



FPS Reimbursement Rules: Compliance Monitoring Regime

Version 4.0

7 June 2024

Classification: Public



Contents

Documentation Information.....	3
Version history.....	3
Document reviewers	3
Copyright statement	3
1 Introduction to FPS APP Compliance Monitoring	4
2 Key Performance Indicators (KPIs) and Measures.....	6
3 Reporting Standards.....	7
4 Compliance Monitoring Dashboards and Indicators of potential non-compliance	11
5 Prioritisation of potential non-compliance alerts.....	14
6 Consequence Management	16
7 Pay.UK reporting to PSR	20
8 FPS APP Management forum.....	21
9 Publication and change management.....	22
10 Annex – Glossary	23

Documentation Information

Version history

Version	Date	Description
4.0	29/05/2024	Document baselined for publication on 7th June

Document reviewers

Version	Date	Description	Author	Comments
4.0	29/05/2024	C	Director of Standards, Senior Rules Governance Analyst	Final amendments following PSR feedback and document baselined

Action: P – Producer; C- Contributor; R – Reviewer; A – Authoriser; I – Information only

Copyright statement

© Copyright in this document lies with Pay.UK Limited. All rights reserved.

The copyright in this document is owned by Pay.UK Limited. All material, concepts and ideas detailed in this document are confidential to Pay.UK. This document shall not be used, disclosed, or copied in whole or in part for any purposes unless specifically approved by Pay.UK.

1 Introduction to FPS APP Compliance Monitoring

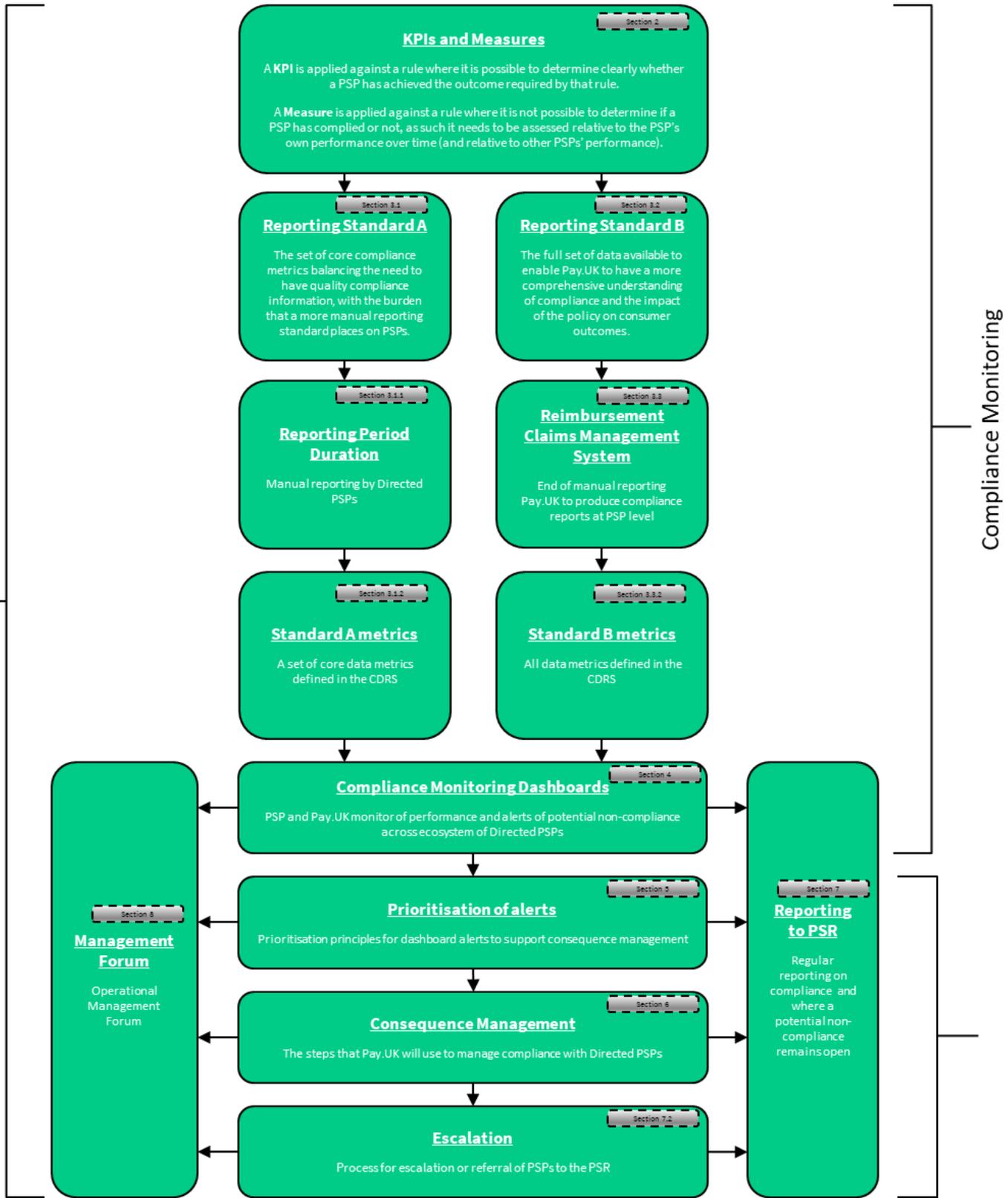
The PSR's APP scams reimbursement policy means that from 7 October 2024, the FPS Reimbursement Rules, Schedule 4 apply to all Reimbursable FPS APP scam payments executed over FPS by a Directed PSP, whether they are a Member of the Faster Payments Scheme or not. From that date, Directed PSPs must complete all actions required of them under the FPS reimbursement rules. As the FPS Payment System Operator, and in accordance with PSR Specific Direction 19, Pay.UK must monitor and manage Directed PSPs' compliance with the FPS reimbursement rules.

