating action plan and take the PSP out of consequence management but continue to monitor the Directed PSP's performance in subsequent periods.

As Pay.UK exercises this discretion, it will keep closely engaged with the PSR on its decision making and rationale.

6.4 Timings of the consequence management steps

The timing to progress through each step of consequence management will vary according to the specific circumstances of the Directed PSP, the potential non-compliance, and the agreed action plans.

At a principle level, Pay.UK is not setting absolute timings to complete each step as there needs to be flexibility built from the outset given the scale of the ecosystem and the reimbursement regime being untested and unproven at the time of development of the compliance monitoring regime. The core aim of consequence management is to support the Directed PSP to improve its performance, and Pay.UK recognises that there will need to be flexibility in timings for achieving this.

6.5 Referral to the PSR and opportunities for Directed PSP representations

Directed PSPs will be able to review all the data they provide as they progress through consequence management via their compliance monitoring dashboard or via other means. Any referral or escalation to the PSR as part of, or as a result of, consequence management will be in letter form and will always be issued to the impacted Directed PSP first for review and to give the opportunity to provide representations to Pay.UK. Timings for this will be determined as appropriate by Pay.UK on a case-by-case basis.

In practice Pay.UK expect to brief the PSR on emerging issues of escalation before any formal referral or escalation step. This will be achieved through the monthly reporting and close ongoing engagement with the PSR. Pay.UK will record the evidence provided to the PSR in line with usual practices of record keeping as a payment system operator.

The overarching principle is that there should be no surprises for any of the parties involved in consequence management.

7 Pay.UK reporting to PSR

In this section Pay.UK sets out the cadence for regular reporting to the PSR and reporting outside of the regular reporting cycles and why that may be required.

Pay.UK expects to provide the PSR with full access to and visibility of compliance data and PSP compliance monitoring dashboards, so PSR is also able to consider and be informed about the performance of Directed PSPs.

7.1 Compliance Monitoring regular reporting

Pay.UK will report monthly to the PSR with an aggregated overview of Directed PSPs' performance, which complements the PSR's ongoing access to individual compliance monitoring dashboards. The reporting period will be one calendar month (it will run from the first to the last day of the month) and cover closed cases in the reporting period. Pay.UK will submit the report to the PSR by close of business on the last Business day of the month which follows the reporting period. This will provide Pay.UK sufficient time to assure the data and go through internal governance processes before submitting the report to PSR.

Pay.UK will also report monthly which Directed PPS that are in consequence management and their progress through the actions of consequence management.

7.2 Escalation of issues by Pay.UK to PSR

While Pay.UK expect that escalation will not be a regular occurrence it may be necessary where there are potential instances of potential or actual non-compliance that are not able to be addressed by Pay.UK. These priority issues for escalation may need to be raised by Pay.UK to the PSR at any time during a working day and will be done via an appropriate secure exchange in order to maintain security and privacy. Meetings held between Pay.UK and PSR on matters of escalation will be appropriately recorded and information retained.

Broadly, the types of issues that may require escalation are as follows:

- Potential non-compliance by a Directed PSP (as explained in section 6 – consequence management).
- Failure of a Directed PSP to report data to Pay.UK.
- Failure of a Directed PSP to Register.
- Failure of a Directed PSP to maintain accurate and/or up to date data in the FPS reimbursement directory.
- Failure of a Directed PSP to respond appropriately to all the required actions as defined by the FPS reimbursement rules.
- Failure of a Directed PSP to provide Pay.UK with the information it requests, so long as that request is based on a reasonable belief that there is a potential compliance issue, or reasonable likelihood of a future non-compliance, and has been provided with the basis for the request.
- Challenges by Directed PSP on the FPS reimbursement rules that derive directly from Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules) or the policy itself. These matters remain under the control of the PSR and cannot be amended in any way by Pay.UK as per Specific Requirement 1.
- Any challenges with consequence management that require clarification or judgement over the intended outcome of the PSR APP policy and/or legal instruments.

8 FPS APP Management Forum

In order to operate the compliance monitoring regime and to interact effectively with Directed PSPs, from 7 October 2024 Pay.UK will establish an FPS APP Reimbursement Management Forum. This will be a forum open to all Sending PSPs and to the PSR and will form the basis to engage with PSPs on operational matters related to aspects of compliance monitoring and consequence management.

The Management Forum may meet in private involving only Pay.UK and the PSR to discuss the operation of the FPS reimbursement rules including, amongst other aspects, reviewing Directed PSP monitoring and compliance.

The Management Forum may also be used to inform Directed PSPs about overall relative PSP performance using anonymised cohort data.

It will also provide a basis for Directed PSPs to raise issues to Pay.UK and the PSR relevant to the FPS reimbursement rules and the operation of the RCMS.

