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# Ahead of the Curve: A Changing Payments Landscape

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# Introducing



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# SRF: Statutory Instruments made

01

The Public Offers  
and Admissions  
to Trading  
Regulations 2024

02

The Securitisation  
Regulations 2024

03

The Data  
Reporting  
Services  
Regulations 2024

04

The Financial Services  
Act 2021 (Overseas  
Funds Regime and  
Recognition of Parts of  
Schemes) (Amendment  
and Modification)  
Regulations 2024

# Solvent exit planning for insurers

## Scope

All PRA-regulated insurers except:

- Insurers in passive run-off
- UK branches of overseas insurers

## Solvent Exit Analysis

Insurers to prepare for a solvent exit as part of the BAU activities and document preparations in a Solvent Exit Analysis

## Solvent Exit Execution Plan

Expectations on how insurers should prepare a detailed Solvent Exit Execution Plan and monitor and manage a solvent exit

# PRA review of ring-fencing rules

## Regulatory reporting

- the annual regulatory report relating to tax exposures an RFB may be liable for in relation to the business of a non-ring-fenced body may be unnecessary



## Arm's length transactions

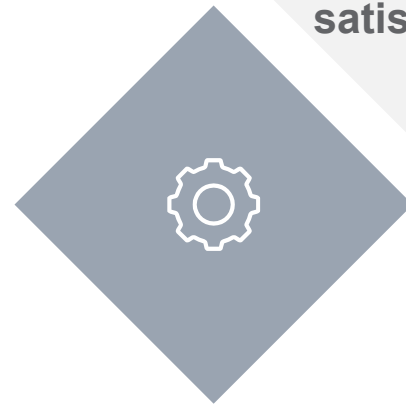
- Frequency with which RFBs must review internal policies could be reduced



Most rules performing satisfactorily

## Governance arrangements

- Maintain the modifications for longer
- May re-assess the level of consolidation at which some of the governance rules apply



## Intragroup services

- Rules relating to the provision of services to RFBs from non-ring-fenced parts of a group
- Potential overlap with OCIR and operational resilience



