



Minutes – Standards Advisory Panel (SAP)

23 April 2019

Location: Pay.UK, 2 Thomas More Square, London E1W 1YN.

Attendees:

Members:

Jana Mackintosh

Brendan Reilly

Ralf Ohlhausen

Toby Young

David Llewelyn

Robert White

Karen Braithwaite

Andy Young

Andrew Cregan

James Barclay

Domenico Scaffidi

Jo Oxley

James Whittle

James Southgate

Chair (Worldpay)

Silicon Valley Bank

PPRO

Ebury

HomeServe

Santander UK

Barclays

LV=

British Retail Consortium

JP Morgan

Volante

Government Banking Service

Pay.UK

Bank of England

Observers:

Maha El Dimachki

Ben Woodside

Financial Conduct Authority

Payment Systems Regulator

Other attendees:

Bank of England & Pay.UK Secretariat

Presenters from Bank of England

Apologies: Shriyanka Hore

Oracle

Minutes and Actions

1. The Standards Advisory Panel (the 'Panel') had no comments on the minutes for the 11 February meeting, which had been circulated and published before this meeting. There were no outstanding actions.

Item 1: Update on schemas workshops

2. The Bank of England ('the Bank') held a workshop with a small number of direct participants and software vendors on the CHAPS like-for-like message schemas at the start of April. The Bank found the workshop useful with two high level lessons learned: the importance of worked examples and

use cases to explain how the new schemas should be used; and the scale of technical and cultural change that would be required across the industry to ensure readiness, even for the like-for-like phase. The Panel agreed with these observations, and suggested that wider industry communications start using ISO 20022 terminology across wider communications and publications where possible (for example using the terminology 'debtor' and 'creditor' instead of 'originator' and 'beneficiary' in existing guidance). However, care would need to be taken to ensure such updates do not interfere with the smooth running of payment systems prior to transition.

3. The Bank also attended a workshop with some of the major High Value Payment System (HVPS) operators in mid-April. The Panel was encouraged to hear that HVPS operators were taking the matter of international harmonisation and interoperability - seriously and taking practical steps to work towards this. Topics of discussion at the workshop included: what version of the ISO 20022 standard to be used at go-live; versioning policy for the years immediately after go-live / during the broader global transition to ISO 20022; a detailed look at adherence to the HVPS+ guidance¹; and how the CBPR+ guidance², being drafted by SWIFT for cross-border transactions, differs to, and will interact with, the HVPS+ guidance.
4. This led to a wider discussion about change management processes and their importance in ensuring continued interoperability, both domestically and internationally. Of consideration amongst participants is the pace of change, specifically between enabling innovation with fast-paced change and not forcing all participants to move at the pace of the slowest, trading off with the need for some level of market-wide consistency. A more detailed discussion on change management will take place at the next meeting.

Item 2: What does success look like?

5. To aid development of key performance indicators (KPIs) to measure the success of the ISO 20022 implementation, the Bank and Pay.UK discussed with the Panel a shared view of what a successful implementation would look like. The Bank, Pay.UK and the Panel all recognised that many of the benefits would be realised over the long term and so difficult to predict or measure. The Panel thought that ISO 20022 enabled many benefits, but that there were also wider conditions of success i.e. ISO 20022 is a necessary but not sufficient condition for delivery of these benefits. The Bank and Pay.UK agreed, but pointed out that many of the frictions in payments can be eroded solely by implementing ISO 20022.
6. The discussion built on the benefits described in the ISO 20022 Consultation Paper³. The Panel thought that the following benefits could be realised through the delivery of ISO 20022.
 - a. Improved operational resilience – by enabling Payment Service Providers (PSPs) to develop better contingency solutions in the event of operational disruption. Discussion focused around the additional barriers to delivery of such solutions; this will be fed into wider work

¹ High Value Payment Systems+ (HVPS+) is a group of HVPS operators. They have produced guidance on the fields and structure an ISO 20022 message should comprise for a high value payment.

² Cross-Border Payments and Reporting+ (CBPR+) is SWIFT's working group for cross-border payments on their network. They are producing guidance on the ISO 20022 message design for such payments.

