

Pay.UK Strategy

**Our foundation
for the future
2021-2026**



Contents

1. Our purpose	3
2. Our vision	5
3. Our goals – the way we deliver our vision	8
4. How we achieve our goals: platform leadership	9
5. Our stakeholders	11
6. Our culture	12
7. Making it happen	13



Our purpose

To power payments, champion innovation and give the UK choice in how it pays.



Our purpose continued

We enable individuals and organisations in the UK to transfer money to others whenever they need to, quickly, safely and cheaply.

Every day¹ £23.5 billion of retail payments are made in the UK by individuals, businesses and organisations. Some £20.3 billion of this daily total travels through our platform-making ours by far the most heavily used retail payments platform in the UK.

We launched as Pay.UK in 2018, bringing the three national retail payment schemes together, into a single, consolidated, not-for-profit operation.

We are supervised by the Bank of England's Financial Market Infrastructure Directorate (FMID) and regulated by the Payment Systems Regulator (PSR). We also provide the Current Account Switch Service in accordance with the requirements given to us by the Competition and Markets Authority (CMA).

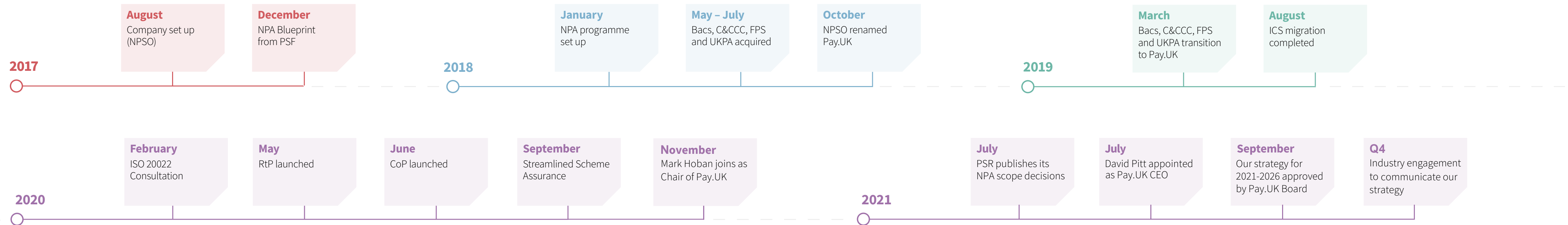
Our role

- To ensure that payments flow without interruption: salaries, benefits, bills, mortgages and other internet and mobile banking payments
- To drive competition and innovation in the market including, for example, new services that result from the introduction of financial data sharing under Open Banking² rules and standards by continually modernising today's and tomorrow's platform.

By doing this, we enable greater payment choice for individuals and organisations.

However, our pre-eminent position is not guaranteed by law or regulation. We must continuously earn our place in the market and retain the trust and confidence of our end users, customers, regulators and policy makers.

Timeline 2017 – 2020



¹ When averaged out across the year in 2020.

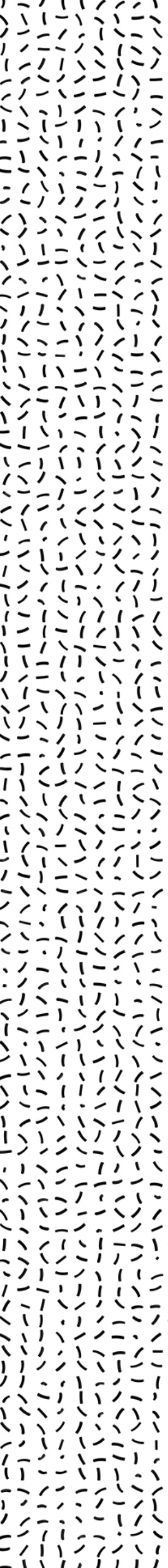
² Open Banking is the way in which individuals and organisations can use their transaction data to access better financial products and services. It has been created to empower users, but only with their consent. <https://www.openbanking.org.uk/>

C&CCC - Cheque and Credit Clearing Company
 CoP - Confirmation of Payee
 FPS - Faster Payment System
 ICS - Image Clearing System
 NPA - New Payments Architecture

NPSO - New Payment System Operator
 PSF - Payments Strategy Forum
 RtP - Request to Pay
 UKPA - UK Payments Administration

Our vision

To be the smartest way to
move money, now and in
the future.