# Overseas Funds Regime



## HMT statement on equivalence of EEA states

- Secondary legislation required to enact
- TMPR extended to 31 December 2026



- No intention to impose any additional UK requirements



- Will monitor the decision on an ongoing basis



- Applies to UCITS but not MMFs



# Regulatory levy and approach documents

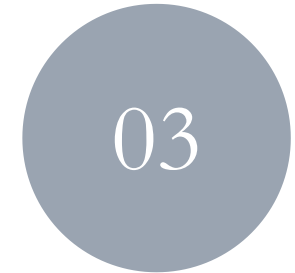


Draft Bank of England Levy  
(Amount of Levy Payable)  
Regulations 2024

Authorised deposit-takers with eligible  
liabilities >£600 million




BoE and PRA policy statement  
on approach to enforcement  
30 January 2024



PRA consultation on approach to  
rule permissions and waivers



# Indications on payments horizon



BoE/HMT  
response to  
consultation on  
a digital pound

PSR speech on  
year ahead for  
payments  
regulation

BoE speech on  
RTGS service

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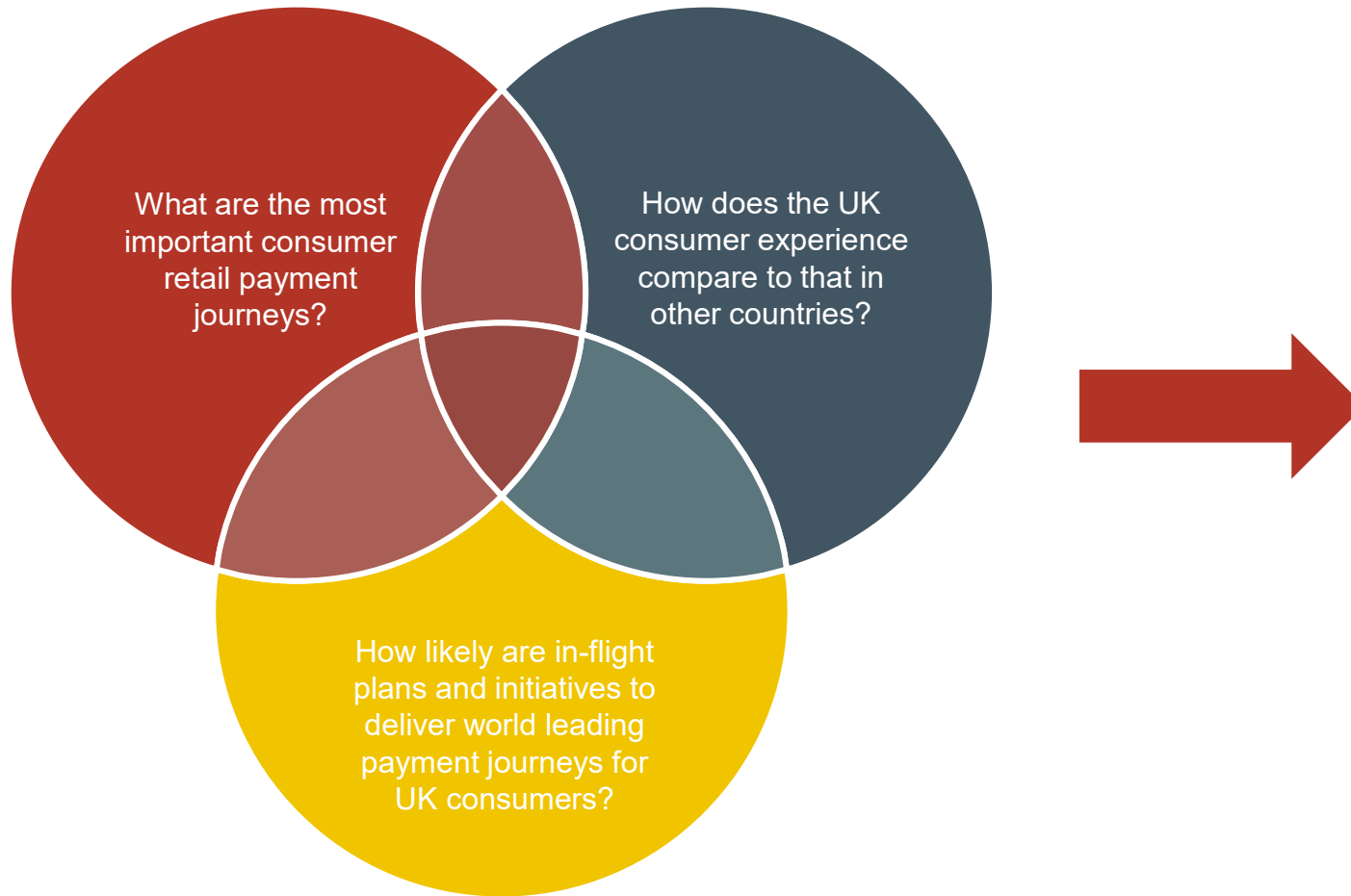
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# Future of Payments Review: Three Questions



*“...without a National Payments Vision and Strategy, we cannot be confident in the future”*

# Key recommendations

## Strong Customer Authentication

Should be less orientated to detailed technical standards and more focused on outcomes

## Open Banking enhancements

In the form of a dispute resolution mechanism for payments made, and person-to-person bank transfer journeys

## Impact of Digital Exclusion

Needs to be regularly assessed, as it is rapidly evolving



## Review of APP fraud rules

To be undertaken within 12 months, and for the UK government to set a more ambitious fraud crime reduction target beyond 2024

