

Draft Specific Direction [XX]

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1 Scope and Key Definitions

Scope

UK Business

- 1.1** Each Directed Operator's UK Business comprises its UK Card Operations and its UK Non-Card Activities.

UK Card Operations

- 1.2** The UK Card Operations are each Directed Operator's card-based payment business in the UK.

- 1.3** For the purposes of the RFR Direction, the UK Card Operations comprises the following category of products and services:

- a. products and services that an Acquirer or Issuer must purchase (i.e. mandatory products and services) as a condition for:
 - i. participation in (or membership of) a Card Payment System; or
 - ii. processing transactions;
- b. products and services which a customer may choose not to purchase (i.e. optional products and services) and which relate to either:
 - i. participation in (or membership of) a Card Payment System; or
 - ii. processing transactions.

- 1.4** For the purposes of these Guidelines, at least the following products and services (or similar categories of products and services agreed with the PSR), which the PSR considers meets the criteria set out above, must be treated as part of the UK Card Operations:

- a. the authentication and authorisation (including pre-authorisation) of transactions;
- b. fraud prevention related to card transactions;
- c. tokenisation related to card transactions;
- d. dispute, charge-back management;
- e. refunds; and
- f. foreign exchange (FX) conversion.¹

¹ As specified in paragraph 3.53 of this document, revenues and costs related to FX conversion can be reported in a separate schedule by the Directed Operator. Insofar as revenues and costs are included in separate schedules, the UK Card Operations P&L Statement would exclude costs and revenues associated with FX conversion services.

- 1.5** The UK Card Operations must include products and services meeting the criteria set out above purchased by:
- a. Issuers in relation to UK cardholders using payment cards to purchase goods and services (either from UK-based Merchants, or from non-UK Merchants),²
 - b. Acquirers (regardless of the location of the Acquirer) in relation to all cardholders (UK or non-UK) using payment cards to purchase goods and services from UK-based Merchants.³

UK Non-Card Activities

- 1.6** The UK Non-Card Activities are revenues and costs of a Directed Operator's activities in relation to the UK that are not part of the UK Card Operations.
- 1.7** Products and services that would be classified as UK Non-Card Activities can be treated as if being classified as UK Card Operations where:
- a. it would be impractical to identify the related cost information; and
 - b. the associated gross revenues, in aggregate for these products and services, do not exceed 2% of the total gross revenues shown in the UK Card Operations P&L Statement.
- 1.8** Subject to paragraph 1.10, the following products and services must be treated as part of the UK Non-Card Activities (and therefore outside the scope of the UK Card Operations):
- a. marketing intelligence and marketing support services;
 - b. fraud prevention services that are not part of a card transaction (e.g. fraud prevention services that do not happen as part of processing a card transaction);
 - c. optional services that fulfil core Issuers' and/or Acquirers' functions (e.g. gateway services and issuing processing);
 - d. portfolio analytics;
 - e. consulting and advisory services;
 - f. payment-related services that are not card transactions or part of card transactions (e.g. Account-to-Account (A2A) and Open Banking); and
 - g. card or card-related services that are offered to entities that are not Issuers or Acquirers, for example, fraud solutions and gateway services offered to Merchants.

2 For the purpose of these Guidelines products and services purchased by Issuers in relation to UK cardholders refer to products and services purchased by Issuers located in the UK.

3 As specified in paragraph 3.49 of this document, revenues and costs related to Central Acquiring can be reported in a separate schedule by the Directed Operator. Insofar as revenues and costs are included in separate schedules, the UK Card Operations P&L Statement would exclude costs and revenues associated with these services.

Attribution to the UK Card Operations and UK Non-Card Activities

- 1.9** Where a product or service has features that mean it is both part of UK Card Operations and UK Non-Card Activities (e.g. a fraud prevention tool that can be used in card and non-card transactions), the relevant revenues and costs associated with that product or service will need to be attributed in accordance with these Guidelines.
- 1.10** However, no attribution is required for products or services referred to in paragraph 1.9 where:
- a. more than 90% of UK gross revenues of a given product or service relate to either UK Card Operations or UK Non-Card Activities, in which case paragraph 1.11 applies; or
 - b. UK gross revenues for individual products or services are less than 0.25% of total gross revenues in the UK Card Operations P&L Statement, subject to such products or services in aggregate not accounting for more than 2% of total gross revenues in the UK Card Operations P&L Statement, in which case 1.11 applies.⁴
- 1.11** If no attribution is made pursuant to paragraph 1.10, the Directed Operator must include the product or service in its entirety to the UK Card Operations or UK Non-Card Activities according to where within these classifications the majority of gross revenues for each of these products and services are.

Use of accurate and reliable data

- 1.12** Subject to paragraph 1.13, each Directed Operator is required, as reflected in the Regulatory Accounting Principles and these Guidelines, to prepare the RFS using accurate and reliable data.
- 1.13** Each Directed Operator may use appropriate estimates and assumptions in preparing the RFS Model and RFS but only to the extent that doing so is consistent with the Regulatory Accounting Principles.⁵

4 Here and elsewhere in these Guidelines, where references are made to revenues or costs to assess whether specified thresholds are met, the assessment of whether the threshold is met in any given Year must be performed separately for each Year using only data from that Year. The basis for assessing the threshold shall exclude the elements of costs or revenues that are subject to the assessment. Once the assessment for a specific threshold is completed, the relevant costs and revenues can be included for assessments of other thresholds set out elsewhere in these Guidelines. For example, in this particular instance total gross revenues in the UK Card Operations P&L Statement should exclude the products and services that are assessed under paragraph b but they can be included for the assessment of other thresholds (once their assessment under paragraph b is completed).

5 In particular, the use of estimates and assumptions may be consistent with the Regulatory Accounting Principles in relation to the following non-exhaustive list:

- in the attribution of revenues and costs to the UK Card Operations and UK Non-Card Activities
- in the provision of information on rebates and incentives, and the allocation and disaggregation of costs in the UK Card Operations P&L Statement
- in the disaggregation of revenues and Direct Costs for the UK Card Operations and the UK Non-Card Activities
- in the preparation of information relating to Contextual Factors
- in the provision of information on revenues and costs identified as per paragraph 3.49 to 3.54 (i.e. supplementary financial information including, for example, FX conversion services and Central Acquiring)

- 1.14** Where a Directed Operator uses estimates and assumptions in the preparation of the RFS Model and RFS, these need to be clearly set out, together with an explanation of how they have been prepared or derived, and why their use is consistent with the Regulatory Accounting Principles. The PSR or a Regulatory Auditor may seek more information from a Directed Operator about its use of estimates and assumptions, and if appropriate, issue instructions pursuant to paragraph 3.13 of the RFR Direction.

