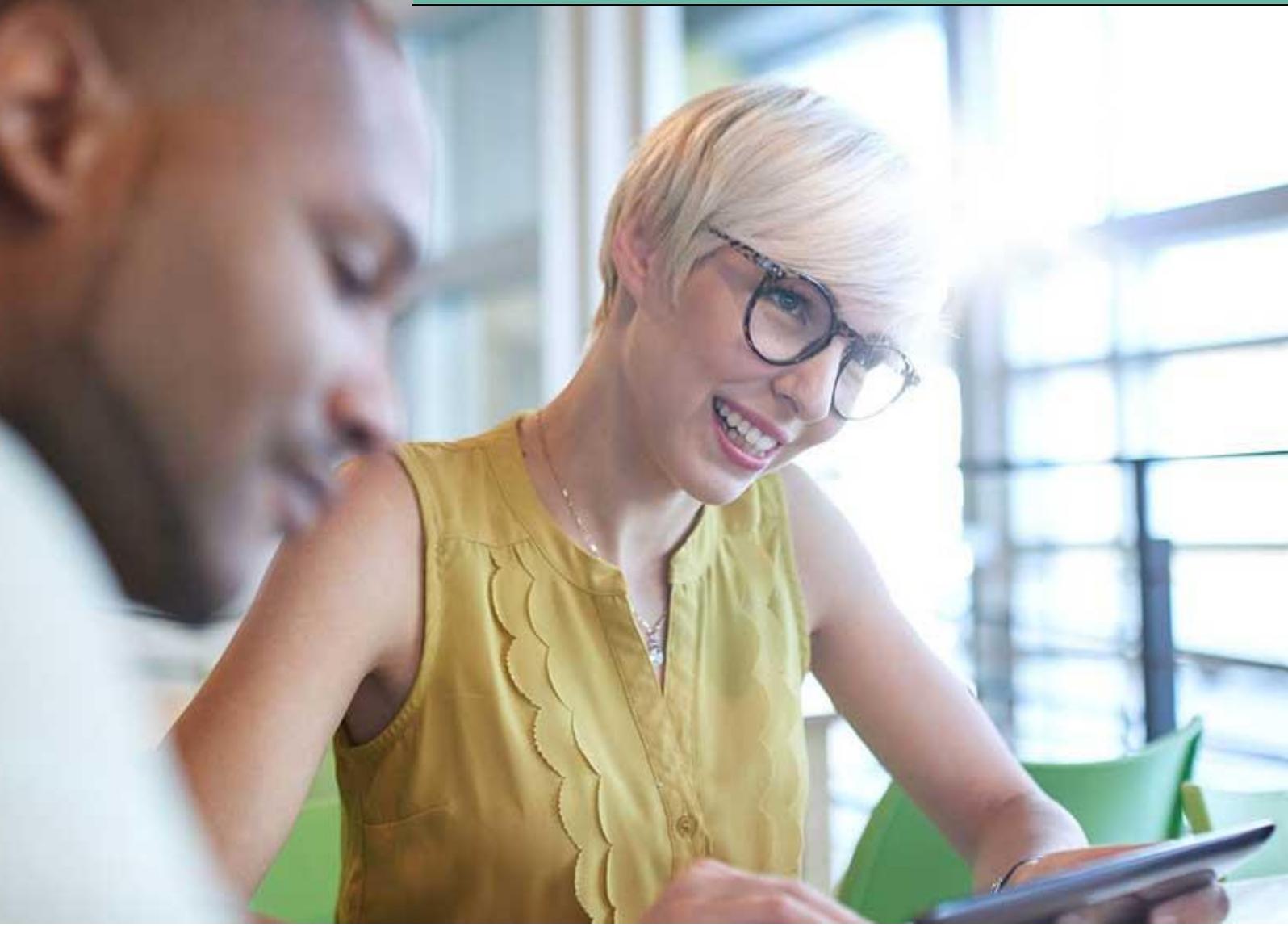




A view of our stakeholder (service user) engagement: 2020 - 21

| 29/10/2021



1 Foreword

Pay.UK is the recognised operator and standards body for the UK's retail interbank payment systems. We run the infrastructures and services necessary for the country's payment services to run smoothly and safely.

We are committed to maintaining a robust and resilient payments infrastructure, which is vital to the healthy functioning of our economy. We are also fully focused on our work to preserve the UK's position at the forefront of world-leading payment operations and, to deliver on this, it is vital that the work we do results in systems and services that our customers need, and want to use.

Regular and ongoing engagement with our stakeholders, in particular our service users, is essential for us to achieve this goal. It helps to ensure that all our stakeholders understand why Pay.UK exists, what we want our organisation to deliver and how we're planning to do it. Just as important to us is that our stakeholders are aligned with us and fully onboard with us as we drive forward both our organisation and the work we are doing.

We provide a range of formal and informal channels and platforms for this open dialogue with our stakeholders, giving them the opportunity to engage with us, challenge us and liaise with us on the work we do. These include committees, working groups, advisory councils and forums.

