

COMMERCIAL BANKING

**Lloyds Bank Pay:
our suite of Payment
APIs to enhance
your Digital
Transformation**

By the side of business



LLOYDS BANK



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**Euromoney Awards
for Excellence 2020 –
Western Europe’s
Best Digital Bank:
Lloyds Banking Group**



**Euromoney Awards
for Excellence 2021 –
Best UK Bank:
Lloyds Bank**



**Global Finance –
Best Treasury & Cash
Management Provider 2021:
Lloyds Bank**



Introduction

As part of Lloyds Banking Group, Lloyds Bank is one of the UK's leading retail and commercial banks, combining considerable strength and scale. Recently, we have been investing heavily to leverage emerging opportunities driven by ongoing technological and regulatory changes. Open Banking and PSD2 were designed to drive innovation and increase competition as well as making payments faster and more secure, as a result APIs will now play their part in delivering these outcomes.

As part of this investment we are keen to embrace the increased emergence of APIs and help our clients' with their digital transformation. As clients look to make their processes more automated, faster, more cost-effective, available around the clock and more secure, we have focussed on how we can help our clients improve their customer proposition by embedding payments in their customer journeys.

Application Programming Interfaces (APIs) have been in existence for some time, many of us use them in our day-to-day lives. When we look up a location, book travel or make an online query, we are often using an API. They are already used extensively in telecommunications and retail. Indeed, they have already had a fundamental impact on the ways that these industries operate, exchange data, and deliver value propositions and are now beginning to do the same in banking and financial services.

The UK has a unique payments landscape for several reasons:

- We have an established immediate payments proposition – Faster Payments Service which has been up and running for over a decade;
- Open Banking, was launched in the UK in 2018 introducing new types of Third-Party Providers (TPPs);
- We have already seen a wealth of innovation in banking, not just across the retail or consumer landscape but also in commercial banking. If you look at the range and diversity of the new TPPs in the Open Banking Directory we are starting to see tangible commercial use cases emerge for the use of APIs.

As one of UK's leading retail and commercial banks we are embracing the emergence of API technology, the maturity of our Faster Payments Service and Open Banking to build out our suite of Lloyds Bank Pay APIs as well as investing for the future in Lloyds Bank Gem, our Omni-channel, API-enabled new cash and payments infrastructure.

We are really excited about the ways in which APIs are enabling us to deliver many more payments services to our clients and encourage you to have the conversation with your Lloyds Bank relationship team to see how we can work with you to further enhance your customer proposition.



Lloyds Bank's continued investment in API solutions is bringing real value to our clients in helping them improve their customer propositions. APIs now enable us to embed payments into our clients' customer propositions, driving their digital transformation.



Steve Everett

Managing Director,
Head of Payables and Receivables,
Lloyds Bank Commercial Banking

17M

Our Group is the largest digital bank in the UK with around 17 million digitally active customers

+1M

Over one million businesses in the UK banking with us, including 80% of the FTSE 100 and FTSE 250 companies

£3BN

£3 billion of strategic investment to transform the bank for success in the digital world



Why APIs work well for payments

Changes in consumer behaviour

Expectations are evolving and fuelling the regulatory and technology changes that we are seeing. Consumers now have greater control, choice and, with technology, expectations of speed. For the first time we are seeing the consumer world leading, and indeed influencing, the business-to-business world. Businesses are now expecting the same, if not greater, level of control, choice and speed that they see in the consumer space to enable them to keep up with the competition and, ultimately, pass the benefits on to their end customers through improved client propositions.

The impact of Covid-19 pandemic has accelerated the need for a further digitalisation in the payments landscape. While many existing processes have been designed around ageing systems or historic workflows, it has become evident that many now need to be re-designed with a 'digital-first' mindset with a view to:



Improving cash flow



Streamlining and enhancing your customers' experience



Reducing costs



Ensuring Payments are sent and received in a timely manner



Enhancing operational effectiveness

Changes in technology

Technology presents businesses an opportunity to streamline processes and to access enriched data. PSD2 called for a technological implementation of data sharing and payment initiation, the most versatile solution being the use of APIs. We have seen APIs using Faster Payments for lending or contract payment, balance and transaction reporting for immediate reconciliation or decision making, as well as use in wider initiatives such as Confirmation of Payee and Request to Pay.