## Review of regulation of fintechs

With a view to reducing the complexity for smaller firms

## Alignment of regulatory activity

Is necessary to free up more capacity for innovation

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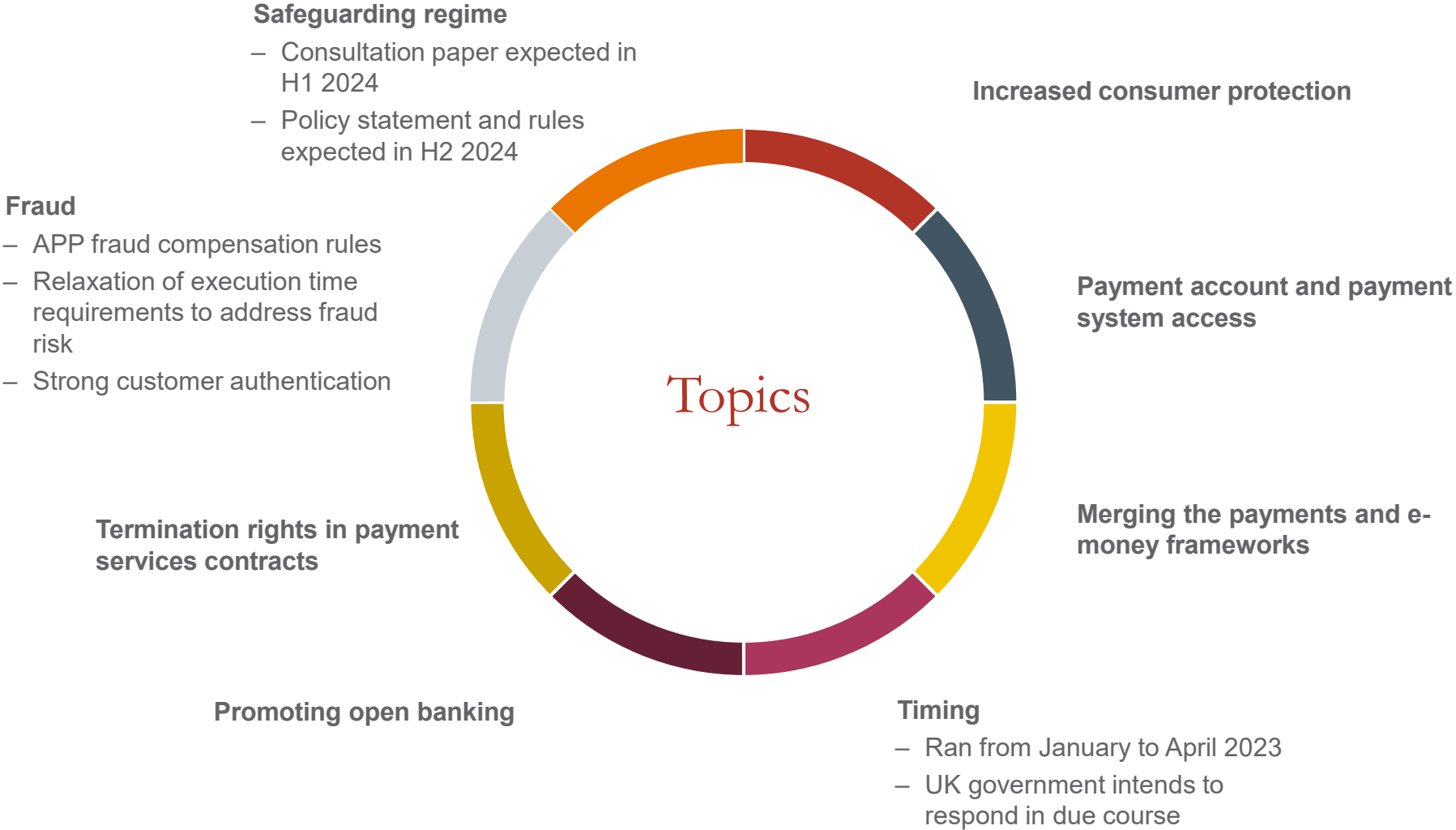
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# HM Treasury review and call for evidence on Payment Services Regulations 2017 (PSRs)