This document sets out how Pay.UK will monitor and manage Directed PSPs' compliance, both for Direct and Indirect participants. This includes compliance monitoring, managing the consequences of non-compliance by Directed PSPs, and how Pay.UK will work with the Directed PSPs and the PSR to report on compliance. This document contains principles for how Pay.UK expects compliance monitoring to operate, rather than prescriptive and specific rules for how it must behave in all scenarios. It is not possible to anticipate all scenarios that may arise in the reimbursement regime, and some discretion and flexibility will be required. Pay.UK will maintain ongoing close engagement with the PSR on how it is operating the compliance monitoring element of the reimbursement regime. It is likely that compliance monitoring will need to change as more experience is gained in operating the regime, and any such change will be put through the appropriate change management framework (described in section 10) and involve the PSR and PSPs as appropriate.

The FPS reimbursement rules are required by the PSR's Specific Requirement 1, and PSPs are mandated to follow these rules and report compliance data to Pay.UK under the PSR's Specific Direction 20. As a principle, Pay.UK will be responsible for monitoring compliance with the FPS reimbursement rules (as required by Specific Direction 19) but will not be monitoring PSPs' compliance against any PSR directions. Monitoring PSP compliance against regulatory directions remain the responsibility of the PSR.

1.1 Overview of the compliance monitoring regime

The below diagram sets out an overview of the different elements of the compliance monitoring regime and how they relate to each other. It also serves as a guide to how this document is structured.



2 Key Performance Indicators (KPIs) and Measures

At the core of compliance monitoring and management are a series of Key Performance Indicators (KPIs) and Measures which are aligned to the PSR's Compliance Data Reporting Standards (CDRS), which is subject to PSR consultation (May 2024). These KPIs and Measures have been designed to monitor and measure the compliance and performance of a Directed PSP against the requirements in the FPS reimbursement rules.

2.1.1 A KPI is applied against a rule where it is possible to determine clearly whether a PSP has achieved the outcome required by that rule.

2.1.2 A Measure is applied against a rule where it is not possible to determine if a PSP has complied or not, as such it needs to be assessed relative to the PSP's own performance over time and relative to other PSPs' performance to look for indicators of potential non-compliance.

The KPIs and Measures are used as indicators of a PSP's performance and form the basis for Pay.UK's decision-making on whether a PSP is potentially non-compliant with the FPS reimbursement rules. Section 3 describes how the KPIs and Measures relate to the two reporting standards that PSPs will be required to conform to. Section 4 describes how the KPIs and Measures will be used to determine indicators of PSP performance against the FPS reimbursement rules.

3 Reporting Standards

This section should be read in conjunction with the PSR's Compliance Data Reporting Standards (CDRS). The CDRS will set out in regulation what data PSPs are required to report to Pay.UK. This section is expected to be updated following publication of the PSR's final legal instruments relating to APP reimbursement in July 2024.

Directed PSPs are required to provide information, including data, to Pay.UK as the basis to monitor and manage compliance. From 7 October 2024, there will be two reporting standards; 'Reporting Standard A' and 'Reporting Standard B'. At the time of writing (April 2024) the PSR envisage that all PSPs must report under Standard A until 30 April 2025, after which all PSPs must report under Standard B. This, along with the contents of Standard A and Standard B, will be set out in the PSR's Specific Direction 20 and the PSR's Compliance Data Reporting Standards (CDRS).

As will be specified by the PSR, under Reporting Standard A, a Directed PSP must ensure it can provide, if required, operating evidence of compliance with the full set of FPS reimbursement rules, although PSPs will only report regularly to Pay.UK on a more limited set of data that gives Pay.UK oversight of core compliance metrics.

Under Reporting Standard B, Directed PSPs are required to make data and information, on a fuller set of metrics, available to Pay.UK through the Reimbursement Claims Management System (RCMS). This will remove the burden of manual reporting allowing Pay.UK to produce and review compliance reports at PSP level based on the claim-level data entered as part of the FPS APP scams reimbursement process.

3.1 Reporting Standard A

Directed PSPs will be required to report on a set of core compliance data metrics defined in the CDRS under Reporting Standard A. This data will be submitted by the Directed Sending PSP and will enable Pay.UK to understand compliance with the policy, from the implementation date of 7 October 2024 up until 30 April 2025, after which Reporting Standard B comes into effect for all Directed PSPs from 1 May 2025.

