

High performance. Delivered.

Faster Payments New Access Model

Creating a competitive market
in access services for real-time,
24/7 payments

Foreword



Craig Tillotson
Chief Executive,
Faster Payments Scheme Limited

In December 2014, we published our white paper, "Faster Payments: A Vision for a New Access Model – Opportunities for Payment Service Providers and Solution Vendors". This set out our vision for ensuring that our world-leading payments service is made available, on an equitable basis, to all end users that need or want it.

The essence of our vision is for commercial aggregators to provide direct technical access to our Central Infrastructure (the core hub system run by Vocalink, our supplier, to route all our payments) for bank and non-bank Payment Service Providers (PSPs)¹, and in particular for challenger banks. Aggregators are organisations, typically FinTech (financial technology) vendors (but could also include PSPs), who combine demand from one or more PSPs seeking direct technical access.

In our vision, PSPs still have the existing options to connect to the Central Infrastructure directly themselves, or through a sponsor bank arrangement. However these options may not meet a PSP's needs. It may have insufficient volume to cover the initial fixed costs of a direct connection, or it may want a real-time, 24/7 service that is not currently available through a sponsor bank. We believe that, additionally, there is the potential for a new, competitive and sustainable market for aggregators to provide guaranteed real-time payments to PSPs, 24/7.

To test this hypothesis, Faster Payments Scheme Limited (FPSL) engaged Accenture to model the economics of this market from both a demand and supply perspective. Accenture's analysis demonstrates that such a market for aggregators and PSPs is viable and the key findings from it are explained by Accenture in this report. The original white paper set the vision for the Open Access Model, this report outlines its benefits and the opportunities on both the supply and demand side to create a market in aggregation services.

The report is aimed at FinTech companies interested in providing aggregator services and access software solutions, and equally at PSPs, both those with existing sponsor arrangements and those new to UK banking. It is also aimed at those with regulatory responsibilities for payment systems, including the Payment Systems Regulator (PSR)² and the Bank of England.³

We are pleased that there is strong alignment between our plans in this area and the PSR's recent policy statement in which they state: "We support the development of Technical Access solutions...We anticipate that Technical Access solutions will be developed as commercial propositions funded by those that use the service...We see no reason for us to take a more prescriptive approach to the development of Technical Access solutions at this time."⁴

As a Payments Systems Operator, our focus now is on catalysing the development of this market, to encourage FinTech vendors to set up and run aggregator solutions and for PSPs to benefit from them – or alternatively, if they have sufficient scale, to use for themselves the same vendor software developed for aggregator solutions, to interface to our Central Infrastructure directly. FPSL has set up Vendor and PSP Participation Programmes to facilitate this, within an overall Access Programme to manage both the internal change required in FPSL, such as governance and assurance activities, and the necessary external changes, such as an enhanced settlement model FPSL is discussing with the Bank of England.

The Access Programme has a strong pipeline of vendors developing access solutions and of PSPs requiring them. I am increasingly confident that we will hit our targets of at least three accredited vendors by the end of this year, and a dozen or so new PSPs signed up to their solutions and gaining real-time 24/7 access to the Faster Payments Service by the end of next year.

This is an exciting time in the history of our company and for the UK payments industry. Momentum is building, and I urge both vendors and PSPs to act now to secure their place in the real-time payments market, as demand surely accelerates over the next 12 months.

In particular, early-mover PSPs have an advantage. It is clear that real-time payments are prerequisites for a modern retail current account offering, and those PSPs able to supply them on a guaranteed basis, 24/7 are differentiated significantly from those that don't. The sooner a PSP can offer them, the sooner it can boost its growth and market share through this differentiation; and the sooner it acts, the sooner it can test and get certified with the Central Infrastructure.

Our message is clear: act now – and ride the real-time wave for years to come.

May 2015

¹ Payment Service Providers are defined in the Payment Services Regulations to include payment institutions (any institution, including non-banks, authorised to provide payment services), credit institutions (e.g. banks), electronic money institutions and bodies such as the Post Office, the Bank of England and Government departments.

² FPSL is a designated payment system regulated by the PSR (since 1 April 2015).

³ The Bank of England has statutory oversight over FPSL, obliging FPSL to conform to the CPMI-IOSCO PFIMs (Principles for Financial Market Infrastructures) designed to enhance safety and efficiency, and limit systemic risk in, inter alia, systemically important payment systems, as well as to foster transparency and financial stability.

⁴ PSR Policy Statement PSR PS15/1 March 2015, Executive Summary paragraphs 37 and 38.

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Executive summary

Driven by growing pressure from consumers, small businesses and corporates for immediate payments, available 24/7, real-time payments have become a prerequisite for any core current account or payment account offering in the UK.

To date, the only way to achieve this is with the Faster Payments Service – and then only by gaining direct technical access to the Central Infrastructure (run for FPSL by VocaLink), an option currently used by only nine banks and a building society (and by one non-bank). Four of the banks offer a traditional sponsor service for approximately 400 indirect participants – but using these, PSPs are not guaranteed that every payment is real-time, and nor are they guaranteed 24/7 availability.

