

Consultation paper

Market review of card scheme and processing fees

Proposed direction and guidelines:
regulatory financial reporting

May 2026

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 3 July 2026**.

You can email your comments to **schemeandprocessingfees@psr.org.uk** or write to us at:

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We will consider your comments when preparing our response to this consultation.

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You can download this consultation paper from our website:

www.psr.org.uk/publications/consultations/cp26-1-card-scheme-processing-fees-rfr

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Note: The places in this document where confidential material has been redacted are marked with a '[~~]'~~

1 Executive summary

Our market review

1.1 In MR22/1.10 *Market review of card scheme and processing fees: Final report* (March 2025), we¹ concluded that:

- Mastercard and Visa (the schemes) are subject to ineffective competitive constraints on the acquiring side of the market. This is unlikely to change in the short to medium term.
- The schemes do not give acquirers sufficiently clear and detailed information about their fees. This creates poor outcomes for acquirers and merchants.
- The schemes' fees have risen substantially in recent years, with no clear evidence that the increases (or new fees) were set based on detailed cost analysis, competition or innovation. We found some evidence that is consistent with a finding that the schemes' margins are higher than we would expect in a competitive market. However, due to the limitations of the data available, we could not reach firm conclusions on the schemes' UK profitability.²

1.2 In April 2025, we published a remedies consultation (CP25/1), setting out four potential remedies to address our conclusions.³

1.3 In December 2025⁴ we decided:

- To implement the **Information, transparency and complexity (ITC) remedy** and the **Pricing Governance remedy**, and to consult on our proposed directions to implement them. This will ensure that:
 - acquirers, and merchants through their contractual relationship, receive better information to understand the fees they are charged; and
 - there is better evidence showing how pricing decisions are made.
- Not to pursue the publication of schemes' information remedy.
- To further engage on the **Regulatory Financial Reporting remedy** (the RFR remedy). The purpose of this remedy is to enable us to collect data that give a reliable, ongoing understanding of the schemes' UK profitability, in the most proportionate and effective way, and let us reach more robust and reliable conclusions. This is essential for us to better assess whether the market for scheme and processing services is working well.

1 References to 'we' and 'us' should be read as referring to the PSR. As part of the Government's plans to consolidate the PSR into the Financial Conduct Authority (FCA), references to action the PSR may take in the future should be understood as including the FCA pursuant to legislation to consolidate the PSR and FCA.

2 MR22/1.10 *Market review of card scheme and processing fees: Final report*, March 2025, paragraph 8.9.

3 CP25/1 *Market review of card scheme and processing fees: Remedies consultation*, April 2025.

4 CP25/3 *Market review of card scheme and processing fees: Consultation on proposed directions*, December 2025, paragraphs 1.4-1.14.

The RFR remedy

- 1.4** Having considered the responses to the CP25/1 consultation and further stakeholder engagement, we have decided to refine and implement the RFR remedy. In particular, building on their written feedback, we have further engaged with the schemes and developed alternative approaches, on a number of issues, to achieve our aims while ensuring the requirements are proportionate.
- 1.5** We no longer intend to require certain types of information where we consider that requiring such information annually is unnecessary to achieve the specific purpose of this remedy (for example, a balance sheet).
- 1.6** In future, newly available information (including that resulting from the RFR and Pricing Governance remedies) or new market developments might suggest that further intervention might be appropriate to promote our statutory objectives. In that event, we will consider what additional analysis we need to decide on (and design) such potential interventions. We may need additional financial information for specific interventions. While we are not contemplating further intervention in relation to scheme and processing fees at present, we will consider future intervention if necessary and appropriate, including both pricing and non-pricing options.
- 1.7** In light of this, we will keep the scope and operation of the proposed RFR Direction under review.
- 1.8** Alongside this document, we have published our proposed RFR Direction that will give effect to the RFR remedy, and which includes draft Regulatory Accounting Guidelines (the proposed Guidelines). The proposed RFR Direction contains the core financial reporting requirements, while the proposed Guidelines give more detail and set out how the schemes must prepare their submissions.

Consultation process and next steps

- 1.9** This document sets out:
- our assessment of the RFR remedy and how we have reflected it in our proposed RFR Direction (Chapter 2)
 - our assessment of the proportionality of the RFR remedy (Chapter 3)
 - our cost-benefit analysis (CBA) (Annex 1)
- 1.10** We now seek views on our proposed RFR Direction and Guidelines published alongside this document. Please send us your responses by **Friday 3 July 2026** using the details on page 2.
- 1.11** If we decide to proceed after considering the responses to this consultation, we will impose a final direction on the schemes using our powers under section 54(3)(c) of the Financial Services (Banking Reform) Act 2013 (FSBRA). We will publish this alongside our final decision, which will include our assessment of the consultation responses.

1.12 The Government has announced its intention to abolish the PSR and consolidate its functions within the FCA.⁵ Within that context, the Government is proposing that the FCA should have objectives and powers for when it acts in relation to payment systems that are broadly equivalent in scope and substance to what the PSR currently has. As a result, we expect the FCA, in due course, to take over responsibility for monitoring and evaluating these remedies, as well as other existing PSR directions.

⁵ The [background briefing notes](#) for the King's Speech 2026 refer to the Bill to implement the consolidation: see pages 34 to 36.

2 Regulatory financial reporting

The RFR remedy aims to address our conclusion that we need to collect more robust data in order to reach firm conclusions on the profitability of the schemes' UK card businesses. This will ensure that we have reliable, ongoing evidence to assess their profitability, enabling us to better perform our functions and promote our objectives.

The RFR remedy

- 2.1** We are consulting on our proposed RFR Direction (including the proposed Guidelines which form part of the proposed RFR Direction).
- 2.2** Under the proposed RFR Direction each scheme must prepare:
- Bespoke regulatory financial statements (RFS) for the years 2023 to 2026 and submit these to us in 2027. After that, they will need to prepare and submit the RFS annually.
 - The RFS using a set of regulatory accounting principles and requirements. The RFS will include:
 - a profit and loss (P&L) account for each scheme's UK card business (the cards P&L), and relevant additional information about card revenues and costs
 - detailed information on contextual factors relevant to understanding each scheme's financial performance, including changes in year-on-year business performance, key cost categories, and the drivers of profitability
- 2.3** The proposed RFR Direction has several provisions to enable us to ensure appropriate implementation and monitor compliance. These include:
- A requirement to provide us with drafts of the accounting methodology document (AMD), RFS model and first set of RFS. We will use these to facilitate our engagement with the schemes and ensure that subsequent productions of the AMD, RFS model and RFS comply with the proposed RFR Direction.
 - A requirement to obtain internal and external assurance of the RFS, via the schemes' European management and an independent auditor.
 - A discretionary power to enable us to require the independent auditor to undertake additional reviews, of a nature that is reasonably necessary to secure compliance.

Our findings and proposals from the remedies consultation

2.4 In our final report, we assessed the level of profitability of the schemes and made the following findings:

- The evidence we gathered during the market review is consistent with a finding that the schemes' margins are higher than would be expected in competitive markets.⁶ However, we concluded that we would need to collect more robust data in order to reach firm conclusions on the schemes' profitability.⁷ This is because the schemes do not report financial performance separately for their respective UK businesses, and because there were large discrepancies in the schemes' financial performance across the datasets we looked at.⁸ We describe this in our draft CBA as 'the regulatory information gap'.⁹
- Specific challenges we encountered in assessing the schemes' profitability included:
 - their respective cost allocation choices;
 - Mastercard's exclusion of foreign exchange (FX) conversion income; and
 - Visa's inclusion of costs that constitute intercompany profits for the wider Visa group.¹⁰
- Obtaining more robust data on a continuous basis would strengthen our ability to monitor the schemes' UK financial performance over time (and, if appropriate, consider whether further action may be warranted).¹¹ It would also, if appropriate, provide an enduring basis on which to assess the effectiveness and proportionality of any regulatory intervention.¹²

6 MR22/1.10, paragraph 6.192.

7 MR22/1.10, paragraph 6.192.

8 For Mastercard, our range of estimates of its EBIT margin was [x-] % to 54% and, for Visa the range was [x-] % to 64%. See MR22/1.10, paragraph 6.132.

9 MR22/1.10, paragraphs 6.134-6.136.

10 MR22/1.10, paragraph 6.119 and CP25/1, paragraph 5.9 and adjacent table.

11 MR22/1.10, paragraph 6.192.

12 MR22/1.10, paragraphs 6.137 and 6.192.

2.5 In CP25/1, we proposed an RFR remedy to address these concerns. We noted the widespread use of regulatory financial reporting by economic regulators and their common goal: to provide the regulator with access to information that enables it to exercise its functions.¹³ Based on our findings, we explained that we considered an effective RFR remedy would need to enable us to answer, over time, three questions:¹⁴

Question	Purpose
1. What is the level of profitability of Mastercard's and Visa's relevant UK operations?	To address the challenges we faced in assessing the schemes' profitability
2. Which activities drive this level of profitability?	To better understand the drivers of financial performance
3. What trends can be identified in both of the above?	To monitor the schemes' financial performance over time

2.6 In light of these questions, we consulted on a proposed RFR remedy that would encompass:

- P&Ls: Two separate statements covering the costs and revenues of all activities and services relating to each of the scheme's UK business and relevant UK operations.
- Balance sheets: Two statements comprising (separately) assets and liabilities attached to each of the scheme's UK business and relevant UK operations.
- Some disaggregation of the P&L accounts and balance sheets covering each of the scheme's relevant UK operations by category, such as products, services or customer types.
- Information relating to contextual factors and acquirer-fee levels.

2.7 As a result of our engagement over the past year, and our own internal policy development, we have refined the scope of the outputs required. The key changes we have made include:

- P&Ls: the cards P&L requirement is broadly unchanged. However, we no longer require a separate P&L in respect of the schemes' UK businesses (i.e. including both card and non-card activities in the UK).¹⁵
- Balance sheets: at this stage, we believe we can achieve the specific aim of this remedy – i.e. to answer the three questions listed above – without requiring this information. We note that in future we may decide to require a balance sheet if we consider it appropriate at that time – for example, as part of a review of the effectiveness of the RFR requirements or for reasons separate to this market review.¹⁶

¹³ CP25/1, paragraphs 5.11-5.13.

¹⁴ CP25/1, paragraphs 5.13 and 5.14. We note that we did not receive any direct feedback on the three questions. Mastercard stated that it had assessed some parts of the remedy by reference to the three questions (other UK operations, return on capital employed, contextual factors) but did not object to the questions themselves. It also assessed whether the 'proposed remedies are likely to be economically meaningful, proportionate, and operationally feasible' (Mastercard's response to CP25/1, page 23). We respond directly to the feedback received from Mastercard (and other stakeholders) within this chapter, referring to the three questions where relevant.

¹⁵ See paragraphs 2.38-2.46.

¹⁶ See paragraphs 2.78-2.92.

- Disaggregation of the P&L: we no longer require a separate P&L by product or service and have limited the disaggregation of the P&L to 'by customer type' and 'direct costs' only.¹⁷
- Contextual factors and acquirer-fee levels: we have narrowed the scope of the contextual factors to those we believe are necessary to understanding the schemes' profitability, the trends driving their profitability, and how it is changing over time. We no longer require information on acquirer fee-levels.¹⁸

2.8 We have also refined our proposals for delivery of the RFS, and the internal and external assurances we require from each of the schemes.¹⁹

2.9 For the reasons set out in Chapter 3 and the CBA in Annex 1, we consider that the RFR remedy reflected in the proposed RFR Direction addresses the regulatory information gap identified in our final report in an effective and proportionate manner. It achieves a sensible balance between advancing our statutory objectives and other considerations to which we must have regard, including the promotion of sustainable growth and the proportionality principle.²⁰

Remedies consultation feedback

2.10 Following the publication of our remedies consultation, we received written responses from 15 stakeholders about the RFR remedy and our overall remedy package. Building on their written feedback, we have further engaged with the schemes through bilateral calls and workshops and developed alternative approaches on a number of issues to achieve our aims while ensuring the requirements are proportionate.

2.11 As explained below, we took this feedback into account when developing the RFR remedy.

Views on the RFR remedy's aim and purpose

2.12 Ten respondents supported RFR,²¹ including a mixture of acquirers, merchants and three trade bodies. They saw it as a tool to improve transparency and regulatory oversight. Among the ten respondents, six (including an acquirer, merchants and trade bodies) called on us to go further,²² with four proposing a price cap.²³

- Five said the remedies should precede or be a route to gathering information for possible stronger future action, such as a price cap,²⁴ with four of these saying our proposed remedies are insufficient.²⁵

17 See paragraphs 2.34-2.36.

18 See paragraphs 2.51, 2.52 and 2.56.

19 See paragraphs 2.65-2.68, 2.76 and 2.77.

20 FSBRA sections 49-53. As set out in Chapter 3 and the draft CBA (Annex 1), we have had regard to the eight regulatory principles in section 53 of FSBRA including the most efficient and economical use of our resources, the desirability of sustainable growth in the economy of the United Kingdom in the medium or long term, and proportionality.

21 Stakeholder responses to CP25/1, [3-].

22 Stakeholder responses to CP25/1 [3-].

23 Stakeholder responses to CP25/1 [3-].

24 Stakeholder responses to CP25/1 [3-].

25 Stakeholder responses to CP25/1 [3-].

- Four said that we should impose a pricing intervention, such as a pricing rebalancing remedy, on an interim basis ahead of implementing more-permanent remedies or a price cap.²⁶
- One acquirer proposed ‘net compensation’ capping, similar to that introduced by the Reserve Bank of Australia for interchange fees, as part of its Review of Retail Payments Regulation.²⁷
- Three supported our proposed accounting principles; however, two of these noted the need for caution when applying them.²⁸

2.13 Four stakeholders – the schemes and two trade bodies – did not support our RFR remedy:

- Both Mastercard²⁹ and Visa³⁰ told us that the remedy is not proportionate or justified.
- Visa said that:
 - There was no evidence that RFR would directly result in more positive market outcomes to end users and that it would likely not provide any net benefit for market participants in the short to medium term.³¹
 - Its business was not comparable to other sectors subject to granular profitability reporting requirements (including, for example, FCA requirements for the submission of audited financial statements and Ofcom’s requirements on Openreach), as it is more international, not price regulated, and is subject to price and non-price competition, including technological innovation. Visa also noted that the scope of the reportable information exceeded that required in those regulated sectors, including in terms of the prescriptiveness and granularity.³²
 - The interplay between the RFR remedy and our approach to supervision³³ risks unintended consequences, duplication of reporting obligations, and unnecessary regulatory burden.³⁴
 - The RFR remedy could create an uneven playing field with other payment methods not subject to RFR obligations, negatively impacting Visa’s ability to do business in the UK and beyond, and its provision of non-card activities.³⁵
- One trade body (representing financial services firms) said the RFR remedy would require the schemes to allocate costs subjectively.³⁶

26 Stakeholder responses to CP25/1 [↗].

27 Stakeholder response to CP25/1 [↗].

28 Stakeholder responses to CP25/1 [↗].

29 Mastercard’s response to CP25/1, page 2.

30 Visa’s response to CP25/1, paragraphs 3.1 and 3.2.

31 Visa’s response to CP25/1, paragraph 3.5.

32 Visa’s response to CP25/1, paragraphs 3.21-3.24. Visa also submitted that collecting information to assess whether to impose a price cap using sections 54 and 55 of FSBRA (which, in Visa’s view, do not give us the power to impose such a remedy) would amount to an improper purpose (paragraphs 3.10 and 3.12). We note that Visa has previously made submissions in response to our interim report, and we responded to them in PSR: CP25/1, see paragraph 3.31.

