



Electronic Money Association

Crescent House

5 The Crescent

Surbiton

Surrey

KT6 4BN

United Kingdom

Telephone: +44 (0) 20 8399 2066

Facsimile: +44 (0) 870 762 5063

www.e-ma.org

Chris Hemsley
Managing Director
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

Email to: cop.consultation@psr.org.uk

15 July 2022

Dear Chris

Re: EMA response to PSR CP 22/2 Confirmation of Payee: Requirements for further participation in CoP

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide that provide online payments, card-based products, electronic vouchers and mobile payment instruments. They also include a large number of smaller Payment Service Providers, including startups. The majority of EMA members are authorized in the UK, and operate across the EU, most frequently on a cross-border basis. A list of current EMA members is provided at the end of this document.

We welcome the opportunity to respond to the PSR's Consultation on giving a specific Direction regarding the implementation of Confirmation of Payee by a large number of PSPs, including several EMA members.

I would be grateful for your consideration of our concerns.

Yours sincerely

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association



EMA response to the Consultation

Question 1: Do you have any comments on our proposed approach outlined above? We also outline the draft direction in Annex 2. Please include any comments on:

a. Whether a specific direction is the most appropriate way to ensure we achieve our objective of the widespread use of CoP.

EMA members are supportive of the widespread adoption of Confirmation of Payee within the UK as the benefit to both the market and consumers is apparent. It will help to address certain types of payment fraud and reduce the number of misdirected payments.

A specific direction is also more likely to meet the PSR's objectives as it will capture the PSPs and transactions that are at most risk of APP fraud.

We do however query the number of PSPs included in both groups, the proposed timescales for rolling out support for CoP service interactions, and suggest that the total build cost for all those PSPs joining, and those that are already members may outweigh the benefit in terms of numbers of transactions covered, and overall benefit to UK consumers. We note that CoP by itself will make a modest impact in combating APP fraud, as many APP scam typologies involve genuine account holder names and numbers. There may be other more relevant fraud prevention methods that should be explored before directing the majority of UK PSPs to invest further effort, resources and time to support CoP service interactions.

The categories of PSPs we are proposing to direct in Group 1. Include any comments on whether Group 1 is focused on the most appropriate PSPs to direct.

We acknowledge the PSR's use of certain criteria to determine which PSPs should be in Group 1. However, given that the PSR's focus and objectives appear to be on consumer-facing transactions and on addressing fraud, we suggest that the criteria used to identify the PSPs in Group 1 should be more weighted towards proportion of consumer fraud and on PSPs that are consumer-facing. Those with only/largely corporate customers should instead be placed in Group 2.

Firms that operate primarily cross-border are also likely to be applying CoP to few transactions after they join the service. We suggest these firms should also be excluded from Group 1. Otherwise, these PSPs will be required to expend time and resources to join CoP, and only use the service for a small fraction of their transaction volume.

PSPs in Group 1 that have HOCA accounts or are indirect PSPs are concerned that their ability to connect to other PSPs and test against them will depend on the adoption of the Secondary Reference Data (SRD) capability by other Confirmation of Payee service



participants. It is not yet clear how many firms have, or will have, built SRD capability by the PSR deadline of August 2022.

b. Whether Group 2 remains appropriate considering the size of the group to be directed.

The current definition of PSPs in Group 2 is very broad, and encompasses a large number of PSPs; it will be very challenging to onboard all of these PSPs before June 2024. The process will be challenging to manage not only from the perspective of Group 2 PSPs, but also for current participants and Group 1 PSPs, for Pay.UK, for CoP TSPs and also for the PSR, who may be required to process a large number of queries, exemption requests, deadline extension requests etc.

In light of the limited benefit of extending CoP to Group 2 PSPs (according to the PSR Consultation Paper, bringing some 1% of current FPS transactions within the scope of CoP), the cost and effort of widening CoP participation to a further 350 PSPs seems disproportionate.