From 1 May 2025, Reporting Standard A will be the default standard used for contingency reporting arrangements as set out by the PSR in Specific Direction 20.

3.1.1 Reporting Standard A Period Duration and Reporting Due Date

Under Reporting Standard A, the data is submitted by the Sending PSP and includes only the claims relating to transactions it has sent, and not those it has received. Reporting periods will run from the first to the last day of each calendar month and reports will be due on the last business day of the month which follows the reporting period. Reports must be submitted to Pay.UK by each Directed PSP on the reporting due date by no later than 17:00hrs.

Exceptionally, as the effective date of 7 October 2024 is after the first day in October 2024, the inaugural reporting period will run from 7 October 2024 to 30 November 2024. Reports for that inaugural reporting period must therefore be submitted to Pay.UK by each Directed PSP by no later than 17:00hrs on the 2 January 2025.

Failure of any Directed PSP to report in line with the reporting Standard A requirements (including requirements set out in PSR legal instruments) in any reporting period will result in Pay.UK commencing consequence management and potential referral to the PSR.

As the cut-off day for each reporting period is the last calendar day of each month, it is recommended that all closed FPS APP scam claims up to and including the last day of the month, are included within that month's reporting. Any FPS APP scam claims that have been reported by a consumer and are being assessed, but have not exceeded 35 Business Days, should **not** be

included in the data for that month; instead these should be included within the next monthly reporting period.

Reporting Standard A data must be reported to Pay.UK in a manner that will ensure data integrity, security and privacy is maintained at all times. Each Directed PSP will be able to monitor their performance via their own compliance monitoring dashboard, which Pay.UK will make available from 7 October 2024. Each dashboard will be updated based on the data reported by each PSP after it has been processed by Pay.UK.

Directed PSPs are required to submit a nil return where the Sending PSP has not received any claims for transactions they have sent in the relevant reporting period.

3.1.2 Standard A metrics

Reporting Standard A data metrics will give Pay.UK oversight:

- a. that Consumers are being reimbursed within the required timeframes
- b. that the Sending PSP is notifying the Receiving PSP of FPS APP scam claims received
- c. that FPS APP scam claims are being apportioned between Sending and Receiving PSP
- d. of the Consumers who are assessed as vulnerable and reimbursed
- e. the operation of the Consumer Standard of Caution Exception

Where a Directed PSP's data shows potential non-compliances in the data metrics above, Pay.UK may request additional information from a PSP, within the current record keeping provisions proposed within the CDRS that is currently being consulted on, to test for potential non-compliance against the full set of FPS reimbursement rules (reflecting the PSR requirement for PSPs to record all data). This could then result in Pay.UK commencing the steps to prioritise the potential non-compliance and consequence management as set out in sections 5 and 6 respectively.

3.2 Reporting Standard B

Reporting Standard B will be effective for all PSPs from 1 May 2025, with all data specified in the CDRS to be reported to give Pay.UK holistic oversight of PSP compliance across all metrics. Directed PSPs do not need to undertake manual reporting as compliance data will be extracted directly by Pay.UK from the RCMS, therefore there is no reporting due date under Reporting Standard B as Pay.UK can monitor and manage compliance of PSPs in near-real time. This makes Reporting Standard B more efficient and effective compared to Reporting Standard A.

Data that Directed PSPs must report to the RCMS under Reporting Standard B is defined in the CDRS which Pay.UK has reflected in the FPS reimbursement rules data standard. The standard ensures that there is a clear definition of the minimum data that each PSP must be able to report to the RCMS. It also enables Directed PSPs to technically interoperate together via the RCMS in the exchange of data to collaborate in the assessment of FPS APP scam claims as required by the FPS reimbursement rules.

3.3 Reimbursement Claims Management System (RCMS)

The FPS reimbursement rules are designed to enable Directed PSPs within the RCMS to interoperate to achieve the steps set out below.

3.3.1 FPS reimbursement rules – five steps of reimbursement

ACTION STEPS	1. Reporting a FPS APP Scam Claim to the RCMS		2. Assess the claim by the sending PSP	3. Report the outcome to the RCMS	4. Request payment via the RCMS	5. Repatriation update via th RCMS
Related APP Rules section headings	Collection of FPS APP scam claims by Sending PSPs	Notifying the Receiving PSP of a claim	Assessment of reported FPS APP scam claims	Update the claim with the outcome of assessment	Claim the payment of the Reimbursable Contribution Amount	Repatriation of Victims' funds

For each of the five steps, the PSR has defined the minimum necessary data to support the effective monitoring of compliance with the FPS reimbursement rules via Specific Direction 20 and the CDRS, which enables Pay.UK to effectively fulfil its monitoring responsibilities. These steps are the outcomes that Directed PSPs must undertake, via the RCMS, for their effective handling of FPS APP scam claims. This facilitates Directed Sending PSPs to assess FPS APP scam claims efficiently and accurately and to evidence their decisions. The RCMS is the system which connects all Directed PSPs together for the purposes of reimbursing victims of FPS APP scams and to share the apportionment of the cost of FPS APP reimbursement between Sending and Receiving PSPs.