33 Our [approach to supervision](#).

34 Visa’s response to CP25/1, paragraph 3.26.

35 Visa’s response to CP25/1, paragraph 3.21.

36 Stakeholder response to CP25/1 [↗].

- Another trade body, representing merchants, said the RFR remedy will not clarify the issues around the schemes' profitability identified in our final report.³⁷
- Both trade bodies said it is difficult for any global corporation to allocate revenues and costs to a specific country, and that, because many of the schemes' activities are global by nature, the country-specific information allocated from global accounts may not be meaningful.³⁸ One of these trade bodies (which represents merchants) added that any regulatory financial statements submitted by the schemes for their UK card operations may not encompass the totality of the levies collected by the schemes on card transactions taking place in the UK market.^{39,40}

2.14 We have considered the feedback from stakeholders and updated our proposals where appropriate. For the following reasons we still consider that our RFR remedy's aim and purpose are justified and proportionate:

- As we have previously said, we are not considering a price cap (or other interventions) within the context of this market review. We explained in CP25/1 that, among other things, the limitations of our current evidence base and the complexity of the fees structure meant that it is not appropriate, at this stage, to consider such a remedy further. However, we may review this in the future, in particular with access to better financial information, or in light of new developments in the market (see paragraph 1.6).⁴¹
- We do not agree that an RFR remedy is unnecessary or disproportionate in light of our findings set out in the final report. However, as summarised at paragraph 2.7, we have refined our approach to this remedy to remove elements that are currently not necessary to address the remedy's specific aim and enable us to reach firm conclusions on the profitability of the schemes' UK card businesses.⁴²
- We consider that the information we will gather through RFR will support a more effective and proportionate exercise of our functions, including our supervisory action. In designing the proposed RFR Direction, we have sought to minimise potential duplication and, to the extent practicable, the burden on the schemes.
- We do not think the RFR remedy will result in an uneven playing field. We base this view on our findings on ineffective competitive constraints in the supply of scheme and processing services to acquirers and merchants, and the absence of likely entry of new competitors to the schemes in the short to medium term. Further, the RFR remedy aims to collect financial information from the schemes, but does not require them to change the way they operate.

37 Stakeholder response to CP25/1 [redacted].

38 Stakeholder responses to CP25/1 [redacted].

39 However, this stakeholder also noted that price caps had had a proven impact in relation to consumer card interchange [redacted] and that, as it represented [redacted], it had no insight to offer on the RFR remedy [redacted].

40 Stakeholder response to CP25/1 [redacted].

41 CP25/1, paragraph 3.53.

42 If, as part of future work, other financial reporting or evidence were deemed useful for a specific purpose, we will build on the proposed RFR Direction and require additional information needed at that time.

- We are confident that the information we would require under the proposed RFR Direction is not significantly broader in scope and does not require more significant levels of disaggregation compared to similar regimes in other regulated sectors. In any event, in scoping the appropriate level of information required, we were guided by our statutory objectives and statutory functions, our final report findings, and the specific circumstances of the card markets.
- We consider that the global nature of the schemes' businesses does not impede the production of meaningful information about the profitability of their card activities in the UK. Revenues are largely recorded on a country-by-country basis, limiting the need for allocations. We have engaged (and will continue to engage) extensively with the schemes to identify appropriate cost-allocation principles and methodologies.⁴³

Views from stakeholders encouraging the PSR to go further

2.15 We note that five respondents said that, although they supported our proposals for RFR, they thought that we did not go far enough. They pushed for us to go further in analysing the schemes' financial performance.⁴⁴ A trade body suggested expanding the scope of the RFR to include a broader range of activities relevant to the schemes' UK activities or profitability.⁴⁵

2.16 We do not consider it necessary to expand the scope of RFR to enable deeper trend analysis or more comprehensive analysis of the competitive environment. In reaching this view, we were mindful of:

- the insight we get into the competitive environment through our own (and the FCA's) wider work programme in this sector;⁴⁶
- the need to balance the benefits of additional information with the regulatory burden this imposes on the schemes.

2.17 We note that our RFR remedy does include a number of the proposals made by one of the trade bodies, such as:

- requiring information in relation to UK-originated transactions by acquirers located outside the UK (cross-border acquiring);⁴⁷
- disaggregation of revenues for cross-border transactions, including related FX conversion revenues, R&D and product development costs;
- capturing revenue and direct cost information on non-card activities in the UK.⁴⁸

43 We note in this respect that the process for attributing common costs to UK card operations which is set out in our proposed Guidelines is broadly following the way other UK regulators have approached cost attribution (that is, it incorporates established cost-attribution practices).

44 Stakeholder responses to CP25/1 [~~3~~].

45 Stakeholder response to CP25/1 [~~3~~].

46 This includes our Supervisory function, ongoing work affecting competition in payments (such as unlocking the potential of account-to-account payments), and working with other regulators (including the Competition and Markets Authority) through our competition concurrency regime.

47 The proposed RFR Direction requires the schemes to provide information in relation to cross-border acquiring as part of their card's P&L or in a supplementary financial performance information schedule.

48 Stakeholder response to CP25/1 [~~3~~].

Views on the need for improved P&L accounts

- 2.18** We consulted on the need for an improved P&L account that addresses the specific limitations with the market review UK P&L accounts, namely:
- they do not include all relevant revenues
 - cost-allocation choices made by the schemes might not best reflect the economic benefits they derive from their UK card operations⁴⁹
- 2.19** The purpose of the improved P&L account is to ensure that we are able to understand the level of profitability of the schemes' UK card operations, by addressing the limitations of the market review P&L accounts.⁵⁰
- 2.20** Both schemes disagreed with our proposals, saying that the market review P&L accounts are sufficient:
- Mastercard said that its market review P&L accounts were a reliable basis for assessing UK profitability. Mastercard also said it had demonstrated that our questions and concerns about its market review P&L accounts were either not material or had been solved.⁵¹ Mastercard also stated that using the market review P&L accounts will provide data on a consistent basis to that already collected, meaning that on day 1, we will have five years' history against which to analyse RFR submissions.⁵²
 - Visa said that the information it provided during the market review (including its market review P&L accounts) is robust.⁵³ Visa said it offered a more proportionate and reasonable reflection of its UK profit margins than the approach we proposed in the remedies consultation, as it was based on fully audited accounts.⁵⁴
- 2.21** We do not accept the schemes' submissions that the P&L accounts prepared during the market review provide a sufficient or better basis for assessing the profitability of their UK card activities. We considered these points during the market review and our final report concluded that, to reach a firm view of the level of economic profits, we would need to collect more suitable data than that provided by the schemes (see paragraph 2.18).

49 MR22/1.10, paragraph 6.119.

50 As noted in paragraph 2.4, our final report concluded that the P&L accounts provided to us by the schemes are likely to understate the economic benefits that they derive from their UK card operations in a number of respects, including the cost allocation assumptions made.

51 Mastercard's response to CP25/1, pages 2, 23 and 25 and Annex 2. Mastercard referred to, for example, the accounting treatment of rebates and incentives.

52 Mastercard's response to CP25/1, page 25.

53 Visa's response to CP25/1, paragraph 3.3.

54 Visa's response to CP25/1, paragraph 3.16.

- 2.22** Continuing to use the market review P&Ls would not remedy the limitations of the data available during the market review.⁵⁵ As such, while we recognise the work and time involved in producing the P&Ls, the proposed RFR Direction requires the schemes to improve them to address these limitations. In particular, the P&L accounts need to:⁵⁶
- include all relevant revenues and costs, and/or more granular information about UK costs and revenues than what was provided during the market review; and
 - allocate costs and revenues to UK activities in a more economically meaningful way.

- 2.23** The proposed RFR Direction will require the schemes to attribute costs using a cost attribution model (CAM),⁵⁷ in a manner that best reflects how they incur costs in practice in providing card scheme and processing services in the UK. As set out in the proposed Guidelines, the schemes must therefore:
- follow an appropriate step-wise cost hierarchy based on Activity Based Costing (ABC), using input-, output- or value-based cost drivers; and
 - include transparent attribution of all direct and common costs to their UK card operations, supported by an RFS model that clearly shows their calculations and intermediate steps.

- 2.24** We accept that it is factually correct that continuing to use the market review P&Ls would enable comparisons across a longer backward-looking period. However, we do not think that this outweighs the significant limitations of their use for the RFR remedy as identified in our final report.⁵⁸

Views on the disaggregation of P&L information

- 2.25** In CP25/1, we consulted on the potential case for some disaggregation of the schemes' cards P&L by relevant categories – for example, by products, services or customer types. However, we recognised that there may be practical challenges in doing so, depending on the level of disaggregation involved.⁵⁹ As explained below, while we will continue to require revenue disaggregation, we have narrowed our proposed cost disaggregation requirements to ensure that this requirement is both effective and proportionate to its purpose.
- 2.26** The purpose of the proposed disaggregation is to allow us to understand which products, services or customer types drive the level of profitability of the schemes' UK card operations (for example, debit card compared to credit card transactions). It will also allow us to monitor changes in the drivers of profitability over time.

55 MR22/1.10, paragraph 6.119.

56 We note that, in their responses to the remedies consultation, the schemes did not suggest means other than RFR to directly address this finding or these limitations.

57 CAM is a step-wise approach to allocating costs based on the activities that give rise to them.

58 Noting however that, if this would help us (and the schemes) prepare for implementation of the RFR remedy, we might request 2024 and 2025 P&Ls from the schemes prepared in line with the market review P&L (as the case may be using formal evidence gathering powers).

59 CP25/1, paragraph 5.27. We also consulted on disaggregation of balance sheet information; however, this necessarily falls away given our decision to no longer require a balance sheet (see paragraph 2.91). We therefore focus here only on the disaggregation of P&L information.

- 2.27** In its response to CP25/1, Visa told us that, due to the global nature of its business, it cannot meaningfully allocate costs to any one activity at the product, client or geographic level.⁶⁰
- 2.28** Further, Visa told us that attempts to disaggregate at the level of granularity set out in CP25/1 would be complex and commercially unrealistic. It would also produce artificial, meaningless results which would not, in its view, help us better understand its role in the market.⁶¹
- 2.29** In its response to CP25/1, Mastercard told us that, as it does not record costs at the product or customer level, and that, as its costs are primarily common costs, constructing a UK balance sheet would require a substantial allocation exercise that is unlikely to yield meaningful insights.⁶²
- 2.30** Mastercard added that disaggregation “being “useful” does not in itself constitute sufficient justification for imposing a remedy.”⁶³ Mastercard proposed providing a breakdown of revenues in the P&L account by product and customer as an alternative to the cost disaggregation proposed in our remedies consultation.⁶⁴
- 2.31** An acquirer and a trade body representing merchants agreed with our proposal to require disaggregated P&L accounts for both schemes’ UK business and relevant UK-specific activities, broken down by product, service, and/or customer group. They said that this would lead to a clearer picture of what drives the schemes’ profitability and would help us to monitor them more effectively.⁶⁵
- 2.32** We acknowledged in CP25/1 the practical challenges associated with requiring disaggregated P&L information.⁶⁶ In designing the proposed RFR Direction, we have sought to set out a proportionate requirement balancing the incremental benefits of any disaggregation (i.e. an indication of the trends driving the schemes’ profitability and how these are changing over time) and its incremental costs relative to the production of an improved P&L.
- 2.33** With this in mind, since our initial proposal in CP25/1, we have reduced the scope of cost disaggregation to focus on those areas that are most likely to be relevant to the schemes’ profitability over time. We also note that the schemes, where appropriate and consistent with the regulatory accounting principles (subject to suitable internal and external assurance), may use estimates and assumptions (e.g. where reliable information is not readily available).
- 2.34** In respect of cost disaggregation, we consider that direct costs between customer types may differ. We therefore propose to require that direct costs shown in the cards P&L must be further disaggregated by customer type.

60 Visa’s response to CP25/1, paragraph 3.18.

61 Visa’s response to CP25/1, paragraphs 3.17 and 3.18.

62 Mastercard’s response to CP25/1, pages 28, 30 and 31.

63 Mastercard’s response to CP25/1, page 28.

64 Mastercard’s response to CP25/1, page 29.

65 Stakeholder responses to CP25/1 [3-].

66 CP25/1, paragraph 5.27.

2.35 Conversely, we note there are significant levels of shared indirect costs between UK card operations and non-UK card activities, and between different customer types. We also note that we have not seen evidence suggesting that costs of different transactions are significantly different (and that this is unlikely to change in the near to medium term). We will therefore not proceed with the following cost disaggregation requirements:

- disaggregation of both direct and common costs for products and services
- disaggregation of common costs by customer type

2.36 However, we intend to proceed with revenue disaggregation by customer type and product type. We consider that this revenue disaggregation together with disaggregation of certain cost information will provide relevant insights into the drivers of the schemes' profitability, and how they are changing over time. We consider that this is necessary in order to answer the second and third questions in CP25/1. Further, this disaggregated information will help to achieve the purpose of our RFR remedy, and provide us with a reliable, ongoing understanding of the schemes' UK profitability.

2.37 Accordingly, our proposed RFR Direction and Guidelines provide that revenues must be disaggregated:

- first by customer type (issuer,⁶⁷ acquirer, and others where significant); and
- then by product type, including distinctions between credit, debit, prepaid, domestic, intra-Europe, international, and consumer vs commercial segments.

Views on the inclusion of information about non-card activities

2.38 In CP25/1, we consulted on whether to require, as part of our UK business P&L requirement,⁶⁸ information about products and services provided by the schemes in the UK that are not included in their UK card operations but which are part of the schemes' UK business (i.e. their UK non-card activities).⁶⁹

2.39 The purpose of this requirement is to ensure that we can rely on the schemes' financial statements and be confident that they capture and appropriately allocate all revenues and costs (including for new services) relating to UK card activities. In line with this purpose, and as explained below, we will no longer require a UK business P&L. Instead, we will require limited supplemental information (i.e. disaggregation of revenues and information on direct costs) necessary to achieve this purpose.

67 Revenues related to issuers for the purpose of the RFR remedy are card related revenues of UK based issuers. This is because we assume that there are limited revenues for UK based issuers relating to cards issued outside of the UK and because there are limited revenues for non-UK based issuers that issue cards in the UK.

68 We also consulted on requiring a UK business balance sheet; as explained below, we are no longer requiring any balance sheets as part of the RFR remedy.

69 This should include non-card services and card-related UK activities that are not essential to the running of a four-party card payments system, such as consultancy services, issuer processing, marketing support, etc.

