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By email: [COP@psr.org.uk](mailto:COP@psr.org.uk)

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Dear Genevieve

**Re: EMA response to PSR CP21/6 - Confirmation of Payee - Phase 2 Call for Views**

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, providing online payments, card-based products, electronic vouchers, and mobile payment instruments. Many EMA members do not have a unique sort code, and rely on Secondary Reference Data (SRD) to allocate received funds to the correct client. A list of current EMA members is provided at the end of this document.

We welcome the opportunity to comment on the next steps that the PSR should take in relation to Confirmation of Payee Phase 2. The EMA participated in the Confirmation of Payee Phase 2 Advisory Group.

I would be grateful for your consideration of our comments and proposals.

Yours sincerely,

Dr Thaer Sabri  
Chief Executive Officer  
Electronic Money Association

## **EMA response**

**Question 1: Phase 1 trends and impact: Do you have any comments on the trends presented above regarding the impact of CoP on the relevant types of misdirected payments and the relevant types of APP scams? Do you believe that, in light of the decreases in the relevant types of misdirected payments and despite an increase in the relevant types of APP scams, CoP has had a positive impact? Do you believe that CoP has resulted in improved customer experience and confidence in electronic bank transfers?**

As the majority of EMA members are not yet CoP participants, we are unable to comment in detail on the trends and impact set out by the PSR.

However, we do note that the data is incomplete and does not have a sufficiently long tail to be able to make any assumptions about the impact of Confirmation of Payee so far on the incidence of fraud or of misdirected payments.

**Question 2: Fraud migration and bypassing a no match: Do you agree that the analysis shows that financial institutions that haven't implemented CoP provide opportunities for the relevant types of APP scams to continue to grow? Are there any other type(s) of institution where the relevant types of fraud have migrated to? Do you agree with the analysis showing that scams continue even when a 'no match' occurs? Do you have any views as to how these areas could be addressed in future?**

As above.

**Question 3: Phase 2 progress and dependencies: Do you have any comments on the progress and dependencies of Phase 2 and the CoP-only role profile presented above? Are there any other dependencies or barriers that you would like to highlight?**

We do not have any comments on the Phase 2 progress, or additional dependencies to highlight apart from those already highlighted by the PSR.

**Question 4: Costs and benefits of including Special Reference Data (SRD) accounts: Do you have any comments on the specific costs and benefits of including SRD accounts in CoP Phase 2? Are there any other potential costs or benefits that you would like to raise? Do you have any comments on whether there are certain types of SRD accounts which would not yield a significant benefit from CoP, and/or whether the industry should focus its efforts on SRD accounts that allow for transactions to both into and out of them?**

We recognise that there will be a cost associated with including SRD accounts. However, we consider that the benefits will outweigh the costs in the long run.

- Inclusion: the UK payment system suffers from a history of exclusion of new or alternative PSPs. Given the significant advances made in recent years to allow non-banks to participate directly in UK payment systems and schemes, it would be of

little benefit to develop another scheme or system that excludes these players because of the complexity of technical design and implementation.

- Addressing the risk of fraud; fraudsters will migrate to leverage any perceived “weakness” in fraud controls. In order to minimise, as much as possible, the window of opportunity for fraudsters to take advantage of PSP customers, both businesses and individuals, CoP should be available to the widest possible spectrum of PSP participants.
- PSPs are already in the process of building their capabilities to send, process and receive CoP requests, so building the SRD functionality as part of their migration to Phase 2 will minimise the overall cost, and reduce delays.

In relation to the proposal that certain SRD accounts are prioritised over others in order to focus CoP where it would bring most benefit, EMA members have commented that any decision to exclude certain accounts should be a final decision, and not an interim position. Firms that are in the process of building solutions for CoP Phase 2 would prefer to budget for, and complete, all related build requirements now, rather than have additional changes to implement at a later date. Bringing previously excluded accounts into scope will result in significant changes to CoP processes.