We fully recognise the importance of drawing on the knowledge and expertise beyond that within Pay.UK, and these routes of engagement all help us plug into the rich source of expertise that our stakeholders possess. As the payments landscape becomes more complex, then so too is the requirement for our engagement to be similarly complex.

Much of this engagement takes place at the earliest stages of our work, which helps us foster a shared sense of ownership regarding what we do, ensuring that we build momentum amongst our stakeholders and the communities they represent.

Our aim for this report is that it serves as a valuable source of insight into the engagement we undertake with our varied and extensive stakeholder communities. It demonstrates that we actively seek to include our stakeholders across all of our work, from our day-to-day operations to the projects we are delivering in the future, such as the New Payments Architecture.

Proactive and productive two-way conversation is at the heart of our stakeholder engagement. This will continue next year and beyond, in fact, we are working to enhance the way we do this, as we work towards ensuring that banks, building societies, businesses, fintechs, vendors, the government, consumers – and the UK economy as a whole - all benefit from what we do at Pay.UK.

David Pitt

Chief Executive Officer

Pay.UK

2 Executive summary

Why stakeholder engagement matters to us

We have a wide and diverse stakeholder ecosystem which is complex and fast evolving. Our engagement work focuses on the organisations within the ecosystem that depend on our platforms and that are impacted by the activities we undertake, whether directly or indirectly. This includes our participants and end users.

It is key for us to enable and support participants in delivering payments and services which will in turn support and deliver value for end users. With this in mind, we strive to deliver value for our participants and end users.

For this to happen, we must seek, understand and consider the views and needs of these stakeholders in order to develop our thinking, undertake analysis and make informed and effective decisions. Gathering the views of participants and end users is therefore a vital part of our work, and ensures that we maintain our payments platforms in an appropriate manner.

The past year has been extremely important for Pay.UK. We have worked extensively on the development of our new five-year strategy, and the consequent changes will have an impact not just on our own business but across our ecosystem. This report shows how we have taken all our stakeholders' views into account as we have developed our ambition for the payments platforms we run, so that we can deliver benefits to our customers, our end users and the UK economy. This is also key to our fulfilment of General Direction 4 (GD4), which requires Pay.UK to make transparent decisions, and consider service user interests in decision-making processes.

Our work to develop the next generation of payments infrastructure has continued, with our work on the NPA Programme - and the associated standards - vital to this. In this report we will explain how we have considered the views and requirements of our stakeholders regarding the scope of the NPA, as well as our collaborative work with the industry to prepare for the migration to the ISO 20022 standard.

We are also continuing to improve the payment systems in use today through implementing new overlays and updating our current service lines. We will detail how we have engaged and considered the views of our stakeholders in developing new Request to Pay (RtP) messages and delivering the second phase of Confirmation of Payee (CoP).

We will also show how decisions regarding our payment systems and services have been driven by stakeholder engagement. These include: Bacs rule changes and roadmap; our work on consumer protections and APP scams; a transaction limit increase in the Faster Payment System (FPS); and changes to Current Account Switch Service (CASS) advertising campaigns.

Our work does not stop here though. We will continue to take our stakeholders' needs and views into account in our future work and decision making. In this paper we also set out our key activities for doing so next year, so our stakeholders are aware of our upcoming engagement.

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Our report includes details on:

- The development of our new strategy, linking together how the views from our engagement have been considered as a part of the strategy, approach to product development and horizon-scanning function.
- The ways in which we have engaged with future service users of the next generation of UK retail payments – the New Payment Architecture (the NPA). This will deliver long-term value and is a key enabler of our strategy.
- How we have continued to collaborate with service users since the Next Generation Standards Consultation in November 2020. (Standards, in particular ISO 20222, are a key aspect of the NPA.)
- The ways in which we have evolved our core payment systems and services over the past year, whilst the NPA is under development.

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3 Strategy

3.1 Developing our strategy

This year: we have been developing our 2021 – 2026 Strategy. Before this we have operated under a Foundation Strategy, which was drawn up by the Payment System Operator Delivery Group and covered the years 2019 to 2021.

We undertook extensive data gathering and analysis to help us develop our new strategy, alongside Board and Executive engagement. This involved commissioning over 50 in-depth interviews with a broad sample of our stakeholders from large direct participants to indirect participants and fintechs, as well as a quantitative survey sent to all our stakeholders. The insights from both these helped us understand the ecosystem's views on our current role, as well as what we could improve on. This insight has directly contributed to the new strategy, helping us identify how we can engage with stakeholders to achieve our desired outcome of creating benefits for our customers, for end users and the economy.

In addition, we have engaged with the Participant Advisory Council (PAC) and the End User Advisory Council (EUAC) as our strategy has developed, to ensure that it will deliver value for both our customers and our end users. For example, engagement with the PAC and the EUAC has informed the development of our 'house views', which are our opinions on the outcomes we would like to see in the payments ecosystem.

Next year: Engagement with stakeholders, including service users, will be key to the implementation and successful continuation of our strategy. As a platform leader we will build strong relationships and effective coalitions with our current and prospective customers, regulators and government. We will take an open, collaborative and confident approach both where we convene the conversation in pursuit of our goals, and where we participate in conversations convened by others. We are developing an external engagement approach that fully supports this ambition, which will be a key focus for us next year.