FPSL's vision is to provide a third option, whereby a PSP can connect to a technical aggregator that combines demand from multiple PSPs, creating economies of scale. PSPs get a guaranteed real-time payments service, 24/7, but at a lower per transaction cost than the PSP can achieve by connecting directly to the Central Infrastructure itself.

FPSL's hypothesis for their vision is that there is potential for a new, competitive and sustainable market for these aggregators. Accenture modelled the economics of this market to test the hypothesis, seeking to answer three key questions:

1. Is there an opportunity to provide a real-time proposition to agency banks/non-bank PSPs at a competitive and compelling cost?
2. Is it economically attractive for a competitive number of vendors to offer direct technical access through a technology operated aggregation service?
3. Is the market for aggregation services self-sustainable (i.e. does not require external intervention)?

The Accenture analysis shows that the answer to each of these questions is "Yes", with the results summarised as follows:

Is there an opportunity to provide a real-time proposition to agency banks/non-bank PSPs at a competitive and compelling cost?

- Taking a conservative view, the volume of Faster Payment transactions is likely to at least double – and could easily treble – over the next five years, from its 2014 level of 1bn transactions
- Roughly 50 million transactions in 2014 were from current accounts at agency banks not benefiting from a guaranteed 24/7 real time proposition. This volume is easily estimated to grow to at least 270m transactions in 2020, through a combination of organic growth and increased market share for challenger banks– and these are the transactions that aggregators can target
- On a per-transaction basis, a PSP should find it more cost-effective to use an aggregator than to connect to the Central Infrastructure directly themselves. A sponsor bank can offer the lowest cost of access (although with a non-real-time, non-24/7 proposition), but an aggregator can bridge the volume gap up to the point where it makes economic sense for a PSP with substantial scale and transaction volume to connect directly itself to the Central Infrastructure

Is it economically attractive for a competitive number of vendors to offer direct technical access through a technology operated aggregation service?

- The analysis shows there is market space for multiple aggregators (under conservative assumptions which exclude any upside from opportunities with other payment schemes or overseas markets), and that these can achieve a three-year payback on the investments required (a three-year payback was cited consistently by vendors as an acceptable target)

Is the market for aggregation services self-sustainable (i.e. does not require external intervention)?

- A competitive market for multiple vendors providing aggregation services is sustainable, and conservatively estimated to have a collective Net Present Value (NPV) of more than £200m

As a result of the Accenture analysis, FPSL is proceeding with the Access Programme to encourage FinTech vendors – through the Vendor Participation Programme, to become accredited to connect to the Central Infrastructure and provide aggregation services; and to encourage PSPs – through the PSP Participation Programme, to exploit these new aggregation services.

Some PSPs have asked why FPSL doesn't create just a single aggregator – a utility, available to all PSPs as an alternative to a sponsor bank – instead of encouraging multiple aggregators. While, in theory, a single utility might have the best economies of scale, with over 400 potential PSPs, it would become a monolithic solution unlikely to meet all the needs of the differing business models and requirements of such a large and diverse group, shifting the access problem, not solving it.

If sustainable, it is FPSL's view that a solution based upon dynamic competition is more attractive in the long term. The analysis shows that a competitive market of aggregators is sustainable at an attractive price point for PSPs. For these reasons, this is FPSL's chosen route.

Introduction

The growing importance of real-time payments, available 24/7

In an increasingly 24/7 world, consumers' needs and expectations are changing rapidly. Digitally-enabled services and transactions are generating rising demand for greater speed and convenience, as consumers become ever more discerning and demanding. These trends are driving the creation of a new generation of payment propositions that capitalise on real-time payments through the Faster Payments Scheme.

From the viewpoint of today's end-customers – both consumers and businesses – the concept of real-time payments goes hand-in-hand with 24/7 availability. As demand for real-time payments grows, those banks and non-bank PSPs that do not currently offer their customers guaranteed real-time payments, 24/7 are experiencing growing pressure to do so.



Small business – Hi-fi retailer

Thanks to Faster Payments, a UK high-street retailer is able to eliminate the need for its store-room, which instead is converted into expanded showroom space. When a customer in the showroom makes a purchase and pays, the retailer orders the hi-fi equipment on the spot, and pays the supplier via Faster Payments. Since the supplier has immediate receipt of the funds, shipping of the order is initiated immediately, for delivery the same or next day direct to the retailer or to the customer. The net result for the retailer is:

- Elimination of stock, and working capital tied up in stock
- Higher customer satisfaction

While the benefits for its customers are:

- Fast and efficient customer service
- Improved customer experience and greater choice through a larger showroom with more models
- Better prices through eliminating the retailer's risk of stock going unsold

Also, instead of making 12 payments each year to buy new stock each month, the retailer now initiates hundreds of Faster Payments each year, one for each order. This illustrates one reason why Faster Payments volumes are growing steadily year-on-year.