2 Other Definitions and Interpretation

2.1 Terms defined in the RFR Direction shall have the same meaning in these Guidelines. Section 15 of the RFR Direction applies to these Guidelines.

2.2 In addition, the following words or expressions shall have the meaning assigned to them below:

- **ABC** means Activity-Based Costing, which is a method that assigns costs to products and / or services by identifying the activities that drive those costs.
- **Alternative Accounting Standard** means the standard used instead of US GAAP approved under paragraph 4.5 of these Guidelines.
- **Alternative Group Accounts** means the accounts approved under paragraph 4.5 of these Guidelines.
- **Card Fees** means, for the purpose of paragraph 3.22, all fees, charges or amounts imposed in connection with the provision, operation or processing of card-based payment transactions within the UK Card Operations, including Interchange Fees payable by Acquirers to Issuers for each card transaction, Scheme and Processing Fees; and includes any other fees directly related to the support of card-based transactions (such as authentication, tokenisation, fraud prevention, dispute and chargeback management, and FX conversion where these form part of a card transaction), but excludes any fees relating solely to UK Non-Card Activities.
- **Central Acquiring** arises when the Acquirer is not located in the same country as the Merchant. It has two elements:
 - **Non-UK Central Acquiring products and services:** These are products and services provided by the Directed Operator to Acquirers located outside the UK in relation to card transactions taking place at UK Merchants.
 - **UK Central Acquiring products and services:** These are products and services provided by the Directed Operator to Acquirers located in the UK in relation to card transactions taking place at Merchants outside the UK.
- **Central Issuing** arises when the cardholder is not located in the same country as the Issuer. It has two elements:
 - **Non-UK Central Issuing products and services:** These are products and services provided by the Directed Operator to Issuers located outside the UK in relation to card transactions by UK cardholders. For the purposes of these Guidelines Non-UK Central issuing should be considered to relate to transactions using GBP denominated cards issued by issuers located outside the UK.
 - **UK Central Issuing products and services:** These are products and services provided by the Directed Operator to Issuers located in the UK in relation to card transactions by non-UK cardholders. For the purposes of these Guidelines UK Central issuing should be considered to relate to transactions using non-GBP denominated cards issued by issuers located in the UK.

- **Common Costs** has the meaning given to it at paragraph 3.15.
- **Commercial Card** means any card-based payment instrument issued to undertakings or public sector entities or self-employed natural persons which is limited in use for business expenses where the payments made with such cards are charged directly to the account of the undertaking or public sector entity or self-employed natural person. This aligns to the definition as per The Payment Card Interchange Fee Regulations 2015, Part 1.
- **Commercial Payment Transaction** means any payment transaction made with a Commercial Card.
- **Consumer Payment Transaction** means any payment transaction not made with a Commercial Card.
- **Contextual Factor(s)** has the meaning given to it by paragraph 3.41.
- **CAM** means cost attribution model, as described in paragraphs 5.8 to 5.11.
- **Cost Pool** is a grouping of costs of a similar nature and/or costs that are consumed in a similar way for the purpose of attributing these costs to other Cost Pools and ultimately to the UK Card Operations.
- **Domestic Transaction** for the purpose of these Guidelines means card payment transactions for which the location of the Merchant is recorded or registered as in the UK and the card used is issued by a UK issuer.
- **Direct Costs** has the meaning given to it at paragraph 3.14.
- **EBIT** means Earnings Before Interest and Tax, namely revenue less costs, before the deduction of interest and tax, also referred to as operating (loss) or profit.
- **Fully Allocated Cost** or **FAC** has the meaning given to it by paragraph 5.3.
- **FTE** has the meaning given to it by paragraph 3.45.
- **General Legal Expenses** has the meaning given to it by paragraph 3.22.
- **Inter-Regional Transaction** for the purpose of these Guidelines means: (i) on the issuing side, payment transactions for which the location of the Merchant is recorded or registered as in a country that is not part of the UK or European Economic Area and the card used is issued by an issuer in the UK; and (ii) on the acquiring side, payment transactions for which the location of the Merchant is recorded or registered as in the UK and the card used is issued by an issuer outside of the UK and outside of the European Economic Area.
- **Intra-Europe Transaction** for the purpose of these Guidelines means: (i) on the issuing side, payment transactions for which the location of the Merchant is recorded or registered as in a country that is part of the European Economic Area and the card used is issued by an issuer in the UK; and (ii) on the acquiring side, payment transactions for which the location of the Merchant is recorded or registered as in the UK and the card used is issued by an issuer in the European Economic Area.
- **Net Revenue** means gross revenues less rebates and incentives, to the extent rebates and incentives are netted off gross revenues under paragraph 4.2.
- **Other Legal Expenses** means as specified in paragraph 3.22b.

- **Scheme and Processing Fees** means fees charged by a Card Payment System Operator in return for services relating to participation in the card system and fees charged by processing entities to their customers (Issuers and Acquirers) for authorisation, clearing and settlement services for card payments.
- **UK Business** has the meaning given to it by Chapter 1 of these Guidelines.
- **UK Card Operations P&L Statement** means a statement of profit and loss. For RFR purposes, it is the statement that sets out all revenues, rebates, incentives, and costs attributable to the UK Card Operations in order to show their UK-specific financial performance for the reporting period.
- **UK Card Operations** has the meaning given to it by Chapter 1 of these Guidelines.
- **UK Non-Card Activities** has the meaning given to it by Chapter 1 of these Guidelines.
- **US GAAP** mean the Generally Accepted Accounting Principles that sets the criteria for preparing, presenting, and reporting financial statements in the U.S.