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# Payment service contract termination rule changes

## Extension of notice period

- Notice period for termination of a framework contract to be **extended from two months to 90 days**
- Except where the provider is obliged under legal or regulatory requirements to terminate the contract earlier, or where there is a risk of serious or significant harm to the customer, to staff, or another individual

## Clear and tailored reasons

- Clear and tailored explanatory reasons to be provided
- Except where it would be unlawful, inconsistent with wider legal and regulatory requirements, or would present risk of significant or serious harm to the customer, to staff, or another individual



## Amendments to PSRs

- Amendments will be required to Regulation 51 of the Payment Services Regulations 2017 (PSRs)
- Firms and services currently in-scope of the existing requirement under Regulation 51 of the PSRs will remain the same following amendment

## No specific information

- UK government does not intend to prescribe the specific information to be provided to a customer, where a provider decides to terminate a contract for the provision of a payment service



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# EU Payments and financial data access package

## EC publishes legislative proposals:

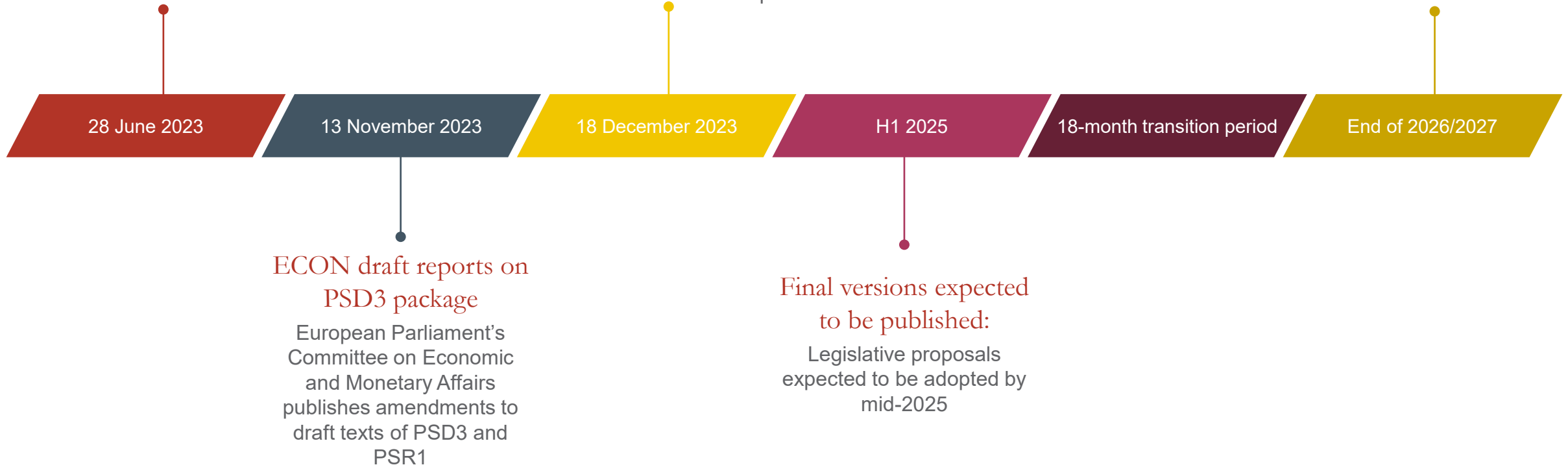
- Payment Services and Electronic Money Services Directive (PSD3)
- Payment Services Regulation (PSR1)
- Regulation on a Framework for Financial Data Access (FIDA)

## Council of EU progress report

Council of the EU progress report on PSD3 package focusing on fraud regime, and clarification of scope