Scenario
2

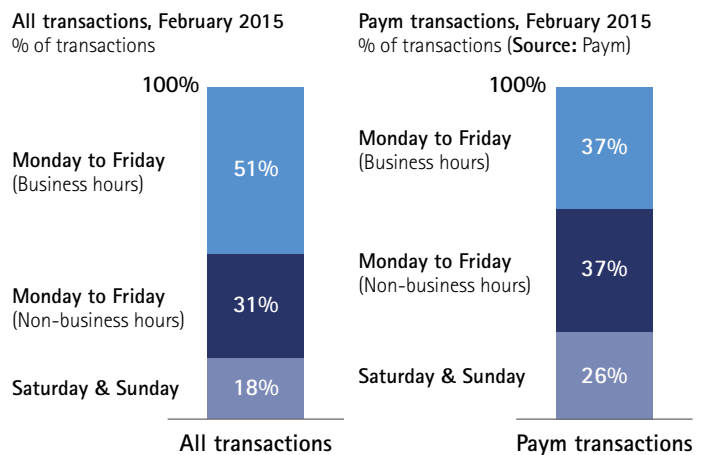
Emergency funds

A 19-year old student has just missed the last train from London Victoria to Sutton, where she lives. With a zero balance in her bank account, she calls up her mother who sends her funds via Paym. The student jumps into a taxi to go back home to Sutton. Reluctant to stop at an ATM on the way, she notices that the taxi driver accepts Paym, and pays for the taxi journey by inputting the taxi driver's mobile number into the Paym App on her smartphone. As she gets home safely, she texts her mother, who smiles as the word "hero!" flashes up on her mobile screen.

Just as providing customers with a debit card (and increasingly a contactless one) is a basic requirement when offering a credible current account offering, so too is 24/7 access to real-time payments. Put simply, consumers want to be able to transfer and receive value at whatever time suits them: the Faster Payments statistics displayed in Figure 1 show that almost half of real-time payments in the UK occur *outside* traditional business hours. Figures from Paym (mobile real-time payments) further emphasise the consumer's shift to 24/7, with over 60% of its transactions occurring outside of traditional business hours.

Against this background, 24/7 access to real-time payments enables a bank to offer customers a more compelling current account proposition, and enables a non-bank PSP to compete more effectively in serving customers. As the accompanying scenarios illustrate, a 24/7 access capability is becoming a 'given' for any PSP that is serious about competing in today's and tomorrow's payments marketplace.

Figure 1. FPS transactional volumes, February 2015



Current options for accessing Faster Payments

In light of the growing importance of 24/7 real-time payments, FPSL engaged Accenture to model the economic viability of a sustainable, competitive market for FinTech vendors to provide real-time payments services, 24/7 to bank and non-bank PSPs through direct access to the Faster Payments Central Infrastructure. FPSL set out its vision for such access, called the 'New Access Model', in the previous **white paper** published in December 2014 (see information panel). In delivering this type of model, a key requirement was to facilitate competition by permitting "open and fair access" to participants or potential participants on reasonable commercial terms. Not only is there a clear market need for open access to Faster Payments, it is also aligned to the new Payment Systems Regulator's (PSR's) objectives of promoting competition, innovation and the interests of service users.

Currently, the experience of accessing Faster Payments varies between different users. This variability results from the use of two different access options:

- The **Direct Membership Model**: guarantees real-time access to Faster Payments at any time 24/7, but requires significant upfront investment, and is used by only the FPSL Members (currently nine banks and a building society) and a large non-bank PSP (on a direct agency basis)

- **Indirect Access via a Sponsor**: a lower investment requirement, but does not guarantee real-time payments, nor 24/7 availability – and neither does it give the PSP full control and surety of its payments. The use of the intermediary sponsor relies on the particular sponsor's infrastructure, operations and business processes, using messaging that takes place outside the Faster Payments Scheme. In combination, these factors reduce availability and can cause delays. Significantly, although this 'sponsor-agency arrangement' (as it is termed) is common practice for other payment types such as CHAPS and Bacs, its implications for the customer experience are very material and noticeable for the Faster Payments Scheme

Faster Payments' response: the New Access Model

The New Access Model is a third option that FPSL has been discussing with prospective vendors of aggregator solutions and PSPs. It aims to enable ubiquitous provision of guaranteed real-time payments, 24/7 as a superior proposition and as an alternative method to the sponsor model, at an attractive price point.

Faster Payments' white paper, "Vision for a New Access Model", December 2014

In the white paper, "*Faster Payments: A Vision for a New Access Model – Opportunities for Payment Service Providers and Solution Vendors*", FPSL sets out how it would ensure its world-class service is available, on a level playing field, to all end users that need or want it. The paper's publication followed extensive engagement between FPSL and PSPs, which revealed demand for access to Faster Payments in two broad segments: those requiring immediate/real-time payments for their customers; and those needing same-day (value-dated) payments for their customers.