3 Form and Content of the RFS and Supporting Documentation

- 3.1** As per the RFR Direction each Directed Operator must submit annually an RFS, RFS Model as well as an AMD in order to document how it has prepared the RFS and RFS Model.
- 3.2** The RFS Model should include (or be accompanied by) the following information to aid understanding of the RFS Model:
- a. An overview of the structure of the RFS Model;
 - b. An explanation of the functions performed in the relevant parts of the RFS Model;
 - c. An explanation of how the methodology set out in the AMD has been implemented in the RFS Model.

UK Card Operations P&L Statement

Format and requests for amendments

- 3.3** Subject to paragraphs 3.4 and 3.5, each Directed Operator's RFS must include a UK Card Operations P&L Statement, which must be prepared using the RFS Template Worksheet A: P&L.
- 3.4** Each Directed Operator may submit a request in writing to the PSR pursuant to Section 10 of the RFR Direction for RFS Template Worksheet A: P&L to be amended, for example to more closely align with how data is collected in the ordinary course of business.
- 3.5** Subject to paragraph 3.6, the UK Card Operations P&L Statement must include revenues and costs associated with the UK Card Operations.
- 3.6** A Directed Operator can elect, when submitting its draft versions of its RFS, whether or not to include in the P&L Statement revenues and costs associated with the specific services identified in paragraphs 3.47 to 3.54 below (and report these separately to the UK Card Operations P&L Statement).⁶ Any subsequent change in its final RFS will require the written consent of the PSR, pursuant to Section 10 of the RFR Direction.

Reporting

- 3.7** The UK Card Operations P&L Statement (and any items set out in paragraphs 3.5 and 3.6) must be presented on the same reporting basis as used in the Form 10-K of the Ultimate Parent or the Alternative Group Accounts (with the modifications set out in these Guidelines).

⁶ For the avoidance of doubt, this is without prejudice to the requirement to provide certain information, e.g. FX conversion revenues, in the RFS Template *Worksheet C: Revenue Disaggregation*.

Revenues and rebates and incentives

- 3.8** In the UK Card Operations P&L Statement, revenues must be presented at both their gross value and on a net basis.
- 3.9** Rebates and incentives on gross revenues relating to UK Card Operations that support non-UK-card and non-card activities⁷ must not be included in the UK Card Operations P&L Statement. They should be included as part of UK Non-Card Activities in the RFS Model, where applicable.
- 3.10** Rebates and incentive information for UK Card Operations must separately identify rebates and incentives that were capitalised during the Financial Year, along with the amount of amortisation of capitalised rebates and incentives during the Financial Year.⁸
- 3.11** Capitalisation and amortisation of rebates and incentives must be recorded on the same basis as in the Form 10-K of the Ultimate Parent or the Alternative Group Accounts.

Details of Costs

- 3.12** The categorisation of costs included and disclosed in the UK Card Operations P&L Statement must align with the cost types used in the Form 10-K of the Ultimate Parent or the Alternative Group Accounts, with the modifications set out below and elsewhere in the Guidelines.
- 3.13** Costs must be disaggregated into Direct Costs and Common Costs.
- 3.14** Direct Costs means expenses that can be directly allocated to the UK Business. These costs are identifiable and measurable, such as labour costs for individuals directly involved in providing products and services in the UK, or expenses directly related to products and services provided in the UK Business, regardless of where those expenses are incurred.
- 3.15** Common Costs means expenses that cannot be directly allocated to the UK Business and therefore need to be attributed to the UK Card Operations using appropriate cost drivers.
- 3.16** Direct Costs for the UK Business must be allocated into Direct Costs of the UK Card Operations and Direct Costs for UK Non-Card Activities. Where Direct Costs for the UK Business are not also Direct Costs for either solely the UK Card Operations or the UK Non-Card Activities, a suitable cost driver must be identified for the disaggregation (see Chapter 5 for more details).
- 3.17** Subject to paragraph 3.19, when showing costs in the UK Card Operations P&L account, the following cost categories must be used separately for Direct Costs and Common Costs:
- a. Personnel costs, setting out separately the amount of personnel costs relating to key cost categories, including the categories immediately following (i.e. 3.17g to 3.17h) as well as for sales and client services and, in so far as information is collected in the ordinary course of business, any other categories of personnel costs that account for more than 5% of total personnel costs;

7 E.g. to support cross selling of UK Non-Card Activities or international activities not related to the UK Card Operations.

8 As specified in paragraph 3.54 of this document, the amount of rebates and incentives capitalised and amortised during the Year can be reported in a separate schedule by the Directed Operator. Insofar as the amount of rebates and incentives capitalised and amortised during the Year are included in a separate schedule, the UK Card Operations P&L Statement would exclude these items.

- b. Marketing costs (excluding personnel costs, i.e. 3.17f);
- c. Payment network (i.e. the costs of running and maintaining the payment network, such as IT and software, excluding personnel costs (3.17f)) or some equivalent cost category;
- d. Professional fees;
- e. Depreciation and amortisation; and
- f. Other costs not included above (i.e. 3.17f to 3.17j) with any cost categories that are greater than 5% of total costs in the UK Card Operations P&L Statement separately identified (excluding personnel costs, i.e. 3.17f).

3.18 Each of the cost categories in paragraph 3.17 must be further divided into sub-categories, where a category accounts for more than 5% of total costs shown in UK Card Operations P&L Statement and where there are differences in the type and nature of costs in a category that are relevant to understanding the financial performance of the UK Card Operations (e.g. marketing costs could be subdivided into UK, European and Global campaigns).

3.19 Each Directed Operator may submit a request in writing pursuant to Section 10 of the RFR Direction for variation of the categories stipulated in paragraph 3.17, for example to more closely align with how data is collected in the ordinary course of business.

Items to be excluded from or separately identified in the UK Card Operations P&L Statement

3.20 Subject to paragraph 3.21, each Directed Operator must either exclude from the UK Card Operations P&L Statement, or separately identify in the UK Card Operations P&L Statement the following items, regardless of how they are classified in the Directed Operator's Form 10-K of the Ultimate Parent or Alternative Group Accounts:⁹

- a. Other Legal Expenses but not General Legal Expenses;
- b. Interest and investment income;
- c. Interest costs and other costs of funding, whether by debt or equity;
- d. Costs related to the funding of deficits of defined benefit pension schemes;
- e. Expense items relating to corporation tax (corporate income tax), including any current Year changes or credits for corporation tax and for deferred tax. Costs related to other taxes, including payroll taxes and VAT, shall not be excluded;
- f. Costs (or income) that are not related to the operation of the UK Card Operations including, for example, M&A fees or impairments of non-operational assets.