From March 2022 we will be using a survey to measure our performance in stakeholder engagement, to make sure that we continue to improve the way we interact with our stakeholders. We intend to undertake this survey annually, alongside additional feedback methods.

3.2 Product development

We have refreshed the way we manage and prioritise service enhancement demand arising from our participants and end users. Under the theme of continuous improvement, we have developed a 'pipeline and roadmap' of participant demand and work with our infrastructure supplier, VocaLink, to ensure value for money is achieved. Service enhancements that are in the pipeline are mostly a collation from Participant Engagement Forums (PEF) and feedback from various Bacs and FPS committees as well as the Image Clearing System Board. We have already gone to PEF to update participants on a prioritised list of initiatives and will be engaging on a quarterly basis to ensure the 'top of mind' initiatives raised in these forums are constantly reviewed and that we re-prioritise as required.

Feedback from these forums and committees, as well as deep insights, form part of our future market facing proposition and services pipeline, ensuring propositions are aligned with key

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developments in the industry, and meet the needs of our service users. New propositions will include overlay services, which either interact with a payment system (e.g. fraud prevention services) or help end users to initiate payments (e.g. Confirmation of Payee and Request to Pay). Our vision is to establish a market place community for both types of overlays and ensure appropriate controls exist to enable providers to deliver solutions. A framework to assess new overlay services for the market is being embedded, which will include assessing market competition impacts, with the aim of stimulating the market to enable competition and innovation. We also think it important to market test the demand for these services and note that some non-mandatory services have not achieved the desired penetration in the past. We are working with the industry to enable overlay competition and are engaging committees such as EUAC and PEF to develop initiatives, such as those concerning fraud prevention.

We have also begun a 'Product Health Check' process, designed to ensure we offer relevant and compelling market facing propositions and services aligned to our strategy. This initiative will ensure we meet the needs of participants and provide a foundational basis to delivering value. This is in its early stages but we will continue to embed this process further into next year.

Next year: The above work will continue throughout next year, with service user feedback providing a key input into the progress of our product development. An Industry Taskforce is planned towards the end of 2021 to bring together payment service providers, fintechs, tech providers, and other stakeholders, to support the development of propositions and overlay solutions through our platforms, both now and in the future. We also expect to run 'hackathons' and focus groups in Q4 2021 to support this work.

3.3 Horizon scanning

We have developed and are embedding a new horizon scanning process. This will help us to identify and consider responses to market and wider developments that may, in time, impact our strategy, services, and product development. The process brings together representatives from across our organisation to promote a collaborative consideration of developments. Insights gathered through our wider stakeholder engagement process, for example bilateral participant meetings and our engagement with committees such as PAC and EUAC, feed into this process and recommendations are made to our Executive when a topic warrants further action.

Digital currency is an example of an issue that has been considered as a part of our horizon scanning process. Our analysis of the topic and its potential impacts has been informed by meetings with PAC and EUAC. Based on this engagement and subsequent analysis, the Pay.UK Executive made the decision that we should conduct a deep-dive research project to gain a more detailed understanding of this key issue for the payments ecosystem to help us with the decisions we make regarding it.

Next year: We will continue our horizon scanning activity in order to support our activities, using insights gained from our stakeholders as a key source of information.

3.4 Innovation portal

This year, we implemented an Innovation Portal – an online tool to enable us to reach out across the UK and engage with stakeholders to encourage innovation and competition in the ecosystem. We envisage this becoming the home of a collaborative community of payments innovators to

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network, build partnerships and create an industry vision – a shared picture of the trends set to shape the payments market.

The portal also provides our stakeholders with the opportunity to submit to us their ideas about industry solutions, crowdsourced through ‘challenges’. This is an important piece of engagement which allows us to utilise our service user views and ideas into our development work. It also offers organisations that previously had no prior engagement with us the opportunity to do so. For example, through the portal, we have received a suggestion that we should run a Request to Pay (RtP) ‘appathon’ to promote the proposition and encourage more organisations to sign up to our framework and offer their own RtP solutions. We are now engaging with our RtP Development Group to decide if, and how, to implement this idea. (More information on our RtP engagement is on page 13).

Next year: We will continue to utilise our Innovation Portal to gather the views and ideas of stakeholders to encourage innovation and competition in the ecosystem.

4 New Payments Architecture (NPA)

The NPA is the next generation of UK retail payments infrastructure, which was envisioned by the Payment Strategy Forum in 2017 and is being designed, delivered and run by us. We are working with the future service users of the NPA to ensure that the payments infrastructure we deliver will enable the payments ecosystem to realise new opportunities previously unseen, unlock innovation and competition and address persisting detriments.

4.1 Our approach to NPA stakeholder engagement

Our stakeholder engagement on the NPA operates against five core principles:

- Representative stakeholder community
- Focused engagement at the right level
- Platform leadership
- Multi-channel approach
- Continuously evolve.