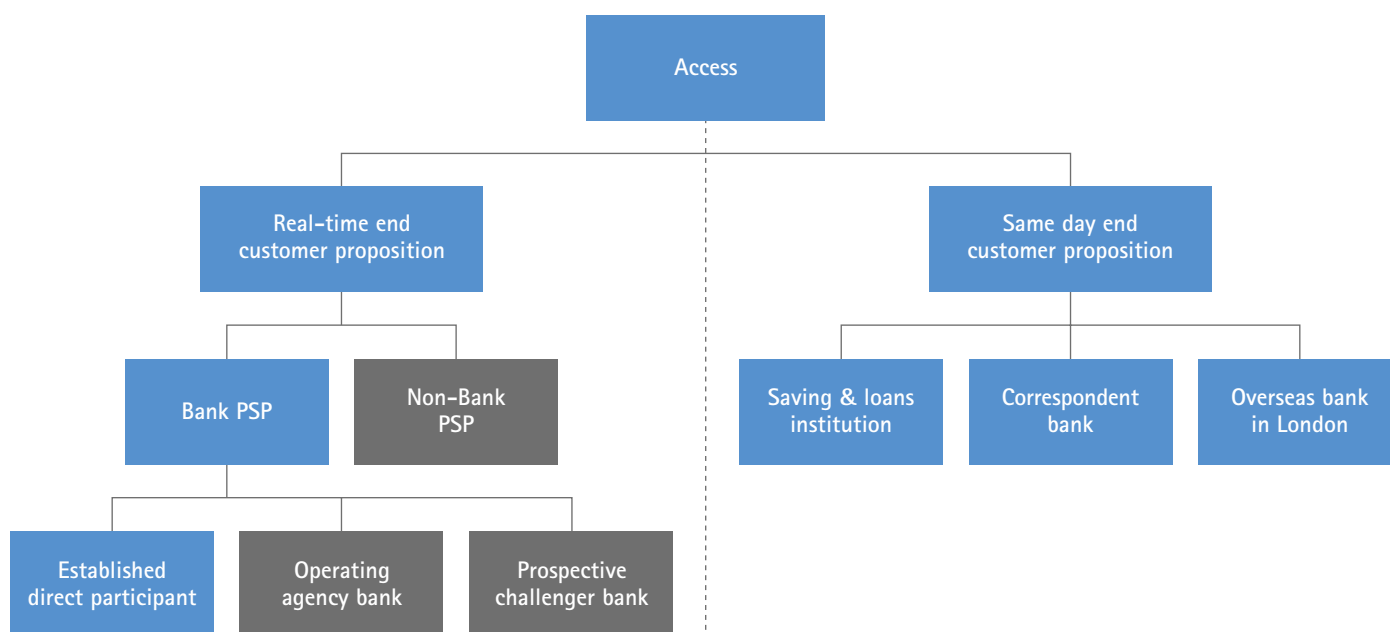
In the paper, FPSL explored its aim to create a level playing field for PSPs that want to offer immediate/real-time payments, and concluded that the challenges of accessing the service are best met through a competitive market in FinTech vendor-operated technical aggregation services. In setting out proposals for the next phase of the Faster Payments journey, the paper described how the New Access Model would bring together PSPs with vendors of technological solutions that can provide improved access to the service; gave stakeholders a rationale for change; and invited feedback and broader engagement in the development of FPSL's plans.

Who would use the New Access Model?

In terms of the potential user base for the New Access Model, Figure 2 shows the current segmentation of demand for access to Faster Payments. Among those users seeking real-time payments capabilities for their end-customers, there are three groups of participants whose ability to achieve this is currently hampered by their use of the sponsorship access model. These groups (coloured grey in the diagram) are current challenger banks (and generally banks with sponsored access), prospective challenger banks, and non-bank PSPs. Since FPSL published this in December, FPSL have already seen the "dotted line" between Real Time and Same Day move further to the right of the chart; as more PSPs recognise the need for real-time and 24/7.

In 2014, around 53 million payment transactions – or about 5% of total Faster Payments traffic (1bn transactions) – would potentially have benefited from the New Access Model. At current growth rates, this figure could easily rise to at least 270m transactions per year over the next five years through increased Faster Payment transactions per account and increased market share of challenger banks, non-bank PSPs and new entrants.

Figure 2. Segmentation of demand for access to Faster Payments⁵



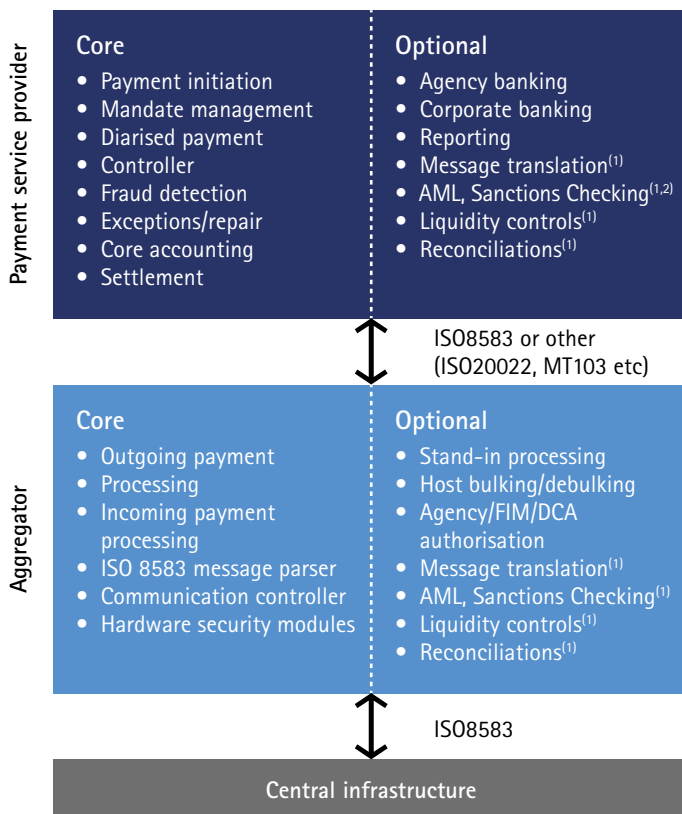
■ PSPs seeking real-time payments capabilities for their end-customers

⁵ Source: Faster Payments white paper, "Faster Payments: A Vision for a New Access Model – Opportunities for Payment Service Providers and Solution Vendors", December 2014.