We are restructuring the back end of the bank and joining up our platforms in a far quicker and easier way, to enable us to deliver many more services to our clients in the ways that our clients want to receive those services.

Changes in regulation

We are operating in a progressive regulatory landscape. New regulators (and new regulations) are creating the space and opportunity for increased choice, competition, and new propositions. In the UK, all three domestic payment systems have now been brought under the remit of Pay UK. Additionally, the Bank of England's renewal of the GBP Real Time Gross Settlement (RTGS) system will make it easier to connect to the payment schemes with securer infrastructures and ISO 20022 standards support. This realignment will build upon the work laid down by the Open Banking and PSD2, which aim to increase consumer choice in financial services providers.

Since the introduction of Open Banking in the UK we have seen the introduction of two new types of Third Party Providers. The bulk are account aggregators, Account Information Service Providers (AISPs), giving clients the ability to see all account data in one single place. Secondly, we are starting to see more payment initiators – Payment Initiation Service Providers (PISPs), which allow a Third Party to initiate a payment, with consent, on behalf of the account holder.

APIs enable clients to embed payments as a service into their core customer propositions, unlocking significant benefits to their operations and underlying customer proposition:

- Accelerated speed of execution due to highly automated processes
- Simplified operations as human intervention is removed
- Creation of value and competitive advantage in developing enhance customer propositions
- Accelerated speed of deployment
- Facilitating transition beyond traditional working day to a 24/7* automated environment

We started our Lloyds Bank Pay API journey with a very simple experiment – initiating immediate payments using our Faster Payments Service as opposed to traditional channels (Internet banking and host-to-host) and tested that with a number of clients. The underlying use cases were completely different, but the common theme was that our clients were able to automate, without human intervention, what they were doing for their customers or employees.

We then expanded our development to looking beyond payment initiation into how we could enhance the wider API capability of our solutions by creating a suite of information services APIs, including balance and transaction reporting, Confirmation of Payee, and event notification.

Our latest work is to focus on the receivables journey, as we recognise the importance of cost-effective means of receiving monies from our clients' customers was just as crucial as the payables side. This is a simple alternative collection model, using the ability to request a transfer from a bank account to a bank account as an alternative to cards.

Our current suite of APIs

Payables APIs

Initiate the following payment types with PayTo:

- FPS
- CHAPS[†]
- SEPA[†]
- TARGET2[†]
- International Payments[†]

Receivables APIs

- FundBy Bank
- PayFrom Bank

Information Services APIs

- Event Notification APIs
- Debit Notification
- Credit Notification
- API-initiated Faster Payment Service returns
- Inter Account Transfer Notification
- Balance and Transactions Reporting APIs
- Confirmation of Payee

More information on the above APIs can be found overleaf.



The real client value is that transformational API technology now allows us to develop solutions for clients at pace, where previously they would have been unthinkable, unaffordable or just too difficult



Gavin McLean

Managing Director,
Head of Payables and Receivables Product,
Lloyds Bank Commercial Banking

* There may be periods when we are required to suspend access to the system for routine maintenance.
[†] Subject to release schedule



Lloyds Bank Pay APIs

Receivables APIs

Our Receivables APIs enable you to start receiving payments from your customers via a single Faster Payment, allowing you to improve your cash flow, timeliness of payment receipt and your customer proposition. We offer a Payments Initiation Service to your customers.

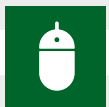
FundBy Bank

FundBy Bank is a secure, efficient, and convenient way of enabling your customer to fund their accounts held with you via the Faster Payments Service

Use Cases:

Moving money from current account to Investment product, such as updating an ISA via a Wealth Manager's portal

Customer selects 'FundBy Bank' as payment type



Customer selects 'PayFrom Bank' as payment type

Customer selects their bank



Customer selects their bank

Customer provides consent



Customer provides consent

Customer authenticates themselves through their personal bank account and initiates Faster Payment



Customer authenticates themselves through their personal bank account and initiates Faster Payment

Funds are transferred from customer's bank account to their account with you



You receive Faster Payment

PayFrom Bank

PayFrom Bank is a secure, efficient, and convenient way of enabling your customer to pay you via the Faster Payments Service, so funds are readily available to you.