## Legislation expected to come into force:

- PSD3 to take effect 18 months after entry into force (but amendments to Settlement Finality Directive (SFD) to apply after 6 months)
- Grandfathering for further 6 months after PSD3 takes effect (within which reauthorisation process)
- PSR1 to take effect 18 months after entry into force
- Articles 9-13 of FIDA to take effect 18 months after entry into force (other provisions applying from 24 months after entry into force)



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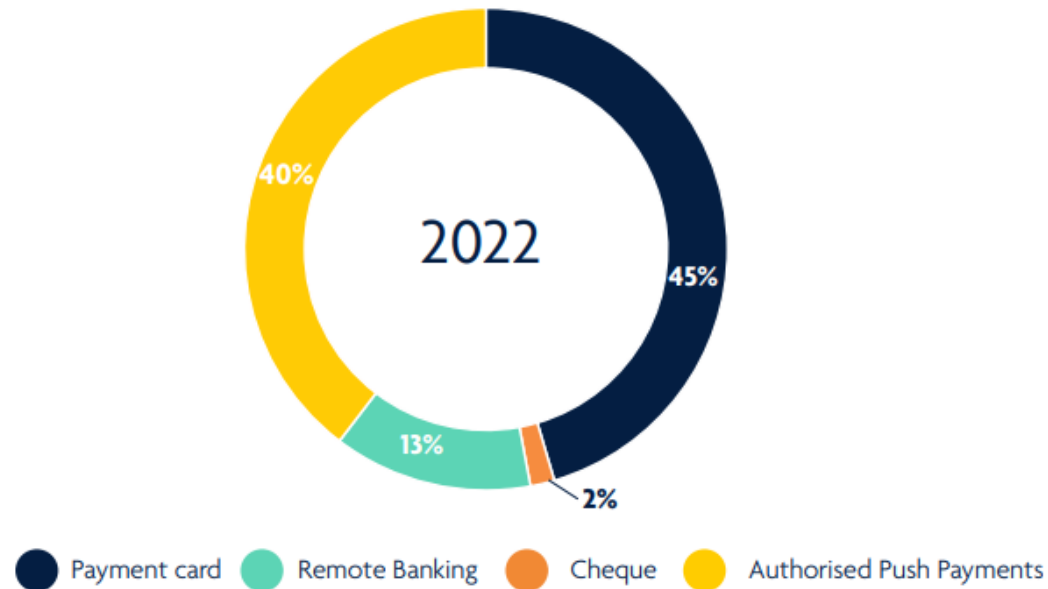
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# What are authorised push payment scams?

## Authorised push payment (APP) scams

- APP scams happen when someone is tricked into sending money to a fraudster posing as a genuine payee
- APP fraud losses estimated at £239.3 million in the first six months of 2023<sup>1</sup>

Total 2022 financial fraud losses by type % of total



*“77 per cent of all APP scams during [the first six months of] 2023 originated on an online platform of some description. This demonstrates the scale of fraud initiated outside of banks controls”*

<sup>1</sup> UK Finance – 2023 Half Year Fraud Report

# PSR mandatory reimbursement for APP fraud

The PSR has confirmed its new mandatory reimbursement requirement for authorised push payment (**APP**) scams within the Faster Payments system (**FPS**)

## Requirement

Payment service providers (**PSPs**) sending payments over FPS to/from an UK payment account will have to reimburse APP scam victims who are consumers, micro-enterprises or small charities

## Exceptions

- (i) Customer has acted fraudulently
- (ii) Customer standard of caution not met (due to gross negligence)
- (iii) Civil dispute
- (iv) Payment for an unlawful purpose

## Sharing cost of reimbursement

Receiving PSPs must pay sending PSPs 50% of the reimbursement that the sending PSP paid to the customer



## Time limits

Sending PSPs must reimburse customers within five business days unless they have evidence or reasonable grounds for suspicion of fraud/gross negligence. A 'stop the clock' mechanism can be used for up to 35 business days