3.21 Where the items specified in paragraph 3.20 are:

- a. excluded from the UK Card Operations P&L Statement, they must be included, and clearly identified, in the reconciliation to the Form 10-K of the Ultimate Parent or Alternative Group Accounts.
- b. separately identified in the UK Card Operations P&L Statement, the Directed Operator must also provide a description of the nature of the expenses.

⁹ These items are included in the Form 10-K of the Ultimate Parent (or the Alternative Group Accounts).

- 3.22** For the purposes of paragraph 3.20a:
- a. General Legal Expenses are:
 - Routine legal fees (e.g. contract disputes, employment law).
 - Compliance-related legal advice.
 - Ongoing operational legal support.
 - b. Other Legal Expenses are:
 - Regulatory fines and penalties (including financial regulatory, consumer and antitrust/competition law enforcement).
 - Costs associated with the settlement of regulatory processes (including competition law or antitrust enforcement).
 - Legal costs, settlement costs, legal expenses and other similar costs associated with lawsuits that are not routine in nature. This includes lawsuits in relation to Card Fees.

Disaggregation of revenues and costs

Disaggregation of revenues

- 3.23** Subject to paragraph 3.24, each Directed Operator's RFS must include the disaggregation of its revenues, which must be prepared using RFS Template *Worksheet C: Revenue (Disaggregation)*.
- 3.24** Each Directed Operator may submit a request in writing pursuant to Section 10 of the RFR Direction for the RFS Template *Worksheet C: Revenue (Disaggregation)* to be amended, for example to more closely align with how data is collected in the ordinary course of business.
- 3.25** Each Directed Operator's revenue for its UK Card Operations must be further disaggregated by customer type:
- a. Issuer;
 - b. Acquirer;
 - c. Others (with an explanation of what other customer types are, and where any other customer type accounts for more than 5% of total Net Revenues of the UK Card Operations P&L Statement, a separate disaggregation for that customer type).
- 3.26** Each Directed Operator's customer type disaggregation in paragraph 3.25 must be further disaggregated into the following product types:
- a. Credit, Debit, and Other (e.g. Prepaid) products;
 - b. Domestic, Intra-Europe and Inter-Regional Transactions; and
 - c. Consumer and Commercial segments.
- 3.27** Each Directed Operator's customer type disaggregation in paragraph 3.25 must be provided for gross revenues, rebates and incentives and Net Revenues.

- 3.28** Each Directed Operator's product type disaggregation in paragraph 3.26:
- a. must be provided for gross revenues.
 - b. must be provided for rebates and incentives and for the resulting Net Revenues either on the same basis as for gross revenues or how the relevant data is collected in the ordinary course of business.
- 3.29** Each Directed Operator must also provide the following information in an appropriate format:
- a. total transaction numbers (volume of transactions) and total transaction values in relation to the acquiring revenues identified under paragraph 3.25 (and to the extent that acquiring revenues are provided under paragraphs 3.47 and/or 3.53 the same disaggregation shall be separately provided in relation to these revenues); and
 - b. total transaction numbers (volume of transactions) and total transaction values in relation to the issuing revenues identified under paragraph 3.25.

Disaggregation of costs

- 3.30** Subject to paragraph 3.31, each Directed Operator's RFS must include the disaggregation of costs, which must be prepared using RFS Template *Worksheet B: Revenue and Direct Costs (R&DC) Statement (Disaggregation by customer)*.
- 3.31** Each Directed Operator may submit a request in writing pursuant to Section 10 of the RFR Direction for RFS Template *Worksheet B: Revenue and Direct Costs (R&DC) Statement (Disaggregation by customer)* to be amended, for example to more closely align with how data is collected in the ordinary course of business.
- 3.32** The Direct Costs for the UK Card Operations shall be disaggregated by the customer types set out in paragraph 3.25 using the approach set out in paragraph 5.2 and elsewhere in these Guidelines and the RFR Direction. Direct Costs do not need to be provided for customers other than Issuers and Acquirers, where such customers account for less than 2% of total gross revenues for the UK Card Operations.
- 3.33** Direct Costs shall be shown in the same categories as set out in paragraph 3.17.

UK Non-Card Activities (Revenues and Direct Costs)

- 3.34** Each Directed Operator's RFS Model must also include information on revenue and Direct Costs of UK Non-Card Activities as set out below.
- 3.35** The revenues in UK Non-Card Activities must be disaggregated into sub-categories that best describe the nature of the revenues. Non-Card revenues that account in aggregate for less than 10% of total gross revenues in the UK Non-Card Activities can be grouped under 'Other' and do not need to be separately identified.
- 3.36** Revenues must be shown both on a net basis and a gross basis. Disaggregated information for rebates and incentives and the resulting Net Revenues can be based on how the relevant data is collected in the ordinary course of business.

- 3.37** Gross revenues, rebates and incentives (and the resulting Net Revenues) of the UK Non-Card Activities must include an attribution of revenues and rebates and incentives for any products or services that can be used both for UK Card Operations and UK Non-Card Activities (subject to paragraphs 1.7 and 1.10).
- 3.38** Direct Costs associated with the UK Non-Card Activities must include an allocation of relevant costs that are Direct Costs of the UK Business. Direct Costs for the UK Non-Card Activities must be prepared consistently with how Direct Costs are calculated and presented for the UK Card Operations.
- 3.39** Revenues and Direct Costs for the UK Non-Card Activities do not need to be included in the RFS, but must form part of the RFS Model and the method for attributing and allocating them must be set out in the AMD.

Contextual Factors

- 3.40** Each Directed Operator's RFS must include schedules setting out information that is relevant to understanding the financial performance of the Directed Operators in the UK Card Operations for each Year (the Contextual Factors Statement).
- 3.41** The Contextual Factors Statement shall relate to the following (each a Contextual Factor, together the Contextual Factors):
- a. changes in year-on-year business performance (see paragraph 3.43);
 - b. key cost categories (see paragraphs 3.44 to 3.45); and
 - c. understanding the drivers of profitability (see paragraph 3.46).
- 3.42** Each Directed Operator must ensure that the Contextual Factors are presented in an appropriate format. The PSR may stipulate the format for preparation of one or more of the Contextual Factors if the draft or final version is not presented in a clear format.