**Question 5: Alternative solutions for SRD accounts: Do you have any comments on whether the alternative solutions presented above could bring the benefit of CoP at a lower cost than creating a specific CoP solution for SRD accounts? Do the alternative solutions have any downsides?**

We welcome the consideration of alternative approaches for SRD accounts.

We consider that the first option, that of assigning unique sort codes and account numbers for all PSPs with SRD accounts to enable them to be included in the service through the CoP-only role profile, is likely unworkable. There are 100s of authorised PSPs in the UK, many of whom may have SRD accounts. It is also unclear which entity would assign the sort codes to these PSPs – whether all banks would be mandated to provide sort codes, and whether the usual costs/charges associated with such a service would apply.

The [Biller Update Service](#) operated by Bacs, may provide an alternative option for some types of account, but it may not be appropriate for all PSPs, and again a full analysis of the costs of this service to smaller PSPs would need to be undertaken. It is also unclear how this service would integrate with the CoP Phase 2 environment, and whether this would provide any additional benefit to that provided by the central CoP OBIE register.

**Question 6: Phase 2 benefits and costs: Do you have any comments on the benefits of CoP Phase 2 presented above? Are there any other potential costs or benefits that you would like to raise?**

The EMA strongly supports the benefits to CoP Phase 2 identified in the CP:

- Creating a level playing field between ASPSPs with a unique sort code, and those without
- Reduced costs and timelines for joining CoP by giving more PSPs the technical capability to join without requiring full Open Banking membership.
- (potentially) a smaller gap for fraudsters to exploit
- Enhanced customer experience and greater confidence in the payment journey
- Reduced incidence of misdirected payments
- Automated onboarding, and a testing facility

**Question 7: Messaging and warnings: Do you have any comments on how CoP messaging works and how this could be improved in order to avoid the issues raised above – for instance, by standardising messaging? What other enhancements could be brought to the CoP service?**

The EMA recognises that there may be some benefit in providing further consistency around messages presented to payers, and that there is merit in a cross-industry review of the effectiveness of current messages. Allowing individual PSPs to develop their own messaging without clear guidance has a material impact on the customer journey and on the effectiveness of CoP. For example consumers can be confused if they receive different messages in similar situations, and may not understand what the different responses mean. In other cases, the messaging used where the recipient bank does not yet support CoP can give a negative impression, whilst those PSPs may not yet be able to join.

However, we do not support the adoption of mandatory standardised wording to be used across industry. PSPs have different styles of language, and the communication with customers in relation to CoP messages reflects these differences. The language style is designed to engage the specific customer base of the PSP, and to reflect their culture and values. Instead, more detailed rules or guidance around best practice for the end user would be helpful for all CoP participants.

**Question 8: Directing migration by SD10 banks to Phase 2: Do you think we should direct the SD10 banks to move to the Phase 2 CoP-only role profile environment by the end of 2021? Is it also important to include in any such direction a period of dual running for Phase 1 and 2 ending in Q1 2022, as currently foreseen by Pay.UK?**

We support the PSR's proposal to direct the SD10 banks to move to the Phase 2 CoP-only role profile environment by the end of 2021. Whilst we understand that the majority of the SD10 banks have indicated plans to migrate before the end of 2021, there is no requirement on them to do so, and without a regulatory compulsion, there is a risk that not all SD10 banks will migrate within the timeframes agreed. However, we note that the process of issuing a PSR Direction should not facilitate any delays to the existing migration plans of the SD10 banks.

We consider that terminating the dual running of Phase 1 in Q1 2022 may be optimistic; after the SD10 banks have migrated, the remaining CoP Phase 1 PSPs will also need to migrate, and they may be reliant on the same third-party vendors or other services that may lead to delays. We also note that if any of the SD10 banks' migration plans slip from the end

of the 2021, then the end of dual running date becomes a de-facto end of migration date. This may severely limit the time available for non-SD10 participants to complete their migration from Phase 1 to Phase 2.

However, we do consider that it would be in the interests of all participants, as well as consumers, to decommission Phase 1 by a certain predetermined end date in order to avoid a long period of dual running.