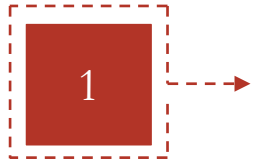
## Claim excess

Sending PSPs have the option to apply an excess up to GBP100 to a claim under the policy, except for claims made by vulnerable consumers

## Maximum level of reimbursement

The sending PSP is not obliged to reimburse above the maximum level of reimbursement, which the PSR has set at GBP415,000, for a single APP scam case

# Consumer standard of caution



**Fraud interventions** – Customer should have regard to specific, directed interventions raised by their sending PSP or competent national authority, such as the police, before an APP is executed. The intervention must offer a clear assessment of the probability that an intended payment is an APP scam payment



**Prompt notification** – Customer should, upon learning or suspecting that they have fallen victim to an APP scam, report the matter promptly to their sending PSP and, in any event, not more than 13 months after the date on which the last relevant APP scam payment was executed



**Information sharing** – Customer should respond to any reasonable and proportionate requests for information made by their sending PSP for the purposes of assessing a claim for reimbursement

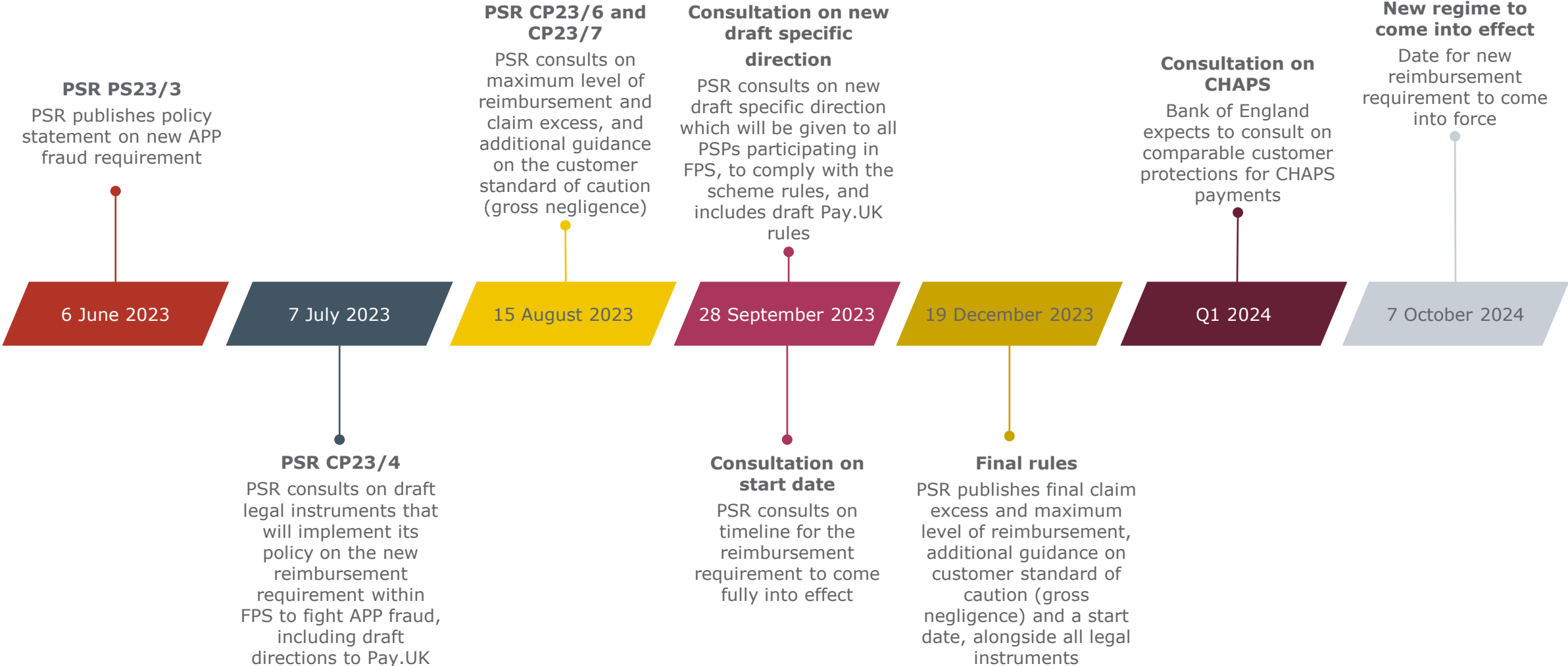


**Police reporting** – Customer should, after making a reimbursement claim, and upon their PSP's request, consent to the PSP reporting to the police on the customer's behalf, or the PSP may request that the consumer reports the details of the APP scam directly to the police.

“**Vulnerable**” customers are entitled to reimbursement even if they breach consumer standard of caution



# New APP fraud scheme – Timeline



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# Confirmation of Payee

The Confirmation of Payee (CoP) service is designed to prevent accidentally misdirected payments and APP scams by checking the name of the account holder with the account number and sort code

## Group 1 PSPs

- Group 1 PSPs are larger and/or more complex
- Obligation to have and use a CoP system with send and respond capability from **31 October 2023**

## Group 2 PSPs

- Group 2 PSPs includes all other PSPs that use unique sort codes, or are building societies using an SRD reference type
- Must have and use a CoP system with send and respond CoP capability **after 31 October 2024**

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# Future of open banking and the Joint Regulatory Oversight Committee (JROC)


 – JROC publication of its recommendations for the next phase of open banking (April 2023)

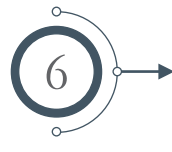
 – Transition of open banking to a future entity


 – Roadmap - five themes that will be progressed in the next two years:

- levelling up availability and performance