3.3.2 Standard B metrics

Reporting Standard B data metrics will give Pay.UK oversight of all reporting metrics as defined in the CDRS and therefore provide a much richer understanding of how PSPs are complying with the FPS reimbursement rules. These include, for example, data on the maximum level of mandatory reimbursement, and the PSP's reimbursable contribution.

Availability of this data will be made possible through the RCMS which will avoid the burden of manual reporting processes, allowing Pay.UK to produce and review compliance reports at PSP level based on the claim-level data entered into the RCMS as part of the reimbursement process.

3.4 Data Assurance (accuracy and integrity)

Existing Pay.UK payment system assurance approaches will be used as they apply to data provided to us for the purposes of ensuring compliance with FPS reimbursement rules.

Reporting Standard A data metrics require that Pay.UK place a reliance upon Directed PSPs' administered controls and operating evidence to achieve its regulatory obligations. A Directed PSP must ensure it can provide operating evidence of compliance with the FPS reimbursement rules from 7 October 2024 onwards if asked, irrespective of whether it reports data under Reporting Standard A or B. This means that a Directed PSP must provide internal audit attestation when it proposes to submit data to Pay.UK under this reporting standard. This attestation can be at the point the Directed PSP agrees to submit data to Pay.UK (this is expected to be when the PSP registers with Pay.UK as a user of the RCMS, and will be reviewed as appropriate, at least annually) under this reporting standard rather than for every return, therefore creating an umbrella attestation to reduce the manual reporting burden, but to balance the fact that Pay.UK will place a reliance on the accuracy of this data for the purposes of compliance monitoring and consequence management.

Reporting Standard B data metrics do not require that Pay.UK places a reliance upon Directed PSPs' administered controls and operating evidence to achieve its regulatory obligations. This is because a Directed PSP is expected to meet its requirements via participation and evidence of conduct within the RCMS and at all times it is the responsibility of the Directed PSP to ensure that the data they provide within the RCMS is accurate and that their conduct is within the expectations set out in the RCMS legal framework.

Directed PSPs are required to respond to reasonable requests for information from Pay.UK as part of consequence management. Responses will be expected within 20 working days as a guideline but can be extended where the information request is complex or challenging. This represents a fair and proportionate period in which PSPs must provide compliance data and information to Pay.UK, balancing the need for Pay.UK to have timely access to data and information, whilst providing sufficient time for PSPs to gather the necessary information and take it through assurance and governance processes.

3.4.1 Limiting data usage

The RCMS will hold data and information from Directed PSPs for the purposes of claim assessment, in respect of FPS APP scam claims and claim outcomes. Pay.UK will not have access

to any claim level data or personal data that is stored in the RCMS. In line with the CDRS and Reporting Standards A and B, Pay.UK will not be collecting any claim-level or personal data.

Responses to Pay.UK by Directed PSPs containing further information as part of Consequence Management (Section 6) must exclude claim level data or personal consumer data.

4 Compliance Monitoring Dashboards and Indicators of potential non-compliance

Within the RCMS, each Directed PSP will be able to monitor their performance via their own compliance monitoring dashboard, which will be available in the RCMS from 7 October 2024. Under Reporting Standard A, the performance of each Directed PSP will be displayed via the dashboard using the data provided by that PSP on a limited set of metrics set out in the CDRS; each dashboard will be updated based on the data reported by each PSP after it has been processed by Pay.UK. Once Reporting Standard B becomes effective, the dashboards will report on PSP compliance across all reporting metrics set out in the CDRS.

All PSP dashboards will be accessible to Pay.UK and the PSR for the purposes of monitoring and managing compliance. Dashboards are the basis for interaction between Directed PSPs and Pay.UK for the purposes of compliance monitoring and steps one to three of consequence management.

4.1 Performance Indicators

As explained in section 2, potential non-compliance is determined using performance indicators. These are the indicators of performance of the Directed PSP tracked against the KPIs and Measures using the data reported by that PSP. Each performance indicator is displayed within the RCMS via the compliance monitoring dashboard. Indicators will be updated using the data reported by the Directed PSP and cannot be altered in any other way by the Directed PSP. All performance indicators will be calculated and displayed in the dashboards as percentages of the total volume and value of FPS APP scam claims reported within the reporting period. Therefore, performance indicators will apply equally to all Directed PSPs and are the basis to summate the performance of the Directed PSP fairly and proportionately and, to compare and contrast the performance of one Directed PSP versus another.

4.2 Performance Indicators and Thresholds

Pay.UK will use the KPIs and Measures (described in section 2), expressed as a percentage of the total volume and value of claims reported to the PSP, as indicators of a PSP's overall performance. These indicators will be used as the basis for identifying potential non-compliance by PSPs. As a principle, compliance monitoring and consequence management will consider the overall performance of a Directed PSP; Pay.UK will not identify and examine specific instances of potential non-compliance for individual claims

A PSP will be compared against its own past performance as well as its performance against all other PSPs. The principle is that if the PSP's performance is observed to be worsening over time, or is an adverse outlier against other PSPs, that could be an indicator of non-compliance. Pay.UK will apply a set of thresholds which will be treated as an indicator of potential non-compliance. These PSPs will then be put through a prioritisation process, which could result in commencement of the Consequence Management steps (the prioritisation criteria and steps are set out in Section 5). For KPIs where it is possible to determine compliance in a binary way (e.g. % of claims reimbursed within 35 days), there will be a confidential threshold applied which triggers the potential non-compliance alert.