The core focus of service user engagement in the NPA has been to:

- Ensure ongoing industry and end user support for the programme and its delivery approach.
- Identify participant expectations, needs and corresponding build requirements of the NPA.

This has been delivered through a mix of groups, bilateral meetings, and end user engagement.

We have continued to evolve the way in which we use external groups to engage with our stakeholders. For example, three new industry groups have been established to explore industry critical issues. The outputs of the 'End User & Propositions', 'Commercials' and 'Execution & Operational Readiness' groups will directly inform funding and pricing principles, the business case and ecosystem preparedness.

Through our bilateral stakeholder meetings, we have gathered views and insights which have been utilised to improve the programme. We received feedback that:

- We needed increased focus on engagement: so, additional resources have been added to the NPA Stakeholder and Communications team, and an online collaboration tool has been introduced as a group forum for discussion.
- The business case was of great importance: so, delivery of the business case has been prioritised and additional resource added to the programme. The business case will now be issued in Q4 2021. We note that while Pay.UK is mandate to drive the NPA programme, the identification of a business case from a participant perspective will be crucial to garnering their support from the delivery of the programme.
- We needed to be clear on our plans and timescales: so, we have clarified our timings through a two-year view of the NPA delivery plan.

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To continue our end user engagement, we are planning work to explore the current retail payments environment. This will help to validate whether the detriments detailed in the Payments Strategy Forum Blueprint still exist, and if any additional ones are emerging. End user representatives have been identified, and around 70 organisations will be approached to engage and input into this work. This activity is scheduled to complete by Q1 2022.

4.2 SPG and EUAC consideration of the NPA

The Strategic Participant Group (SPG) and EUAC have continued to meet since our last report. A key activity of the SPG has been consideration of the recent NPA consultation on delivery and regulation which was shared with our Board as an input to its decision making.

We applied for an exemption from SD2 and SD3, which mandated competitive procurement for the delivery of the NPA, due to exceptional risks facing the NPA programme. Our assessment of these risks had been supported by insights from participants, notably through the SPG.

The PSR rejected this application, but launched a consultation into the delivery and regulation of the NPA – which recognised that the programme needed de-risking. The views given in our response have been informed through our stakeholder engagement activities and have been tested with the SPG. EUAC also provided advice on our approach, including an advice note on procurement for Board consideration.

Central to our response was the discussion on our preferred scope for the NPA, as the PSR's suggestion and our own further analysis suggested this would be the best way to de-risk the NPA programme. The participant feedback collected over the past twelve months via governed forums such as the Participant Engagement Group, the Technical Working Group, and through bilateral discussions has fed into our analysis and our position on this preferred scope.

Next year:

- From Q4 2021 onwards, the programme's focus on participant readiness will increase. Engagement activities will include setting up and delivering new forums related to testing and migration, and we will also focus on the commercial aspects of the NPA including the funding and pricing elements. There will continue to be a mix of bilateral and group engagement to deliver the outcomes required.
- SPG as a forum will evolve as per the needs of the programme and will continue to run the cadence of wider industry sessions as discussed in previous sections.
- Participation in the programme will be increased through the widening of general programme communications and engagement. For example, empowering and supporting direct participants to share with and prepare indirect participants, and 'prospecting' new potential customers so they can see the opportunities that the NPA offers.

5 Standards

5.1 Work following on from the Next Generation Standards consultation

In November 2020, the Pay.UK Standards Authority published the conclusions to its consultation ‘The Next Generation Standard for UK Retail Payments’ after receiving responses from over 40 participants, solution providers and end users. Through further engagement, organisations implementing ISO 20022 told us that clarity over when we would publish technical standards artefacts was important to them. We therefore set out our design approach to developing the standard for the NPA through external and internal advisory bodies, as well as through our various NPA groups. These advisory bodies have also helped us determine business requirements needed as part of an established data modelling methodology, and in gathering input on sample schemas and implementation guides. Engagement with these groups highlighted the need to revise our approach to focus primarily on use cases for single, same day and priority payments in the first instance.

Shortly after the November publication of our consultation conclusions, we jointly published a draft list of Purpose Codes that could be used for both the NPA and CHAPS. We received significant engagement on this too via the consultation portal, with advisory panels, (for example the Industry Standards Coordination Committee), and bilateral conversations with participants. Many responses focused on the challenges of implementing a sizeable list of Purpose Codes – we continue to engage with the industry to understand these challenges further to feed into our approach.

We have also received requests from stakeholders to develop whitepapers raising awareness of the challenges or developing examples of the benefits of the ISO 20022 standard. In response to this, we worked with Volante, the global financial technology company, to publish a whitepaper on the key challenges for organisations transitioning to the new standard . Working directly with stakeholders to inform this work has contributed to our collaborative approach to the implementation of ISO 20022, to ensure it will benefit the payments ecosystem.

In July 2021, we published the first set of technical materials for organisations implementing ISO 20022 , produced for the industry to allow organisations to start undertaking necessary impact assessments. This was strongly informed by our external community, and the engagement with participants to support this and gather insight into our further work will continue.