Changes in year-on-year business performance

- 3.43** Each Directed Operator must provide a schedule setting out:
- a. Total transaction numbers (volume of transactions) and total transaction values of the UK Card Operations for the current and prior Year.
 - b. Quantitative information on the contribution of the following factors to the year-on-year percentage change in total Net Revenues:
 - i. Changes in the number of transactions (transaction volumes)
 - ii. Changes in transaction value
 - iii. Price changes, further disaggregated into price changes for Acquirers and price changes for Issuers
 - iv. Changes in transaction mix
 - v. New product launches and discontinued products
 - vi. Information about other factors which the Directed Operator believes have had a significant impact on total Net Revenues compared to the prior Year.

Key cost categories

3.44 Each Directed Operator must provide in a schedule:

- a. The aggregate value of R&D and new product development costs, identified as such by the Directed Operator in the ordinary course of business, that have been allocated to the UK Card Operations.
- b. A list of R&D and new product development projects (which individually represent at least 5% of the costs identified above), including for each an indication of associated costs (identified as such by the Directed Operator in the ordinary course of business).
- c. An explanation of other costs associated with R&D and new product development projects that are included in the overall costs for the UK Card Operations, but that are not captured in sub-paragraphs above, including an indication of the magnitude of these costs (where relevant information is collected in the ordinary course of business).

3.45 Each Directed Operator must provide in a schedule full-time equivalent (FTE) staff numbers that are reflected in the personnel costs allocated to the UK Card Operations, disaggregated in the same way as in paragraph 3.17f and paragraph 3.18.

Understanding drivers of profitability

3.46 Each Directed Operator must provide a schedule setting out:

- a. Disaggregated revenues of the UK Card Operations on a per-transaction basis;^{10,11}
- b. Disaggregated revenues of the UK Card Operations as a percentage of transaction value;^{12,13}
- c. Net operational interest, including:
 - i. Operational interest income – this is interest income associated with cash and investment balances that are clearly demonstrated as being required to support current operations (e.g. operational cash, customer collateral and settlement receivables);
 - ii. Operational interest for short-term working capital funding – this is interest expense that relates to the funding of short-term working capital (e.g. funding of operational cash) or otherwise in the operation of the payment system (e.g. interest on customer collateral or settlement payables); and

10 This must be provided using the same format as for revenue disaggregation set out above.

11 This information is not required for products and services that are not related to transactions or transaction values.

12 This must be provided using the same format as for revenue disaggregation set out above.

13 This information is not required for products and services that are not related to transactions or transaction values.

- d. An explanation of how information derived from activities undertaken in the UK Card Operations is utilised in other products and services by the Directed Operators that are not included in the UK Card Operations. This could be, for example, the use of transaction data or fraud data collected as part of the UK Card Operations in the provision of consulting services or in fraud detection software that is sold to third parties. Where data is available, information should be provided on the magnitude of the actual or deemed income associated with the data derived from the UK Card Operations that is used in other products or services.¹⁴

Supplementary financial performance information

3.47 Each Directed Operator can choose not to include in the UK Card Operations P&L Statement the revenues and costs associated with the specific services identified in paragraphs 3.49 to 3.54.¹⁵ In that case, the related revenues (gross and net) and costs must be provided in a separate schedule – the Supplementary Financial Performance Information Schedule.

3.48 Revenues and costs identified in paragraph 3.49 to 3.54:

- a. must be provided using the approach set out in paragraphs 5.1 to 5.3 and elsewhere in these Guidelines and the RFR Direction, and related calculations must be included in the RFS Model.
- b. to the extent possible, must be provided using the same (or substantially equivalent) cost categories as for the UK Card Operations P&L Statement (see paragraph 3.17).

Central Acquiring and Central Issuing

3.49 Each Directed Operator must provide in a separate schedule the related revenues (gross and net) and costs for each of the following categories, in the following circumstances:

- a. *Category 1:* Where its UK Card Operations P&L Statement does not include revenues and costs for Non-UK Central Acquiring products and services.
- b. *Category 2:* Where its UK Card Operations P&L Statement does include revenues and costs for UK Central Acquiring products and services.

3.50 However, such information does not need to be provided in relation to either category listed in paragraph 3.49 above where gross revenues for that category does not exceed 2% of total gross revenues shown in the UK Card Operations P&L Statement.

3.51 For each of the categories applicable by virtue of paragraph 3.49 above, where gross revenues generated in one non-UK country are more than 2% of total gross revenues shown in the UK Card Operations P&L Statement, the Directed Operator shall provide separately an estimate of such revenues (gross and net) for each non-UK country.

¹⁴ The actual or deemed income should reflect the value of the data derived from the UK Card Operations that is used in other products and services rather than the overall product (e.g. this could be the arms-length costs of licencing the data that is used).

¹⁵ As explained in paragraph 3.6, the Directed Operator must make this election no later than when it submits its draft RFS. A subsequent change in approach would require an application pursuant to Section 10 of the RFR Direction given that it could impact the PSR's prior review of the draft RFS and preparation for the submitted final RFS.

- 3.52** Each Directed Operator must provide information on the magnitude of the revenues associated with Central Issuing.

FX conversion services

- 3.53** Where the Directed Operator does not include revenues and costs for FX conversion services in the UK Card Operations P&L Statement, then the related revenues (gross and net) and costs must be provided in a separate schedule.

Capitalisation and amortisation of rebates and incentives

- 3.54** Where the Directed Operator does not include the following items in the UK Card Operations P&L Statement, then the following items must be provided in a separate schedule:
- a. rebates and incentives that were capitalised during the Year; and
 - b. the amount of amortisation of capitalised rebates and incentives during the Year.

Financial Review

- 3.55** Each Directed Operator's RFS must contain a Financial Review of the Financial Year. This is a brief narrative summary explaining the financial performance, including:¹⁶
- a. key factors impacting on the financial performance during the Year; and
 - b. key changes in comparison to the prior Year.