³ [ISO 20022 Consultation Paper: A Global Standard to Modernise UK Payments](#)

the Bank and NPA are currently undertaking to understand to what extent CHAPS and NPA could act as contingency to each other.

- b. Improved risk management – for PSPs, end-users, and particularly for the Bank and Pay.UK as systemic end-to-end risk managers. This comes by carrying more information about the identities of those sending and receiving payments, and the purpose of those payments. Discussion focused on how the Bank and Pay.UK might expect to use the data (for example to understand the levels of tiering in the system). The Panel asked whether there would be any interrogation of individual transactions and noted that if so, this would need to be detailed in data protection statements. The Bank and Pay.UK did not expect to use data in this way, and noted that the increased structure in ISO 20022 messages would make it easier to strip out personal/sensitive data.
- c. Reducing fraud and economic crime – by enabling improvements to screening processes. All members thought that the more structured and detailed data would improve straight-through processing and automation. Some members questioned whether ISO 20022 alone would result in a reduction in fraud, or if the real gain would be increased efficiency by reducing the occurrence and management of false positives. The Panel discussed the balance between including data that could improve fraud detection and not wanting to put customers off by asking for too much data.

There was also discussion around how the additional data would allow a better picture of network-level activity to be built up, and interrogated for suspicious patterns of activity. The Bank and Pay.UK confirmed that they do not intend to deliver such fraud-detection tools themselves, but should a group of direct participants want a third party to use their cumulative data for financial crime checks, the Bank and Pay.UK would be open to allowing that connectivity.

One member noted that PSP AML teams spend significant resource asking the same common verification questions when verifying a transaction. They suggested a measurable KPI could consider how effective the new data is at reducing the frequency of these common questions.

- d. Increasing competition and innovation – by reducing barriers to entry for new PSPs, making it easier for corporates to switch banks, and enabling innovation in value-added services offered to customers. It was suggested that this discussion should build on work already undertaken by the PSF Blueprint in understanding how common standards will support competition and innovation. Care will need to be taken that new and unnecessary barriers to entry are not inadvertently developed as part of standards implementation.

The Panel also recognised the need to allow different firms to move at different speeds. Whilst it is important not to let the slowest members in the ecosystem be frozen out by rapid change, it is equally important to allow agile firms in the market to move at the speed they want, in order to facilitate innovation. Pay.UK noted that this would be enabled by the NPA's layered design.

- e. International harmonisation – by reducing the cost and improving the speed of cross-border transactions through greater international alignment of standards, additional data supporting improved transaction screening, and reducing barriers to entry for new entrants to these markets. Overall the Panel believed that international harmonisation would be a great benefit. But they cautioned that different regulatory environments could limit these benefits, though noted that greater standardisation might make it easier for regulators to consider such issues further. The Panel also cautioned that international harmonisation could inadvertently cause more fraud due to the speed money would be moving globally with increased process efficiency, which could put added pressure on PSPs.
 - f. Efficiencies in processing – by enabling improvements in straight-through-processing at PSPs, and reconciliations for end-users. The Panel thought that these are among the key benefits of ISO 20022. Discussion focused around the fact that the information has to be included by the sending party in order for benefit to be received, and how this could be incentivised.
 - g. Richer data – which could deliver benefit by enabling development of value added services to end users, enabling automation, and aggregate data allowing policy makers to build up a better picture of economic activity in the UK. The Panel agreed that an increase in data volume and structure would be a benefit, but it recognised the challenge in creating a KPI for this benefit, particularly noting that the benefits for firms would be very long term.
7. More generally the Panel suggested focusing on the specific elements of ISO 20022 which would enable delivery of benefits e.g. for interoperability it is alignment between NPA and CHAPS, and reduction in fraud is enabled by carrying more information about the purpose of a payment and the identities of those involved in it. It may be easier to measure whether these have been delivered.