Next year: Alongside continuing and developing conversations with industry, we will seek to articulate what our stakeholders can expect throughout 2021 and 2022, building upon the November 2020 publications. Given the industry desire to understand the roadmap and conduct any necessary planning and impact assessment, we will continue to work closely with our advisory groups (as well as undertaking broader communications) to ensure we have appropriately factored in the necessary requirements and addressed key concerns.

¹<https://newseventsinsights.wearepay.uk/media/1rqprx3h/next-generation-standard-industry-conclusions-shaping-the-way-ahead.pdf>

²<https://www.volantetech.com/document-downloads/P559EruWRzGQ0AGPXdWq-white-paper-2021-pay-uk-smart-payments-modernisation-with-iso-20022-pdf>

³<https://newseventsinsights.wearepay.uk/media-centre/press-releases/pay-uk-reaches-exciting-milestone-in-its-next-generation-standard-for-uk-retail-payments/>

6 Overlays

6.1 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 in close collaboration with participants 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 broad range of stakeholders including individuals, organisations and government departments. The RtP Advisory Group, set up to provide a channel for stakeholder engagement as we launched the RtP Framework, has now been relaunched as the RtP Development Group. We have also added a wider range of stakeholders to the group, including smaller fintechs, a large utility company, a challenger bank and an accountancy software firm. This expanded group is giving us fresh insight on how best to develop RtP and the challenges faced by those wishing to join the framework.

We have now completed creation and delivery of the RtP identifier or 'mark'. This was developed as a result of a series of focus group and individual meetings in September and October 2021, including with participants. This helped to determine views on implementing a trustmark – the overwhelming response was in support of this, which drove the work forward, and provided insight into what the mark should look like. As a result, governance and guidelines for using the mark have been created and the mark is now available to be used by those onboarded to the RtP Framework.

New message types

In 2021, we have been focused on developing three new message types for the RtP Framework: the Interactive Advance Notification (IAN); Cancellations; and Overpayment messages.

- **The IAN:** This is a new message profile that will allow Direct Debit merchants to send the Advance Notice through the RtP message service, and payers to request a new date for the Direct Debit to occur and to interact with the biller. External research with consumers and corporate stakeholders helped to identify appropriate functionality and features, along with the support of the Pay.UK Electronic Payments Affiliates Forum. The RtP Development Group also fed back into the design to ensure that any message implemented works for all our stakeholders.
- **Cancellations:** This is a new message that allows an RtP request to be cancelled by the biller if a payment has not been made. We have undertaken initial work with a number of fintechs and the RtP Development Group to begin the development of this message type.
- **Overpayments:** This is 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 work on this message has been undertaken alongside in-depth engagement with charities, government departments such as HMRC and the RtP Development Group.

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Next year: Once the design and build of the IAN message is complete, we will engage in user testing with a number of stakeholders and make any changes before going live (planned for the end of 2021). When making the Cancellation and Overpayment messages live we will follow the same process as the IAN message.

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.

- Point of sale: Work with organisations to integrate point of sale terminals to use Request to Pay rails
- Proxy Identification: Use proxy identifiers such as email or mobile numbers to link to the Payment Identifier (PID)
 - The above message types will be developed in the latter part of 2021, and delivered in H2 2022.
- 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
 - The above message types will be developed in 2022, and delivered by the end of 2022.

6.2 Confirmation of Payee

Confirmation of Payee (CoP) is an overlay service that helps an end user when initiating payment by letting them check who they are paying before they confirm the transaction. Since being launched in June 2020, more than 20 organisations have implemented CoP. During its first year, an average of 1 million CoP checks per day have been completed. Our engagement with stakeholders through bilateral meetings as well as technical, implementation and other working group meetings, comprising of existing and prospective CoP participants, as well as vendors, has helped us achieve this.

We have also continued to engage with our Industry Steering Group which meets bi-monthly. This discusses industry level issues and also works to understand the needs of participants to develop a future strategy for CoP.

Developing phase 2

Pay.UK has extended the CoP technical capability to support all payment-account holding firms, as of July 2021¹. This has been a collaborative effort aimed at ensuring minimal disruption to the participants' current infrastructure and, as far as possible, future proofing the service for

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subsequent upgrades. We consulted with current and potential customers through project working groups, technical working groups and bilateral meetings:

- The technical design for the usage of Secondary Reference Data in CoP was created through collaborative discussions in participant working groups, which defined the best approach.
- Phase 1 closure and Phase 2 timelines were agreed as a part of our engagement with participants. The plan was developed through working groups and industry steering group meetings and, once drawn up, reconfirmed through these channels.
- Enhancement to testing and onboarding have also been developed through Phase 2, considering feedback from participants on the processes.

Next year: The key focus for the next 12 months is the migration of the existing Phase 1 participants into the CoP-only role profile. We will support our participants through this migration, continuing the collaborative working relationship, through working and steering groups, with bilateral meetings as needed to monitor implementation plans.

We will also explore how the service can be further enhanced for a participant's customers' needs, such as including more customer and payment types beyond Phase 2 to expand the scope and accessibility of the service. A broad range of stakeholders will be consulted to allow us to analyse and evaluate the prospective change. Development is expected to continue throughout 2021 and into 2022, with a view to implementing some, if not all, of these enhancements in 2022.