4.2.1 Thresholds as indicators of potential non-compliance

Thresholds will be confidential and will be managed outside of this document between Pay.UK and the PSR in the operation of the Compliance Monitoring Regime.

Once a threshold has been reached, it will be treated as indicator of potential non-compliance, and will trigger the steps set out in section 5 regarding prioritisation and consequence management.

Thresholds will apply consistently across all Directed PSPs to establish a uniform baseline of compliance. The thresholds are likely to be adjusted over time based on data and evidence from January 2025 onwards. Variations to the thresholds will be put through the change management process set out in section 10 and discussed with the PSR. Pay.UK may also need to exercise discretion to flex these thresholds ad hoc; any such activity and the rationale will always be discussed with the PSR.

CDRS Theme	Calculation of the Performance Measure per PSP per data reporting period
Claim Assessment	Total volumes and values of FPS APP scam claims that are reimbursable divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volumes and values of FPS APP scam claims that are not reimbursable divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Timescales / Stop the Clock	Total volumes and values of FPS APP scam claims closed within five business days divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volumes and values of FPS APP scam claims closed within 35 business days divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volume of FPS APP scam claims where stop the clock is used at least once divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Inter-PSP Communication	Total volume and value of FPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volume and value of FPS APP scam claims where the receiving PSP responded to information requests from the sending PSP within the timing defined by FPS reimbursement rules divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Exceptions	Total volume and values of FPS APP scam claims where consumer standard of caution exception is applied divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volumes and values of FPS APP scam claims where the value of the claim is above the maximum level of reimbursement

	(£415,000) divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Excess	Total volumes and values of FPS APP scam claims where an excess was applied divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Vulnerability	Total volume and value of FPS APP scam claims from consumers assessed as vulnerable divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Rate of Reimbursement	The total volume of FPS APP scam claims reimbursed and value of reimbursement to consumers divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
Apportionment Reimbursable Contribution	Total volumes and values of FPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified in the FPS reimbursement rules (5 business days) divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Average time taken for the reimbursable contribution amount to be paid by the receiving PSP to the sending PSP divided by Total volumes of reimbursable contribution claims reported by the sending PSP
Apportionment Repatriated Funds	Total volume and value of FPS APP scam claims where the PSP has repatriated funds divided by Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total value of repatriated funds for FPS APP scam claims divided by Total values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.
	Total volume of FPS APP scam claims where repatriated funds have been apportioned between the sending and receiving PSP, in the reporting period divided by Total values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment.

5 Prioritisation of potential non-compliance alerts

As described in section 4, a potential non-compliance alert is triggered when a Directed PSP reports data indicating that it has breached a performance indicator threshold. If necessary (for example of reasons of operational capacity), Pay.UK will apply a number of prioritisation principles on these alerts to determine whether Pay.UK should focus on identifying the cause of the potential non-compliance and support the PSP to improve its performance by commencing consequence management (set out in section 6). This section describes those prioritisation principles.

The principles do not constitute a precise set of rules which cannot be deviated from. It is important that Pay.UK will have discretion in how it applies these principles in the first instance. Pay.UK expects to apply all these principles 'in the round' to come to a judgement about whether to commence consequence management for a particular PSP.

As Pay.UK gains experience in operating the compliance monitoring regime it may modify these principles, including making them more granular or specific. As with all elements of Pay.UK's compliance monitoring regime, Pay.UK will remain closely engaged with the PSR on how it applies these principles and whether modifications are needed as experience is gained.

5.1 Principle 1: Pay.UK will prioritise the PSPs whose potential non-compliances which could generate the most harm to consumers

The application of this principle will be based on determining a potential impact score:

$$\text{Potential impact score} = \text{PSP volume of reported claims} \times \text{PSP value of reported claims}$$

Higher potential impact scores will result in higher prioritisation.

5.2 Principle 2: Pay.UK will prioritise PSPs whose potential non-compliances most affect the core objectives of the PSR's reimbursement policy

The core objectives of the PSR's policy are to ensure consumers receive reimbursement in a timely manner, for receiving PSPs to have the maximum chance of freezing and recovering funds, and for liability to be shared between the sending and receiving PSPs. Therefore, the following potential non-compliances will be prioritised:

5.2.1 Sending PSP shows high rates of rejections for reported claims

Meaning that large proportion of claims reported to it are not being reimbursed. This could be for legitimate reasons but could indicate non-compliance with the reimbursement requirement.

5.2.2 Sending PSP failed to close claims in 35 Business Days

Meaning that the Victim has not been reimbursed by the Sending PSP within the timescale set by the FPS reimbursement rules.

5.2.3 Sending PSP failed to notify the receiving PSP upon receiving the claim

Meaning that what is required by the FPS reimbursement rules has not been achieved and as a result the Receiving PSP was prevented in taking any mitigating actions to prevent the reported FPS APP scam payment(s) being obtained by criminals.