Item 3: Roles of stakeholders

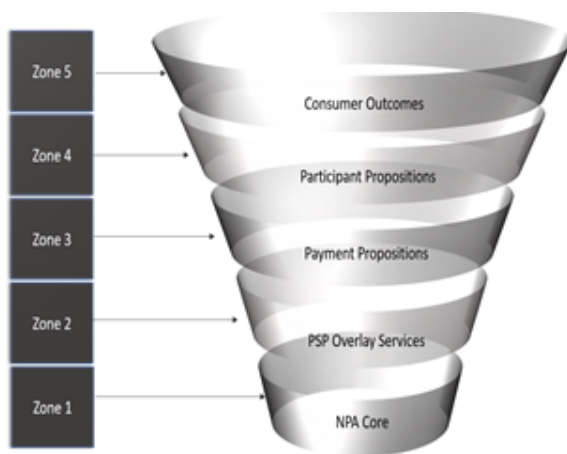
8. The Bank and Pay.UK opened the item by noting that they believe the transition to ISO 20022 presents a unique opportunity to realise many of the benefits discussed in Item 2. But many of these are network benefits, and rely on all members in the payment chain using a consistent implementation of ISO 20022. To realise these benefits would require a market wide effort, and the Bank and Pay.UK were therefore thinking about the most effective roles for each stakeholder group in delivering consistency, and the tools available to each group.
9. The Panel was clear that firms will require a clear value proposition, including the issues addressed along with the concerns that would come with not migrating to ISO 20022; this would particularly be the case for small, domestically focussed firms. The Panel agreed that, with some thinking, some clear and persuasive use cases could be easily produced. The Bank and Pay.UK had identified the need for market guidance and use cases, but that the creation and ownership of these is a market wide piece of work which the Bank and Pay.UK will facilitate and assist. The Panel agreed this was sensible.

10. The Bank and Pay.UK noted that corporates were a key stakeholder group to reach, as this is another participant group that will benefit from the usage of ISO 20022, and even those already using ISO 20022 would likely need to make some changes in order to realise the full benefits. The Panel advised that corporate considerations should be included in the development of use cases and clear market guidance, ensuring that firms can and would deliver such benefits, for themselves and their customers. The Bank and Pay.UK added that communications with corporates, including through PSPs, would also be important.
11. Continuing on the topic of consistent usage of the ISO 20022 data set, some members of the Panel thought that it was important not to be prescriptive, allowing for innovation and for different groups with different needs, and that central systems should not be built by trying to guess the benefits that will be created from them. Consensus on market practice would then allow for selection of the best way to make a particular payment. Other members mentioned other products that had become unwieldy due to differing implementations of the relevant standard, and that these could have been avoided with a more centralised focus. With respect to ISO 20022, this could become an issue if consumers do not realise or are not made aware of the benefits from the extra data provided to them or if firms cannot realise the benefits of their investment due to their counterparties providing inconsistent data. The Bank and Pay.UK noted that such guidance could be delivered by industry bodies or cross-industry groups. The Panel agreed that finding the optimal balance between market forces and central direction would be vital for a successful transition to ISO 20022.

Item 4: New Payments Architecture standards design approach

12. Pay.UK outlined its approach to the implementation of ISO 20022 in the New Payments Architecture (NPA). At present, the UK retail payment service lines delivered by Faster Payments, Bacs and ICS provide an array of payments, and Pay.UK as the operator of these is faced with the rapid evolution of the payment landscape. As such, this necessitates a different approach to the previous 'scheme led' approach that currently exists today. Pay.UK outlined the phased approach for transition and consolidation onto the NPA as in the PSF Blueprint⁴ – layer one, the NPA core, is clearing and settlement, with rich functionality enabled by ISO 20022. In layer three, participants would be able to utilise the standard for their own payment type needs, using the payments rulebook.

⁴ [Blueprint for the Future of UK Payments](#)



The zone model brings together elements of the overall NPA ecosystem and clusters together areas of common capability or responsibility. The advantage of this is that we can develop a consistent model of the required accountabilities and capabilities required akin to a standard RACI model.

5	Consumer Outcomes	Where the end user capabilities are managed, many overlay services such as RTP will be hosted in this layer. Many of the Fintech offerings will be hosted in this layer.
4	Participant Propositions	The world of Aggregators, PISPs, and the Banks who will be creating new end-user propositions that will use payment services in the ecosystem.
3	Payment Propositions	The building blocks of the overall payments capability, so for example our real-time rail is hosted here.
2	PSP Overlays	Sub-components of any service proposition (e.g. Bulk/Debulk) that may be used to build a payments proposition. They could be hosted by NPSO or suitably accredited third parties.
1	NPA Core Thin Clearing and Settlement	The thin clearing and settlement layer of the overall NPA, and is the layer that Pay.UK will definitely procure and run.