- 2.40** Both schemes stated that the scope of the information sought, particularly the inclusion of ‘UK non-card activities’, went beyond the product scope of the market review (scheme and processing services).^{70,71} Both schemes stated that it is therefore not within our legal powers to compel them to supply such information as part of a remedy.⁷² Mastercard stated that our ability to request information was circumscribed by the 2015 Mastercard Designation Order, which applied to its card business; as such, in its view, our powers do not allow us to request information about non-card activities.⁷³ Mastercard added that providing this information would not give us economically meaningful insights.⁷⁴
- 2.41** An acquirer and a trade body representing merchants told us that they supported our proposed scope of the RFR remedy and that defining the scope as the schemes’ entire UK business, comprising both UK card operations and UK non-card activities, strikes the right balance.⁷⁵
- 2.42** We do not accept that the wording of the schemes’ designation orders circumscribes our statutory powers,⁷⁶ or that seeking such information amounts to improper purpose. We note that section 54 FSBRA enables us to give directions that relate to both schemes’ activities in circumstances where it is relevant to, facilitates, or provides wider context to help perform our role in relation to their regulated payment systems.
- 2.43** We considered removing any requirement to provide information on the schemes’ non-card activities. While this would reduce the burden placed on the schemes, we do not consider it an appropriate way forward as it would undermine the effectiveness of the RFR remedy. This is because, without such information, we would not be able to sufficiently understand and scrutinise the reported financial performance of the schemes’ UK card operations. For example, without information on the schemes’ UK non-card activities, we would be unable to verify whether:
- a. all relevant revenues that properly belong in UK card operations are captured (especially where products and services can be used in both card and non-card contexts); and
 - b. costs are appropriately allocated between UK card operations and UK non-card activities in line with the attribution rules (direct where possible, otherwise via ABC/fully allocated costs using appropriate cost drivers).
- 2.44** We would also lack the information necessary to understand the performance of the schemes’ UK card operations in the context of their overall businesses. This is likely to impede our ability to understand and scrutinise the cost allocations used. It may similarly impede the regulatory auditor and therefore limit their ability to provide their audit opinion to us, or the usefulness of that opinion. Moreover, these cost allocations may need to change as the schemes’ businesses evolve, which is likely to inform the pro rata allocation to their non-card and UK card businesses, and may, in time, result in activities falling in and outside the scope of their UK card businesses.

70 Visa’s response to CP25/1, paragraph 3.12.

71 Mastercard’s response to CP25/1, pages 25 and 26.

72 Mastercard’s response to CP25/1, page 27; Visa’s response to CP25/1, paragraph 3.12.

73 Mastercard’s response to CP25/1, page 27.

74 Mastercard’s response to CP25/1, page 26.

75 Stakeholder responses to CP25/1 [3–].

76 HM Treasury, [Order designating Visa Europe as a regulated payment system](#) (March 2015); HM Treasury, [Order designating MasterCard as a regulated payment system](#) (March 2015).

- 2.45** Nonetheless, in line with proportionality and other relevant statutory requirements,⁷⁷ we have revisited the scope of non-card information required pursuant to the RFR remedy.
- 2.46** The proposed RFR Direction and Guidelines require limited supplemental information on the direct costs and revenues of the schemes' non-card activities as part of the RFS model used to prepare the financial information required. Where appropriate and consistent with the regulatory accounting principles set out in the proposed RFR Direction (e.g. if this data is not collected in the ordinary course of business), the schemes may use appropriate estimates and assumptions (subject to internal and external assurances).

Views on requiring information on products and services provided outside the UK

- 2.47** We consulted on requiring information on products and services provided outside the UK or to non-UK customers that use, as their input, information derived from the relevant UK operations (for example, transaction data).⁷⁸
- 2.48** Visa questioned the legal basis for seeking such information, submitting that it goes beyond the information we require to discharge our functions and is beyond the scope of the market review.⁷⁹
- 2.49** In the proposed RFR Direction, we now only require an explanation of how information derived from their UK card operation activities is used in other products and services by the directed operators that are not included in the UK card operations. We consider that this is proportionate and consistent with the legal framework within which we operate.

Views on contextual factors and acquirer-level data

- 2.50** We consulted on requirements for the schemes to provide additional information about their financial performance (contextual factors). This could contain outputs (for example, number of transactions), fraud performance metrics, innovation metrics, customer satisfaction, and internal governance papers. We also proposed collecting data on overall average acquirer-fee levels.⁸⁰
- 2.51** We consider that collecting contextual factor information is necessary to understand the drivers of profitability and of changes over time. It is therefore necessary for addressing the second and third questions that we considered an effective RFR remedy would need to enable us to answer over time.⁸¹
- 2.52** As a result, and as explained below, we have revised the scope of the contextual factors to ensure it is targeted to achieve this objective.⁸²

77 FSBRA sections 53(b) and (c); see also section 53(a) and (d) to (h). As set out in section 3 and the draft CBA (Annex 1), we have had regard to the eight regulatory principles in section 53 of FSBRA.

78 CP25/1, paragraph 5.16.

79 Visa's response to CP25/1, paragraph 3.12.

80 CP25/1, paragraphs 5.34-5.37.

81 See paragraph 2.5 and adjacent table.

82 As part of this targeted approach, we subsumed the acquirer-fee level proposal within those contextual factors.

- 2.53** Mastercard supported providing contextual factors provided they are not a significant, disproportionate burden. Mastercard said the request in the remedies consultation was too broad.⁸³ Visa stated that our provisional proposals for requesting contextual information could result in a significant, disproportionate burden.⁸⁴
- 2.54** Mastercard confirmed that it is feasible to provide the acquirer-level data, although it noted the need for further work if we wanted to use this additional data to undertake econometric analysis to control for changes in the types of transaction (the ‘transaction mix’).⁸⁵
- 2.55** One acquirer and a trade body representing merchants also supported including contextual factors within the RFR. They said that contextual data – such as acquirer fee levels – is important to understand financial trends and evaluate regulatory effectiveness. Furthermore, in their view, collecting contextual factors will provide clearer insights into profitability drivers.⁸⁶
- 2.56** We remain of the view that the reporting on appropriate contextual factors is necessary to understand the drivers of profitability and of changes over time. However, we acknowledge the breadth of certain proposals in CP25/1 and have therefore focused the reporting requirements on those most relevant to this purpose. As such, our proposed RFR Direction contains the following contextual factors:
- Information explaining the key drivers behind year-on-year changes in revenues in the schemes’ UK card operations. This includes quantitative data on the number and value of transactions, and a breakdown of factors contributing to revenue growth. This will also replace, in part, the previous acquirer-fee level proposal.
 - Disaggregated metrics such as revenues per transaction or of transaction value and operational interest income.
 - An explanation of how the schemes use data generated from UK card operations in other products and services across their businesses.⁸⁷
 - Information about key cost categories, including in relation to R&D investment.
- 2.57** This information may be based on appropriate estimates and assumptions (subject to internal and external assurances) where appropriate and consistent with the regulatory accounting principles set out in the proposed RFR Direction (e.g. if this data is not collected in the ordinary course of business).

Views on annual production requirements

- 2.58** We recognise that preparing the first set of financial statements might require more time than in subsequent years. We therefore consulted on a nine-month period for preparation of the first set of financial statements (including two prior years of comparative data). We consulted on a six-month period for each subsequent year (with one prior year of comparative data). The first set of financial statements would be for the financial year ending 30 September 2025 for Visa and 31 December 2025 for Mastercard.

83 Mastercard’s response to CP25/1, page 34.

84 Visa’s response to CP25/1, paragraph 3.25.

85 Mastercard’s response to CP25/1, page 35.

86 Stakeholder responses to CP25/1 [3-].

87 This includes an indication of the actual or deemed income attributable to such use, for example the arm’s-length value of data inputs used in non-card products.

- 2.59** The purpose of these requirements is to ensure that the data is reliable over time and that comparisons can be made from one year to the next. Requiring comparative data for preceding years ensures that we can make comparisons against the market review P&Ls. Due to the extended period of engagement with the schemes on this remedy, we now propose a four-year initial period, comprising the financial year ending 30 September 2026 for Visa and 31 December 2026 for Mastercard, together with comparative data for the three prior financial years.⁸⁸
- 2.60** We received feedback from seven stakeholders.
- 2.61** Five stakeholders (two trade bodies, two merchants and an acquirer) supported our proposed annual production requirements.⁸⁹
- 2.62** Mastercard said that it is impractical to engage in an annual discussion on the methodology and assumptions it uses to prepare the reports for the RFR remedy (such as the cost drivers it uses for its UK P&L account).⁹⁰
- 2.63** Visa said that our proposals would require it to deliver the first set of RFR accounts within nine months of the end of its financial year, and that this is unrealistic and disproportionate.⁹¹
- 2.64** A trade body representing merchants suggested extending retrospective reporting from two to five years for deeper trend analysis. It also suggested shortening the submission period from nine to six months after the financial year-end to avoid further financial harm to merchants.⁹²
- 2.65** We note the schemes' views on their need for more information, more certainty, and a proportionate transitional timeframe. We have reflected on the submissions made by the schemes in response to CP25/1 and addressed them in the drafting of the proposed RFR Direction where appropriate. In the proposed Guidelines we explain the process for changes in the methodology. We also provide detail on the nature of internal approval and audits, and on the reconciliation required.⁹³
- 2.66** We do not consider it necessary to further increase the number of years of comparative data in the initial RFS. This is because the schemes provided financial information for earlier years (up to 2023) as part of the market review, and because there is a one-year overlap between the information received in the market review and the information required for the RFR remedy (i.e. we will have both market review data and RFR data for 2023). However, we also consider that we should not reduce the reporting requirements. This is because having a one-year overlap between the data collected in the market review and RFR will help us to assess whether the RFR remedy has addressed our findings in the market review. It will also enable us to interpret prior-year data in the light of information gathered through the RFR remedy.

88 In order to progress at pace, we expect the schemes to focus first on their respective 2025 financial years, given that 2026 information may not be available (or as readily available) in the implementation phase for the remedy.

89 Stakeholder responses to CP25/1 [↗].

90 Mastercard's response to CP25/1, page 35.

91 Visa's response to CP25/1, paragraph 3.14.

92 Stakeholder response to CP25/1 [↗].

93 The proposed Guidelines provide that reconciliation shall be to accounts within Visa's and Mastercard's Form 10-K filings or, on written application to the PSR, the alternative group accounts (subject to the PSR's written consent). The PSR's decision on whether to approve such requests would be made on a case-by-case basis based on circumstances prevailing at the time. [↗]. Form 10-K for both Visa and Mastercard are prepared under accounting principles generally accepted in the United States (US GAAP).

2.67 Further, we do not think it is proportionate to reduce the submission period for the initial nine-month reporting period, as it may take the schemes more time to prepare and engage with us for the initial RFS than for subsequent ones.

2.68 As reflected in the proposed RFR Direction and Guidelines, we propose a staged approach:

- Each scheme will prepare a draft AMD and RFS model for the financial year 2025 at a date we specify no earlier than four months after the proposed RFR Direction coming into effect.
- We will then expect to provide feedback on the schemes' draft AMD and RFS model. Each scheme will then prepare and provide a draft RFS for review by the PSR.
- The final AMD, RFS model, and the RFS will be audited (see below) before they are sent to us.

2.69 The process of preparing the AMD, RFS model and RFS may be iterative and involve the schemes responding to PSR feedback on the draft versions of these documents. We may further supplement this process with intermediate steps after the production of first draft AMD and RFS model (as set out at paragraph 3.11 of the proposed RFR Direction), enabling us to provide further feedback before the final documents are submitted to us. We expect this engagement to be more straightforward for subsequent reporting periods.

2.70 We note that, given the passage of time, we now expect the initial RFR to relate to 2026, with three prior years of comparative data.

Views on internal and external assurances

2.71 We consulted on a number of compliance requirements in order to ensure the reliability of the submitted financial statements.⁹⁴ These included internal assurances from the schemes' European management boards and external assurance from a regulatory auditor.

2.72 These requirements will ensure that the schemes' financial statements are robust and reliable, and they will submit them in a suitable time to help us advance our statutory objectives and make the best use of our resources.

2.73 We received feedback from six stakeholders.

2.74 Five stakeholders (two trade bodies, two merchants and an acquirer) supported our proposed assurance requirements.⁹⁵

2.75 Mastercard asked us to clarify what specific approval we will ask the Mastercard Europe board to provide in relation to its submissions, what type of review its auditors must conduct, and the nature of the audit opinion we require.⁹⁶

2.76 We have decided to proceed with the audit requirement. We note that requiring an independent audit is often a requirement of regulatory financial reporting frameworks. We will require each scheme to ensure that its appointed auditor enters into a notice with the PSR, ensuring that the auditor owes a duty of care to us. In line with other regulatory

94 CP25/1, paragraphs 5.40 and 5.41.

95 Stakeholder responses to CP25/1 [3-].

96 Mastercard's response to CP25/1, page 36.

reporting regimes, we also reserve the right, where reasonable, to request auditors to undertake supplementary work to meet the requirements of the remedy.

- 2.77** We have slightly changed our internal assurance requirements, building on the approach taken in the proposed Pricing Governance Direction that we consulted on in December 2025.⁹⁷ Under the proposed RFR Direction, assurance that the RFS was produced in accordance with the proposed RFR Direction, Guidelines and AMD can be provided either by each scheme's European board or by a suitable executive manager that we have approved.

Views on a balance sheet and ROCE analysis

- 2.78** We consulted on a requirement for the schemes to provide balance sheets as part of the RFR remedy. This would enable us to undertake a return on capital employed (ROCE) analysis, thus enabling us to supplement margin-based profitability measures.⁹⁸ We recognise that an important issue in preparing a balance sheet would be the treatment of intangible assets.⁹⁹
- 2.79** We no longer require a balance sheet as part of the RFR remedy.
- 2.80** Both of the schemes opposed a balance sheet and ROCE analysis.
- 2.81** Mastercard stated that it would be extremely difficult to allocate assets and liabilities meaningfully to its UK business. It said it is highly complex to reflect the true economic value of tangible and intangible assets, noting its view that the entire balance sheet would need to be artificially constructed as there is no single company which reflects its UK cards business.¹⁰⁰ Mastercard added that a ROCE analysis is not suitable for industries subject to rapid technological change.¹⁰¹
- 2.82** Visa stated that it would be extremely burdensome to prepare UK balance sheets given that there is no distinct legal entity for its UK activities and it does not prepare any UK balance sheet in the ordinary course of business. It also stated that it would be extremely difficult to allocate assets and liabilities meaningfully to its UK business, and that it is highly complex to reflect the true value of intangible assets.¹⁰²
- 2.83** Mastercard also said that a ROCE analysis would not resolve the challenges of a margin-based approach to profitability analysis.¹⁰³ It said this was because there is likely to be a

97 CP25/3, December 2025.

98 Undertaking a ROCE analysis is an opportunity to complement the margin benchmark analysis with another benchmark – the schemes' weighted average cost of capital (WACC). This can provide a firmer assessment of financial performance because the WACC is more likely to be an objective measure and have a narrower range than a margin benchmark. We note in that context that we could not identify ideal comparators in the margin benchmarking analysis in our final report and that a ROCE analysis will also help us identify suitable comparators in the margin benchmarking analysis. For example, if the schemes have low levels of assets, we would select comparators with a comparable level of assets (and exclude comparators with high levels of assets, which generally have higher margins). Further, if asset levels are low, we would expect margins to be relatively low in competitive markets, given that there would be relatively low levels of capital requiring remuneration.

99 CP25/1, paragraph 5.32.

100 Mastercard's response to CP25/1, pages 30 and 31.

101 Mastercard's response to CP25/1, pages 32 and 33.

102 Visa's response to CP25/1, paragraph 3.20.

103 Mastercard continued to disagree that the P&L accounts it provided in the market review underestimate its margins for its relevant UK operations (UK card operations) and said a ROCE analysis would not address the challenges we had identified (for example, in regard to cost allocation).

wide range of possible ROCE estimates as almost all elements of a capital-employed estimate require assumptions and apportionment.¹⁰⁴

2.84 One acquirer and a trade body representing merchants told us that they supported the proposed balance sheet requirement, as this would enable the calculation of a ROCE alongside a P&L account, giving a more comprehensive view of the schemes' financial performance.¹⁰⁵

2.85 We have considered these comments carefully and evaluated the implications of requiring or not requiring a balance sheet as part of the RFR remedy.

