

Implementing PSF strategy

Evolution towards the NPSO

January 2016

Introduction

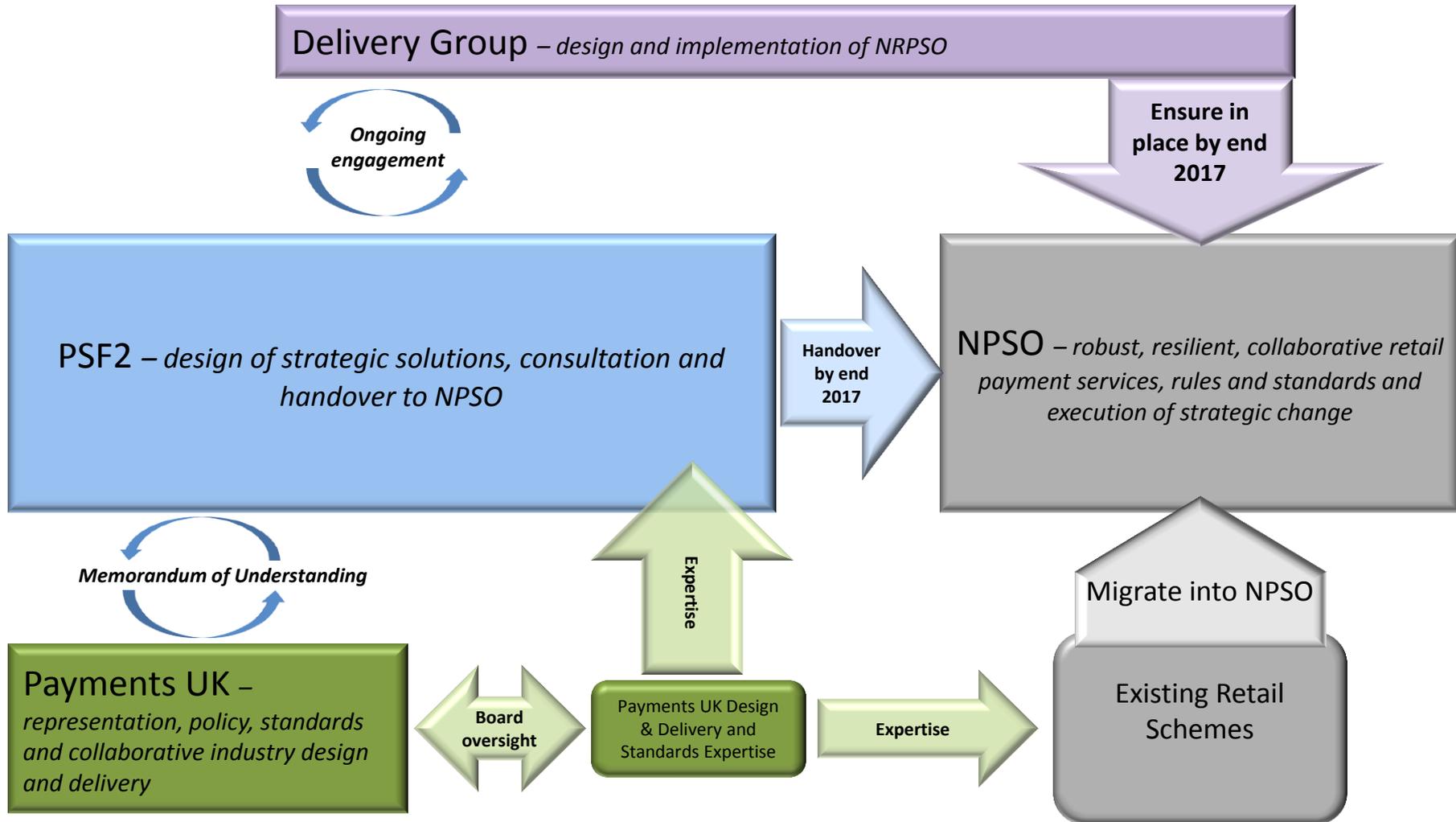
Purpose

- This slide pack describes the evolution from existing industry structures into the New Retail PS) (NRPSO) which will be in place in 2018.
- This evolution requires funding – **so a set of principles to underpin any funding approach is included.**