- mitigating the risks of financial crime
- ensuring effective consumer protection if something goes wrong
- improving information flows to TPPs and end users
- promoting additional services, using non-sweeping variable recurring payments (VRPs) as a pilot

# Future of open banking and the Joint Regulatory Oversight Committee (JROC)

 – JROC to commence Phase 2 of roadmap actions in Q1 2024, and Phase 3 within 2 years

 – UK government intends to legislate in 2024 to support the long-term regulatory framework for open banking

 – Future Entity Working Group: looking at governance, structure and funding of future entity

– VRP Working Group: progressing delivery of VRPs on a commercial basis, and considering formal dispute resolution framework for open banking

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# FIDA: from open banking to open finance

## General principle:

- “Open banking” is limited to payments sector
- Use the PSD2 open banking lessons for the broader financial sector: “Open Finance”
- Regulate access to financial data, so that consumers and firms can obtain better financial products and services
- **Difference with PSD2/3:** no principle of non-contractual access and free of charge – data holders (financial institutions) may agree on sharing schemes with data users (e.g. fintech) and may receive a reasonable compensation

## Which data & which institutions are in scope?

- Essentially **all regulated financial institutions** will be in scope as “data holders”
- Very **broad range of data** is covered: all data that financial institutions will typically collect and store (user data, transaction data, *etc.*)
- In-scope data holders must make data available, without undue delay and on a continuous basis
- FIDA regulates permissions and communications
- New type of regulated entity: “financial information service provider”

## FIDA and PSPs?

- “Data holders”: must make data available
- Put in place permission dashboards to monitor and manage the permissions a customer has provided to “data users”

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# PSR market review of cross-border interchange fees

The PSR published its interim report on its market review into UK-EEA consumer cross-border interchange fees on 13 December 2023. It is proposing to introduce a price cap in two possible stages:

## Stage 1

- An initial time-limited cap of:
  - 0.2% for UK-EEA consumer debit transactions; and
  - 0.3% for consumer credit transactions
- where the transactions are made online at UK businesses



## Stage 2

- A lasting cap in the future, once further analysis has been carried out to establish an appropriate level



# Questions?

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