5.2.4 Receiving PSP has not paid the reimbursable contribution amount to the sending PSP within 5 Business Days

Meaning that the Sending PSP has not been able to share the cost of FPS APP scam reimbursement and that the Receiving PSP is not financially 'motivated' to improve their controls over accounts and/or their customers that may have been manipulated by criminals.

5.3 Principle 3: Pay.UK will prioritise PSPs that demonstrate low performance across a wide range of indicators

PSPs which demonstrate potential non-compliance across a number of performance indicators will be prioritised over PSPs demonstrating potential non-compliance over fewer performance indicators.

5.4 Principle 4: Pay.UK will prioritise PSPs that demonstrate low performance across an extended period of time

As an example, in a scenario where a PSP submitted data that indicated low performance but Pay.UK did not consider that to be a sufficiently high priority to commence consequence management for that reporting period, given data that other PSPs had submitted. If in subsequent reporting periods the PSP's performance improved then it would be de-prioritised; whereas if the PSP consistency triggered the potential non-compliance alerts over an extended period of time, or demonstrated significantly worsening performance, it would contribute to the PSP being designated as higher priority. Pay.UK will exercise discretion as to what constitutes an 'extended period of time', but the initial expectation is that this could be over at least 3 reporting cycles.

6 Consequence Management

This section sets out the consequence management steps that will be taken to manage potential non-compliance by Directed PSPs (once it has been determined through the prioritisation process that Pay.UK should commence consequence management with the PSP). As explained in section 4, a potential non-compliance alert is triggered when the data reported by a PSP indicates that it has breached one of more of the performance indicator thresholds.

The consequence management steps apply consistently irrespective of whether a PSP is using Reporting Standard A or B.

6.1 Consequence Management Principles

As a principle, consequence management aims to support the PSP to identify, analyse and overcome non-compliance. This will be evidenced by improvement of its performance indicators over time. Throughout consequence management Pay.UK will not consider individual FPS APP Claim level data or assert judgement on whether a PSP has breached any obligations in relation to individual claims¹; the focus will always be on the overall performance of the Directed PSP and its capability and capacity dealing with FPS APP claims. Consequence management will focus on the quality and evidence of the controls, processes, and capabilities that the Directed PSP will have implement to comply with the FPS reimbursement rules aligned to PSR SD20.

A Directed PSPs must not share any claim level data with Pay.UK. If claim level data is submitted, it will not be accepted or stored by Pay.UK.

6.2 Actions once Pay.UK commences consequence management with a PSP

What follows are the steps of consequence management which are the actions that Directed PSPs and Pay.UK will take and the decisions required, with full records retained of all communication to evidence the steps taken; these steps are expected to take place in sequence and are principles of what is expected to happen under each step, rather than precise or prescriptive rules for what must happen. It will be important to maintain some degree of flexibility as it is not possible to anticipate all possible scenarios.

Action	Description	PSP input (data/action) required	Pay.UK action
1	Identify root cause and to categorise the cause as type A (internal to the PSP) or type B (external to the PSP). This could be submitted through the RCMS or through other means, to be agreed with the PSP.	Explanation of the root cause, including reasons for the potential non-compliance (e.g. internal process failure, human error, complex FPS APP claims, insufficient information received when requested to allow an accurate	Log as type A or B and look for trends in root cause for non-compliance. Where there are trends of continued non-compliance or where the root cause information does not build confidence that the PSP has a credible and justifiable reason this may be challenged by Pay.UK at an operational level with a representative of the Directed PSP that attends the APP management forum, or in writing requesting a response.

¹ It is envisaged that consumers will be able to pursue their claims through the Financial Ombudsman Service if necessary.

		assessment within the timing required, other).	As a principle, if following the above actions Pay.UK considers that actual non-compliance is likely to have occurred and the reasons for this fall broadly under type A, the PSP will move into the next step of consequence management.
2	PSP identifies and implements mitigation action plan. This could be submitted through the RCMS or through other means, to be agreed with the PSP.	Details of the actions that are proposed, the expected timing to complete, and how this is expected to result in improved performance. Noting that external dependencies, such as a large number of complex claims, should be set out if they will challenge closure of the issue by the directed PSP.	<p>Review the PSP's proposals to check that they are credible and likely to result in the PSP improving its performance in a reasonable timeframe. If this is not the case, Pay.UK will communicate why it does not think so, and there will be a process of engagement to support the PSP to refine the action plan.</p> <p>If Pay.UK and the PSP cannot agree on a plan, Pay.UK reserves the right to refer to the PSR for its review and potential investigation. This scenario is expected to be rare.</p>
3	Observe whether the PSP's performance is improving over time.	Implement action plan over the agreed timescale and continue providing Standard A or Standard B data to Pay.UK.	<p>Pay.UK will monitor the PSP's performance indicators to look for evidence of improvement over the timescale envisaged in the action plan.</p> <p>If improvement is observed, the PSP will fall out of the consequence management procedure. The level of improvement needed will be case-by-case but will have regard to the specific circumstances of the PSP and the thresholds for identifying potential non-compliance.</p> <p>If improvement is not observed, Pay.UK would notify the PSP in the first instance and seek further explanation. Following this, Pay.UK's next steps would depend on the specific circumstances:</p> <ul style="list-style-type: none"> - If the PSP is a direct PSP: depending on the further explanation provided, Pay.UK could initiate the next step (enhanced monitoring), or it could refer the issue to the PSR for regulatory review and potential investigation. Pay.UK expects that the latter would be rare and exceptional, where the specific circumstances are such that there would