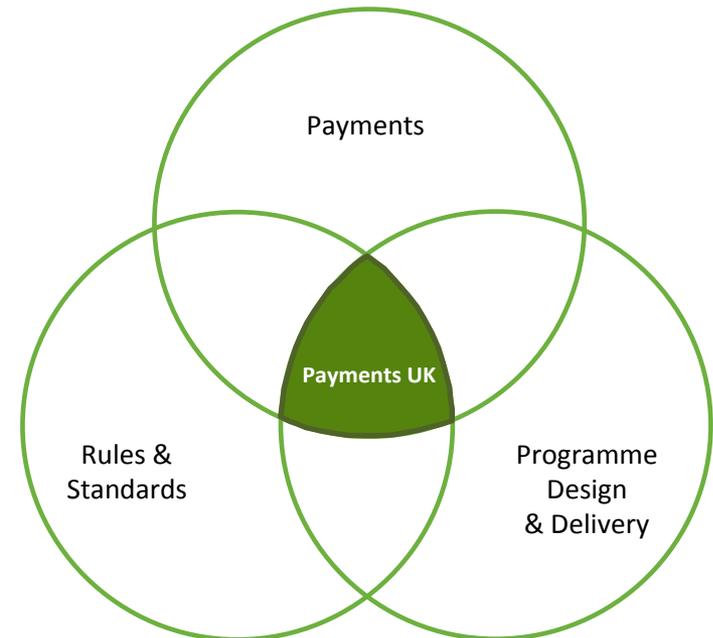
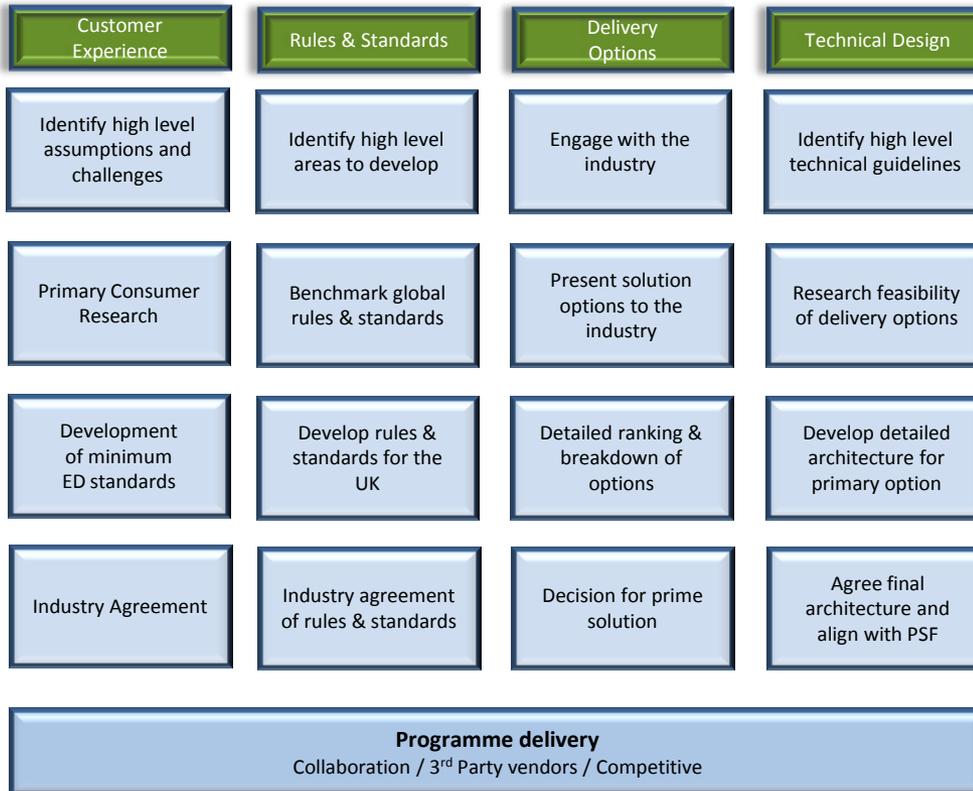
Roles of the existing structures in relation to NPSO:

- **Payment Strategy Forum** – design solutions for the strategy, consult, refine and handover to NPSO to implement from 2018.
- **Delivery Group** – design and transition agreed existing industry structures and capabilities into a new organisation by end of 2017.
- **Existing Retail Schemes** (Bacs, FPS and C&CCCo) – transition into the NRPSO during 2017 whilst maintaining a robust, resilient and secure payment service.
- **Other Structures** – Payments UK's Design, Delivery and Standards Expertise capabilities are expected to transition into the NPSO – so these capabilities are described in this slide pack.