The PSR may wish to consider excluding further types of PSPs than those listed in draft Direction. Specifically:

- PSPs whose business model means they have limited exposure to fraud, such as merchant payment settlement firms
- PSPs who mainly process cross-border transactions, none of which fall within the scope of CoP
- PSPs who have very low fraud rates

c. If you are a PSP that we are proposing to direct, we welcome your views on our proposal to direct you considering the policy intention outlined in our consultation.

N/A

d. Given the significant differences in types of institution covered by our proposed direction, is it clear in the policy and the direction, who is covered by it, and what is in scope, and what/who would be out of scope?

Some EMA members that process mainly large volumes of batch and corporate payments or host to host/API based payment instructions (i.e. payments that are not Single Immediate Payments). The PSR may like to consider also exempting such payment instructions from a requirement to conduct CoP before processing, as well as bulk payments as set out in the draft Direction 4.2, first bullet point.

We understand that the exceptions set out in the draft Direction paragraph 4.3 applies to the accounts listed in the bullet points, and not only when the relevant PSP provides only these services. The wording does not appear to be clear on this point, and seems to suggest that only PSPs that offer ONLY these accounts may be exempt from the requirements.

e. Our approach to stagger the implementation of CoP. Where there might be capacity issues, could there be a way to refine this process?

There are a number of significant capacity issues and dependencies that should first be addressed before requiring large numbers of PSPs to implement CoP, as proposed by the PSR draft direction:

- The CoP Rules are in the process of being amended by Pay.UK in order to allow accreditation by suppliers/vendors. The new accreditation process is not expected to be in place until early 2023. Once it has been set up, the new supplier role will need to be recognised by existing service participants, and suppliers will need to go through the accreditation process before Group 1 or Group 2 PSPs can begin to consider implementing CoP through a supplier. This could take several months, and will bring PSPs very close to the deadline of June 2023 before they can onboard with a supplier.
- The number of vendors with an active viable product is very limited; we understand there are currently only 5 that are operational.
- A number of EMA members listed in Group 1 have joined the Confirmation of Payee service already, or are in the process of doing so, and have concerns more about their capacity to build connections to the 50 or so new PSPs that are scheduled to join in the next 12 months under the draft Direction, let alone the additional 350 by 2024.
- This is exacerbated in particular by the need to build SRD functionality and connections, which can be different for different PSPs.
- We understand that migration from Phase 1 to Phase 2 required effort from almost all PSPs on both sides due to ambiguity in the CoP technical specifications, and participants being designated as discoverable in Production without having full CoP service interaction capabilities. This should also be addressed before CoP is mandated for a larger number of PSPs.

f. Whether the direction should direct for both ‘send’ and ‘respond’ capabilities for both Group 1 and Group 2?

As the ‘Send’ capability is only relevant for certain types of customers and certain transactions, the PSR could consider requiring only ‘Respond’ capability for the following PSPs:

- PSPs experiencing negligible APP fraud and/or extremely low fraud rates
- PSPs operating primarily cross-border
- PSPs with only, or mainly, corporate clients

The PSR’s objective of achieving 99% coverage across the industry may be possible by mandating ‘Respond’ only from entities that are not CoP participants, at present.

g. Whether the dates set out in the proposed direction are realistic and achievable?

As set out under point e, the timeline proposed by the PSR will be challenging to manage, not only for the directed PSPs, but also for existing participant PSPs, for Pay.UK who will be onboarding them, and for the PSR who may be supervising and addressing their queries, requests for delays, requests for exemption etc.



PSPs operating a service distribution model (programme managers) will also need extra time to implement on both the send and respond side, as they will be reliant on their partners to make the necessary changes.

Many PSPs have already allocated their technical build budgets for 2022, and will not therefore be able to start a project such as implementation of CoP-related changes in 2022, leaving even less time before the proposed deadline of June 2023. Directing PSPs to implement CoP hurriedly represents a lost opportunity in terms of other service development activities that will need to be deferred, particularly for smaller firms who have limited technology development resources.