2.86 We do not accept the schemes' submissions that a balance sheet or ROCE analysis is not possible, either now or in the future. We consider that it is possible to value and allocate assets (including intangibles) and liabilities to the schemes' UK businesses, although we recognise the challenges associated with it. Therefore, we do not accept, as a matter of principle, that a ROCE analysis is not suitable for the schemes' activities and cannot provide additional meaningful evidence to assess profitability.¹⁰⁶

2.87 We also continue to recognise that a ROCE analysis could overcome some of the challenges of a margin-based approach and, alongside a margin analysis, enable us to more firmly assess the presence and magnitude of any economic profits.¹⁰⁷

2.88 While mindful of the risk – as explained in the remedies consultation – that an RFR remedy without a balance sheet 'may need to be expanded over time', such risks need to be understood in the broader picture. The supply of scheme and processing services comprises a complex set of markets with varying degrees of competitive constraints. With – or without – a balance sheet, it is likely that any future intervention would require further work and analysis.

2.89 However, as we have not reached specific views on which interventions may or may not be appropriate in future, we are not in a position to scope that work and analysis and determine whether a ROCE analysis would be useful or necessary evidence in that context. As such, the time taken, both during implementation and then annually, in preparing a balance sheet and determining the appropriate valuation of the schemes' assets and allocation to their UK card businesses, may not be necessary nor the most effective use of our own and the schemes' resources at present. This is especially the case given that future work and/or interventions may not require or depend upon a ROCE analysis.

2.90 We are confident that an improved P&L requirement (subject to internal and external assurance, with appropriate disaggregation and contextual factors) would satisfactorily address the regulatory information gap, as it would enable us to understand the level of the schemes' profitability, the activities driving that profitability, and trends in respect of both. As a result, although a balance sheet and ROCE analysis *would* be helpful in answering the three questions in CP25/1, they are not integral to answering those questions.

104 Mastercard's response to CP25/1, pages 31 and 32.

105 Stakeholder responses to CP25/1 [3–].

106 Indeed, we note that the UK Competition Appeal Tribunal (CAT) has recently relied upon a ROCE analysis in respect of the UK operations of an integrated global business (Apple), and undertaken a balance sheet analysis using relatively limited information about its activities, see *Dr. Rachael Kent v Apple Inc. and Apple Distribution International Ltd* [2025] CAT 67 (for example, paragraphs 610 and 605). While the specific characteristics of the schemes' activities are of course different from Apple's, we do not accept that ROCE is only suited to activities characterised by significant UK-based tangible assets or those not exposed to rapid technological change.

107 CP25/1, paragraph 5.31.

- 2.91** Taking the above considerations together, we have decided not to require a balance sheet as part of our RFR remedy. This is because, upon further consideration, we consider that it may not be, at the present time, necessary or proportionate to do so.
- 2.92** If, as part of future work, a balance sheet (or other financial reporting or evidence) is deemed useful for a specific purpose, we will build on the proposed RFR Direction and require additional information at that time.

Questions for consultation

Question 1: Please provide any views on the scope of the regulatory financial reporting remedy. In particular, views on:

- **The scope of reporting of revenues**
- **The scope of reporting of costs**
- **The additional information collected as part of contextual factors**

Question 2: Please provide any views on the approach to the attribution of costs in the regulatory financial reporting remedy.

3 Proportionality of our remedy and considerations of regulatory requirements

3.1 Section 53 of FSBRA sets out the regulatory principles we must have regard to when exercising our general functions relating to payment systems. As per paragraph 3.5 of our Powers and Procedures Guidance, we consider that these regulatory principles are also relevant when we perform any other functions under FSBRA.¹⁰⁸ These regulatory principles include in particular: the efficiency principle;¹⁰⁹ the proportionality principle;¹¹⁰ the desirability of sustainable growth;¹¹¹ and the transparency principle.¹¹²

Proportionality of our remedy

3.2 In considering proportionality we consider whether the RFR remedy:

- will effectively achieve its legitimate aim
- is no more onerous than it needs to be to achieve that aim, and is the least onerous remedy among other effective measures
- does not produce adverse effects which are disproportionate to the aim pursued

3.3 For the reasons set out in this document and summarised below, we conclude that the proposed remedy is proportionate to the aims it pursues.

Proportionality of our proposed RFR remedy

3.4 *Is effective in achieving its legitimate aim.* We consider that our RFR remedy will help achieve our aim of having access to suitable data to effectively monitor and understand the schemes' financial performance in the UK. This will enable us to reach firm conclusions on the profitability of the schemes' card businesses. The financial information provided under this remedy will be subject to internal and external assurance processes, enabling us to place a high degree of reliance on the information provided. In turn, this is likely to inform confident future decision-making, including decisions on whether or not further intervention is warranted.

108 See our Powers and Procedures Guidance (June 2024) which explains, at paragraphs 3.3 and 3.4, that when exercising our general functions, we must have regard to our statutory objectives, the importance of financial stability, and payment systems and the regulatory principles. Paragraph 3.5 explains that when performing any other functions (not our general functions) under FSBRA, we will also have regard to our statutory objectives, the importance of financial stability, and of payment systems and the regulatory principles (although FSBRA does not require this), and aim to act in a manner that does not run contrary to any of those objectives and principles.

109 The need to use the resources of each regulator in the most efficient and economical way – section 53(a) FSBRA.

110 The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction – section 53(b) FSBRA.

111 Section 53(c) FSBRA.

112 The principle that that regulators should exercise their functions as transparently as possible.

3.5 *Is no more onerous than needed to achieve that aim and is the least onerous among other effective measures.* We do not consider that other, less onerous, measures could achieve the remedy's aim or be equally effective in achieving that aim. The identified regulatory information gap inherently justifies this kind of reporting remedy to address the limitations in existing information. The question is therefore the appropriate scope of such a remedy. As set out in Chapter 2 of this consultation, we have significantly refined the scope of our RFR remedy in light of scheme and other stakeholder feedback to remove elements that are or may be unnecessary to achieving the remedy's aim, refining our approach in a number of areas to achieve our aims in the most proportionate way. For example:

- we no longer require a separate P&L for the schemes' UK businesses, and have reduced the scope of non-card information we require to that needed to achieve our remedy's aim;¹¹³
- we no longer require a balance sheet as we now consider that requiring such information annually is unnecessary in achieving the aim of the RFR remedy (although we note that, if considered appropriate in the future, we may decide to require a balance sheet for reasons separate to this market review);¹¹⁴
- we no longer require a separate P&L by product or service, and have limited the disaggregation of the P&L to 'by customer' and to 'direct costs' only;¹¹⁵ and
- we have narrowed the scope of the contextual factors to those necessary to understand the schemes' profitability and the trends driving that profitability, and how it is changing over time. Additionally, we no longer require information on acquirer-fee levels.¹¹⁶

3.6 *Does not produce adverse effects which are disproportionate to the aim pursued.* As set out in our CBA (see Annex 1), we expect the proposed RFR remedy to be net beneficial. It will bring benefits over time which we consider significant enough to justify the relatively low implementation costs, while not producing unintended consequences such as adverse effects on growth or innovation. We do not expect any material impact on innovation, as the estimated compliance costs for the proposed remedy are a modest proportion of the schemes' fee revenue from acquirers for scheme and processing services (our higher-end cost estimate is less than [2-] % for one-off costs and [2-] % for ongoing costs¹¹⁷).

113 See paragraphs 2.39 and 2.45.

114 See paragraphs 2.78-2.92.

115 See paragraphs 2.34-2.37.

116 See paragraphs 2.51, 2.52 and 2.56.

117 See Annex 1.

Other relevant regulatory principles

3.7 Taking account of the above, the findings made in our final report¹¹⁸, the expected outcomes and benefits outlined in Chapter 2 and Annex 1, and having considered the regulatory principles set out in section 53 of FSBRA, we find that the proposed RFR Direction:¹¹⁹

- will be effective in pursuing our statutory objectives of:
 - promoting effective competition
 - ensuring that payment systems are operated in a way that takes account of, and promotes, the interests of those who use them
- is consistent with having regard to sustainable growth in the UK economy (see, in particular, Annex 1, paragraphs 1.78 to 1.83)
- represents an efficient use of our resources in view of the impact of the proposed requirements.

Monitoring and evaluation

3.8 We have also considered, as part of our assessment of proportionality and effectiveness, how we will monitor and evaluate the efficacy of the RFR remedy.

3.9 We plan to review the schemes' RFR submissions and monitor the effectiveness of the remedy by assessing whether the prescribed reporting is produced consistently, accurately, and at a level that sufficiently addresses the concerns we identified. Through this ongoing oversight, we will consider whether further intervention or refinement to the RFR remedy is necessary.

3.10 Beyond compliance, we will monitor the effectiveness of any requirements we formalise in specific directions. We plan to review our interventions in line with best practice as set out in the FCA rule review framework.¹²⁰

Equality and diversity

3.11 We have considered the equality and diversity issues that may arise from this remedy. We do not consider that it will negatively affect any of the groups with protected characteristics under the Equality Act 2010.

118 See page 6 of the final report.

119 Having had regard to the other regulatory principles set out in section 53 FSBRA (d) to (g), we reached the view that the proposed RFR Direction does not conflict with any of those principles. We also consider that we have exercised our functions as transparently as possible by undertaking a three-year market review and consulting extensively with the schemes and other stakeholders. We do not consider that the proposed RFR remedy will have an impact on financial stability or the performance of functions by the Bank of England in its capacity as a monetary authority.

120 As set out in HM Treasury's consultation, *A Streamlined Approach to Payment Systems Regulation*, the government intends to abolish the PSR and consolidate its functions within the FCA. Within that context, the government is proposing that the FCA should have powers for when it acts in relation to payment systems that are broadly equivalent in scope and substance to what the PSR currently has. As a result, we expect the FCA, in due course, to take over responsibility for monitoring and evaluating these remedies.

Annex 1

Cost benefit analysis

This annex is the draft cost-benefit analysis (CBA) for our RFR remedy. We build on the initial assessment in our remedies consultation CP25/1, updating our analysis in light of evidence collected during the consultation period.¹²¹ This update also reflects changes to our RFR remedy.

Our current view is that we expect that the benefits of the RFR remedy are likely to materially outweigh the compliance costs (i.e. costs to be incurred by the schemes to implement and comply with the remedy). We did not identify any material unintended consequences, and the impact on economic growth is likely to be positive or, at worst, neutral.

Introduction

- 1.1** In CP25/1, we provided an initial CBA which focused on identifying the main costs and benefits of our potential remedies, and we committed to providing a more detailed CBA alongside our proposed directions. This annex assesses the potential scale of costs and benefits of the RFR remedy. While we provide cost estimates, our updated assessment of benefits remains largely qualitative.
- 1.2** The assessment of other proposed remedies (ITC and Pricing Governance) can be found in CP25/3, and we are currently reviewing submissions received from stakeholders in response to it.¹²² For an assessment of the options that we considered but ultimately chose not to pursue, see Chapter 3 of CP25/1 and Annex 1 of CP25/3.
- 1.3** This annex is structured as follows:
- Problem and rationale for intervention
 - The proposed remedy
 - Our approach to assessing costs and benefits
 - Our assessment of costs and benefits, including impact on economic growth and unintended consequences
 - Cost and benefits of the package of RFR as well as ITC and Pricing Governance
 - FCA and PSR CBA Panel engagement
 - Questions for consultation

¹²¹ CP25/1, Annex 1.

¹²² CP25/3.

- 1.4** In this annex we refer to the PSR implementing and monitoring the RFR remedy and potential future interventions (if any), but following our consolidation into the FCA this will be taken over by the FCA.
- 1.5** We set out the assumptions underlying our cost estimates in Appendix 1.

Problem and rationale for intervention

The market

- 1.6** Cards play a significant role in the UK payments market as the most popular method for making retail payments. The UK cards market is highly concentrated. In our market review we found that Mastercard and Visa together accounted for over 95% of all UK debit and credit card payments by value in 2021.¹²³
- 1.7** In our final report, we identified concerns that affected the acquiring-side of the market (card acquirers and merchants).¹²⁴ The acquiring side of the cards market is significant in size and value, and any harm there can have wider consequences for merchants and also for consumers, in the form of higher prices. The following illustrates the size of the UK card market affected by the concerns identified:
- In 2023, total UK card transaction value was £[redacted] and transaction volume was [redacted].¹²⁵
 - In 2023, total gross fees collected by schemes from acquirers for UK transactions were around £[redacted]. There were approximately [redacted] acquirers for Visa and [redacted] acquirers for Mastercard, of which the vast majority are clients for both schemes, and annual gross fees per acquirer were approximately £[redacted] for Visa and £[redacted] for Mastercard.¹²⁶
 - Acquirers provide payment services to merchants, who pay a merchant service charge. Cards are the most used payment method in the UK, where the retail sector comprised nearly 305,000 businesses as of January 2025, accounting for 4.4% of the UK's total economic output (£114.7 billion).¹²⁷

Problem

- 1.8** In our market review, we concluded that the market (for the supply of scheme and processing services) is not working well and that UK merchants and their customers are likely to be suffering harm as a result. We therefore considered that intervention is warranted.¹²⁸
- 1.9** We found a **lack of effective competitive constraints** faced by Mastercard and Visa on the acquiring side, each being 'must take' for acquirers and merchants, which can lead to poor pricing outcomes for acquirers and merchants.¹²⁹

123 MR22/1.10, paragraph 3.1.

124 Scheme and processing fees flow from merchants to card schemes via acquirers, who provide services to accept and process card payments on behalf of a merchant.

125 MR22/1.10, Annex 6, paragraph 6.16.

126 MR22/1.10, Annex 6, paragraph 6.20b.

127 House of Commons Library Research Briefing: Retail sector in the UK, 19 December 2025.

128 MR22/1.10, paragraph 8.15.

129 MR22/1.10, paragraph 1.10.

1.10 As part of our market review, we investigated the overall outcomes for service-users on the acquiring side (i.e. merchants and their customers as a result of pass-through – for example, through higher prices, lower quality services or less innovation). We considered a range of indicators in order to assess market outcomes, including pricing and profitability. Our findings were consistent with our finding of a lack of competitive constraints, including:¹³⁰

- “The overall fee levels charged by Mastercard and Visa to acquirers for core scheme and processing services have risen in recent years – average core fees (as a proportion of transaction value) have increased in real terms by at least 25% between 2017 and 2023.”; and
- “...the evidence we have gathered from Mastercard and Visa [...] is consistent with a finding that their margins are higher than would be expected in competitive markets.”

1.11 However, in view of the limitations of the data available, we did not consider that we could reach firm conclusions on the schemes’ UK profitability: “This is because Mastercard and Visa do not report financial performance for their respective UK businesses, and because there are large discrepancies in the schemes’ financial performances across the datasets we have looked at.”¹³¹

1.12 In light of the above, we consider that a **regulatory information gap** exists as we have been unable to obtain, as part of our analysis, a sufficiently clear picture of the schemes’ UK profitability or pricing governance to inform regulation.