9 Publication and change management

This document was formulated to bring together in one place all the parts that form the compliance monitoring regime and will be available to all Directed PSPs via Pay.UK's website, alongside the FPS reimbursement rules.

Change management of the FPS reimbursement rules, including the Compliance Monitoring Regime will be managed via existing governance of Pay.UK.

10 Annex – Glossary

Please note terms may be defined in the FPS Reimbursement Rules – Schedule 4 – v2.0 and other related documents provided by the PSR and as cited in the references section at the beginning of this document.

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| Business day | For the purposes of the reimbursement requirement, means any day (period of 24 hours beginning at midnight) that is not a Saturday or Sunday, or a bank holiday in any part of the United Kingdom. |
| Claims management | Means all the steps required to be undertaken by a Sending or Receiving PSP to comply with the FPS reimbursement rules, Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules). |
| Compliance Data Reporting Standards (CDRS) | Means the document produced and published by the PSR, as may be amended from time to time, which, sets requirements for the specific information which Directed PSPs must collate, retain, and provide to Pay.UK pursuant to obligations imposed by Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and to enable it to fulfil its requirements under Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring). |
| Direct PSP | A PSP participating in the Faster Payments Scheme to which Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) applies. |
| FPS reimbursement directory | Means the list of Directed PSPs and their contact details which the Faster Payments operator maintains for the purposes of managing FPS APP scam claims |
| FPS reimbursement information | Means any information which the Faster Payments operator has access to as a result of Section 8, Section 9 of Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and/or the PSR’s CDRS |
| Information | For the purposes of Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring) includes any information or data which may be required by either the PSR for the purposes of monitoring compliance with Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) or any other regulatory requirement, or by the Faster Payments Operator in connection with its responsibilities under Specific Direction 19. |
| Indirect PSP | An Indirect Directed PSP is not a contracted participant of FPS and does not agree to be bound by the FPS Participation Agreement or play any identified role in the FPS payment service rules, but to which Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) applies. |
| Key Performance Indicator (KPI) | A KPI is applied against a rule where it is possible to determine clearly whether a Directed PSP has achieved the outcome required by that rule. |
| Measure | A Measure is applied against a rule where it is not possible to determine clearly if a Directed PSP has complied or not, as such it needs to be assessed relative to the PSP’s own performance over time (and relative to other Directed PSPs’ performance). |

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| Monitoring | Using the data and metrics reported and collected to understand overall compliance with the FPS APP scam reimbursement requirement, and with PSR Directions; Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring), Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules). |
| Month | A calendar month. |
| Onboarded | Means the process by which a PSP in conjunction with the Faster Payments Operator creates one or more user accounts on the RCMS, undertakes any relevant testing and becomes capable of using the RCMS for communication, claim management or data reporting. |
| PSP compliance | Directed PSP meeting of the obligations and requirements of the FPS APP scams reimbursement requirement. <i>Explanatory note: includes any obligation placed upon Directed PSPs both as a result of the FPS reimbursement rules, Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring), Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules).</i> |
| Potential non-compliance | Where data-led insights indicate that a Directed PSP may not be complying with the FPS reimbursement requirement, FPS reimbursement rules or Specific Direction 20. <i>Explanatory note: includes any obligation placed upon Directed PSPs both as a result of the FPS reimbursement rules, Specific Direction 19 (July 2024) (APP scams Faster Payments Operator monitoring), Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) and Specific Requirement 1 (July 2024) (FPS APP scam reimbursement rules).</i> |
| Register | Means providing the information specified by Pay.UK in the Faster Payments rules as required by paragraphs 8.1 and 8.2 of Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) which may be used to support the creation and maintenance of the FPS reimbursement directory. |
| Reimbursement Claims Management System (RCMS) | Means the claim management, communication and data reporting IT system which will be provided by the Faster Payments Scheme Operator for all Directed PSPs to use to communicate, manage FPS APP scam claims and report data for FPS APP scam claims. |
| RCMS Core | The RCMS Core product allows Directed PSPs to access the FPS reimbursement directory to meet their Specific Direction 20 (July 2024) (FPS APP scam reimbursement requirement) legal obligations by providing the contact information between the Sending and Receiving PSPs, and a reporting functionality enabling PSPs to report FPS APP scam claims data to Pay.UK. |
| RCMS Core + Claims | The RCMS Core + Claims is the single system operated by Pay.UK which will provide Directed PSPs with an effective way to manage FPS APP scam claims securely and accurately, in addition to the features provided in the RCMS Core product. |
| Reporting Due Date | The timeframe in which Directed PSPs are required to report to Pay.UK on each calendar month, with reports due by no later than 17:00hrs. |