We operate in an increasingly demanding environment

End users expect more

- They are becoming more demanding. They increasingly expect to make and receive payments in real time, ever more safely, and at minimal cost

Our customers need to do more

- Our customers need to continually digitise the way they provide services to end users. We need to meet their changing needs to ensure we remain relevant

Technology is advancing rapidly

- Innovation and competition are accelerating, thanks in part to the adoption of open application programming interfaces (APIs) that allow direct communication between different organisations' technology systems. The embedding of digital banking services within other online activities such as e-commerce is also a key factor

Competition has a new look

- In parallel with the fast pace of technological change, there has been an emergence of alternative payment fintech innovators introducing new, highly-competitive business models
- Technology companies are building attractive payment solutions to win and keep customers, defend their core revenue streams and create new ones

We are competing against global players

- Retail payments are becoming more international, creating competitive advantages for global operators
- The move towards global payments standards is reducing friction for cross-border payments

Regulators and policy makers are shaping the future payments landscape

- FMID supervises the robustness and resilience of our services in the face of increasing risks in the evolving payments ecosystem
- The PSR is supporting us to improve competition and services to end users
- HM Treasury is focusing on the regulatory regime for financial and payment services, including the Financial Conduct Authority (FCA) and the CMA, which regulate our key customers.

Our vision, to be the smartest way to move money, now and in the future, drives everything we do, and builds on our mandate as a payment system operator.

Only by continuing to run a robust, resilient, and cost effective platform, can we deliver greater value for end users and customers. This will include identifying and mitigating systemic risk to us, to our customers and ultimately to end users, setting rules and standards in line with our organisational risk appetite, and monitoring and ensuring compliance.

We deliver this greater value by leveraging our technology and our rules and standards, plus associated controls and policies, which combine to give us a powerful platform, for the benefit of all our users.

Our vision continued**Delivering greater benefits**

Building on our obligations as a payment system operator, we focus intently on delivering value for end users and customers, today and in the future.

We invest in developing our technology so that it can handle greater volumes of payments at lower cost.

We work to widen access to our platform, increase choice in the market, foster innovation and address concerns, including end user protections and fraud.

We look to **add value** for payments, today and tomorrow.

➤ **TODAY**
By delivering a full programme of enhancements to our current platform

➤ **TOMORROW**
by delivering a powerful next generation payments platform, with capability to process real-time, data-rich, interoperable payments.

TODAY**Enhancing our current platform**

We are investing in a full programme of upgrades, focusing on areas where we can provide benefits quickly and efficiently.

We are **driving value** for end users, the economy, and current and future customers by

- Upgrading our platform to improve processing capacity
- Developing further options to combat authorised push payment (APP) fraud
- Identifying the appropriate role for us in consumer protection
- Enabling better data sharing, such as working with HMRC to pilot a data and payments overlay service
- Enhancing our mobile payments functionality (Paym) to increase reach
- Reviewing, with a view to improving, the efficiency of the Image Clearing System
- Enhancing a number of processes that support Direct Debits and Direct Credits for the benefit of end users
- Managing systemic risk as well as operational risk across our ecosystem to ensure that our platform is robust and resilient, and that payments remain safe and secure at all times.

TOMORROW**Delivering our next generation payments platform**

Our next generation payments platform will carry real-time payments that include more data and connect seamlessly to other payment systems.

We will ensure the platform delivers long-term value aligned to our focus and vision as a key enabler of our strategy. We have worked with the wider payments industry to set its scope collaboratively and agree the strategic principles for the programme.

Robust, resilient and scalable

- New technology will enhance the resilience we already deliver. The evolution of payments – especially rising volumes and frequency of smaller value payments – will enable us to focus on solutions that offer greater and more cost-effective scalability for end users

Adoption of the ISO 20022 messaging standard

- Moving to a globally-recognised messaging standard for payments will bring major benefits, enabling us to develop new services for the benefit of end users, and providing valuable additional data functionality to our customers

Real-time capability, enabling flexibility and choice

- We will enable real-time point-of-sale payments to deliver greater choice of payment method for end users. Reducing the proportion of transactions made by card will benefit the UK economy by removing associated costs

Lower barriers to entry

- Working closely with the Bank of England, we will ensure that the next generation payments platform will deliver more connectivity options for our customers and an automated, on-demand testing environment. We will also provide simplified access to the data on our platform to enable customers to create new propositions for end users

Safe and secure environment

- We will replace our current identity management solution to improve cost efficiency and provide enhanced connectivity options. We will also ensure the new platform is equipped to combat fraud and financial crime, providing a safe and secure environment for end users and customers

Data benefits for end users and customers

- We will make data available to the market in a secure, compliant way, to facilitate the development of innovative, competitive services such as overlays.

Our goals: the way we deliver our vision

Our goals drive benefits for end users and the economy, and current and future customers.