7 Pay.UK systems and services

7.1 Bacs Payment System

Rule changes

Over the past year we have worked closely with Bacs users to support them through the pandemic, including making temporary rule changes to address processing issues that have arisen. These issues have been identified through engagement with users and regular discussions in Bacs Participant Committee meetings.

Following positive feedback from our users, we have decided to extend rule changes or make them permanent where appropriate. For example, the extension of the minimum dormancy period from 13 to 24 months, introduced as a result of the pandemic to avoid DDIs dropping off payers' accounts during a payment holiday or suspension in collections, received positive feedback from service users, who noted how beneficial the extension had been. With this feedback in mind we consulted with participants in making this a permanent change, which was subsequently agreed and is to be implemented during 2022.

Projects roadmap

A number of Bacs projects were paused early in 2020 to allow participants to focus their attention on the issues surrounding the pandemic. Work commenced later in the year looking at how these projects could start to remobilise with minimal impact. A 'roadmap' for the remobilisation of each project was presented to the Bacs Payments Operations Committee and Bacs Payments Participant Committee in Q2 2021. Through these discussions with our participants we identified how we could restart these programs with minimal impact on our users' resource or the experience of end users. We therefore agreed that service improvements would be implemented during 2022. Three projects have now restarted, supported by bilateral meetings, market research and workshops with stakeholders, such as participants and service users, to gather detailed requirements:

- Non AUDDIS to AUDDIS Migration
- DDIC Challenge Process
- Direct Debit Error Recovery

Next year: The restarted projects will continue into 2022, which will include engagement with service users throughout. This will include engagement with the Bacs committees, creation of working groups where appropriate, and testing with participants before their implementation. We also plan to develop new collateral such as 'Little Bacs Guides' to support various process, which will ultimately support our stakeholders in using the Bacs Payment System.

7.2 Faster Payment System

Consumer Protections and APP Scams

Research into consumer protections landscape and consumer perceptions

In 2020, we initiated a consumer protections project to explore the evolving payments landscape and consumer protections, and work to understand what role we could play in this. The first stage

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of the project was secondary research into the current landscape of consumer protections in the UK and around the world, and was published in November 2020. The second phase was a primary research project exploring consumers' perceptions of payment protection available to them, and was published in January 2021.

Throughout both phases of the project we used the Consumer Protections Working Group (CPWG), that we set up jointly with UK Finance to report our findings to the wider industry and to engage in discussion on whether interbank payment protection is necessary and how it could be implemented.

Our research and discussions with the CPWG gave us a view of consumer protections that took all our stakeholders into account, and our input into the consumer protections aspect of the UK Finance Future Ready Payments report reflected this.

Participant and end-user consideration of PSR's Call for Views and our Response

Following our research publications, the PSR launched two 'Call for Views' on consumer protections and APP scams. We utilised the CPWG to input into our response to these documents. For example, the CPWG raised concern around the lack of an economic model in interbank payments for the funding of refunds. They also made clear the importance of customers having the same level of comfort with new protections as they have with existing ones, such as the Direct Debit Guarantee. They were two areas highlighted in our response.

We also held bilateral meetings with participants and end user representatives, along with PEF and EUAC meeting to provide us with further inputs. These insights, combined with the findings and discussions from our earlier work, informed our response to both Calls for Views, which were approved by our Executive Committee.

We continue to engage closely with the PSR and HMT on these two pieces of work. We expect to support the PSR in their engagement on consumer protections in the coming months. We have also maintained engagement with our PEF and EUAC regarding APP scams, including exploration of our role in prevention and detection of this type of fraud, and we are engaged with UK Finance in their exploration of data sharing with participants.

Next year: It is important that we remain aligned with the PSR in this space, and await the outcome of their Call for Views. We will continue to engage with participants and end users to gather their input into areas where we can support the industry further, such as information sharing to support prevention and detection.

Transaction limit increase

Following extensive engagement with our direct participants, PEF, EUAC, the Bank of England and UK Finance beginning in late 2019, we produced a proposal to increase the FPS transaction limit to £1 million. After Board approved this in April 2020, we started the process to implement the increase. This involved consultation with participants through bilateral conversations and the FPS Participant Committee. As a part of this, we engaged with participants to establish whether they would be increasing their own internal limits – as we understand, participants do not expect to

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amend retail limits. We also created an FPS Transaction Limit Working Group with members of the FPS participant community and aggregators to provide input into the implementation process.

As part of the implementation process, a live proving exercise was carried out to ensure that all participants that could take part in the test could receive a one-off payment of £20 million. Consultation took place with participants on how this live proving exercise could be undertaken. The exercise was successfully completed in February 2021. As a result, we have made a submission to the Bank of England FMID for non-objection to increase the limit to £1 million.

We continue to consult with participants and other organisations about the increase to the Faster Payment System Transaction Limit. We are engaging with participants about the length of the notice period that we give them once Pay.UK has undertaken its own internal governance process, now that non-objection has been received.