1.13 We explained in the final report that, to reach a firm view of the level of economic profits, we would need to collect more robust data than the data provided by the schemes during the market review. We added that this would “provide an enduring basis on which to monitor the schemes’ UK profitability (and, if appropriate, to assess the effectiveness and proportionality of any regulatory intervention).”¹³²

Rationale

1.14 The aim of our RFR remedy is to address the regulatory information gap (by ensuring that we have access to suitable data) to reach firm conclusions on the profitability of the schemes’ card businesses in the UK. The remedy is designed to give us robust, reliable, ongoing evidence to assess the schemes’ UK profitability. Access to this information will enable us to better perform our functions and promote our statutory objectives.¹³³

130 MR22/1.10, paragraph 1.11.

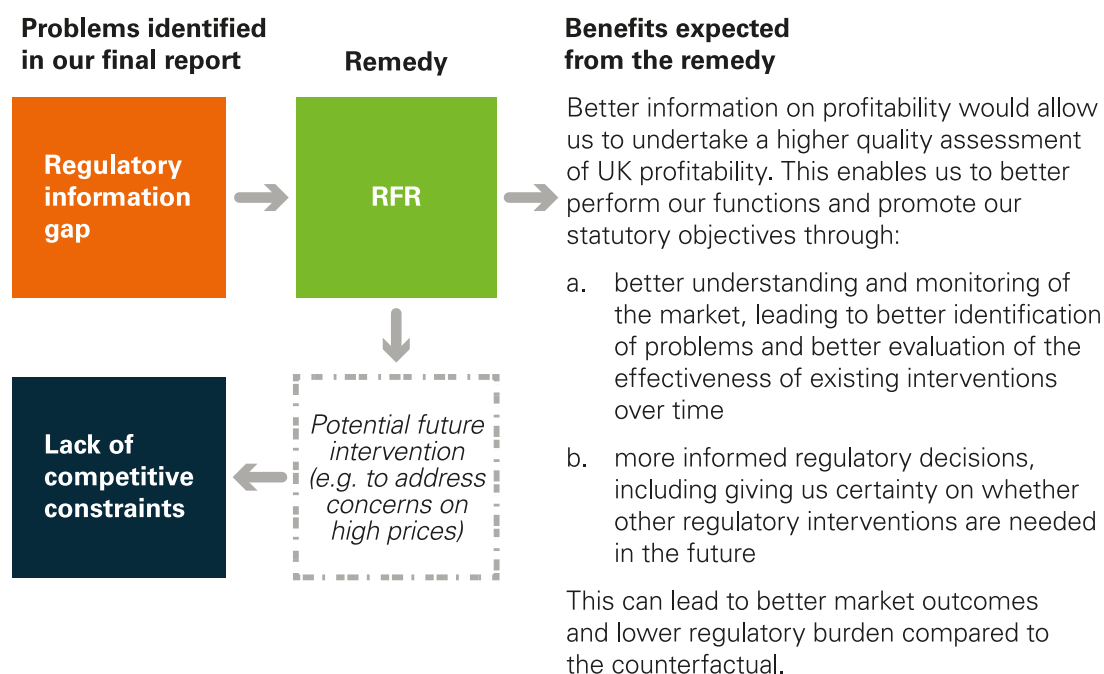
131 MR22/1.10, paragraph 1.11.

132 MR22/1.10, paragraph 1.11 and 6.137.

133 The regulatory information gap around pricing governance is addressed through the Pricing Governance remedy, which we consulted on in December 2025.

1.15 Figure 1 summarises how the RFR remedy addresses the regulatory information gap, and the benefits we expect the remedy to bring. We set out further below the supporting evidence and assumptions.

Figure 1: Links between problems identified in final report, remedy and benefits



Proposed remedy

1.16 The proposed RFR Direction requires each scheme to provide financial information that will enable us to achieve our aim. Our view is that the RFR remedy should include:

- a profit and loss (P&L) account for the UK card operations
- a statement of revenues and direct costs for the UK card operations
- a statement of disaggregated revenues for the UK card operations
- a statement setting out contextual factors regarding the UK card operations

1.17 For the detailed requirements for preparing, auditing and reporting the RFS, see the proposed Guidelines.

1.18 For the expected outcomes of the remedy, and related causal chain, please see the *Our assessment of costs and benefits* section below.

Our approach to assessing costs and benefits

1.19 Our CBA covers the following impacts of the RFR remedy: benefits, compliance costs, costs to the PSR, impact on economic growth and unintended consequences.

1.20 We focus our analysis on whether the benefits are likely to outweigh costs, rather than seeking to have a precise quantification of costs and benefits. We consider that this is sufficient to inform our views on the proportionality of the RFR remedy.

1.21 We have developed our cost benefit analysis using quantitative and qualitative evidence. There are aspects of the benefits which we do not quantify as it is not reasonably practicable to do so, as explained below under *Approach to benefits*. We have sought to quantify costs where practicable and we continue to invite views from stakeholders on this. Taken together, we consider that our cost-benefit analysis is robust and demonstrates, in particular through our break-even analysis, that the benefits of this remedy are likely to outweigh its costs. Our assessment of other potential impacts (for example, economic growth) is broadly qualitative.

Appraisal period

1.22 We assess the impact of our remedy proposals from the point of publishing the final decision. Given the dynamic nature of the market, there are uncertainties around the period over which we expect the benefits of the RFR remedy will continue to materialise. In our view, however, it is appropriate to assume that the benefits and costs will arise for at least 10 years relative to the counterfactual, as we expect the regulatory financial returns will continue to be key for the regulator of payment systems to perform its functions. See our views on the impact of open banking under *Counterfactual* below.

1.23 Therefore, where relevant, we estimate costs and benefits over a 10-year period,¹³⁴ in line with the Green Book's standard assumption for policy appraisal.¹³⁵

Approach to benefits

1.24 As shown in Figure 1 above, and further detailed below (see section on *Expected outcomes*), this remedy has both immediate, ongoing expected benefits, and potential benefits that are dependent on further stages of policy development.

1.25 The immediate benefits relate to us obtaining better information on the profitability of Mastercard's and Visa's UK card businesses, thereby improving our ability to perform our functions and promote our statutory objectives. These benefits do not easily lend themselves to quantitative assessment and therefore we have not attempted to do so in our analysis of benefits.

1.26 The potential future benefits may arise from potential future decisions that would rely on the data collected under this remedy¹³⁶ to more directly address concerns on the level of fees or profitability (through pricing and/or non-pricing remedies).¹³⁷ Indeed, if we were to decide in the future to make an intervention relying on information prepared pursuant to this remedy, the RFR remedy would have contributed to the realisation of any benefits associated with such future intervention. In practice, assessing these benefits means appropriately allocating the benefits of any such future intervention to the RFR remedy (recognising that further intervention will carry additional costs).

134 While we used a shorter appraisal period for the ITC and Pricing Governance remedies to be conservative, we consider it appropriate to use a 10-year appraisal period for the RFR remedy as we expect the regulatory financial returns will continue to be key throughout this period for the regulator of payment systems to perform its functions. This does not affect our findings for the ITC and Pricing Governance remedies.

135 HM Treasury, [The Green Book UK Government Guidance on Appraisal](#), page 33, paragraph 6.11 (last accessed 19 March 2026).

136 They may also rely on other evidence/information including, for example, information gathered through our Pricing Governance remedy.

137 In the market review, the available evidence did not enable us to reach firm conclusions on the schemes' UK profitability (although we found evidence consistent with a finding that their margins are higher than would be expected in competitive markets).

- 1.27** Traditional cost-benefit analysis struggles to appropriately assess policies that involve several stages of development, due to the uncertainty of whether and how these policies will develop and any benefits that may arise in the future as a result. A useful framework to assess remedies in such circumstances is the real options approach,¹³⁸ where the first stage of an intervention provides greater certainty about the benefits of potential subsequent interventions. Under this approach, there is a cost associated with the initial intervention, but the key benefit is that it enables better regulatory decisions.
- 1.28** In the case of our RFR remedy, the real-option approach requires us to assign probabilities to the likelihood of us making certain future decisions based on the profitability findings, for example, us making a firm finding of profits above competitive levels that leads to a future intervention. While it is not possible to assign precise probabilities, we present an illustrative analysis to indicate the likely order of magnitude of the benefits.
- 1.29** For the purpose of our analysis of benefits, we focus on assessing the benefits to acquirers and merchants, though we note that part of the benefits may be passed on to end consumers in the form of lower prices. The extent to which benefits are passed on to end consumers does not affect our findings on the scale of benefits, as our aim is to improve market outcomes for service-users.

Approach to compliance costs

- 1.30** In CP25/1, we identified the potential types of compliance costs arising from this remedy, and we are now providing a quantification of these costs to give an indication of their likely order of magnitude.
- 1.31** To quantify such costs, we have considered the nature and drivers of these costs. As it is difficult to produce precise cost estimates (for example, because we cannot assess precisely how the schemes will apply the proposed Guidelines in practice) we have included ranges for these costs.
- 1.32** Appendix 1 sets out the assumptions we have used to produce the range of cost estimates. These assumptions are informed by the schemes' feedback to our consultation, further engagement with the schemes, evidence we reviewed from other regulators and regulated firms for a similar type of remedy, assumptions in the FCA statement of policy on cost-benefit analyses,¹³⁹ engagement with external consultants with extensive expertise in regulatory financial reporting and our own judgement. Our estimates are in 2025 prices.¹⁴⁰

Counterfactual

- 1.33** We assess the costs and benefits of the RFR remedy compared to a 'do-nothing' counterfactual where we take no action. Under this scenario:
- we do not get the appropriate information we need on the schemes' UK profitability to effectively discharge our functions, as the information is not available
 - we may continue to see fees to acquirers increase in real terms without having a sufficient understanding of impact on margins

138 This approach is based on the real options approach described in [Cave and Gibson](#) (working paper published in January 2024).

139 FCA, [Statement of Policy on Cost Benefit Analyses](#) (July 2024), Appendix 1.

140 See Appendix 1 for more detail.

- 1.34** In response to our proposals in CP25/1, Mastercard submitted that the counterfactual should take into account any changes that might occur independently of the policy interventions, or key factors within the market that are expected to change over the relevant period.¹⁴¹ Mastercard cited interventions such as those in relation to open banking, and the 2023 JROC report which states that open banking will become a viable competitor to cards within the following 18-36 months. It added that the proposed counterfactual did not reflect the PSR's own position on open banking, outlined previously in other PSR communications and in the final report.
- 1.35** We agree that a 'do-nothing' counterfactual should include other regulatory and sectoral developments that are happening independently of the proposals considered here. The conclusions reached in our final report already account for the potential competitive impact that the introduction of open banking is likely to have on the card schemes. While open banking will eventually facilitate the development of alternative payment methods that compete with the schemes, there is still uncertainty as to the strength of (actual and potential) competition that will arise over the appraisal period. In this respect, we remain of the view that it will probably take time for substantial competitive constraints on the schemes to emerge.^{142, 143}
- 1.36** We have not identified any other relevant regulatory and sectoral developments which would have a material impact on the nature of competition and levels of fees in the counterfactual scenario.

Our assessment of costs and benefits

- 1.37** Table 1 below summarises the costs and benefits of the RFR remedy. We expect the costs of our remedy to be incurred mainly by the schemes, but it may also be the case that some of these costs are passed on to their customers, especially to the acquiring side (acquirers and merchants, and potentially consumers) given the lack of competitive constraints that the schemes face there. The benefits of our remedy will eventually accrue to acquirers and merchants (some of which might be ultimately passed through to consumers).

141 Mastercard's response to CP25/1, pages 41 and 42.

142 MR22/1.10, paragraph 4.85.

143 The October 2025 FCA [Research Note on Open Banking and Open Finance in the UK](#) corroborates our statements, highlighting that 'Despite progress, several interconnected challenges continue to hinder open banking from becoming a fully thriving ecosystem'.

Table 1: Summary of benefits and costs¹⁴⁴

Group affected	Item	Benefits	Costs	
			One-off (first year)	Annual ongoing
Schemes (costs)	Familiarisation and gap analysis		£0.04m	N/A
Schemes (costs)	Compliance set-up costs		£0.04m	N/A
Schemes (costs)	External support project		£0.2m – £0.6m	N/A
Schemes (costs)	Implementing RFR requirements		£2.0m – £3.7m	£1.6m – £3.0m
Acquirers and merchants (benefits)	RFR	Unquantified		
Annual total			£2.3m – £4.4	£1.6m – £3.0m

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in the total is due to rounding. All estimates below £100,000 are rounded to the nearest £10,000 and estimates above £100,000 are rounded to the nearest £100,000.

1.38 As explained earlier (see section on *Approach to benefits*), although we do not quantify the monetary value of the total benefits, we have sought to estimate some elements of the potential benefits and used a real-options approach to carry out a break-even analysis. In summary, the break-even analysis (over a 10-year period) shows that:

- The benefit of the RFR remedy would be equal to the cost if there is a 50% probability that it leads to an intervention that results in a reduction of roughly [3–] % per year in merchant fees. This reduction is [3–] % [less than 5%] of an assumed potential harm of at least £[3–] [in the hundreds of millions of pounds] per year, in every year when benefits would arise from the remedy.¹⁴⁵
- We consider this to be likely to materialise given the size of the market, the findings in the final report and the nature of the remedy.

1.39 Therefore, while we recognise that there might be some additional costs associated with implementing a future intervention, we consider that even on conservative assumptions the RFR remedy is net beneficial. If we decide to intervene in the future, we would carry out a new CBA to ensure any such intervention has a net positive impact.

¹⁴⁴ We do not provide an Estimated Annual Net Direct Cost to Business (EANDCB) in this draft CBA. The EANDCB is the equivalent annual net direct cost to business measured in present value terms over a specific period of time. It focuses on the direct impacts to businesses (e.g. compliance costs) associated with an intervention while excluding indirect costs, such as cost pass-through to consumers, which we have not estimated here.

¹⁴⁵ CP25/1, Annex 1, paragraph 1.12.

1.40 We did not identify any material unintended consequences, and the impact on growth is likely to be positive or, at worst, neutral.