In moving to help meet this demand from new entrants and smaller PSPs, FPSL is looking to facilitate a competitive market for access. However, FPSL is not proposing to do this by prescribing access solutions (other than stipulating the interface with the Central Infrastructure conforms to FPSL requirements). Instead, the proposed approach is one where the field is open for multiple FinTech vendors to compete with each other by tailoring solutions for the specific Faster Payments access market and users they wish to serve. The architecture diagram in Figure 3 shows the types of functionality that vendors could provide. However, in a competitive market, vendors can actually develop their own variations on this functionality to meet demand from PSPs.

The challenge therefore that FPSL set for Accenture was to test the hypothesis that this open approach would indeed stimulate the creation of a sustainable market for multiple vendors to compete for PSPs' business. The accompanying information panel describes Accenture's approach to this challenge, the economics it modelled, and how it concluded that this approach is viable.

Figure 3. Architecture schematic for the New Access Model



Note (1): Optional component provided by either PSP or aggregator.

Note (2): AML and sanctions remain the responsibility of the PSP for decision making, including rules/data set up and maintenance, irrespective of where the applications run.

Modelling the Economics of the Market for Faster Payments Aggregator Services

The Accenture analysis covers three key areas:

1. Transaction Model

For the period from 2015 to 2020, several transactional environments were modelled based on a range of credible assumptions centred on number of accounts and growth in transactions per account.

2. Economic Analysis

Based on each transactional environment, the respective economic impact for each stakeholder was modelled and compared, including investments required and operating costs. The core economic outputs included revenue, payback and free cashflow for individual vendors, and average cost per transaction (across each access model) for PSPs.

3. Sensitivity Analysis

Impacts on core economic outputs were analysed based on varying key inputs (e.g. pricing per transaction, volumes) to identify the conditions needed to sustain the market across all market participants. The assessment criteria focused on vendors achieving payback on their investment within three years, and PSPs achieving a competitive cost per transaction.

The analysis shows there is a potential market over the next five years for multiple vendors to operate profitably, providing services to PSPs at a lower total cost per transaction, including investment costs, than through a sponsor bank (except at very low volumes); and the aggregator approach is more cost effective for a PSP than a direct connection for up to around 13m – 20m transactions per year.

Accenture has developed business case models for vendors and PSPs based on this analysis, which FPSL is making available to vendors and PSPs, subject to signing up to the Vendor or PSP participation programmes.

Implications for PSPs

Low-volume Faster Payments participants are currently trapped in a 'Catch-22'...

Currently, Faster Payments participants that submit relatively low volumes of payment transactions to the Faster Payments Scheme are unable to justify the costs of direct membership on an economic basis. For low-volume PSPs – including challenger banks – it is easier and cheaper to opt for Indirect Access via a sponsor, as it involves lower costs than direct membership, and additionally removes the need to worry about operational and technical requirements.

So the additional requirements of direct membership push low-volume participants towards the sponsor model. But to succeed and build market share in today's competitive and fast-evolving current account and payments markets, low-volume PSPs in particular need to offer real-time payments 24/7 as a prerequisite for their customer propositions.

Since the sponsor model generally does not provide uninterrupted 24/7 access, nor true real-time payments, it does not suit those requiring a real-time 24/7 proposition – which effectively includes all participants who are serious about their future in the payments and banking marketplace. This means challenger banks and non-bank PSPs that currently have low Faster Payments volumes are caught in a 'Catch 22' situation, with a short-term economic challenge hampering their longer-term ambitions to grow their Faster Payments volumes and challenge the status quo.

...and the New Access Model offers a way out

To help PSPs with low volumes of Faster Payments transactions break out of this 'Catch-22', the New Access Model reduces the barriers to entry substantially, by making 24/7 access to immediate payments economically attractive at lower volumes. To establish whether they stand to benefit from this opportunity, agency banks and non-bank PSPs should first decide whether same-day payments are

