

ARTICLE

THE NEW PAYMENTS ARCHITECTURE IS NEAR

The New Payments Architecture (NPA) is getting closer. Originally imagined by the Payments Strategy Forum in 2017, this new payments system, based on ISO20022, will replace the existing BACS and Faster Payments central infrastructures.

In addition to the rationalization and upgrade of the central infrastructure, the original goals for NPA also included extending the data model and making connectivity easier and cheaper. Based on the documentation released by Pay.UK to date, we can examine how those goals are being met. On extended data, there are new and interesting data constructs referenced, including:

- Unique End-to-End Transaction References (UETRs): an identifier to uniquely identify a payment across all payment systems, not just those in the U.K.
- Legal Entity Identifiers (LEIs): an identifier to show “who owns who” and “who is who” for a given payment
- Purpose codes: codes to categorize why a payment is taking place

The interesting question for payment market participants to ask themselves is not, “How do I create a system that is compliant with these new data requirements?” but “What interesting new things can I do with the extra data?” For example:

- How can this extra data be used by my fraud and sanctions screening engines to find patterns?
- How can this data be used to simplify my reconciliation processes?
- How can this data be used to enrich my analytics platform to better segment customer behaviour?

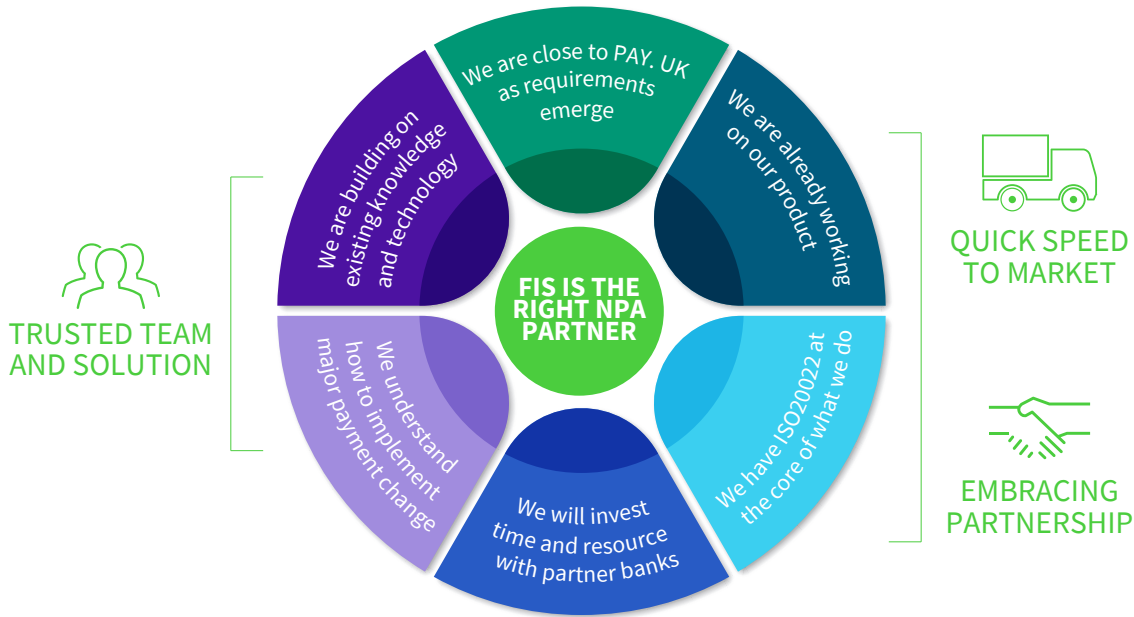
Connectivity wise, some details have emerged showing that it will be possible to connect to cloud points of presence, which should help reduce the cost of connectivity to the new central infrastructure (the NPA). More traditional connectivity methods will also be available – FIS® is hoping for an API specification to land soon, which should vastly change the manner and ease with which connectivity is achieved.

With the NPA intended to operate with lower costs than the existing payment infrastructure, it may well cause participants to reconsider their preferred membership model. Since the Faster Payments scheme released its vision for a new access model in 2014, membership numbers have risen from 10 to 40+ direct participants and numbers continue to grow. Will the NPA lower the bar even further, encouraging an even greater number of direct participants? The change to NPA certainly gives those who are operating indirectly a good opportunity to revisit their participation model and decide whether it’s still meeting the needs of the business, as well as offering the best economics.

Finally, there is a notable additional transaction type called an “Instant Payment.” This differs from existing Faster Payments messages by offering a binary response, simply “Yes” or “No” rather than “Yes,” “No” or “Maybe.” This innovation is incredibly useful in any use case that requires transactional finality, and it has the potential to be one of the missing puzzle pieces to allow the U.K. market payment infrastructures to compete with the card market infrastructures. Couple this with the recent increase of the Faster Payment scheme limit to £1,000,000, and it will be no surprise to see NPA volumes continue the trend of roughly 20% year-on-year compound growth, which Faster Payments currently enjoys.

With all this change, it’s imperative that all payment market participants act now to understand what they need to do, how they’re going to do it and how they can best leverage opportunities enabled by the changes offered by the NPA. FIS has a world-class ISO20022 payments hub with investment already committed to NPA product readiness. As a current Faster Payments Aggregator, we’re investigating what role we’ll take in the new world and are ready to help participants on their own NPA journey.

Why is the FIS NPA approach important?



About Enterprise Payments and how FIS enables a smarter NPA journey for our partners

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About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor’s 500® Index.

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