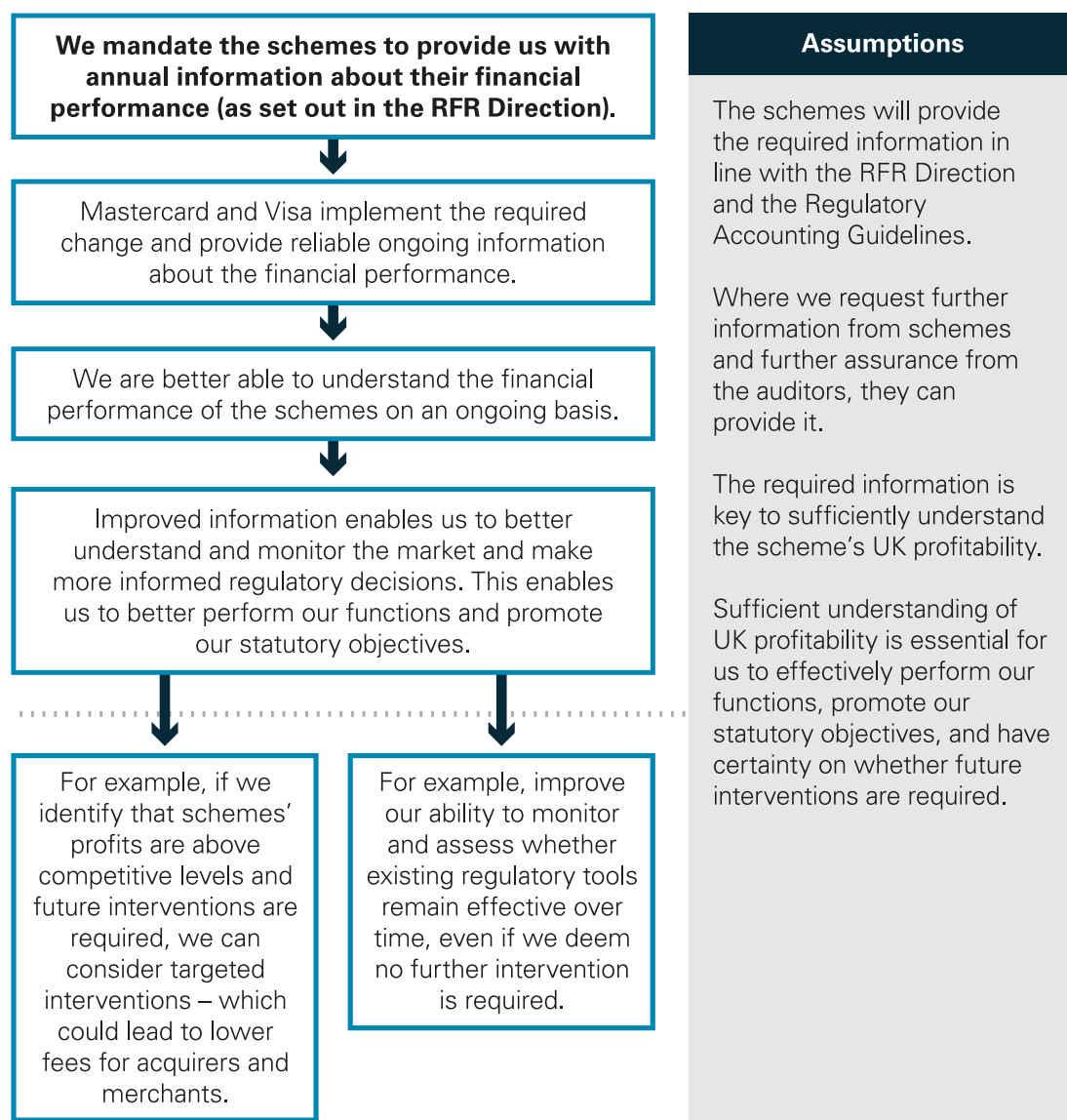
1.41 Our detailed assessment below covers, in turn:

- Expected outcomes
- Benefit assessment
- Assessment of costs incurred by the schemes
- Costs to the PSR/FCA
- Impact on growth and unintended consequences

Expected outcomes

1.42 Figure 2 below sets out the causal chain for this remedy, setting out how the remedy can lead to the desired outcomes, and what assumptions are necessary for this to happen.

Figure 2: RFR Causal Chain



- 1.43** As set out in this annex, the RFR remedy is designed to give us a reliable, ongoing understanding of the profitability of the schemes' UK card operations. This rests on the core assumption that the schemes will provide the required information in line with the proposed RFR Direction and Guidelines. If this holds, we will, for the first time, have robust, UK-specific data that enables meaningful monitoring of how the UK profits of the card schemes evolve over time.
- 1.44** The evidence collected under the RFR remedy will reduce the significant uncertainty we currently face when assessing the profitability of the schemes' UK card operations. This in turn will allow us to better understand and monitor the market. As such, the immediate, ongoing benefits of this remedy are that it will improve our ability to perform our functions and promote our objectives.
- 1.45** There can also be potential benefits from future interventions. For example, if we ultimately identify that the schemes' profits are above competitive levels and this warrants a regulatory intervention, we will be able to consider targeted interventions. Such interventions could ultimately lead to lower scheme and processing fees for acquirers and merchants. Conversely, if the RFR analysis finds no evidence, for example, of profits above competitive levels, we can avoid unnecessary or counter-productive intervention and provide regulatory certainty to schemes and acquirers going forward. In both cases, we are better able to perform our functions and promote our objectives by grounding decisions in reliable, scheme-level profitability data.
- 1.46** If we were, for example, to identify profits above competitive levels and consider any future interventions, we expect that any cost savings to acquirers (if they arise) will benefit merchants through lower fees:
- We expect a significant proportion of cost savings would be fully passed on to merchants automatically. This is because large merchants on Interchange ++ (IC++) pricing contracts (which are used for merchants accounting for 77% of the value of all transactions¹⁴⁶) will benefit directly, given the contract design. On these contracts, for any given transaction, the acquirer automatically passes on the interchange fee and scheme and processing fees applicable to the transaction 'at cost' (plus a margin for the acquirer).¹⁴⁷
 - For merchants on standard (blended) contracts (accounting for 23% of transactions but also 95% of merchants¹⁴⁸) we expect at least some of the benefits of any reduction in scheme and processing fees to be passed through over time.¹⁴⁹ In the final report of our market review of UK-EEA cross-border interchange fees, we found that around three-quarters of merchants on blended contracts experienced pass-through for previous interchange fee changes.¹⁵⁰ This may give some indication of the level of pass-through to merchants we can expect where costs are lowered for acquirers in respect of scheme and processing fees.

146 MR18/1.8, [Market review into card-acquiring services: Final report](#) (November 2021), Chapter 5.

147 IC++ (interchange ++ pricing is a pricing method offered by acquirers to merchants for card-acquiring services, merchants on IC++ pricing are typically the largest merchants, generally with an annual turnover above £50 million (see MR18/1.8, page 7, paragraph 1.15).

148 MR18/1.8, Chapter 3.

149 MR22/1.10, paragraph 4.150.

150 MR22/2.7, [Market review of UK-EEA consumer cross-border interchange fees: Final report](#) (December 2024), Chapter 6.

- 1.47** We expect potential lower fees to merchants to be passed through to consumers – to some extent – in the form of lower prices because:
- As stated in the final report of our market review of UK-EEA cross border interchange fees, ‘economic theory and empirical evidence from several studies suggest that, over time, merchant cost changes will be passed through, at least to some extent, to consumer prices. The extent to which such additional costs can be passed through to consumers depends on a range of factors that characterise the affected industries and firms. These include intensity of competition, responsiveness of merchant demand, relevant marginal costs and whether the cost changes are industry-wide or affect only some firms.’¹⁵¹
 - Cards are widely used across most goods and services, so it is likely that consumers would benefit in at least some competitive markets. For example, recent studies suggest some level of pass-through in the food and drink retail sector,¹⁵² which is the largest sector for credit and debit card transactions.^{153, 154}
- 1.48** The experience of other regulators using similar RFR frameworks highlights that such reporting requirements can support sound regulatory decision-making.¹⁵⁵ In our case, the lack of reliable information has already constrained our ability to form a clear view on profitability and financial performance, underscoring the necessity of this remedy.

151 MR22/2.7, page 80, paragraph 6.54.

152 See Competition and Markets Authority (CMA), [Competition, choice and rising prices in groceries](#) (July 2023). This CMA study of retail competition in groceries shows that the sector is competitive and found that operating margins for major retailers fell from 3.2% to 1.8% in the 2022/23 financial year. This provides empirical proof that supermarkets did not pass through 100% of the cost increases that they faced to consumers and absorbed some of the increase in costs.

153 According to UK Finance credit and debit card transaction data, food and drink expenditure is consistently the largest sector of annual expenditure. For the most recent quarter of available data (Q4 2025) it made up £53bn of the total £219bn, which equates to approximately 24%. [UK Finance: Card Expenditure Dashboard Q4 2025](#).

154 According to a 2014 paper by RBB Economics, empirical studies in the grocery sector generally find some level of pass-through to consumers, and the rates vary according to several factors such as by product and brand. The study also shows that there is evidence of asymmetric price adjustments where prices rise more quickly in response to cost increases than they fall following decreases, though this effect typically fades over time. See: [RBB Economics - Cost pass-through: theory, measurement, and potential policy implications – a report prepared for the Office of Fair Trading](#).

155 There is evidence of other regulators imposing RFR requirements on regulated firms to inform regulatory decisions. While we are not aware of evidence on their effectiveness, they have been used by other regulators for a long period, which indicates that they find them effective to achieve the desired aim. For example, Ofcom imposes RFR requirements on BT Group in different markets (See [BT Regulatory Financial Statements 2025](#)). Ofcom has generally been imposing various RFR requirements on BT for over 10 years (starting with [Ofcom 2014 Regulatory Financial Reporting Statement](#)). Ultimately, the scope, aim and effectiveness of these types of remedies vary and depend on the required level of detail in the reporting. This could vary in the number of activities that need to be quantified and included or excluded, and in whether new processes are required to achieve that level of detail. In our view, the benefits identified in our causal chain are likely to materialise, given the detail required and the flexibility we have provided the schemes with to meet the RFR reporting objectives.

Benefits assessment

1.49 As set out under *Approach to benefits*, we have not sought to carry out any form of quantitative analysis to assess the immediate benefits of this remedy; although they are relevant in assessing the overall proportionality of the remedy. We have, however, sought to assess the scale of the expected benefit associated with the potential for future regulatory actions and decisions informed by this remedy. The realisation and scale of such expected benefits varies depending on:

- future RFR findings on the profitability of the schemes
- future actions we take

1.50 To illustrate this, Figure 3 sets out four potential outcomes depending on different combinations of the schemes' profitability and whether we intervene or not. It shows whether each combination generates a positive, neutral, or negative outcome for service users. This is a simplified model for illustrative purposes, as in practice any decision on whether to intervene will depend on a number of considerations. This includes, for example, the extent to which profitability may be above competitive levels, and how a potential intervention would align with our objectives.

Figure 3: Matrix of potential outcomes

	PSR intervenes	PSR does not intervene
Scheme profits are above competitive level	Positive outcome: benefits likely to exceed costs	Negative outcome: harm continues to exist in the market due to lack of competitive constraints
Scheme profits are in line with or below competitive level	Negative outcome: the costs of intervention will exceed the benefits	Neutral outcome: no intervention is necessary and none is taken

1.51 As the simplified illustrative matrix highlights:¹⁵⁶

- The highest benefit of the RFR remedy arises in the scenario where we determine that the schemes' profitability is above competitive levels and decide to intervene in an effective and proportionate manner. In this scenario, interventions can lead to lower scheme and processing fees for acquirers and merchants, thereby reducing the potential harm due to the high prices (and profits) resulting from the lack of competitive constraints.
- Without the RFR, we face a higher risk of regulatory failure due to a false positive (for example, intervening when profits are not above competitive levels) or a false negative (for example, not intervening when profits are above competitive levels). With the RFR, we have greater certainty about which state of the world we are in, reducing the likelihood of these regulatory failures.

¹⁵⁶ The simplified matrix presents outcomes based on binary factors – i.e. whether profits are above competitive levels and whether we intervene. The reality is more complex (for example, if profits were found to be above competitive levels, the choice of any effective and proportionate intervention will depend on the scale of margins above competitive levels (among other factors)).

Break-even analysis

- 1.52** Any benefits from this remedy would relate to the improved ability to exercise our functions thanks to the new regulatory information and, as such, it is not reasonably practicable to estimate them. As set out above, we have therefore used a break-even analysis based on a real options approach.
- 1.53** Specifically, we have sought to assess at what level of benefits the remedy would be net positive.
- 1.54** In MR22/1.10, we found a sizeable gap between the schemes' margins (as we derived them) and the margins of comparable companies operating in more competitive markets, which were in a range of 12% to 18% in the period 2018 to 2023.¹⁵⁷ As set out in the remedies consultation, if we were to assume that the schemes had generated margins of 18% (the upper end of the margin range for comparable firms in more competitive markets), the schemes' yearly net revenues in the UK would have been at least £[~~3~~] [hundreds of millions of pounds] lower on average between 2019 and 2023.¹⁵⁸
- 1.55** We recognise the uncertainty around these numbers due to the limitations of the data we gathered. The RFR remedy will enable us to identify and quantify any such harm and inform potential interventions to reduce this harm (if needed). In addition, we recognise that even if we were to conclude in future that further intervention is warranted, there would be further considerations at play in deciding whether to intervene, as well as challenges around designing, implementing and enforcing an intervention that reduces all the detriment.
- 1.56** In view of the above:
- Our break-even analysis is not meant to provide precise estimates, but rather an indication of the likely scale of benefits required for the RFR remedy to be net beneficial.
 - We have used the real-options framework to account for the uncertainty of any future intervention, and for the challenges in successfully implementing such an intervention.
- 1.57** We estimated the level of benefits needed to break even over a 10-year period based on a set of simplified assumptions, which are broadly conservative:
- There are two broad potential outcomes once the RFR remedy is effectively implemented:
 - **Outcome 1:** The schemes' profitability is above competitive levels, which raises concerns that justify further intervention,¹⁵⁹ and we implement an intervention that results in lower fees. We assume that the benefits of lower fees would not occur earlier than approximately three years from implementing the RFR remedy.
 - **Outcome 2:** The schemes' profitability level does not exceed competitive levels, or does not raise concerns, so no future intervention is justified. For simplicity, we assume the benefit in this case is zero; however, this is an underestimate.¹⁶⁰

157 MR22/1.10, Chapter 6.

158 CP25/1, Annex 1, paragraph 1.12.

159 The nature of such an intervention would be informed by, among other considerations, the extent to which profitability is above competitive levels and the level of harm identified.

160 As explained earlier, there are still benefits of being better able to discharge our functions. These benefits are difficult to quantify.

- We assume that the RFR remedy is effective and the probability of each outcome is 50%.
- The estimated total cost for the RFR remedy over ten years is £27m (this is the higher end of the cost estimates set out in the next section).

1.58 Based on this, over a 10-year period the present value of expected benefit needed for the remedy to break even is £54 million. In simple terms, under the above-mentioned assumptions, the benefit of the RFR remedy would be equal to the costs if there is a 50% probability that it reduces gross fees paid by acquirers by roughly 0.5% a year (over a 10-year period). This is [3-]% [less than a 5%] reduction in an assumed potential harm of at least £[3-] [hundreds of millions of pounds] per year.¹⁶¹

1.59 Given the findings in the final report and the targeted nature of the RFR remedy, we consider the level of required benefit to break even to be realistic. As noted above, we recognise the uncertainties around some of the assumptions underlying the break-even analysis. We conducted a sensitivity analysis using alternative assumptions, which did not materially affect our findings.¹⁶² Therefore, we consider the remedy is likely to be net beneficial.

1.60 We recognise that any potential future intervention informed by the RFR remedy would entail additional implementation costs for the schemes, which are not quantified in this analysis as it is not reasonably practicable to estimate them. However, the analysis indicates that the level of benefit required for the RFR remedy to break even is relatively small. As such, our conclusion that the RFR remedy (as a first stage of an intervention with several stages) is likely to break even with the inclusion of plausible implementation costs of a potential future intervention. Of course, any decision to pursue a potential future intervention would be subject to a separate assessment, including a CBA, to determine whether that intervention would be effective and proportionate. Our view that the remedy is net beneficial is further reinforced by the existence of the (unquantified) immediate and ongoing benefits set out above.