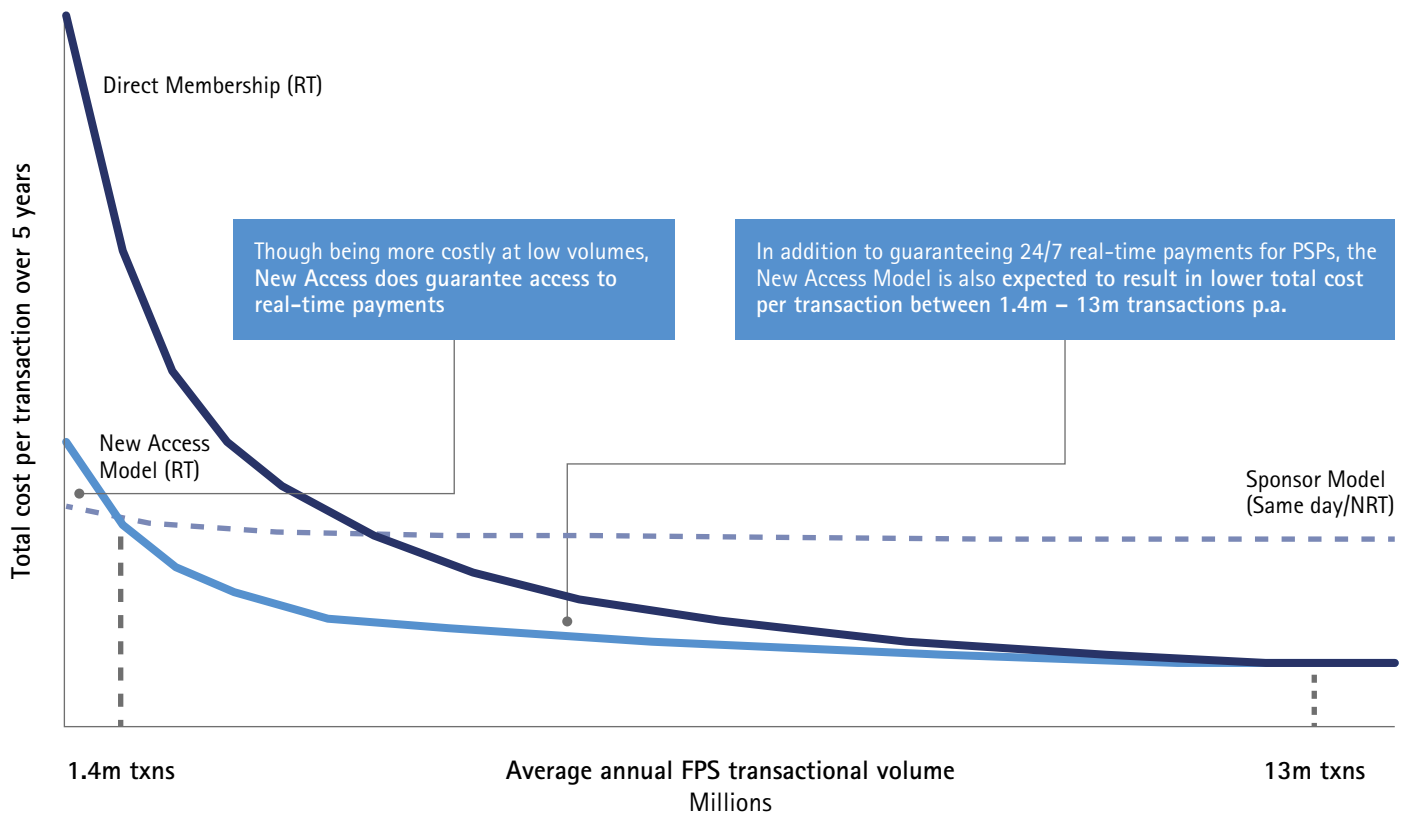
sufficient for their business proposition. Examples where this might be the case include savings account offerings, which would typically require only same-day payments.

However, if real-time payments are needed for their propositions to compete effectively in the marketplace, the agency bank or non-bank PSP should consider one of two options: either an aggregator solution, or direct membership. With the New Access Model, they are able to justify real-time payments economically at significantly lower volumes than was previously the case, while also providing a significantly better customer proposition.

The Accenture analysis that leads to this conclusion is illustrated in Figure 4, which compares total costs, including settlement costs, for a self-settling PSP for the three access options. Even at relatively low volumes above around 1.4 million transactions a year, the New Access Model incurs a lower total cost over five years than the current sponsorship model – while also providing the added benefit of real-time payments with 24/7 access to Faster Payments. The New Access Model also incurs lower costs than direct membership (also real-time) all the way up to around 13 million transactions a year. So the 'sweet spot' for agency banks and non-bank PSPs considering the New Access Model is for those processing, or forecast to process, an average of between around 1.4m and 13m transactions annually.

It is important to stress that this analysis looks purely at the direct economic costs of the various modes of access to Faster Payments. It does not take into account the related impacts on PSPs' customer propositions, and on their resulting ability to generate higher revenues, transaction volumes and share of their target markets.

Figure 4. Agency banks and non-bank PSPs – access model comparison
(assumes self-settling at the Bank of England)



Implications for vendors

An attractive and competitive market for vendors...

A key objective of the New Access Model is to facilitate competition by permitting "open and fair access" to participants or potential participants on reasonable commercial terms. FPSL's engagement with vendors and PSPs, and Accenture's analysis, have demonstrated that a self-sustaining competitive market for technical aggregation services is economically viable.

The detailed analysis suggests that this market is capable of supporting multiple vendors. It would also generate a positive run-rate benefit in the market from 2020 onwards, with a collective Net Present Value (NPV) of more than £200m.