			<p>be little to be gained by going through the enhanced monitoring steps.</p> <p>- If the PSP is an indirect PSP: Pay.UK will produce a summary of the potential non-compliance and engagement with the PSP to date. This will be provided to both the PSP and the PSR. The PSR can then choose whether to review and take further regulatory action. Pay.UK will continue to monitor the performance indicators of the PSP as usual.</p>
Enhanced monitoring (only applicable to direct customer PSPs).			
4	Provide further input to substantiate progress or to provide re-set of mitigation plan	Continue to implement improvements brief senior management. Respond to Pay.UK communications in a timely manner.	Pay.UK would internally name the Customer at Executive Risk Committee. Pay.UK would engage with the senior manager (if applicable, otherwise to a suitable senior management person at the customer) via email to obtain reassurance of action and timing.
5	Non-compliance remains unresolved Pay.UK escalate to Participant Senior Manager Regime representative (or other suitably senior manager or executive).	Senior management to engage with Pay.UK directly.	<p>Raised with Customer senior management (or other suitably senior manager or executive if the Participant is not a PSP subject to the SMR regime). Communicate via telephone, email, letter, or face to face. Reference the outputs of prior consequence stages (as appropriate) and formally request a response using Pay.UK headed paper.</p> <p>Informal notification to PSR – “Pay.UK are concerned but have actions agreed”.</p> <p>Participant can “challenge” this step through discussions with the Pay.UK accountable Executive.</p>
6	Actions agreed from prior step have failed. Escalate to Customer CEO (or other suitably senior executive in a large organisation)	CEO or Senior Executive engagement and briefing	<p>Communication via letter on Pay.UK - headed paper. Reference the outputs of prior consequence stages (as appropriate and formally request a response.</p> <p>Further notification to PSR – “Pay.UK are concerned and are escalating”.</p> <p>Participant can “challenge” this step through discussions with the Pay.UK CEO. This scenario is expected to be rare.</p>

6.3 Ongoing prioritisation and flexibility within the consequence management steps

At each step, if necessary, Pay.UK will have regard to the prioritisation principles set out in section 5 to determine whether it is proportionate to proceed in consequence management. This will consider the information that the PSP has submitted as part of that step, as well as any new information from the ongoing data reporting process. Escalating consequence management beyond action step 3 is expected to be rare.

For example, if during step 2, data (from the regular reporting cycle) indicates that the PSP is already significantly improving its performance compared to previous reports, Pay.UK could pause or remove the requirement for a PSP to submit its mitigating action plan and take the PSP out of consequence management but continue to monitor the PSP's performance in subsequent periods.

As Pay.UK exercises this discretion, it will keep closely engaged with the PSR on its decision making and rationale.

6.4 Timings of the consequence management steps

The timing to progress through each step of consequence management will vary according to the specific circumstances of the PSP, the potential non-compliance, and the agreed action plans.

At a principle level Pay.UK is not setting absolute timings to complete each step as there needs to be flexibility built from the outset given the scale of the ecosystem and the reimbursement regime being untested and unproven at the time of development of the compliance monitoring regime. The core aim of consequence management is to support the PSP to improve its performance, and Pay.UK recognises that there will need to be flexibility in timings for achieving this.

6.5 Referral to the PSR and opportunities for PSP representations

PSPs will be able to review all the data they provide as they progress through consequence management via their compliance monitoring dashboard or via other means. Any referral or escalation to the PSR as part of, or as a result of, consequence management in letter form will always be issued to the impacted PSP first for review and to give the opportunity to provide representations to Pay.UK. Timings for this will be determined as appropriate by Pay.UK on a case-by-case basis.

In practice Pay.UK expect to brief the PSR on emerging issues of escalation before any formal referral or escalation step. This will be achieved through the monthly reporting and close ongoing engagement with the PSR. Pay.UK will record the evidence provided to the PSR in line with usual practices of record keeping as a payment system operator.

The overarching principle is that there should be no surprises for any of the parties involved in consequence management.

7 Pay.UK reporting to PSR

In this section Pay.UK sets out the cadence for regular reporting to the PSR and reporting outside of the regular reporting cycles and why that may be required.

Pay.UK expects to provide the PSR with full access to and visibility of compliance data and PSP compliance monitoring dashboards, so PSR is also able to consider and be informed about the performance of PSPs.

7.1 Compliance Monitoring regular reporting

Pay.UK will report monthly to the PSR with an aggregated overview of PSPs' performance, which complements the PSR's ongoing access to individual compliance monitoring dashboards. The reporting period will be one calendar month (it will run from the first to the last day of the month) and cover closed cases in the reporting period. Pay.UK will submit the report to the PSR by close of business on the last business day of the month which follows the reporting period. This will provide Pay.UK sufficient time to assure the data and go through internal governance processes before submitting the report to PSR.