Next year: We will look to start a consultation process to ascertain if and when we should look to increase the limit further beyond the £1 million limit. We will also seek input from the FPS Participant Committee to assist with the communications of the increase to the limit when and if this happens.

⁵<https://newseventsinsights.wearepay.uk/media/b4gb3xj5/consumer-protections-in-payments-summary-paper.pdf>

⁶<https://newseventsinsights.wearepay.uk/media/w2cn4ftr/exploring-perceptions-of-consumers-protections-in-payments.pdf>

⁷[Future Ready Payments 2030 | UK Finance](#)

7.3 Image Clearing System

This year, the ICS undertook a market research exercise to understand: past, current and expected future usage of cheques; why consumers send and receive cheques; and the impact of the Covid-19 pandemic in both the short term and long term. The survey targeted a number of different audiences that use cheques: consumers; business; charities; schools; corporations; and government. A summary of the research findings was presented to our stakeholders in an ICS strategy workshop. We have since had multiple requests from participants for a full debrief on the findings and we are now writing a formal report on the project for external publication.

Next year: Pay.UK will be working with participants on a strategic plan for the long-term usage of the ICS, taking into consideration the impacts of the Covid-19 pandemic.

7.4 Current Account Switch Service (CASS)

Changes to advertising campaigns

In the latter part of 2020 we engaged with stakeholders through the CASS Communications Working Group (CWG) and Switching Services Participant Committee (SSPC) around the challenge of reduced switching volumes due to the pandemic. As a result, we adapted our marketing approach,

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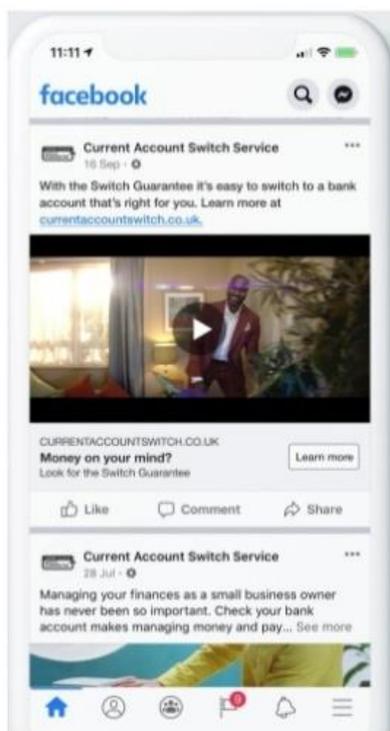
focusing on groups that could potentially benefit most from switching in light of the pandemic, specifically the financially vulnerable, 18-24-year-olds and SMEs. Our campaign, created through this collaboration with the CWG and SSPC, was able to target these groups without sacrificing overall awareness.

CASS also continued its commitment to publish new research insights, and in November 2020, commissioned research aimed at financially vulnerable consumers, to improve understanding of how the pandemic was impacting attitudes to switching. The research findings informed the CASS strategy days in October and November 2020, which were hosted remotely with a panel of stakeholders including representation from participants and consumer groups, as well as the overall marketing approach for 2021.

We are taking the outcomes from both strategy days to distil them into a revised strategic approach. We are also undertaking focused discussions with CASS participants and stakeholders to support the development of this approach.

Next year: We will continue to work closely with stakeholders to develop the CASS approach and ensure that end user awareness is maintained to help us develop our communications planning into 2022. This will include engagement with the CASS working groups and committees, advertising effectiveness research and another strategy day with stakeholders in October 2021.

⁸<https://newseventsinsights.wearepay.uk/media/ugmdxtwo/pay-uk-and-frontier-economics-choosing-current-accounts.pdf>



8 Annex – Councils, committees and working groups

We have put in place 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

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 participants in our payment systems. Importantly, this group also assists us in seeking to find answers to participant challenges, ensuring an evidence-based approach to possible solutions.

We have recently published the third PAC annual report for 2020 - 2021 . PAC's expert participant members are able to provide the Board with a comprehensive understanding of the retail payments industry and offer actionable advice. Facilitated focus groups have presented recommendations to our Board on a variety of topics, such as reducing industry costs. We continue to look to PAC to provide us with a clear industry view and valuable feedback as we continue to develop our house views on such important issues as Digital ID.

PAC has also started working with the End User Advisory Council (EUAC) with a view to aligning their respective agendas to provide counsel on the likely impact of Pay.UK's activities on participants and end users collectively.

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

Frequency: PAC meets on a quarterly basis.

End User Advisory Council

The End User Advisory Council (EUAC) has continued to give advice and challenge to our Board throughout the year to ensure that the needs of end users are correctly understood and addressed during what has been a challenging 12 months. The group has early insight into our thinking and proposals, so is able to influence plans and ideas at an early stage. Importantly, this gives the council the opportunity to provide guidance and advice regarding how wider engagement should be approached with end users and their representatives.

We have recently published the third EUAC annual report for 2020 - 2021 and have received two Advice Notes from them in that period. The first related to the New Payments Architecture (NPA) procurement process and the other focussed on the implications for end users on the delivery approach for the NPA.

