

Position of the NPC Stakeholder Forum on 2022 NPC Confirmation of Payee Rulebook

Version History

Version	Date	Edited by	Comments
1.0	2022-11-17	NPC Secretariat	Stakeholder forum agreed on the 1.0 version of Position paper for CoP Rulebook 2022-11-17

1 Background

The NPC Confirmation of Payee Scheme (“Scheme”) is a set of rules, practices and standards to achieve interoperability for the provision and operation of confirming Payee Payment Accounts between Participants of the Scheme prior to making a payment. A Participant is any PSP as defined in Payment Services Directive that is eligible to participate in the Scheme in accordance with Rulebook section 4.4.

NPC Confirmation of Payee Rulebook will make it possible to confirm an account and a Payee before making a payment. The main benefits for such confirmation is to enhance the end-user experience by creating trust in the payment system, prevent fraud and misdirected payments, modernisation of current services by introducing international standards (ISO 20022) and creating interoperability within the Nordics with common rules, processes and formats.

2 Role of the NPC Stakeholder Forum for NPC Confirmation of payee Rulebook

The NPC Stakeholder Forum and its roles is described in the NPC Scheme Management Rules section 4.4. The Stakeholder Forum is invited to provide its consolidated comments in a position document on the draft Rulebooks. This position document will be communicated to the SMC.

The SMC shall consider the position document from the NPC Stakeholder Forum as part of their decision to publish the 1.0 version of the Confirmation of Payee Scheme. End-users and suppliers shall have an opportunity to present their views through the Stakeholder Forum. The development process aims to capture a range of stakeholder opinions in the Nordics.

This NPC Stakeholder Forum position document will be published on the NPC Website together with the final version of the NPC Confirmation of Payee Scheme.

The Danish Central Bank, the Swedish Central Bank and the Swedish National Debt Office (Riksgälden), participants of the Stakeholder Forum, are not part of this position paper due to their status as authorities.

3 Position from Stakeholder Forum

The Nordic Payment Council (NPC) Stakeholder forum are supportive of the publication of the new Confirmation of Payee scheme rule book, and the proposed recommendation to the NPC and EBC secretariat for the adoption and delivery of this important new overlay service for the wider Nordic financial services and payments community.

Why does the Stakeholder forum believe this initiative is important? The checking of payee names is not a new service within our industry. Machine learning and fuzzy match algorithms are used extensively for sanctions checking to help satisfy compliance and anti-money laundering requirements. For

many years, there have been Nordic verification services, built through different domestic solutions and formats, that are used by companies and authorities for certain types of payments. These services mean that the account and identification of the payee are matched to ensure the correct recipient of a payment. With changes taking place in the payment area, which means new requirements and thus new needs for payments, the Nordic verification services need to be adapted. New needs are, for example, to also be able to match the name and account number of the payee, which is not possible in today's solutions. By being able to offer a harmonised and standardised service that can verify both the account in combination with the identification and name of the payee, you increase the usefulness and scope of use for the entire payment market and create secure and efficient payments.

Technology has allowed payment systems to meet evolving customer needs. Payments are largely frictionless, made instantaneously and cleared for value in seconds. However, the importance and significance of the payer being able to check the payee before making a payment should not be underestimated in terms of the value and safeguarding benefits it brings. Namely,

- #1. It provides a level of trust, certainty and assurance to the payer that the name of the person or entity associated with the account to which the payment will be made is the same as the person or entity they want to receive the payment.
- #2. It improves customer confidence in the payment system by reducing the number of payments that are sent to the wrong payee by mistake which are often subject to complex and slow recovery processes
- #3. Authorised Push Payment fraud (APP) remains a significant concern for the public and the authorities. Confirmation of payee will not eliminate APP fraud. However, it is a significant tool for PSPs' combatting APP fraud by adding a layer of defense that makes fraud more costly and complex to perpetrate
- #4. The NPC Stakeholder Forum also welcomes the clear separation of the CoP-Scheme from the other NPC-owned schemes to foster appropriate use in various use-cases.

In summary, the NPC Stakeholder forum as stewards and custodians of the payment industry in which we serve welcome this initiative and the benefits by delivering this new non-invasive countermeasure designed to improve public confidence, reduce bank risks and maintain and protect the integrity of today's real time payment.