PSF and Delivery Group evolution towards the New PSO (NPSO)



Payments UK – Expertise areas



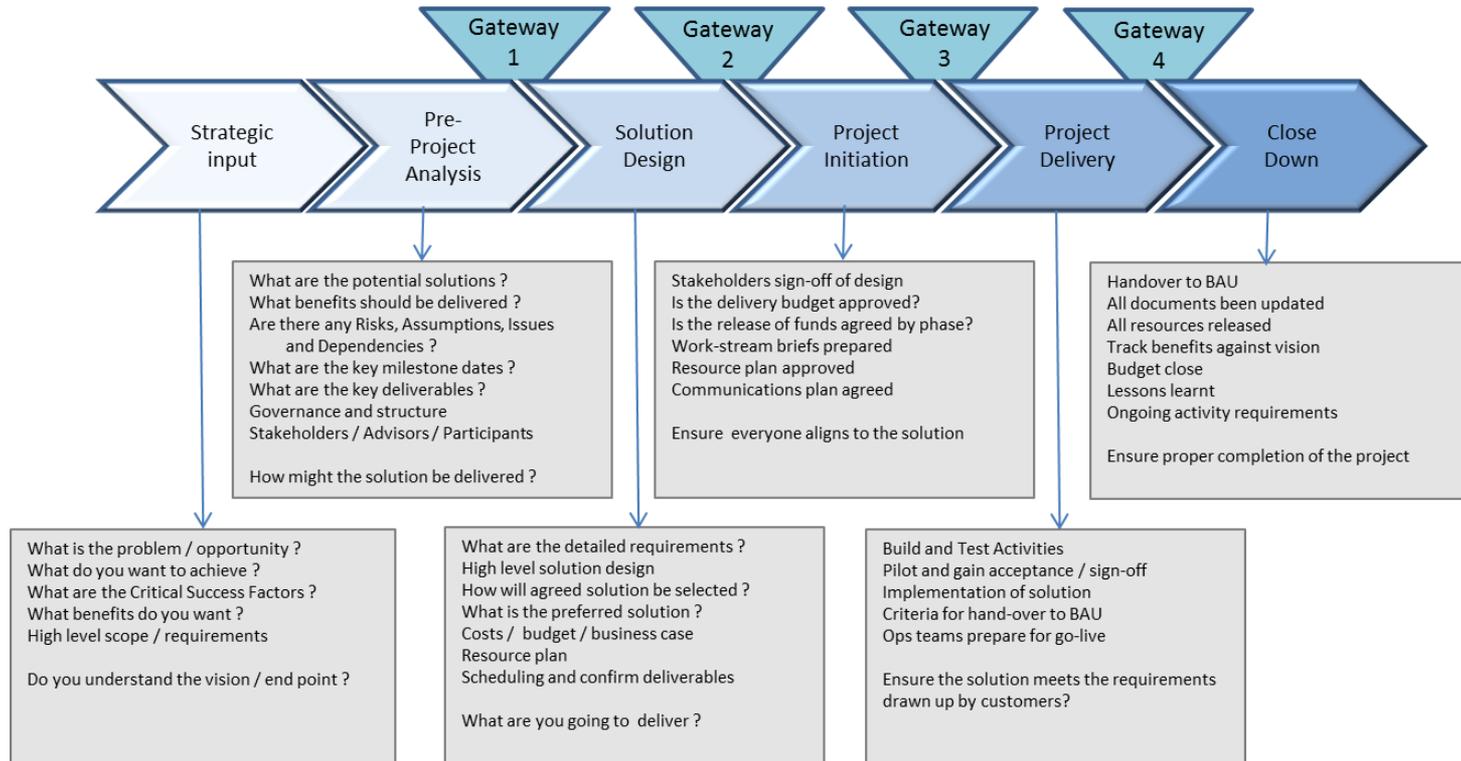
Proven Standards Expertise

- Provide expert input and advice on standards their use and design; leveraging experience on international implementations and best practice.
- Technical Requirements gathering and design.
- Architectural capability detailing the data, data exchange, vocabulary and interoperability standards to be developed .
- Documentation skills for standards including mapping guidelines between legacy formats and the new ISO 20022 messages (inclusive of APIs).
- Operate the technical environment, including providing access to working versions (drafts) of the Usage Guidelines/Standards.
- Implementation of an online user interface known as the Standards Library to enable message validation, and access to both business and technical documentation and change management.
- Liaison with the ISO organisation (if required) for the submission and approvals of standards or market practice.
- PSD2 policy and strategy including management of the PSD2 Stakeholder Group.
- Currently supporting Faster Payments and has provided support to Bacs. Proposals underway to support BoE RTGS renewal, Open Banking and C&CCCo ICS programme.

Proven Design & Delivery Expertise

PUK has significant expertise in designing and implementing collaborative change programmes using a structured methodology as depicted below. Recent projects were implementing the CASS and Paym industry services along with the World Class Payments project.

PUK has a small core team which scales up resources for big change from the market, rather than having large numbers of FTE on their books. **Scaling of any support for the PSF and DG would need to be appropriate to the size of the task.**



What could Payments UK offer the PSF ?



Funding Principles

1. The work of the Forum benefits the payments industry as a whole, so funding should be spread as widely as practicable.
2. Funding should be considered holistically for both PSF requests along with the work required to create the NPSO.
3. The funding required is only for 2017 activity since the NPSO will be in place and have delivery responsibility from 1st January 2018.
4. All industry activity whose principal objective is deliver a PSF solution should:
 - be transparent about mandate to deliver and sources of funding
 - be approved by PSF Design Hub (and/or the Delivery Group).