Drive enduring resilience

- Identify and mitigate systemic risk across our platform
- Continually enhance our platform
- Proactively manage our suppliers

Deliver value

- Deliver cost-efficient payment services
- Get the best value from our suppliers
- Automate and enhance processes that drive efficiencies
- Drive platform value through use of data

Strengthen safety and security

- Deliver continually evolving fraud detection and prevention functionality, rules and standards
- Work with the wider industry and beyond to mitigate fraud and enhance consumer protection
- Build deep insight based on global trends and react accordingly

Enhance access and innovation

- Enable better use of data for others to innovate on our platform for the benefit of end users
- Evolve our platform to drive end user focused innovation
- Provide choice in the way our customers connect to our platform

Increase customer satisfaction

- Proactively respond to the evolving needs of our customers
- Monitor and track customer satisfaction and understand changing end user needs
- Continual outcomes-focused engagement with our customers

Inspire our colleagues

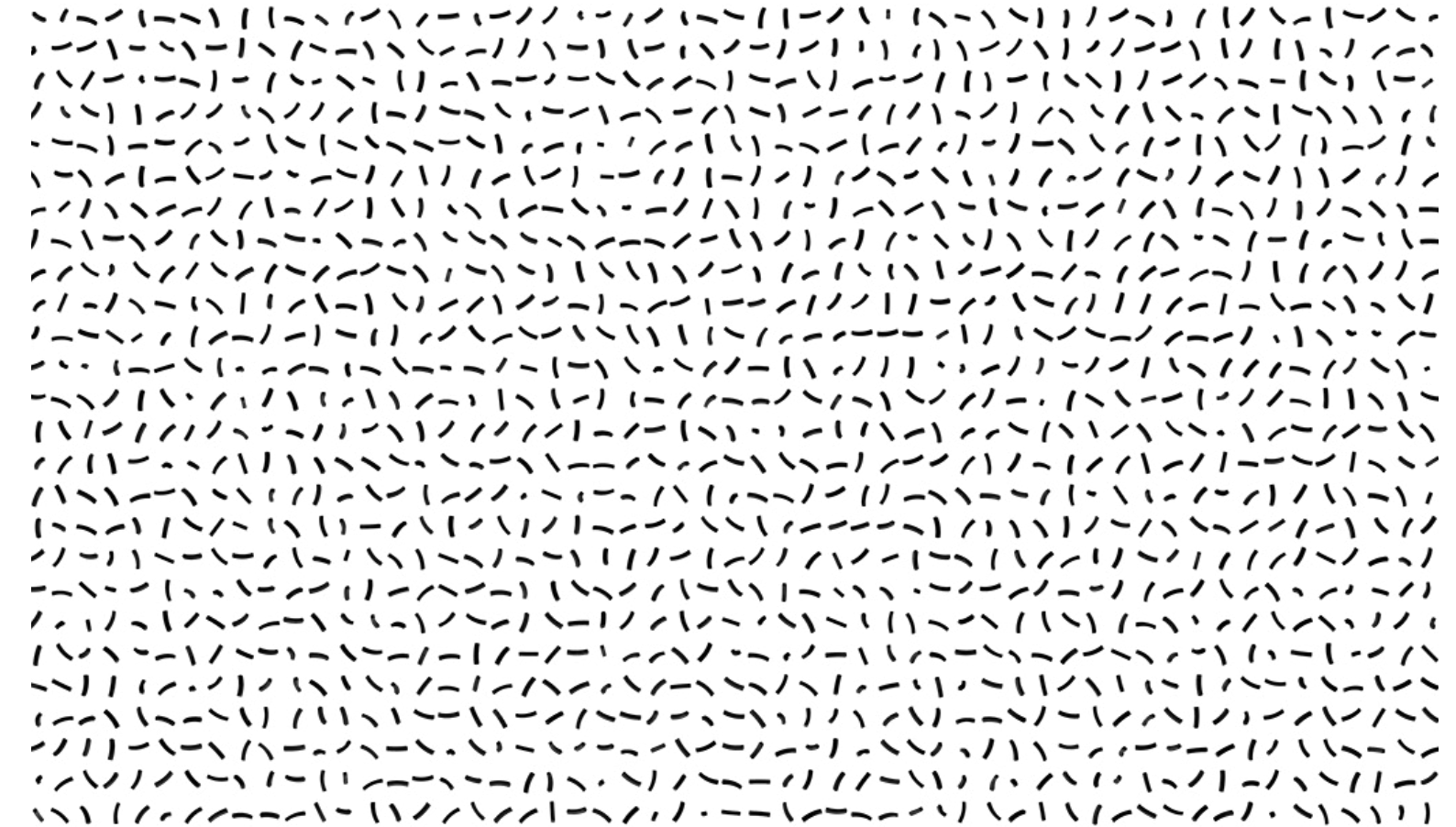
- Develop an empowering and inclusive culture
- Focus on attracting, developing and retaining talent
- Live our values and deliver results.