Use Cases:

Payment for product or services; such as buying a train ticket or hotel booking

Benefits to you

- Convenient, efficient, and secure way of ensuring timely payments
- Working capital – immediate settlement of GBP via Faster Payments Service
- Ease of reconciliation – payment details provided securely
- Dedicated portal for review or extraction of data
- Low cost payment method; simply pay per transaction
- Currently supports over 20 banks, covering more than 97% of the UK market

Benefits to your customers

- Convenient, efficient, and secure way of making payments due
- Simple – guided journey to pay in 4–5 clicks
- Round the clock payments – payment via Faster Payment
- Cheaper payment solution than card transactions
- Enhanced optionality – a wider range of options to pay
- Secure – FCA regulated transaction provides bank-level security

Payables API

Our Payables API, PayTo, is an exciting innovation which enables you to make a single Faster Payment from your Lloyds Bank account directly from your organisation's systems, without manual intervention, via a secure, direct connection with the bank. It is a simpler, more efficient way for you to send immediate payments to suppliers or staff 24/7* and benefit from real-time notifications and payment confirmations.

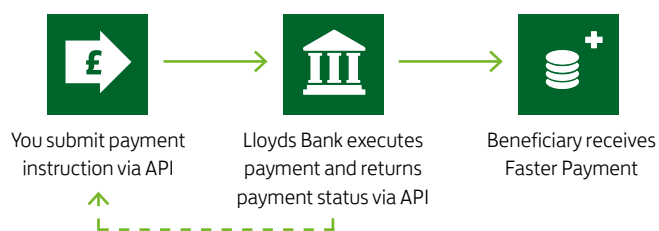
Benefits to you

- Secure digital certificate
- Real-time notifications and payment confirmation
- Single, immediate Faster Payment
- Available 24 hours a day, 7 days a week *
- Straight-through processing

Benefits to your customers

- Enhanced customer proposition
- Accelerated receipt of funds

How does it work?



Use Cases:

1. Early Payments
2. Financing
3. Refund/ Claims
4. Bank making a payment into the UK from Australia
5. Insurance company looking to get emergency money in storm hit parts of the country

Throughout 2020/21 we will be expanding our capability to allow you to initiate payments via API to Additional schemes – CHAPS, TARGET2, International Payments and SEPA.

* There may be periods when we are required to suspend access to the system for routine maintenance.

Information Services APIs

We have also developed a host of data exchange APIs to ease and facilitate better reconciliation, operational processes, event management and automation.

Event Notification APIs

We have recently developed a suite of event notifications to ease and facilitate better reconciliation and allocation of your cash flow

- **Credit Notifications**— Receive push notifications of credits to your GBP accounts
- **Debit Notifications**— Receive push notifications of debits to your GBP accounts
- **Returns** — Receive immediate notifications of API-initiated Faster Payment Service returns

Use Cases:

1. Solicitor who needs to be notified on a house settlement payment
2. Wealth Manager advice of receipt of inbound investment funds

Balance and Transaction Reporting APIs

In addition to our payments and receivables capability we have also developed a suite of APIs to increase visibility of your cash flow.

- **Accounts** — obtain a list of real, virtual, and multi-bank accounts
- **Balances** — obtain a list of real-time balance information
- **Transactions** — obtain a list of real-time transaction listings
- **Statements** — obtain a variety of statement formats
- **Get status** — Request execution status for a payment that was initiated by API

Confirmation of Payee

This API takes the hassle out of verifying bank account details when making one-off payments or on boarding new clients and suppliers.

You can validate the details directly from your system. The result of the check will be returned almost instantly, so you can carry out an investigation if there's a problem and then proceed to issue the payment, instead of the other way around.

Lloyds Bank can supply all of the CoP response codes, including:

- **Match** — The Account Holder's Name / Business Name, Account Number, and Sort Code provided match a valid bank account
- **Partial match** — Most of the details match a valid bank account, but some do not
- **No match** — The details provided do not match a valid bank account

Find out more

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service. Please note that any data sent via e-mail is not secure and could be read by others.



Speak to your Relationship Manager



lloydsbank.com/commercialbanking

IMPORTANT INFORMATION

This document has been prepared by Lloyds Bank. Lloyds Bank is a trading name of Lloyds Bank plc and Bank of Scotland plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278 and 169628 respectively.

Lloyds Banking Group is a financial services group that incorporates a number of brands including Lloyds Bank. More information about Lloyds Banking Group can be found at lloydsbankinggroup.com