Without such a migration CoP Phase 2 will provide limited value to PSPs that are unable to join CoP Phase1.

**Question 9: Directing Phase 2 implementation by non-SD10 PSPs with unique sort codes: Do you have any comments on whether we ought to direct non-SD10 PSPs with unique sort codes to implement Phase 2, in addition to the SD10 banks? In particular:**

- a. Should we direct non-SD10 Phase 1 participants to move to the Phase 2 environment, and/or PSPs that have not yet adopted CoP to implement CoP under Phase 2? If so, by what date? Are there any specific PSPs or groups of PSPs that we ought to prioritise and/or exclude from an eventual direction, such as medium sized and/or small financial institutions?**

We do not consider it necessary for the PSR to direct non-SD10 banks that are already participating in CoP Phase 1 to migrate to CoP Phase 2. As the majority of payment traffic is amongst SD10 banks and between them and other PSPs, as soon as SD10 banks have migrated to Phase 2, there will be a significant incentive for the remaining PSPs to follow suit.

Mandating the wider group of participants in Phase1 may result in overall delays, as the operational capacity to support such a migration may be limited, particularly where several PSPs may be using the same third party service provider.

Not all PSPs offer payment accounts with the facility to send and receive credit transfers, and hence the benefit of adopting CoP is limited for those PSPs. Some PSPs may offer propositions that are very low fraud risk. As discussed in our response to question 1, there is not yet sufficient evidence that fraud is migrating to those PSPs and accounts that are not using CoP. Should the evidence of fraud migration lead the PSR to consider further directions to PSPs then any direction should consider the type of payment account and its functionality, and be proportionate to the size and complexity of the PSP.

- b. Should we direct PSPs to develop both the responding and sending capabilities for CoP, or responding or sending only?**

The EMA does not support a Direction for non-SD10 banks.

**c. Is a PSR direction the best way to achieve the necessary changes? Do you have any other suggestions to achieve these changes?**

SD10 appears to have been an effective tool to ensure widespread adoption of CoP Phase 1. As there is a cost to migrating SD10 banks to Phase 2, and the benefits are mainly for smaller/indirect PSPs and those not involved in the OBIE ecosystem as well as wider society, the commercial incentive for SD10 banks to migrate to Phase 2 may be limited. A PSR Direction on SD10 banks may therefore be the most effective tool in this case once again to ensure a timely migration to Phase 2. However, as discussed above we do not consider that non-SP10 PSPs require to be directed by the PSR to adopt CoP.

**Question 10: Enabling CoP participation by SRD accounts: In relation to SRD accounts, do you have any comments on the following:**

- a. **For those SRD accounts where CoP would be beneficial, is a PSR direction to deliver a specific CoP capability for these accounts the best way to achieve the necessary changes? Do you have any other suggestions to achieve participation in CoP by those accounts, such as the alternative industry-led solutions in paragraphs 4.23 to 4.24? Do you have any comments on the costs of the industry introducing unique sort codes and account numbers for (certain types of) SRD accounts?**

We understand that PSPs migrating to CoP Phase 2 will be obliged to deliver the capability to send/receive SRD in CoP messages according to the CoP Phase 2 scheme rules. Nonetheless, we recognise the complexity that PSPs may face in updating all their customer channels to capture SRD from payers in a payment flow (in order to populate the SRD in a CoP message). If there is a risk that SD10 banks or other CoP Phase 2 participants do not develop the SRD capability because of the complexity of implementation, a PSR Directive may be the most effective method to obtain the wider access to CoP that Phase 2 is designed to support. However we recognise that a longer timescale would be needed for the development of this capability.

- b. **If a PSR direction were to be needed, should we direct the SD10 banks to implement the capability to send SRD information by the end of H1 2022 in accordance with the timeline established by Pay.UK? Should we direct PSPs beyond the SD10 banks to deliver this capability?**

Given the implementation complexity of introducing SRD into payment flow for some PSPs we consider that a longer timeline may be more realistic, particularly for firms that have not begun to build their Phase 2 capabilities. The technical changes will also need to be accompanied by a considerable educational effort to assist consumers in understanding in which circumstances the SRD data are necessary for a positive CoP match.