161 This is based on a break-even expected benefit figure of the higher-end estimate over 10 years, calculated by summing the one-off and ongoing costs over that time and applying a 3.5% discount factor. We then divide it by an option ratio of 0.5, to reflect a 50% probability of profits above competitive levels being identified. We also reflect that we expect benefits to start occurring after three years. This is compared to an estimate of the schemes' annual revenue from UK card transactions of £[3-] (as set out in paragraph 1.7). We use the total gross fees paid by acquirers for scheme and processing services from both schemes in 2023 as an expected revenue estimate for each of the ten years, discounted by a factor of 3.5% each year.

162 For example:

- If we were to assume only a 30% probability that the RFR remedy leads to a future intervention that results in lower fees (with other assumptions unchanged), the present value of required benefit to break even would be £90 million, which equates to [3-]% of annual gross scheme and processing fees paid by acquirers, or [3-]% [less than 10%] reduction in an assumed potential harm of at least £[3-] [in the hundreds of millions of pounds] per year, in the years when benefits arise from the remedy. The lower probability in this scenario accounts for a higher chance that we do not gather information that would support implementing a potential intervention (including but not limited to a pricing intervention).
- If we were to assume that potential benefits in terms of lower fees (if the RFR remedy results in a future intervention) would materialise after 5 years rather than 3 years (with other assumptions unchanged), the present value of required benefit to break even would be £54 million, which equates to [3-]% of annual gross scheme and processing fees paid by acquirers, or [3-]% [less than 5%] reduction in an assumed potential harm of at least £[3-] [in the hundreds of millions of pounds] per year, in the years when benefits arise from the remedy.

Assessment of costs incurred by the schemes

1.61 In this sub-section we set out the estimates for the key cost items likely to be incurred by the schemes to comply with the RFR remedy. These are familiarisation, gap analysis and other initial costs, as well as implementation costs. The assumptions underlying our estimates are set out in Appendix 1.

Familiarisation, gap analysis and other initial costs

1.62 Familiarisation and gap analysis refers to firms reading and familiarising themselves with the detailed requirements of the new rules, guidance, or good practice, and checking their current practices against these expectations. We also estimate costs for compliance set-up and potential external project support.

1.63 As set out in Appendix 1, we present a single estimate for these costs, except for the external support project. We do not use a range for some cost items as their scale is relatively small, and we haven't seen evidence to suggest that these costs may be significantly different from our estimates to have a material effect on overall costs.

Table 2: Initial costs of RFR (both schemes)

Cost	Estimate (one-off)
Familiarisation	£5,000
Gap analysis	£30,000
Compliance set-up costs	£45,000
External support project	£200,000 – £600,000
Total	£280,000 – £680,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

Implementing RFR requirements

Evidence on costs of complying with the remedy

1.64 The costs of complying with the remedy will vary depending on the degree to which the requested information aligns with the content and format of the information the firms already hold. We have engaged extensively with the schemes since the remedies consultation and revised the scope of the RFR remedy to better reflect their operational structures and processes. Where appropriate, we have designed certain aspects of the remedy to give the schemes the flexibility to choose how to implement them in a cost-efficient way that achieves the aim of our remedy.

1.65 With the RFR remedy we are not asking for changes to how the schemes operate, but staff time will be required to make the appropriate cost allocations and changes to the schemes' accounts and produce the required RFS. We consider it would require time from a relatively small number of staff in the first year, plus governance costs (for example, in preparing the RFS in the initial reporting period), and staff time to produce them and sign them off on an

ongoing basis (including making any required changes in the continuing reporting period, following our review of the first set of RFS). Similarly, providing contextual factors information will require additional staff time to carry out the analysis and related governance.

- 1.66** The types of costs we have identified are broadly consistent with those in FCA CBAs for policies that require firms to submit regulatory returns. For example, in April 2024, the FCA proposed introducing three new product sales data returns to allow it to collect more data from providers of consumer credit. The aim of this policy was to help the FCA to supervise firms and monitor markets more effectively, enabling it to identify and prevent significant harm. The FCA estimated that one-off costs will include familiarisation and gap analysis, IT project costs and change project costs. Ongoing costs are related to collating and reporting data to the FCA (we note that the scope of RFR ongoing costs is broader than this).¹⁶³
- 1.67** As shown in Table 3 and Table 4, our cost estimates include all the cost categories identified in the FCA CBA, except for the IT project.¹⁶⁴ We do not anticipate there will be a need for any IT projects, except potentially introducing time recording (though we don't consider it to be required to comply with the RFR remedy).¹⁶⁵ We also include additional separate cost categories which are relevant to our remedy (compliance set-up costs, external support project and governance).
- 1.68** There will also be costs for assurance from external auditors. We present examples of regulatory audit costs for different regulated firms in Appendix 1.¹⁶⁶ These vary widely, but we note that only BT's costs exceeded £1 million.
- 1.69** We also note that while BT's costs were around £2.2 million in 2025,¹⁶⁷ we expect the audit cost for our RFR remedy to be much lower than BT's cost and more in line with the other comparators we have found:
- The scope of BT's RFR requirements is wider than our remedy. To illustrate this, BT's financial reporting requirements in 2025 covered reporting on 12 different markets across different types of telecoms services (for example, mobile and broadband services) as well as on different products within these markets (for example, different broadband speeds).¹⁶⁸
 - Auditing BT's regulatory financial statements is only one component of BT's costs, which include all audit-related assurance services.¹⁶⁹

163 See FCA Policy Statement PS24/3, [Consumer Credit – Product Sales Data Reporting](#) (April 2024). FCA estimates for large firms were: £12,000 for familiarisation and gap analysis, £300,000 to £500,000 for IT project and change project, and £20,000 for ongoing costs.

164 While it is difficult to compare the scale of cost for each cost category, as the scope of the regulatory returns is different, we note that our lower end estimates per firm are higher than the FCA's estimates.

165 The IT costs reflected the need for firms to comply with the FCA's new reporting requirements using the RegData platform, and to update their technology to be able to do so, which is not relevant for our own analysis. (FCA Consultation Paper CP23/21, [Consumer Credit – Product Sales Data Reporting](#) (September 2023), paragraph 37.)

166 We identified a number of regulated UK organisations that have regulatory audit commitments and had public cost data available. These figures and their sources are shown in Appendix 1.

167 [BT Group plc - Financial statements 2025](#).

168 [BT Regulatory Financial Statements 2025](#).

169 Those costs for BT include services that are required by law or regulation to be carried out by an appointed auditor, and services that support BT to fulfil obligations required by law or regulation. This includes fees for the review of interim results, the accrued fee for the audit of the group's regulatory financial statements and providing comfort letters for bond issuances.

1.70 Accordingly – as set out in Appendix 1 – we estimated annual audit costs between £600,000 and £1 million per scheme. This is consistent with Visa’s view that audit costs are likely to be in the hundreds of thousands per year,¹⁷⁰ and it also addresses feedback from Mastercard that our initial estimate of £600,000 was an understatement of the costs.

Cost estimates

1.71 Table 3 summarises our estimates of one-off compliance costs that we expect to be incurred by the schemes in the first year. First, we have assumed there will be costs for a change project to change internal process and governance to comply with the remedy. We have then estimated the costs of producing the required information and providing it to us. We also estimate the cost of having submissions audited externally, using estimates from other publicly available regulatory audit costs. Details on our assumptions to estimate the costs to be incurred by the schemes to comply with the RFR remedy are set out in Appendix 1 (Tables 5 and 6).

Table 3: One-off Costs of the RFR Remedy

Cost	Lower end cost	Higher end cost
Change project, including governance	£290,000	£600,000
Producing Profit & Loss account, disaggregation and contextual factors and producing AMD, RFS and RFS model	£530,000	£1,100,000
External audit	£1,200,000	£2,000,000
Total	£2,000,000	£3,700,000

Source: PSR estimates based on the assumptions in Appendix 1.

NOTE: Any discrepancy in the total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

1.72 Table 4 summarises our estimates of the ongoing compliance costs for the RFR remedy, which we expect to be incurred by the schemes every year after the first year. These are again based on the assumptions set out in Appendix 1.

170 Visa’s response to [3-].

Table 4: Ongoing annual costs of the RFR Remedy (across both schemes)

Cost	Lower end cost	Higher end cost
Ongoing governance costs	£30,000	£120,000
Producing Profit & Loss account, disaggregation and contextual factors and producing AMD, RFS and RFS model	£360,000	£905,000
External audit	£1,200,000	£2,000,000
Total	£1,600,000	£3,000,000

Source: PSR estimates based on the assumptions set out in Appendix 1.

NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

Costs to the PSR/FCA

1.73 The PSR – and, in future, the FCA – will face some internal costs associated with the remedy.¹⁷¹

1.74 We will bear the cost of monitoring the schemes to ensure compliance with the remedy and to analyse the returns we receive. We expect there will be an opportunity cost as our work is re-prioritised to accommodate this additional work.

Impact on economic growth and other unintended consequences

Schemes' consultation responses

1.75 Both schemes expressed concerns about the remedies package as a whole. Mastercard (and a trade association) submitted that we should consider the unintended consequences of our proposed remedies, including impacts on innovation.¹⁷² Mastercard said that without considering the impact on innovation, the PSR could not fully assess whether the remedies meet the proportionality criteria.¹⁷³ Visa raised concerns around the regulatory burden as well as the potential overlap and duplication of effort with the regulatory returns requested by our supervision team.¹⁷⁴ It submitted that we did not account for the impact that unnecessary regulatory intervention may have in inhibiting market participants' incentives to invest and innovate in the UK payments sector, negatively impacting the wider UK economy.¹⁷⁵ Visa also argued that the remedy would deviate from the principle of the desirability of sustainable growth in the UK, which we must have regard to.¹⁷⁶

171 The proposal for the remedy is being progressed by the PSR but, following the consolidation of the PSR into the FCA, the FCA will be responsible for the ongoing monitoring and enforcement of the remedy.

172 Mastercard's response to CP25/1, page 45; Stakeholder response to CP25/1 [3].

173 Mastercard's response to CP25/1, page 45.

174 Visa's response to CP25/1, paragraph 3.26.

175 Visa's response to CP25/1, paragraphs 2.5d and 2.6.

176 Visa's response to CP25/1, paragraph 3.10.

Overall assessment

- 1.76** As set out in CP25/3,¹⁷⁷ in our letter to the Prime Minister on our approach to supporting growth we committed to five areas of work that will help to support economic growth in the UK economy – one of which was to take action on card fees.¹⁷⁸ In the letter, we noted merchants' concerns around the high cost of accepting cards and the resulting impact on businesses' ability to invest and grow, which could subsequently constrain economic growth.
- 1.77** We have considered the impact the RFR remedy will have within the broader international regulatory environment. We are not the only regulator investigating the card schemes. As such, we have engaged with other regulators (for example, our European and Australian counterparts) about the remedy set out in this document. As far as we are aware, no other jurisdiction has implemented a similar remedy on Mastercard and Visa specifically.
- 1.78** We have carefully considered the potential impact of the RFR remedy on UK business investment and economic growth, and consider that it is likely to be positive or, at worst, neutral:
- We believe our RFR remedy, in the case of findings of profits above competitive levels that warrant further intervention, will go some way to help reduce the costs that acquirers and merchants face when accepting card payments. This in turn can support their investment and future development, and, therefore, growth.
 - We did not identify any significant unintended consequences of the RFR remedy that could have adverse effects on growth or innovation.
- 1.79** In response to the concerns around our interventions inhibiting the schemes' incentives to invest and innovate:
- the RFR remedy is designed to help fill a regulatory information gap and should not impact how the schemes operate in the UK.
 - As set out earlier, we have extensively engaged with the schemes and refined the design of the remedy in a way that achieves its aim while managing the potential cost burden. Across both schemes combined, the estimated compliance cost for the RFR remedy is unlikely to have a material impact on innovation as, based on our estimate of costs (see section *Assessment of costs incurred by the schemes*) it accounts for a very small proportion of the schemes' fee revenue from acquirers for scheme and processing services (less than [2-] % for one-off costs, and less than [2-] % for ongoing costs).¹⁷⁹
- 1.80** We are also not concerned about the potential overlap with our supervision team's work, as this is coordinated internally to reduce the risk of overlap.
- 1.81** Based on the above, we believe the impact of intervention on growth is likely to be positive or, at worst, neutral. We do not consider that RFR presents any material risks of a negative impact on growth or any other unintended consequences.

177 CP25/3, Annex 2, paragraph 2.88.

178 <https://www.psr.org.uk/media/wnfjwv3z/psr-letter-to-pm-20250116.pdf>

179 This assumes one-off costs of £4.4 million and ongoing costs of £3 million, which are the higher end estimates of compliance costs for both schemes combined. The denominator for this calculation is £[2-], which is the total gross fees paid by acquirers for scheme and processing services from both schemes in 2023 (as set out earlier). The findings still hold if we calculate this per scheme.

Costs and benefits of the remedy package

- 1.82** We refer to the RFR remedy in addition to the previously proposed ITC and Pricing Governance remedies (see CP25/3) as the package of remedies. The CP25/3 consultation closed on 13 February 2026, and (as of the publication of this consultation) we are working through consultation responses and expect to publish a final decision in summer 2026.
- 1.83** While recognising that no final decisions have been taken, assuming that we were to implement the proposed ITC and Pricing Governance Directions (as set out in CP25/3) and the proposed RFR Direction (as set out in this consultation), we consider that the benefits of the three remedies taken together (the remedy package) would outweigh the costs, given our view that each of the three proposed remedies is net beneficial.¹⁸⁰
- The benefits of the RFR and Pricing Governance remedies reinforce each other. While both remedies contribute to informing potential future actions, they do so in different ways, as they address different regulatory information gaps. To the extent that there may be some overlap in potential benefits that may arise from a future decision that would be informed by both remedies, the overlap is unlikely to be material enough to affect our overall assessment in this draft CBA.
 - Across both schemes combined, the estimated compliance cost for the remedy package is unlikely to have a material impact on innovation, as it accounts for a very small proportion of the schemes' annual UK fee revenue from acquirers for scheme and processing services (approximately [~~3~~] % for one-off costs and less than [~~3~~] % for ongoing costs).¹⁸¹

FCA and PSR CBA Panel engagement on CBA

- 1.84** In the course of the development of the CBA for the full package of interventions (ITC, Pricing Governance and RFR), we engaged with members of the CBA Panel, and we are thankful for the comments and advice they provided to us which we have carefully considered. We will summarise the key recommendations and how we have taken them into consideration.
- 1.85** The Panel members recommended that the CBA acknowledge more explicitly the uncertainty arising from future market developments, including the possible entry of new competitors and evolving technologies. We acknowledge the dynamic nature of the market and note that in our view the benefits are likely to materialise over at least the next ten years. We have also acknowledged in our counterfactual that open banking has the potential to be a competitor in the future.
- 1.86** The Panel members also recommended that the CBA include comparative international evidence and whether the UK's proposals align with or diverge from international practice. We have considered this in the section on the impacts of our remedies on growth.

¹⁸⁰ See our view on the ITC and Pricing Governance remedies in CP25/3, Annex 2.

¹⁸¹ This assumes combined one-off costs of £[~~3~~] and ongoing costs of £[~~3~~] which are the higher end estimates of compliance costs for both schemes combined. The denominator for this calculation is £[~~3~~] which is the total gross fees paid by acquirers for scheme and processing services from both schemes in 2023 (as set out earlier). The findings still hold if we calculate this per scheme.

1.87 Finally, the Panel considered that our discussion of the wider economic effects of our interventions was too cautious, and that we should robustly reject claims that the measures might harm innovation given the context. We have subsequently made a more positive case for the impact of our interventions on growth.