How we achieve our goals: platform leadership

We have a critical role in supporting the UK economy.

Our technology, and our rules and standards, plus associated controls and policies, combine to give us a powerful platform.

We will build on our platform, reinforcing our position of leadership in the payments market and beyond.



How we achieve our goals continued

We will

- **Ensure the robustness and resilience of our platform, setting rules, standards, controls and policies for the benefit of all those who interact with us or rely on our services**

We won't do anything that might compromise the robustness or resilience of our platform, or conflict with our role as a systemic risk manager

- **Transform our organisation and culture to support open and transparent dialogue**

We won't shy away from having difficult conversations

- **Ensure our platform delivers the greatest possible value and efficiency for current and new customers**

We won't compete with our customers, or restrict or direct their business models

- **Facilitate market growth, competition and innovation**

We won't offer products and services for the benefit of end users ourselves, unless the market cannot or will not do so

- **Operate with a commercial mindset – especially as we enable richer data and encourage more customers to access our platform**

We won't engage in activities that are not on our strategic roadmap

- **Ensure our decisions are based on deep insight and are aligned with our strategy, enabling us to speak with a credible and independent voice**

We won't change our approach on demand without evidence

- **Align our strategic objectives with those of our regulators**

We won't work in isolation.

Platform leadership in practise

Deep insights

We run an ongoing deep insights programme to inform our house views and the decisions we make to effect change. This gives us a strong independent voice. This includes research and analysis, horizon scanning, market and business intelligence, policy and academic engagement.



House views

These are our opinions on ongoing topics that we consider important for us, end users, our current and future customers, and the wider economy. Our house views position us as the natural voice of UK payments, and inform our decision making.



Decision making framework

This determines what sits within or falls outside our strategy, setting out where we have a unique role to play and how and where others should take the lead. It enables us to determine our approach – as market leaders, enablers or facilitators, or indeed where we should do nothing. Our decisions in turn fuel our strategic roadmap.



Strategic roadmap

Our roadmap shows what we are investing in, what we will achieve and when we will deliver. Wide industry engagement will enable customers, including overlay and other solutions providers, to plan their own investments to leverage the commercial opportunities that our developments facilitate. This, in turn, will drive customer innovation and competition to deliver end user benefit.

Stakeholder engagement

We will build strong relationships and effective coalitions with the industry and the end users we serve, as well as regulators and policy makers.

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.

Our stakeholders

A wide variety of organisations depend on our payments platform, or are otherwise affected by our activities.

End users

- These are individuals and organisations that make and receive payments processed through our platform. Collectively our goals and our work drive benefits for end users

Customers

- Customers are organisations that directly or indirectly buy or use our platform to deliver services to end users. These include payment service providers³ and other commercial relationships such as aggregators⁴, bureaux⁵ and other solutions providers such as suppliers of overlay services⁶

Regulators and policy makers

- These are organisations that set and monitor regulation and policy for our industry.

³ These include banks, building societies and other financial institutions.

⁴ Aggregators provide connection to our platform and related services for multiple payment service providers, reducing the costs of connecting with us.

⁵ Bureaux are third party suppliers that offer software and related services to payment service providers and larger corporate users to enable them to submit payments to us in a compliant way.

⁶ Overlay providers are usually third-party technology firms that provide value-added overlay propositions. Overlays are software solutions that sit on top of our payment platform to provide an enhanced service.



Our culture

In delivering our vision, we ask each person in our organisation to take responsibility for creating the culture that will enable us to succeed.

To deliver our goals, we

- Put end users, from individuals to organisations, at the heart of everything we do
- Lead the conversation, from sparking insight to creating demand for our services
- Protect our platform and our organisation, so that payments always flow
- Inspire colleagues, customers and others to choose us
- Leverage technology to improve everything we do.

By creating this culture we deliver on our promises and maintain the trust of our colleagues, end users and all our stakeholders.