...opening up new opportunities beyond providing access

As well as creating a sustainable competitive market in providing direct technical access to real-time payments, the New Access model also opens up several additional business opportunities for the participating FinTech vendors, beyond standalone provision of access in the UK. These opportunities include:

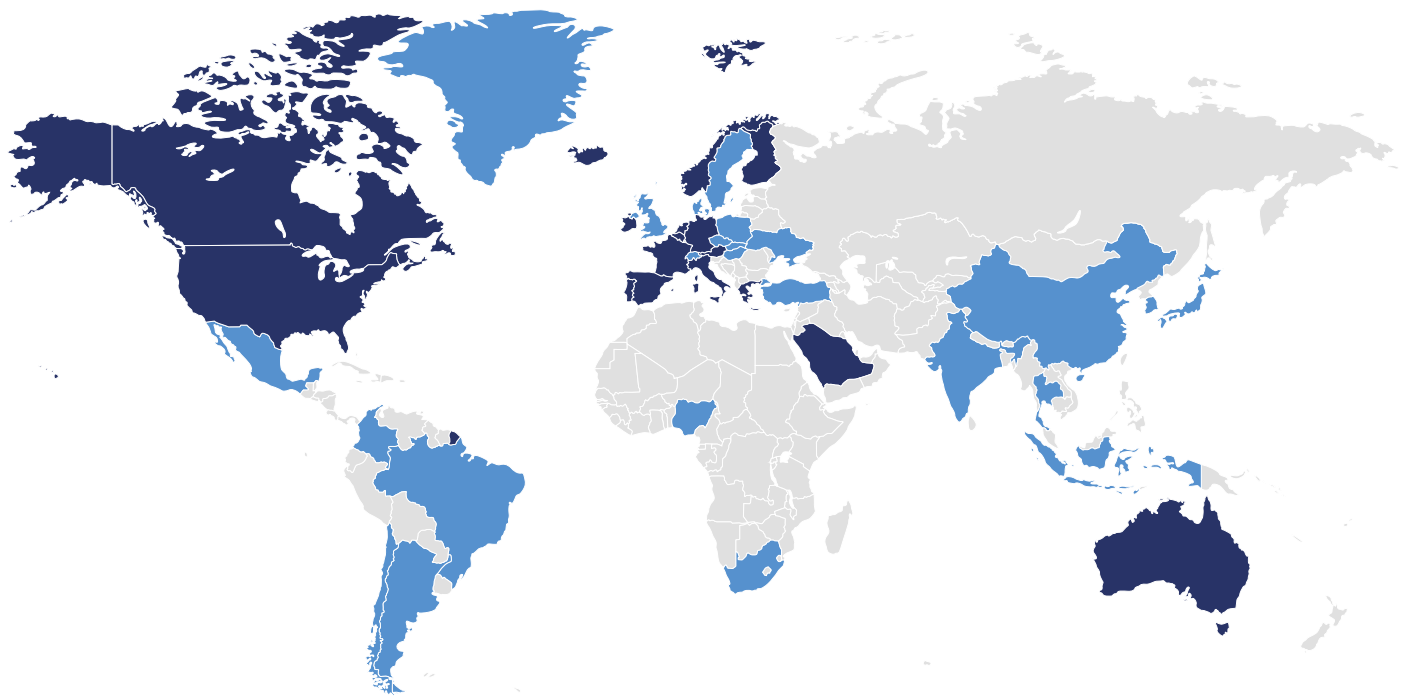
- Offering wider access to other payment types (such as Bacs and CHAPS)
- Replicating and offering aggregation solutions – including other payment types – in countries beyond the UK
- Using technical aggregation as a building-block to offer a wider range of managed services that agency banks and non-bank PSPs may want, in areas such as anti-money laundering (AML) and sanctions compliance (where aggregators provide the control and filtering applications for PSPs to operate using the PSP's own rules, data and settings for their own decision making)



The opportunities for vendors to take their New Access Model capabilities and leverage them in other countries are reinforced by the growing momentum behind real-time payments programmes around the world, with increasing interest and demand at all levels for real-time payments. This trend is highlighted in a recent Accenture white paper⁶, *"Immediate payments: seizing the customer opportunity"*. Figure 5, shows existing and planned immediate payments deployments around the world. Additionally, among countries currently holding industry consultations or even taking the step to implementation – including Finland, the United States, Australia, and some markets in the Middle East – this interest has been underlined by statements of the clear rationale for moving to real-time payments.

Alongside the opportunities, it is important to recognise that the New Access Model also brings responsibilities and pressures for vendors. Providers of new access still need to consider additional factors – such as complying with sanctions and AML regulations on international remittances – in order to operate the model successfully (and FPSL may need to include AML and sanctions controls in the scope of its assurance process for PSPs and aggregators). Furthermore, competition among providers is intensified by the flexibility for agency banks and non-bank PSPs to move and switch between access suppliers – contributing in the long run to users benefiting from keener pricing and wider choice.

⁶ Accenture: *"Immediate payments: seizing the customer opportunity"*, 2014. <http://www.accenture.com/Microsites/sibos/Documents/pdfs/Accenture-Immediate-Payments.pdf>

Figure 5. Immediate payments deployments around the world



-  Countries with operational real-time payment infrastructure
(24 countries)
-  Countries planning/consulting on real-time payment infrastructure
(6 countries and EU)

Alternatives

The economic analysis shows that an alternative approach to create a single regulated aggregator, or utility, is much less attractive.