Supporting explanations, changes and corrections

Explanation Statement

- 3.56** Each Directed Operator's RFS must contain an Explanation Statement to assist the user in the interpretation of the RFS. This Explanation Statement must:
- a. set out, to the extent necessary, the basis of accounting, accounting policies used, highlighting accounting policies that are key to the understanding of financial performance, and where these have required the exercise of judgement in their application or which have changed in the Year.
 - b. contain a reconciliation in accordance with paragraph 3.7 of the RFR Direction.
 - c. contain a reconciliation of changes made compared to the previous RFS and associated restatements (including correction of errors).
 - d. specify any non-compliance with US GAAP or Alternative Accounting Standard, as applicable.
 - e. specify any other information that will enable users to properly understand the RFS.

¹⁶ The narrative summary can include cross references to relevant other parts of the RFS, where relevant.

Changes compared to previous RFS

- 3.57** Where there is a change to the AMD or in the basis of preparation of the RFS Model and RFS and where this change results in different figures for the prior Year, the Explanation Statement must explain the reasons for the difference in the figures and the prior Year figures need to be restated.
- 3.58** Such changes must include changes in US GAAP or in the Alternative Accounting Standard that are reflected in the Form 10-K of the Ultimate Parent (or the Alternative Group Accounts that was used in the preparation of the RFS, see paragraph 4.4) as well as changes in the preparation of the RFS.
- 3.59** An explanation and restatement is not required if the changes to the AMD or in the basis of preparation of the RFS Model and RFS (individually and in aggregate):
- do not alter total gross revenues or Net Revenues, or total costs, in the UK Card Operations P&L Statement by more than 2%;
 - do not alter the amounts in any of the cost categories set out in paragraph 3.17 by more than 1% of total costs in the UK Card Operations P&L Statement; and
 - do not alter the EBIT margin by more than one percentage point.

Correction of Errors in the RFS

- 3.60** Where an error is identified in a set of RFS, the error shall be corrected in the Comparative Figures published in the RFS of the following Year.
- 3.61** For each error so identified, the Explanation Statement shall include a note of the error including:
- a description of the error,
 - a quantification of the financial impact of the change on the results for previous Years on each of the total revenues and costs of the UK Card Operations.

An error need not be disclosed in the RFS nor the RFS restated if its impact does not exceed the thresholds set out in paragraph 3.59.

- 3.62** For errors that (alone or in aggregate) have a significant impact on the understanding of the Directed Operators' financial performance in the UK Card Operations, the Directed Operator must notify the PSR within 30 calendar days of identifying that error. Such notification must be accompanied by:
- A description of the error, the circumstances of discovery of the error, the reason for the error and the estimated magnitude of the error;
 - A description of the steps the Directed Operator will take to correct the error and to prevent the error from recurring;
 - A statement setting out when the Directed Operator will expect to be able to provide:
 - Corrected RFS and associated documents.
 - An Independent Audit Opinion for the corrected RFS.

4 Accounting Policies

Use of US GAAP

- 4.1** Recognition and measurement of revenue and costs must be those used in the Form 10-K of the Ultimate Parent of the Directed Operators, unless:
- a. otherwise specified in these Guidelines; or
 - b. where the Directed Operators consider it necessary to deviate from their Form 10-K of the Ultimate Parent in order to best reflect their financial performance in the UK Card Operations when considering the purpose as set out in the RFR Direction.

Exceptions to US GAAP

Accounting for rebates and incentives

- 4.2** Subject to paragraph 4.3 each Directed Operator may account for specific categories of rebates and incentives, that would otherwise need to be netted off gross revenues under US GAAP, as costs in the UK Card Operations P&L Statement.
- 4.3** Rebates and incentives shown as costs under paragraph 4.2 above must be clearly identifiable in a separate line item in the UK Card Operations P&L Statement and must show the amount of rebates and incentives within this line item that would be required to be deducted from gross revenues under US GAAP.

Reconciliation to Alternative Group Accounts

- 4.4** Where a Directed Operator wishes to reconcile the RFS to accounts within the Corporate Group (Alternative Group Accounts) rather than the Form 10-K of the Ultimate Parent, the Directed Operator must submit a reasoned proposal to the PSR as soon as reasonably practicable and in any case within a date to be specified by the PSR (which shall be no earlier than two Months after the Commencement Date).¹⁷
- 4.5** If the PSR provides its written consent to the Directed Operator's reasoned proposal:
- a. the recognition and measurement of revenue and costs in the RFS can be based on those used in the Alternative Group Accounts, and
 - b. the PSR will give exemptions where appropriate to reflect the use of these Alternative Group Accounts (and the Alternative Accounting Standard).

¹⁷ PSR to provide a list of matters to be specified in the reasoned proposal (e.g. relevant accounting standard used for those Alternative Group Accounts, and any adjustments needed in relation to Chapter 3 of these Guidelines if these are not prepared using US GAAP, including paragraph 3.7, 3.11, 3.12, 3.21r and 3.20 including litigation costs.

- 4.6** The PSR expects to grant its consent only in circumstances where all of the following conditions are met:
- a. the Alternative Group Accounts must be audited, published, and if part or all of those accounts or the audit material are not in the English language, then they must be translated into the English language by a person approved by the PSR. The Directed Operator must pay the costs for this translation;
 - b. at least 75% of revenues and costs¹⁸ of the UK Card Operations are included in the Alternative Group Accounts;
 - c. the costs of products and services provided to the entity represented by the Alternative Group Accounts from other entities within the Corporate Group represented in Form 10-K of the Ultimate Parent (intercompany costs) do not constitute more than a third of total costs in the Alternative Group Accounts;
 - d. intercompany costs that represent (by individual entity) more than 1% of total costs in the UK Card Operations P&L Statement are limited to no more than 2 entities within the Corporate Group represented in the Form 10-K of the Ultimate Parent; and
 - e. the costs incurred in providing the intercompany products and services to the UK Card Operations are allocated to the UK Card Operations P&L Statement in accordance with Chapter 5 of these Guidelines and the RFR Direction. This requirement:
 - i. does not apply to intercompany costs that in aggregate account for less than 1% of total costs in the UK Card Operations P&L Statement; and
 - ii. can also be fulfilled using alternative approaches that achieve the substantially equivalent outcome, subject to the written consent of the PSR.

¹⁸ For the purpose of assessing this criterion costs may include intercompany costs.