Making it happen

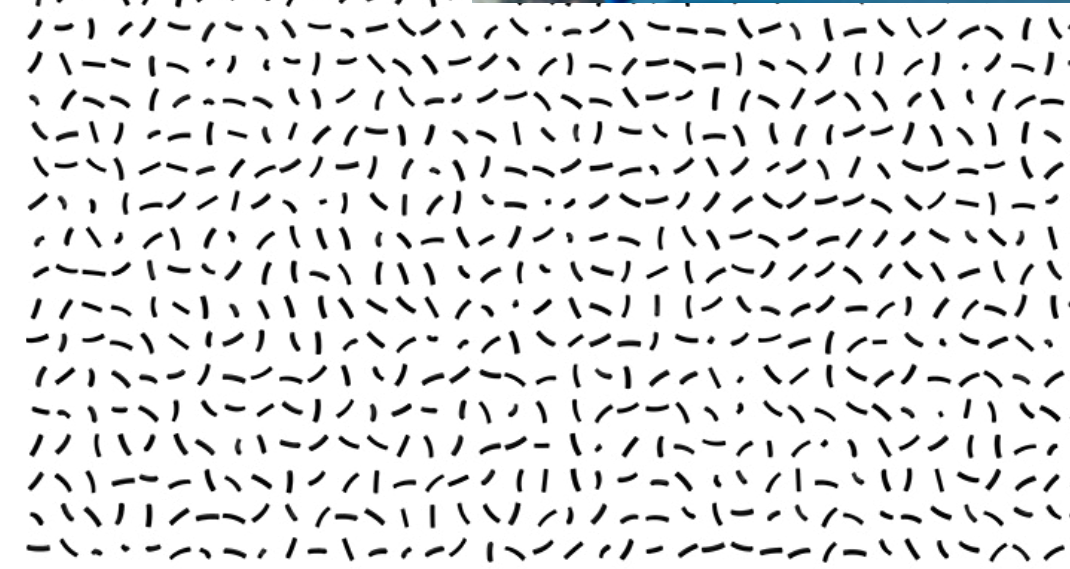
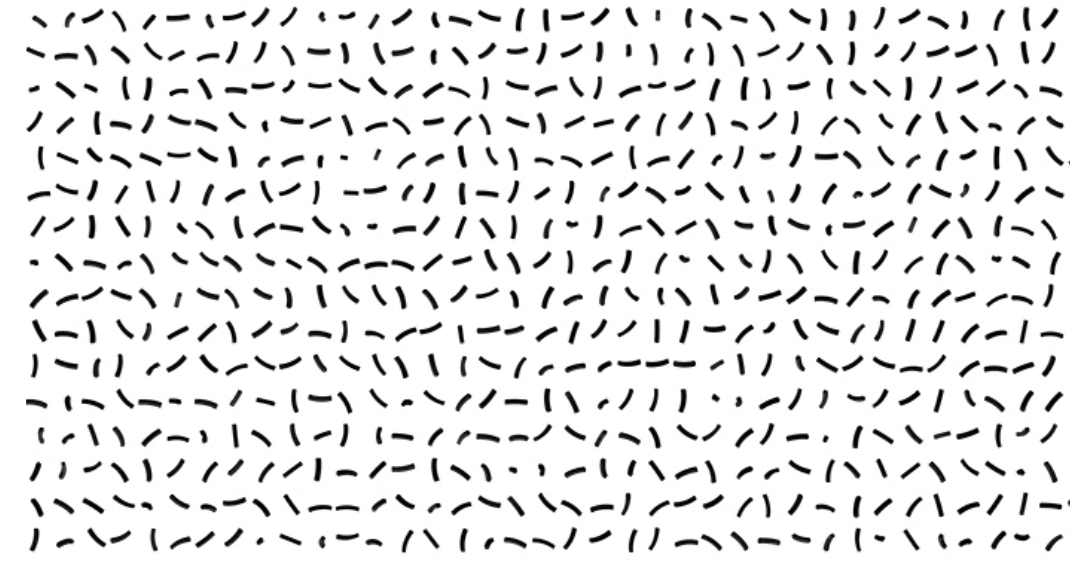
We control critical national infrastructure that plays a pivotal role in the UK economy.

We are a young organisation that has already delivered significant benefit, but the real work lies ahead.

Our strategy gives us the framework we need to deliver what our end users, current and future customers, and our regulators and policy makers want: a secure, efficient and well-managed evolving payments platform today, and a next-generation payments platform for the future. These will continue to keep the UK at the forefront of the global payments industry.

The payments industry is continuously evolving. We will expand commercial opportunities for today's customers and provide a welcoming environment for the innovators developing tomorrow's exciting payment services.

We will devote all of our energy over the next five years to achieving our goals, strengthening our organisation and culture in the process. By doing this, we will engender trust: trust in our strategy, trust in our delivery, trust in our platform - powering payments for the UK.





Pay.UK Limited

Company Registration No. 10872449

(A Company Limited by Guarantee)