Although a 'single utility' solution might have scale economies and the potential to maximise operational efficiency, FPSL's view is that several factors count against it. Specifically, it would have the effect of stifling competition and innovation, while resulting in the creation of a monolithic technical aggregation solution that:

- Could not be easily tailored to differing needs of PSPs (and with their number likely to grow significantly, with varying models, their needs are extensive and diverse)
- Would be potentially more costly for PSPs to implement
- Would be difficult and costly to maintain
- Would create concentration risk across the market

- Would slow down future innovation in technical aggregation

In contrast, the structure and approach FPSL has chosen for the New Access Model encourages competition and innovation while opening up new commercial and service opportunities both for providers and customers, and driving up standards and service quality. This approach is likely to catalyse growth in Faster Payments volumes still further, taking them to heights far beyond those enabled by a 'utility' solution. Additionally, the diversification of the participants supplying access has the effect of reducing systemic risk and promoting greater financial stability.

A feature of the New Access Model that FPSL believes is particularly effective in encouraging market competition and diversity is the unbundling of direct technical access from settlement (see information panel).

Fostering competition by unbundling access from settlement

Under the current Faster Payments access model, sponsor banks provide their PSP customers with two distinct services: technical access to Faster Payments, and settlement/liquidity support. Aggregators under the New Access Model offer only technical access, meaning settlement is unbundled as a separate service offering.

This creates the greatest possible choice and flexibility for agency banks and non-bank PSPs seeking 24/7 real-time access to Faster Payments. Depending on their specific business model and customer propositions, they can choose to access Faster Payments via either direct membership or the New Access Model, while also gaining new options on settlement. These include continuing to use a sponsor bank for settlement (which does not need to be a FPSL member, provided they have a Bank of England settlement account), or opting to self-settle if they have a settlement account with the Bank of England.

Currently this latter option is open to banks only, but this may change. FPSL is in active negotiation with the Bank of England about allowing non-banks to self-settle, one of a number of potential changes opening the way to a next-generation settlement process.

The unbundling of direct technical access from settlement further establishes a competitive market by allowing individual participants to focus on specific areas of expertise.

The status so far

In parallel with our economic analysis, the market is already starting to develop. Discussions about the New Access Model between FPSL and the various stakeholders have confirmed that there is a substantial group of parties interested in taking advantage of the new model. Momentum is building, with a pipeline that includes

both PSPs (banks and non-banks) and FinTech vendors. The targets set in the December 2014 white paper – namely three accredited vendors by the end of 2015, and a dozen new PSPs active by the end of 2016 – are eminently achievable, possibly even conservative.

...And FPSL's call to action

If you are a PSP, the New Access Model enables you to provide enhanced propositions to your customers (at reasonable cost) and increases your choice of access methods; and if you are a vendor, then this is a strategic opportunity to build globally-relevant real-time infrastructure and develop new revenue streams.

To benefit from the New Access Model – either as a PSP or as an aggregator – and to keep pace with your competitors, we encourage you to connect with FPSL as a matter of priority. Early adopter PSPs are already issuing RFPs for their New Access Model programmes, and stand to benefit competitively from being ready in 2016 to ride the surge in demand for real-time payments, as Faster Payments volumes at least double or even triple over the next five years.

The urgency for PSPs to respond to remain competitive is intensified by ongoing developments on the customer side, where demand for real-time 24/7 payments is growing apace. As a result, early movers in providing technical aggregation services are well positioned

to capture a share of a sizeable opportunity, and position themselves to meet similar demand that is likely to follow from the UK in overseas markets.

FPSL is gearing up for this demand, and we have launched the Access Programme⁷ to strengthen its internal processes and governance, progress new settlement models with the Bank of England and also to catalyse the market for real-time payments, available 24/7. Integral to these goals, FPSL has implemented both a Vendor Participation Programme and a PSP Participation Programme to enable and support vendors and PSPs through the accreditation, certification and assurance processes, which are prerequisites for operating with live access to the FPSL Central Infrastructure. Demand for this support will be strong throughout 2015 and 2016, and with finite on-boarding capacity it is important to act now to get to the head of the queue.

For further information, please contact:
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⁷ The success of the Access Programme, hence the success of creating a competitive market for aggregator services is dependent on the regulatory and oversight environment in which FPSL operates. Dependencies include the introduction of prefunding of settlement accounts at the Bank of England (currently deferred from 2014 to September 2015), and approvals for any changes to FPSL governance.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com

About Faster Payments Scheme Limited

Faster Payments is the only UK payment system available day and night, 365 days per year, supporting the demands of personal and business customers, ensuring that we are the best choice for moving money at any time, simply, quickly and reliably. In 2014, Faster Payments processed 1.1 billion payment transactions with a value of £904 billion. Our remit is to:

- Operate the Faster Payments Service
- Enable our members to work collaboratively to develop and use and exploit the shared infrastructure
- Manage a framework of standards and rules supported by management information
- Provide a forum for end-user input
- Actively seek opportunities for innovation based on the Faster Payments infrastructure
- Enhance the Scheme through the development of additional services
- Operate an appropriate governance model for all aspects of the Scheme's activities
- Procure and manage the infrastructure and other resources needed to deliver the service

Credits

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