13. One member suggested it would be useful to have a very specific industry rulebook for a particular payment type, and that Pay.UK could stop there being too many ways of making the same payment. But Pay.UK argued that allowing for competition between level three overlay services is a more effective way of facilitating innovation in the market.
14. Pay.UK expects to have defined the draft standard for the NPA core clearing and settlement layer by the end of the year. It expects to consult on this in early 2020.

Item 5: Industry Standards Coordination Committee and interactions with the Standards Advisory Panel

15. Pay.UK described the interactions of the Panel and Pay.UK's Industry Standards Coordination Committee (ISCC), the committee recently launched by Pay.UK to focus on standards with each other and with Pay.UK. Pay.UK stated that both are places for its work to be scrutinised and challenged, though the ISCC is expected to be a more detailed and technical forum, while the Panel will offer strategic insight. It is expected that some issues from ISCC will be discussed by the Panel – particularly where strategic advice is needed on industry trade-offs.
16. A member of the Panel asked about the scope of Pay.UK's Standards Authority. The Standards Authority is responsible for, and has authority over, all aspects of standards development, maintenance and modification across the scope of Pay.UK; inclusive of change programmes such as the NPA. The SA operates according to the standards framework which establishes methods of working, decision making and processed to maintain standards. The SA has the duty to support the development and delivery of standards according to the principles and procedures set out by the Pay.UK, and above all else that standards deliver benefits to the UK and its end-users.
17. Pay.UK went on to discuss some of its broader standards work. In particular mentioning its strong links with international PSOs and the regular meetings held to ensure consistency and gain insights from other entities implementing ISO 20022. The Bank added that it too works closely with

international HVPS operators. Pay.UK also noted that some work needs to be done to link up with card schemes, even though the card schemes are not yet adopting ISO 20022, for a number of reasons.

Item 6: Bank of England Application Programming Interface update

18. The Bank provided an update to the Panel on its approach to application programming interfaces (APIs) in the renewed RTGS system. The new RTGS system has been designed to improve the information available to RTGS account holders, and to allow them to interact with the Bank in a more automated and timely manner. The existing Enquiry Link service will be replaced with a series of APIs to enable account holders to both receive information and to send information/requests to the Bank. This will include specific requirements for CHAPS participants. At this stage there is no expectation that these APIs would be used to actually instruct a payment. It is expected that the Bank will provide a basic interface based on those APIs, though account holders could also seek to use those APIs to directly feed into their systems or for third party providers to develop interfaces. There is not yet an international standard for the design of such APIs, but the Bank and Pay.UK have begun work with international partners to understand how this could be delivered (including SWIFT and other RTGS and HVPS operators).

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19. At the last Panel meeting, a member raised the possibility of surveying their customers, in the name of the Panel, to understand wider industry readiness. On further reflection, the Bank and Pay.UK felt that any survey branded by them would have to go wider than just the Panel members. But they encouraged the Panel to open communication lines with their customers, and work with them on ISO 20022 preparations.
20. The Bank and Pay.UK also noted that end users would be pivotal to a successful migration to ISO 20022, and that surveys would not be the only way to include their views. The Bank and Pay.UK recognised that the end users already involved in the process through industry engagement forums would have valuable input, including the Panel but also the Bank's Strategic Advisory Forum and Pay.UK's End User Advisory Council. The Bank and Pay.UK added that use cases would need to be tested on groups of end users, and opportunities to involve the wider payments landscape would arise throughout the migration and beyond.
21. The Panel asked the Bank and Pay.UK to build a forward look on Panel meetings to allow them to prepare well in advance. It also asked for a calendar of other events in the landscape and how they interact with the Panel. The Bank and Pay.UK agreed that both would be helpful, but said that they would be guides only and would be subject to change with the needs of the Bank and Pay.UK, and the wider market. **Action:** the Bank and Pay.UK to produce a provisional forward look and calendar of events in advance of the next meeting.