5. The industry should only fund one collaborative solution to meet each of the PSF's requests – thereby avoiding 'paying twice'.
6. Any entity which is intended to be wholly (or partly) in the NPSO should be working collaboratively towards that destination.
7. Delivery of new industry capabilities is an investment in the future so it is agreed that any funding is considered as pre-funding so that the original funders must receive re-funding through a clear and transparent mechanism in the NRPSO.

Funding Options

Independent of Payments UK

1. A voluntary request from the Payments Community (as defined by PSR) for any contribution that they feel able to provide. *
2. A voluntary request from all UK PSPs with more than 1% volume share of UK retail interbank payments.

Via Payments UK

3. A **call** on Payments UK members in 2017.
4. A **pre-funding** payment from the members of Payments UK during 2017 which would:
 1. fund the PSF activities (and DG if required)
 2. be transferred to the NRPSO by the end of 2017, and
 3. the NRPSO would be responsible, from 2018 onwards, for **re-funding** the original **pre-funders** (see Principle 7)

* This is already proving to be challenging.

Recommendation

- The challenge for the industry is one of provision of working capital in 2017 for collaborative change and the approach should be one that is in accordance with the key principles.
- Option 4 is recommended:
 - A **pre-funding** payment from the members of Payments UK which would:
 - fund the PSF activities (including any parties e.g. EY, that the PSF commission to undertake work on its behalf)
 - fund the activities of the Delivery Group
 - be transferred to the NRPSO by the end of 2017, and
 - the NRPSO would be responsible, from 2018 onwards, for **re-funding** the original **pre-funders** (see Principle 7)
- This option will be taken to 7th Feb PUK Board for agreement and to ensure alignment with the transition to the NewTA by end of 2017.
- This requires endorsement from PSF – which remains accountable for delivery of design solutions for strategy, consultation, refinement and handover to NPSO
- This requires endorsement from the Delivery Group – which remains accountable for delivery of the NPSO.
- Funding should not be provided unless and until all stakeholders are satisfied that the required leadership and governance structures are in place to ensure success.
- PUK offers itself, with agreement from PSF and DG, as the contracting entity for funding all of the work in 2017.