We suggest, given the technical changes still needed as set out under our response to 1(e), that the PSR should require Pay.Uk to make the necessary changes first, and then Direct PSPs to implement CoP.

A timeline of June 2024 for Group 1 PSPs, and of June 2025 for Group 2 PSPs to join the CoP service is more realistic, given the number of dependencies set out above.

h. Our proposed approach to be exempted from implementing a CoP system. Are there other approaches that we could consider?

As set out in our response to 1(b), the PSR should consider exempting further categories of PSPs:

- PSPs whose business model means they have limited exposure to fraud, such as merchant payment settlement firms
- PSPs who mainly process cross-border transactions, none of which fall within the scope of CoP
- PSPs who have very low fraud rates, for example PSPs who have very low fraud rates, *(for example lower than the highest reference fraud rate that allows a PSP to use the Transaction Risk Analysis (TRA) Exemption in the UK Regulatory Technical Standard for Strong Customer Authentication and Common and Secure Communication -> 0.13% for remote electronic card payments, 0.015% for remote credit transfers)*

i. Our rationale for not directing every indirect HoCA PSP?

We agree that not every indirect HoCA PSPs should be directed. As set out above, the number of PSPs within the scope of the PSR's draft direction already poses a significant implementation challenge for existing participants, Pay.UK and the PSR, without adding HoCA PSPs as well.

j. Any other representations about the proposed direction.

Question 2: Do you have any views on whether we need to consult on a requirement to implement SRD because of the proposed Direction?



Although we have a number of members who will need SRD as responders, given the capability challenges already stated, we do not consider that a requirement to implement SRD would be helpful at this stage.

However if the PSR is considering such a requirement, a consultation would indeed be necessary, as it is likely not all existing participants will adopt the SRD functionality by August 2022, and therefore PSPs that are indirect participants will be unable to connect with every PSP. There are also a number of technical complexities that need to be addressed.

Question 3: Do you have any views on the PSR's expectation that Pay.UK and/or the Bank of England as the operator of CHAPS (in respect of retail payments) consider a rule change to require CoP for payments in those systems to be consistent with the Group 1 timeline?

We note that the costs for implementing CoP service requirements and some elements of the ongoing access costs are likely to be fixed, and therefore will have a higher impact on smaller PSPs than on bigger PSPs. On the other hand, extending CoP to the proposed ~400 PSPs would only extend the reach to a further ~5% of the market. Additionally, some PSPs with specific business models do not experience APP fraud, and therefore the benefits from requiring these PSPs to implement CoP would be very limited.

Introducing a change to the CHAPS scheme rules to mandate CoP for CHAPS transactions would not be an appropriate method to ensure CoP adoption across the industry. In particular, requiring such a change according to the Group 1 timeline would be particularly challenging, given the reasons set out under Question 1.

CoP is required when setting up a new payee or changing an existing payee's details, and is not necessarily attached to a payment. It is difficult to see how the CHAPS scheme rules could mandate the use of CoP before initiating or completing a payment.

Many CHAPS transactions run a very low risk of being subject to APP fraud, such as transactions that do not involve consumer accounts or regular payments to the same payee(s). It would be disproportionate to require CoP for CHAPS payments through the scheme rules.

Question 4: Do you have any comments on our CBA? We welcome any further information about the costs and benefits relating to directing the implementation of CoP to the additional PSPs.

We acknowledge the benefits that CoP has provided to the UK payments industry and to consumers.

We note however that despite the implementation of CoP, the number of APP scams has increased significantly over the same period of time.¹ This is likely due to many factors, including COVID 19, but it is difficult to draw conclusions that CoP will, or has,

¹ According to the UK Finance Annual Fraud Report 2022, APP fraud increased by 39% in value and 27% in volume between 2020 and 2021. https://www.ukfinance.org.uk/system/files/2022-06/Annual%20Fraud%20Report%202022_FINAL_.pdf



made a significant dent in the number of APP scams. Fraudsters have likely evolved and are now using techniques that bypass the protection that CoP offers. CoP alone will be unable to address the growth in APP fraud typologies that target UK payment service users.