Pay.UK will also report monthly which Directed PPS that are in consequence management and their progress through the actions of consequence management.

7.2 Escalation of issues by Pay.UK to PSR

While Pay.UK expect that escalation will not be a regular occurrence it may be necessary where there are potential instances of potential or actual non-compliance that are not able to be addressed by Pay.UK. These priority issues for escalation may need to be raised by Pay.UK to the PSR at any time during a business day and will be done via an appropriate secure exchange in order to maintain security and privacy. Meetings held between Pay.UK and PSR on matters of escalation will be appropriately recorded and information retained.

Broadly, the types of issues that may require escalation are as follows:

- Potential non-compliance by a PSP (as explained in section 6 – consequence management).
- Failure of a PSP to report data to Pay.UK.
- Failure of a PSP to register in the RCMS
- Failure of a PSP to join the RCMS (participate) or to respond appropriately within the system as a participant to all the required actions as defined by the FPS reimbursement rules.
- Failure of a PSP to provide Pay.UK with the information it requests, so long as that request is reasonable, proportionate and in line with FPS reimbursement rules and where information has not been provided despite reasonable attempts by Pay.UK to acquire it.
- Challenges by PSP on the FPS reimbursement rules that derive directly from the PSR Reimbursement Requirement. This requirement remains under the control of the PSR and cannot be amended in any way by Pay.UK as per PSR SR1.
- Any challenges with consequence management that require clarification or judgement over the intended outcome of the PSR APP policy and/or legal instruments.

8 FPS APP Management forum

In order to operate the FPS reimbursement rules within the RCMS and to interact effectively with Directed PSPs, an FPS APP Reimbursement Management Forum will be established. This will be a forum open to all Directed PSPs and to the PSR and will form the basis to engage with PSPs on operational matters and aspects of compliance monitoring and consequence management.

The Management Forum may meet in private involving only Pay.UK and the PSR to discuss the operation of the FPS reimbursement rules including, amongst other aspects, reviewing PSP monitoring and compliance.

The Management Forum may also be used to inform PSPs about overall relative PSP performance using anonymised cohort data.

It will also provide a basis for PSPs to raise issues to Pay.UK and the PSR relevant to the FPS reimbursement rules and the operation of the RCMS.

9 Publication and change management

This document was formulated to bring together in one place all the parts that form the compliance monitoring regime and will be available to all Directed PSPs via Pay.UK's website, alongside the FPS reimbursement rules.

Change management of the FPS reimbursement rules, including the Compliance Monitoring Regime, and the FPS reimbursement rules data standard will be managed via existing governance of Pay.UK.

10 Annex – Glossary

Claims management	Means the steps undertaken by a Sending or Receiving PSP in respect of the FPS reimbursement requirement and FPS reimbursement rules where the PSP has received a claim by a person who considered that they are a Victim of an APP scam.
Compliance Data Reporting Standards (CDRS)	Means the document produced and published by the PSR which provides the specific data which PSPs must collate, retain, and provide to the Faster Payments Scheme operator pursuant to obligations imposed by SD20 and to enable it to fulfil its requirements under SD19.
Direct PSP	A Direct PSP is a contracted participant of FPS that has agreed to be bound by the FPS Participation Agreement to have to follow the FPS payment service rules.
Indirect PSP	An Indirect PSP is not a contracted participant of FPS and do not agree to be bound by the FPS Participation Agreement or play any identified role in the FPS payment service rules.
Key Performance Indicator (KPI)	A KPI is applied against a rule where it is possible to determine clearly whether a PSP has achieved the outcome required by that rule.
Measure	A Measure is applied against a rule where it is not possible to determine if a PSP has complied or not, as such it needs to be assessed relative to the PSP’s own performance over time (and relative to other PSPs’ performance).
Monitoring	Using the data and metrics reported and collected to understand overall compliance with the FPS APP scam reimbursement requirement, and with PSR Directions, SD19, SD20 and SR1.
Month	A calendar month.
Onboard	Means the process by which a PSP in conjunction with the Faster Payments Scheme operator creates one or more use accounts on the RCMS, undertakes any relevant testing and becomes capable of using RCMS for claims management.
PSP compliance	PSP meeting of the obligations and requirements of the FPS APP scams reimbursement requirement. <i>Explanatory note: includes obligation placed upon PSPs both as a result of the FPS APP scams reimbursement rules, SD19, SD20 and SR1.</i>
Potential non-compliance	Where data-led insights indicate that a PSP may not be complying with the FPS reimbursement requirement, FPS reimbursement rules or Specific Direction 20. <i>Explanatory note: non-compliance may be in respect of any of the requirements in regard to APP scams reimbursement, placed upon PSPs</i>
Reimbursement Claims Management System (RCMS)	Means the claim management, communication and data reporting IT system which will be provided by the Faster Payments Scheme operator for all Direct PSPs to use to communicate, manage claims and report data for FPS APP scam claims..
Reporting Due Date	The timeframe in which PSPs are required to report to Pay.UK on each calendar month, with reports due by no later than 17:00hrs.