EUAC continues to engage with Pay.UK to provide guidance on matters such as the development of our house views on a variety of topics.

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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.

⁹ https://www.wearepay.uk/wp-content/uploads/Pay.UK_PAC_Report.pdf

¹⁰ https://www.wearepay.uk/wp-content/uploads/Pay.UK_EUAC_Report.pdf

Participant Engagement Forum

The Participant Engagement Forum (PEF) is designed to enable continued senior level engagement through which Pay.UK can share news and developments with its direct participants and direct participants can feed back on the performance of Pay.UK. This forum enables participants to collectively discuss key issues, concerns and observations and provide feedback at a senior level, which is then considered by the Pay.UK Executive Committee and Pay.UK Board.

The PEF is chaired by our Chief Payments Officer (CPO) who ensures the participants' heads of payments are updated on a wide range of agenda items. Over the last 12 months agenda items have included the impact of the coronavirus, finance, standards, operations including operational strategy and performance and the NPA programme. Feedback from the PEF is also provided via the Executive to the Pay.UK Board. This enables the Board to ensure that its participants and end users remain at the heart of our strategic decision-making processes.

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

Frequency: PEF meets every two months.

NPA

Strategic Participant Group (SPG)

Description: To provide advice and challenge 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 2021 when, in recognition of the programme's transition from the design to the development phase, will convene bi-monthly for the foreseeable future.

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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 participants and indirect participants representing high, medium and low transaction volumes across the industry.

Frequency: To convene monthly from September 2021.

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 participants and indirect participants 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: To convene monthly from September 2021.

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 participants and indirect participants representing high, medium and low transaction volumes across the industry.

Frequency: To convene monthly from September 2021.

Non-Executive Directors Forum (operational from September 2021)

Description: To provide participants 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 participants representing high, medium and low transaction volumes across the industry. Member will also include solutions providers.

Frequency: To convene monthly from September 2021 and remain aligned with Pay.UK Board meetings.

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Propositions Exploration Group (operational until March 2021)

Description: To provide input to shape the development of the propositions that will enable NPA delivery, including benefits, developing payment flows and use-case journeys.

Membership: 28 'contributors' including direct participants, indirect participants, end user representatives, trade bodies, Government Banking Services and solution providers.

Frequency: No longer active.

Technical Working Group (operational until March 2021)

Description: To provide input to support the development of both the technical and transitional requirements for the NPA.

Membership: 30 contributors including direct participants, indirect participants, Government Banking Services, solution providers and payments/trade bodies.

Frequency: No longer active.

User Groups (operational from March 2021)

Technical Groups: Technical User Group (TUG) and Security User Group (SCUG):

Description: To develop solution design, support design gap analysis and provide input and guidance on solution testing.

Membership: Both have 33 members - direct participants, indirect participants, solution providers, and end user representatives.

Frequency: The group convenes on a monthly basis.

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 participants, indirect participants, solution providers, end user representatives, solution providers and trade bodies.

Frequency: The group convenes on a monthly basis with the exception of August 2021 and will re-convene from September.

Retail Settlement and Liquidity User Group (RSLG)

Description: To allow the industry to discuss the proposed approaches put forward by

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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 participants, indirect participants and trade bodies.

Frequency: The group convenes on a monthly basis.

Use Case Wrap-up (WUG)

Description: To present finalised technical and operational elements, gather industry feedback, and finalise use cases with industry.

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

Frequency: The group convenes on a monthly basis.

Architecture Lead User Group (ALG)

Description: To provide the NPA programme with input on overall engagement and approach as well as input to support the development of the NPA architectural requirements.

Membership: Nine members – direct participants.

Frequency: The group convenes on a monthly basis.

Faster Payment System (FPS)

FPS Participant Committee

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

Membership: All Faster Payment System Directly Connected Participants.

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 participants and aggregators.

Frequency: Every two months.

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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: On pause – awaiting PSR policy statement.

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.

Pay.UK Affiliates Forum

Description: We have created an inclusive Affiliates Forum to promote discussion, ideas exchange 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: Business level working group to discuss and inform on implementation of Phase 2.

Membership: Existing and prospective CoP participants.

Frequency: As required (current focus on migration).

CoP Participant Migration Working Group

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

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Membership: Phase 1 participants.

Frequency: Monthly (expected to increase towards the end of 2021).

CoP Technical Working Group

Description: Technical working group.

Membership: Existing and prospective CoP participants.

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 participants.

Frequency: Monthly.

CoP Industry Steering Group

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

Membership: Existing and prospective CoP participants.

Frequency: Bi-monthly.

Bacs

Bacs Participant Committee

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

Membership: Participants.

Frequency: Quarterly, or as required.

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Bacs Payments Operations Committee

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

Membership: Participants.

Frequency: Bi-monthly.

Image Clearing System (ICS)

ICS Participant Committee

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

performance to Pay.UK.

Membership: Direct participants.

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, participants and service users.

Membership: Direct participants and Vocalink.

Frequency: Monthly.

ICS Fraud Advisory Group

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

Membership: Direct participants and third-party suppliers with initial invitation from a direct participant.

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)

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

Frequency: Quarterly