On the other hand, we consider that the cost and resources required to implement CoP, not only for directed PSPs, but also for existing participants, has not been fully considered. Given that directing up to 400 extra PSPs will bring a maximum of 5% of current transactions within the scope of the CoP service, we suggest the PSR reconsider the benefit of directing such a high number of PSPs to adopt CoP in such short timescales. Instead the PSR should ensure that Pay.Uk makes the requisite service accreditation changes to give third party suppliers a role, and remove technical ambiguities first before mandating the widespread adoption of CoP.

Question 5: Do you have any comments on our equality impact assessment?

No comment.



List of EMA members as of July 2022:

[AAVE LIMITED](#)
[Account Technologies](#)
[Airbnb Inc](#)
[Airwallex \(UK\) Limited](#)
[Allegro Group](#)
[Amazon.com](#)
[American Express](#)
[ArcaPay Ltd](#)
[Azimo Limited](#)
[Banked](#)
[Bitpanda Payments GmbH](#)
[Bitstamp](#)
[BlaBla Connect UK Ltd](#)
[Blackhawk Network Ltd](#)
[Boku Inc](#)
[Booking Holdings Financial Services International Limited](#)
[CashFlows](#)
[Circle](#)
[Citadel Commerce UK Ltd](#)
[Contis](#)
[Corner Banca SA](#)
[Crypto.com](#)
[Curve](#)
[eBay Sarl](#)
[ECOMMPAY Limited](#)
[Em@ney Plc](#)
[emerchantpay Group Ltd](#)
[ePayments Systems Limited](#)
[Etsy Ireland UC](#)
[Euronet Worldwide Inc](#)
[Facebook Payments International Ltd](#)
[Financial House Limited](#)
[First Rate Exchange Services](#)
[FIS](#)
[Flex-e-card](#)
[Flywire](#)
[Gemini](#)
[Global Currency Exchange Network Limited](#)
[Globepay Limited](#)
[GoCardless Ltd](#)
[Google Payment Ltd](#)
[HUBUC](#)
[IDT Financial Services Limited](#)
[Imagor SA](#)
[Ixaris Systems Ltd](#)
[MANGOPAY](#)
[Modulr FS Europe Limited](#)
[MONAVATE](#)
[Moneyhub Financial Technology Ltd](#)
[Moorwand](#)
[MuchBetter](#)
[myPOS Europe Limited](#)
[NOELSE PAY](#)
[NoFrixion Ltd](#)
[OFX](#)
[OKTO](#)
[One Money Mail Ltd](#)
[OpenPayd](#)
[Own.Solutions](#)
[Oxygen](#)
[Park Card Services Limited](#)
[Paymentsense Limited](#)
[Paynt](#)
[Payoneer Europe Limited](#)
[PayPal Europe Ltd](#)
[Paysafe Group](#)
[Plaid](#)
[PPRO Financial Ltd](#)
[PPS](#)
[Ramp Swaps Ltd](#)
[Remitly](#)
[Revolut](#)
[SafeCharge UK Limited](#)
[Securiclick Limited](#)
[Skrill Limited](#)
[Soldo Financial Services Ireland DAC](#)
[Square](#)
[Stripe](#)
[SumUp Limited](#)
[Syspay Ltd](#)
[Transact Payments Limited](#)
[TransferMate Global Payments](#)
[TrueLayer Limited](#)
[Trustly Group AB](#)
[Uber BV](#)
[Vitesse PSP Ltd](#)
[Viva Payments SA](#)
[Weavr Limited](#)
[WEX Europe UK Limited](#)
[Wirex Limited](#)
[Wise](#)
[WorldFirst](#)
[WorldRemit LTD](#)
[Yapily Ltd](#)