As discussed above, we do not think that non-SD10 banks should be directed to migrate to Phase 2 (which would subsequently require them to support SRD).

- c. **Should we also direct PSPs that offer SRD accounts to implement CoP responding capabilities for SRD accounts by the end of H1 2022 in accordance with the timeline established by Pay.UK?**

We do not consider it necessary to direct all PSPs that offer SRD accounts to implement CoP responding capabilities by the end of H1 2022. The number of PSPs falling within this category may be high, and many may not be aware of CoP or have even started the process of considering joining CoP. Until now the majority of APP scam victims remain bank customers, and many SRD accounts (although not all) may be lower risk of exiting fraudulent funds, for example building society or savings accounts. It is difficult to conclude, based on the data available, whether or not the lack of CoP functionality for ASPSPs using SRD has led to a migration of APP fraud to these accounts.

In addition, many PSPs operating SRD accounts may not need the CoP service, as the account may be limited in functionality, depending on its purpose. For example, it could be linked to a single bank account, or only able to be funded by an account in the customer's own name, or funds sent to an account in the customer's name.

Directing this group of PSPs to implement CoP by the end of H1 2022 would likely also place quite a strain on OBIE and Pay.UK's onboarding processes, and there would may not be enough capacity within the vendor community providing the third party services to these PSPs to meet such a deadline.

**Question 11: Pay.UK's role: In view of Pay.UK's role described in paragraphs 1.10 and 2.2, do you have any comments on whether we ought to require Pay.UK to have a greater role in terms of the CoP messaging? Do you have any comments on the role we should require Pay.UK to play in monitoring adherence to the CoP rules, standards and operating guidance, and communicating relevant statistics?**

We do not consider it appropriate for Pay.UK to formally define and approve the language used as part of the CoP service messaging, or to oversee interaction with other automated warnings (e.g. scam warnings). PSPs have different styles of language, and the communication with customers in relation to CoP messages reflects these differences. The language style is designed to engage the specific customer base of the PSP, and to reflect their culture and values.

However, Pay.UK should develop best practice and guidance for participants and play a role in monitoring compliance with the CoP rules, and standards.

**Question 12: Future of SD10: Regarding the future of SD10:**

- a. **Do you believe that SD10 has achieved its objectives, will be technically redundant once Phase 2 is implemented, and should therefore be revoked?**

It appears that SD10 will be redundant once the SD10 banks have migrated to Phase 2/the CoP-only role profile on the OBIE Directory.

- b. **Should SD10 be revoked in circumstances where there is no direction in relation to CoP Phase 2? Are there any elements of SD10 that should be continued into any future direction, and how long should these be for?**

It is important for the wider ecosystem that the SD10 banks continue to offer CoP as a service, whether it is the Phase 1 version or the Phase 2. If there is no PSR Direction in relation to CoP Phase 2, we consider that SD10 should not be revoked.

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**List of EMA members as of June 2021:**

[AAVE LIMITED](#)  
[Account Technologies](#)  
[Airbnb Inc](#)  
[Airwallex \(UK\) Limited](#)  
[Allegro Group](#)  
[American Express](#)  
[ArcaPay Ltd](#)  
[Azimo Limited](#)  
[Bitpanda Payments GmbH](#)  
[Bitstamp](#)  
[BlaBla Connect UK Ltd](#)  
[Blackhawk Network Ltd](#)  
[Boku Inc](#)  
[CashFlows](#)  
[Circle](#)  
[Citadel Commerce UK Ltd](#)  
[Contis](#)  
[Corner Banca SA](#)  
[Crosscard S.A.](#)  
[Crypto.com](#)  
[Curve](#)  
[eBay Sarl](#)  
[ECOMMPAY Limited](#)  
[Em@ney Plc](#)  
[emerchantpay Group Ltd](#)  
[ePayments Systems Limited](#)  
[Euronet Worldwide Inc](#)  
[Facebook Payments International Ltd](#)  
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