5 Revenue and cost attribution

Attribution

- 5.1** Each Directed Operator must identify the revenues and costs for the UK Card Operations and the UK Non-Card Activities as set out in the RFR Direction and these Guidelines.
- 5.2** Each Directed Operator must attribute the various costs of the business in accordance with the activity (driver) that causes the various costs to be incurred using ABC, based on a Fully allocated costing (FAC) approach and applying a cost attribution model (CAM) (see further below).
- 5.3** FAC involves distributing all costs, both direct and common, across all products or services of a company. This approach ensures that each product or service bears an appropriate share of the total costs of a company, including Common Costs.
- 5.4** Each Directed Operator must attribute revenues and costs as follows:
- a. Revenues and costs must be directly allocated to the UK Card Operations or the UK Non-Card Activities where it is possible to do so.
 - b. Where revenues and costs cannot be directly allocated, they must be attributed as specified in Chapter 3 and elsewhere in the Guidelines. Common Costs must be attributed as specified below in paragraph 5.5 and elsewhere in the Guidelines.¹⁹
- 5.5** Each Directed Operator must attribute its Common Costs (and costs which are Direct Costs for the UK Business, but common to the UK Card Operations and Non-UK Card Activities) using ABC on a FAC basis. When attributing costs, the Directed Operator must identify the most appropriate cost driver, which will likely differ on a case-by-case basis. These drivers will ordinarily be input-based or output-based:
- a. Input-based – i.e. based on inputs to producing the product or providing a service, such as staff numbers, hours of time spent, etc.
 - b. Output-based – i.e. based on what is produced, such as number of transactions, number of Merchants or consumers using the service, etc.
- 5.6** Cost drivers may be value-based, i.e. based on prices or revenues realised, such as Net Revenues.
- 5.7** Each Directed Operator may use value-based cost drivers where:
- a. causality can be clearly demonstrated for example, for bad debts or,
 - b. no input-based or output-based cost driver can be identified that would similarly or better reflect ABC.

¹⁹ See also paragraphs 3.13, 3.15 and 3.17.

Cost attribution model (CAM)

- 5.8** Each Directed Operators must develop a cost attribution model (CAM) to discharge their obligations under the RFR Direction and these Guidelines.
- 5.9** The CAM is a step-wise approach (using a cost hierarchy) to attributing costs to the UK Card Operations based on the activities that give rise to them.²⁰
- 5.10** The CAM must include, as a minimum, the following cost hierarchy:
- a. Identify suitable Cost Pools using its general ledger as a starting point;²¹ costs shall only be grouped with other costs where their resource consumption is functionally similar and in a manner that allows cost items with different cost drivers to be separately identified;
 - b. Identify in each Cost Pool Direct Costs (for the UK Business) and/or Common Costs and separate them out into Direct Costs pools and Common Costs pools, where they include both Direct Costs and Common Costs;
 - c. Attribute Common Costs pools to other Direct Costs and/or Common Cost Pools where the resources of that Cost Pool are mainly consumed by the activities represented by those other Cost Pools, using appropriate cost drivers;²² and
 - d. Attribute the Direct Costs and remaining Common Cost Pools using the approach set out in paragraph 5.5.
- 5.11** Each Directed Operator can include intermediate steps or functionality in its CAM beyond those specified in paragraph 5.10, subject to the requirements of the RFR Direction, including the Regulatory Accounting Principles.²³

Disclosures in the AMD

- 5.12** Each Directed Operator must give in the AMD the following details of the methodologies used to identify and attribute costs at each level of the cost hierarchy set out in paragraph 5.10:
- a. A brief description of why the attribution methodology chosen is based on ABC (for example, why a Cost Pool was allocated to other Cost Pools).
 - b. A brief explanation of why the chosen cost drivers are based on ABC (for example, why a specific cost driver was chosen) and why the chosen cost driver was more suitable than other cost drivers.
 - c. A brief description of the calculation used to derive the attribution percentages between each level for this methodology.

20 This approach needs to include allocation of Direct Costs between UK Card Operations and UK Non-Card Activities.

21 For the avoidance of doubt, the general ledger used as a starting point must be the general ledger for the Form 10K of the Ultimate Parent, unless the Directed Operator makes a proposal under paragraph 4.4, in which case, should the PSR approve this proposal, the starting point must be the general ledger for the Alternative Group Accounts.

22 An example would be general overhead costs. These may be most appropriately allocated to Direct Costs and other Common Cost Pools. For example, HR costs can be allocated to all other staff costs using staffing numbers as the cost driver.

23 Such intermediate steps could, for example, consist of the creation of (and allocation of costs to) Cost Pools that represent products or services as part of step c.

- d. The data sources used to populate the calculation, with an explanation of why they are relevant and reliable for this purpose.
- e. Any additional functionality pursuant to paragraph 5.11.
- f. Any other information that the Directed Operator considers helpful to the understanding of the CAM.

5.13 The AMD must include a written explanation of how its CAM is consistent with the RFR Direction. The PSR may require the Directed Operator to rectify any inconsistency.

5.14 The detail in the AMD shall be to a sufficient level to understand the key steps (including intermediate steps and calculations) performed in the CAM, and must be presented clearly in accordance with the RFR Direction, including its Regulatory Accounting Principles and these Guidelines.

The attribution components of the RFS Model

5.15 The RFS Model must be sufficiently transparent such that it is possible to review all key steps²⁴ (including intermediate steps and calculations) performed in implementing the attribution methodology for revenues and costs. In order to fulfil this requirement, the RFS Model must clearly set out:

- a. The calculations used to derive the numerical value of the cost drivers used in attributing costs to the UK Card Operations or the UK Non-Card Activities;
- b. How the numerical values of the cost drivers have been applied to Common Costs pools to arrive at the costs attributed to the UK Card Operations;
- c. How Direct Costs for the UK Business have been attributed to the UK Card Operations and the UK Non-Card Activities (where a direct allocation was not possible);
- d. How revenues have been attributed to the UK Card Operations and the UK Non-Card Activities (where a direct allocation was not possible);
- e. As is also to be set out in the Explanation Statement, a reconciliation of revenues and costs to the Form 10-K of the Ultimate Parent or Alternative Group Accounts as set out in paragraph 4.4; and
- f. The information set out in paragraph 3.2 of these Guidelines.