Questions for consultation

Question 3: Please provide any views on our assessment of the benefits associated with our RFR remedy. This includes our assessment of the expected outcomes and the break-even analysis.

Question 4: Please provide any views (along with supporting evidence) on the assumptions used in our cost estimates.

Question 5: Please provide any views (along with supporting evidence) on the impact that the proposed remedy may have on economic growth.

Question 6: Please provide any views (along with supporting evidence) on the potential unintended consequences of our proposed remedies and what actions we could take to avoid these.

Appendix 1

Assumptions used in the CBA

This Appendix sets out the assumptions used to estimate the compliance costs of the RFR remedy. These assumptions are informed by the schemes' feedback to our consultation, further engagement with the schemes, evidence from CBAs we reviewed, assumptions in the FCA statement of policy on cost benefit analysis,¹⁸² and our judgement. We set out the assumptions in the following order:

- Assumptions on the impact of the RFR remedy on the schemes' resources, which is, to a large extent, staff time and external audit costs.
- Assumptions on total cost of employee, which we use to monetise the impact on staff time where relevant.
- Evidence that informs our assumptions on external audit costs.

The Appendix also sets out how we calculate the adjustment factor for delayed benefits in the break-even analysis.

Assumptions on the impact on the schemes' resources

- 1.1** We shared a preliminary set of assumptions with Visa and Mastercard; both expressed concern that we were understating compliance costs for the RFR remedy.¹⁸³ They both described the costs they expected to incur to comply with the RFR remedy, and argued that it is difficult to provide estimates given the uncertainties around the exact scope of the remedy.¹⁸⁴ Visa submitted comments on audit costs (covered later in this Appendix); Mastercard submitted assumptions for three cost items (gap analysis, compliance set-up costs and external project management), which are set out as part of the sources for Table 5.

182 [Statement of Policy on Cost Benefit Analyses](#), Appendix 1.

183 Mastercard said that the resource requirements were likely to be above our preliminary assumptions and will depend on the final Direction/Guidelines and the outcomes of PSR/Mastercard engagement during implementation. Visa stated that it was challenging to provide estimates on the likely compliance costs due to uncertainty around the exact form of the remedy, but nonetheless they had some concerns that our preliminary cost assumptions underestimated the challenge and therefore cost of implementing RFR. See Visa's response to [redacted].

184 Visa's response to [redacted] and Mastercard's response to PSR's note on compliance costs assumptions on RFR remedy, [redacted] 2026.

- 1.2** Following this feedback, we have updated our assumptions. Our cost model is structured in a similar way to that set out by the FCA in its statement of policy on cost benefit analysis.¹⁸⁵ Where relevant, some of our assumptions are based on those used in the FCA statement of policy, adapting them to the RFR remedy package, sector and size of firms.¹⁸⁶ We have also drawn on evidence from other regulators and regulated firms on similar remedies to inform our assumptions, as well as our engagement with the schemes.
- 1.3** To reflect uncertainties around estimating compliance costs, we provide lower-end and higher-end assumptions. The lower-end assumptions are broadly similar to the preliminary set of assumptions we shared with the schemes, with some adjustments.¹⁸⁷ For the higher-end assumptions, we have nearly doubled our lower-end assumptions. This is true for all cost items categories, except for some that do not have a material impact on overall cost, for which we present a single estimate.
- 1.4** Based on those assumptions, we calculated higher-end and lower-end cost estimates to give an indication of the likely scale of costs. We expect the costs to fall somewhere within this range.
- 1.5** We calculate higher-end and lower-end cost estimates per scheme and then aggregate these figures to estimate the total compliance cost across both schemes. Our methodology recognises potential differences between schemes (such as size, systems, processes and organisational structures). By providing a broad range, our estimates are designed to encompass the differences, with each scheme potentially falling at a different point in the range. This approach ensures that the combined estimate remains representative of the likely overall costs for both Visa and Mastercard.
- 1.6** Table 5 and Table 6 set out our assumptions, which include:
- identifying the key cost items
 - identifying the nature of these costs (one-off or ongoing)
 - outlining the scheme's additional resources affected (compared to a "do-nothing" scenario)

185 FCA [Statement of Policy on Cost Benefit Analyses](#), July 2024, Appendix 1.

186 We note that Visa has highlighted that the standardised cost model was inappropriate as it refers to smaller and simpler interventions. Visa has also suggested there would need to be a specific and bespoke assessment of costs associated with the remedy (Visa's response to CP25/3, dated [3-] 2026). We note that we used the FCA statement of policy as a starting point for developing our own cost model for the RFR remedy. It is only one of the sources of evidence that we considered to inform the resources required for the specific activities to comply with the RFR remedy. Our cost model also includes cost items that are not included in the FCA statement of policy and that we consider to be relevant to the RFR remedy. For the cost items covered by the FCA statement of policy, we have deviated from the assumptions in the statement of policy where we consider this is appropriate based on the evidence or arguments we have seen (for example, for the gap analysis). In the limited instances where our assumptions are based on those in the FCA statement of policy, we continue to invite the schemes to suggest alternative assumptions, if they consider them to be more appropriate in the circumstances (and provide supporting evidence).

187 We have accepted proposed figures made by Mastercard where we believed that they were reasonable as a lower end.

Table 5: Assumptions used for initial one-off cost estimates per scheme*

Cost	One-off	Type of Staff
Familiarisation Reading and familiarising themselves with the requirements in the remedy documentation	20 staff review the remedy documentation. It takes around 3.5 hours per person. ¹⁸⁸	Compliance staff
Gap analysis Checking their current practices against the requirements	7 staff conduct the gap analysis. Each staff member will spend an average of 5 days.	Legal staff (used as a proxy for mix of staff)
Compliance set-up costs Establish controls which ensure that Mastercard and Visa are complying with all requirements	50 person days.	Legal staff (used as a proxy for mix of staff)
External Support Project Commission external support to assist throughout the process of complying with the remedies (e.g. from external experts on accounting and regulatory financial reporting)	£100,000 - £300,000	N/A

Source: Familiarisation costs reflect FCA Statement of policy on cost benefit analysis July 2024, Appendix 1, Tables 8. The number of staff required reflects Table 8 in the FCA statement of policy on CBA and the number of hours required is based on PSR assumptions. Assumptions for other cost items reflect feedback, i.e. alternative assumptions provided by Mastercard.¹⁸⁹ Assumptions on type of staff are our assumptions.

* We assume no ongoing costs.

¹⁸⁸ Based on an assumption that it would take 3.5 hours per person to each read around 80 pages of documentation (given the length of this document and the draft direction).

¹⁸⁹ Mastercard assumed that the three remedy areas (ITC, Pricing Governance and RFR) will require a minimum of 20 staff split across the functions (who will spend an average of 5 days per person) for the gap analysis and 50 person days for the compliance set-up costs. For gap analysis and compliance set-up costs, we attribute one-third of the resources in the assumptions submitted by Mastercard to RFR. Mastercard argued that an external project management will cost roughly £[redacted] for the three proposed remedies of which they attribute 20% to RFR and noted that costs may be higher. See Mastercard's response to PSR's note on compliance costs assumptions, [redacted] 2025 (Mastercard email containing comments on implementation cost assumptions - dated [redacted] 2025).

Table 6: Assumptions used in RFR compliance cost estimates

Cost	Lower end Scenario assumptions		Higher end Scenario assumptions		Type of Staff
	One-off	Ongoing	One-off	Ongoing	
<p>Change project</p> <p>Costs associated with changes in internal processes or governance arrangements to comply with RFR remedy. Also includes associated governance costs in the first year.¹⁹⁰</p>	60 project days and 540 person days. This includes 1 project manager & team of 8. We include 10 Executive Committee days to account for executive sign-off.	N/A	<p>We increase the project days to 120, which increases the person days to 1080.</p> <p>We increase the Executive Committee days to 30 days</p>	N/A	Project Manager, Project Team member, Executive Committee
<p>Producing P&L account¹⁹¹</p> <p>Disaggregation and contextual factors and producing AMD, RFS and RFS model¹⁹²</p>	2-3 FTE, covering two years of data. We include 10 Executive Committee days for input from senior staff as needed.	1-2 FTE, covering one year of data. We include 10 Executive Committee days for input from senior staff as needed.	<p>We double the required FTE to be 4-6.</p> <p>We increase the Executive Committee days to 30 days</p>	<p>We more than double the required FTE to be 3-5.</p> <p>We increase the Executive Committee days to 30 days</p>	Financial Analyst (proxy for mix of staff) Executive Committee (proxy for senior staff)
<p>External audit</p> <p>Any accounts produced as part of RFR remedy require auditing. Where the PSR deems it appropriate, it reserves the right to require additional assurance procedures</p>	£0.6m	Similar to one-off cost (which is conservative as ongoing costs are likely to decrease over time).	Increased to £1m	Similar to one-off cost (which is conservative as ongoing costs are likely to decrease over time).	N/A
<p>Ongoing Governance</p> <p>Executive and senior approval of material submitted to PSR.</p>	N/A	10% of the costs for the lower end change project.	N/A	20% of the cost for the higher end change project.	N/A

Source: PSR assumptions. The number of staff in the change project is informed by the FCA Statement of policy on cost benefit analysis July 2024, Annex 1, Table 14. Audit costs are based on evidence from other regulated firms, engagement with the schemes and engagement with external consultants who have extensive expertise in regulatory financial reporting (see section below on *Assumptions on the cost of external audit*). Other assumptions are based on our judgement and our engagement with external consultants who have extensive expertise in regulatory financial reporting. Assumptions on type of staff are our assumptions.

190 For example, if they need to introduce a time recording system (though this is not a requirement) as well as senior staff review and approval of accounts submitted to the PSR.

191 We assume ongoing costs are lower than first year because: 1) returns from schemes will be for one year of data after the first year, and 2) experience gained in the first year.

192 Staff time required to gather relevant input data, creation of RFS model, documentation in AMD and production of RFS, including allocation and disaggregation of costs and revenues to UK card operations and UK non-card activities. This includes staff time needed to engage with the PSR as required.

Assumptions on the total cost of employee

- 1.7** Our model calculates the total cost of employee based on salary data from the ONS's Annual Survey of Hours and Earnings (ASHE) dataset.¹⁹³ This dataset uses salaries from 2025; thus, we have used 2025 as the base year for prices in our analysis. The total cost of employee is the annual salary with an additional 17.9% on top to account for national insurance and pension contributions.¹⁹⁴
- 1.8** The assumptions on total cost of employee used in our cost estimates are set out in Table 7 below. This table sets out the type of staff considered in our cost estimates, the job title for those staff salaries, the corresponding annual salary from the ASHE dataset, and our calculated total cost of employee. We have taken a conservative approach to selecting the relevant type of staff: where we have options to choose from several types of staff, we choose the option with the higher salary. For example, to be conservative we use total cost of employee for legal staff and financial analysts as a proxy for a mix of staff and have assumed salaries at the 80th salary percentile.

Table 7: Annual total cost of employee by type of staff at 80th salary percentile

Type of staff	ASHE dataset job title	Annual salary per 1 FTE	Total cost of employee
Compliance Staff	Regulatory Associate Professionals	£56,531.00	£66,650.05
Legal	Solicitors and lawyers	£81,138.00	£95,661.70
Business analysts, designers, programmers / coders, testing staff	Programmers and software development professionals	£81,474.00	£96,057.85
Project managers	Business and financial project management professionals	£81,912.00	£96,574.25
Senior managers	Functional managers and directors n.e.c.	£107,286.00	£126,490.19
Project team members	Project support officers	£43,140.00	£50,862.06
HR training professional	Human resources and industrial relations officers	£44,756.00	£52,767.32
Executive Committee	Chief executives and senior officials	£152,432.00	£179,717.33
Financial Analyst	Finance and investment analysts and advisers	£72,539.00	£85,523.48

Source: ONS' ASHE 2025 dataset. Total cost of employee is PSR's calculation.

¹⁹³ Specifically, we have used salary data from Table 14.7(a) of the [October 2025 ONS ASHE dataset](#). We have typically used the 80th percentile of the salary ranges from the data in the ASHE dataset. This is because: (i) we are assuming Mastercard and Visa's employees are based in London where salaries are above the national average and (ii) because we want to be conservative in our estimates of costs.

¹⁹⁴ This follows the Department for Business and Trade approach which recommends a non-wage labour cost uplift of 17.9%. Paragraph 9.11 of the FCA's Statement of policy on cost benefit analysis (July 2024) provides more information on this.

1.9 To convert the annual cost of employee to cost of employee per day or per hour, we have assumed that:

- all staff work 220 days per year
- all staff work 7 hours per day

Assumptions on the cost of external audit

1.10 In support of our estimation of external audit costs, we collected publicly available evidence on the costs for audit-related assurance services for relevant organisations in the UK, these figures are set out in Table 8.

Table 8: Audit-related assurance costs of regulated UK organisations

Audit Subject	Submitted Cost	Source
BT Group	£2,200,000.00	BT Annual Report 2025
International Distribution Services (Former Royal Mail Group)	£800,000.00	International Distribution Services Annual Accounts 2024-25
Vocalink	£800,000.00	Vocalink Annual Report Financial Statements
Severn Trent	£200,000.00	Severn Trent Water Annual Report 2025
Thames Water	£894,000.00	Thames Water Annual Results 2024-25
National Grid Electricity Distribution	£600,000.00	National Grid Distribution plc Annual Report 2024-25
Heathrow Airport	£500,000.00	Heathrow Airport Annual Accounts 2023-24
Gatwick Airport	£100,000.00	Gatwick Airport Annual Accounts 2024
DCC	£100,000.00	DCC Annual Report 2025
SSE	£300,000.00	SSE Annual Report 2025

1.11 We reference 'audit-related assurance' costs as the closest proxy for the type of work external auditors would carry out under the RFR. However, the specific activities required by the RFR are only a subset of these broader assurance services, so we expect audit costs for regulatory reporting by the firms in the table to be lower than the figures cited.

1.12 As set out earlier, we expect audit costs for BT Group to be significantly higher than audit costs related to our RFR remedy (Annex 1, paragraph 1.69).

1.13 Due to lack of certainty in how the scale of the other audit requirements in these examples compare to the audit requirements of the RFR remedy, we have taken a simple average of all the audit figures presented in Table 8 and rounded it to the nearest £100,000. This gives us an estimate of approximately £600,000 per year.

1.14 We use £600,000 per year as a lower-end estimate and increase it to £1 million per year as a higher-end estimate. We would presume the audit costs in subsequent years to be lower but given the lack of information on this we have assumed they remain the same as a conservative assumption.

1.15 Our assumptions are consistent with Visa’s views. Visa said that “given the level of uncertainty currently associated with the RFR remedy, it is challenging to comment on the likely cost of an independent audit. However, we expect it would cost several hundreds of thousands of pounds per year”.¹⁹⁵ Therefore, it is reasonable to assume that £1 million is likely to be at the high end of audit costs, which is consistent with our engagement with the external consultants who have extensive expertise in regulatory financial reporting. The higher end assumptions also address comments received from Mastercard as it argued that audit and assurance workload are likely to be significantly higher than our preliminary assumption of £600,000 per year, but it did not provide alternative figures, as the remedy package remained under discussion at the time of its response.¹⁹⁶

195 See Visa’s response to [redacted].

196 See Mastercard’s response to PSR’s implementation cost assumptions on RFR remedy, [redacted] 2026.

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