5.16 The RFS Model and the completed RFS Templates (and calculations thereof, where applicable) shall be submitted to the PSR in Excel format (unless the PSR provides written consent otherwise).

²⁴ All steps that are relevant to assessing compliance with the requirements of the RFR Direction.

Changes to methodologies

- 5.17** Each Directed Operator shall engage constructively and openly with the PSR regarding changes to its attribution methodology.
- 5.18** The PSR may, at its sole discretion, request further information including details of the change and its rationale, and a quantification of the financial impact of the change on the results for the previous Year on each of the revenues and costs of the UK Card Operations.

Rectification

- 5.19** If (in draft or final form) the:
- a. RFS, the RFS Model or the AMD do not comply with the RFR Direction (including the Guidelines and the Regulatory Accounting Principles); or
 - b. RFS and/or RFS Model is inconsistent with the AMD,

the relevant Directed Operator will rectify this non-compliance or inconsistency and, for this purpose, must act in accordance with instructions given pursuant to paragraph 3.13 of the RFR Direction.

Schedule 1: Templates

RFS Template Worksheet A: P&L

	Current Year (£m)		
			Total
Total Gross Revenue			XX
Rebates and incentives incurred in Year			XX
Rebates and incentives capitalised			XX
Amortisation of capitalised rebates and incentives			XX
Less Total rebates and incentives			XX
Net Revenue			XX
Operating Expenses	Direct	Common	Total
Personnel			
Sales	XX	XX	XX
Client services	XX	XX	XX
Marketing	XX	XX	XX
Payment network	XX	XX	XX
Other (please specify)	XX	XX	XX
Total Personnel	XX	XX	XX
Marketing			
Global	XX	XX	XX
European	XX	XX	XX
UK	XX	XX	XX
Other (please specify)	XX	XX	XX
Total Marketing	XX	XX	XX
Payment Network			
Other (please specify)	XX	XX	XX
Other (please specify)	XX	XX	XX
Total Payment Network	XX	XX	XX
Depreciation and Amortisation			
Depreciation	XX	XX	XX
Amortisation of intangible assets	XX	XX	XX
Total Depreciation and Amortisation	XX	XX	XX
Professional fees	XX	XX	XX
Other (please specify)	XX	XX	XX
Total Operating Expenses	XX	XX	XX
Operating income (or Operating profit)			XX
<i>EBIT margin (%)</i>			

Notes:

- The information for prior Years should be provided in the same format as for the current Year.
- The template that each Directed Operator submits as part of the RFS may differ from the template shown above, should the Directed Operator make a change request approved by the PSR per paragraph 3.4 or where the Directed Operator adopts alternatives permitted under paragraphs 3.47 to 3.54.
- Where using the "Other (please specify)" option, the line items should be clearly labelled to describe the cost.

RFS Template Worksheet B: Revenue and Direct Costs (R&DC) Statement (Disaggregation by Customer)

	Current Year (£m)			
	Acquirers	Issuers	Other customers	Total
Total Gross Revenue	XX	XX	XX	XX
Rebates and incentives incurred in Year	XX	XX	XX	XX
Rebates and incentives capitalised	XX	XX	XX	XX
Amortisation of capitalised rebates and incentives	XX	XX	XX	XX
Less Total rebates and incentives	XX	XX	XX	XX
Net Revenue	XX	XX	XX	XX
	Acquirers	Issuers	Other customers	Total
Direct Operating Expenses				
Personnel				
Sales	XX	XX	XX	XX
Client services	XX	XX	XX	XX
Marketing	XX	XX	XX	XX
Payment network	XX	XX	XX	XX
Other (please specify)	XX	XX	XX	XX
Total Personnel	XX	XX	XX	XX
Marketing				
Global	XX	XX	XX	XX
European	XX	XX	XX	XX
UK	XX	XX	XX	XX
Other (please specify)	XX	XX	XX	XX
Total Marketing	XX	XX	XX	XX
Payment Network				
Other (please specify)	XX	XX	XX	XX
Other (please specify)	XX	XX	XX	XX
Total Payment Network	XX	XX	XX	XX
Depreciation and Amortisation				
Depreciation	XX	XX	XX	XX
Amortisation of intangible assets	XX	XX	XX	XX
Total Depreciation and Amortisation	XX	XX	XX	XX
Professional fees	XX	XX	XX	XX
Other (please specify)	XX	XX	XX	XX
Total Direct Operating Expenses	XX	XX	XX	XX

Notes:

- The information for prior Years should be provided in the same format as for the current Year.
- The template that each Directed Operator submits as part of the RFS may differ from the template shown above, should the Directed Operator make a change request approved by the PSR per paragraph 3.31 or where the Directed Operator adopts alternatives permitted under paragraphs 3.47 to 3.54.
- Where using the "Other (please specify)" option, the line items should be clearly labelled to describe the cost.

RFS Template Worksheet C: Revenue (Disaggregation)

	Issuer				Acquirer				Other customers (£m)	Grand total (£m)
	Credit (£m)	Debit (£m)	Other (e.g. prepaid) (£m)	Total Issuer (£m)	Credit (£m)	Debit (£m)	Other (e.g. prepaid) (£m)	Total Acquirer (£m)		
Revenue UK Card Operations										
Gross Revenue UK Card Operations										
Consumer										
Domestic										
Scheme	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Processing	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total Domestic	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Intra-Europe										
Scheme	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Processing	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
International	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
FX conversion	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total Intra-Europe	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Inter-Regional										
Scheme	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Processing	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
International	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
FX conversion	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total Inter-Regional	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Other consumer (please specify)	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total consumer	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Commercial										
Scheme	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Processing	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
International	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
FX conversion	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Other commercial (please specify)	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Total commercial	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
Other										
Other (please specify)				XX				XX	XX	XX
Total other				XX				XX	XX	XX
Total Gross Revenue UK Card Operations				XX				XX	XX	XX

Rebates and Incentives UK Card Operations - to be provided in the same format as for Gross Revenues above

Net Revenue UK Card Operations - be provided in the same format as for Gross Revenues above

Notes

- Net Revenue UK Card Operations is equal to Gross Revenue UK Card Operations less Rebates and Incentives UK Card Operations.
- FX conversion revenues for Acquirers should include revenues for dynamic currency conversion.
- FX conversion revenues where the Directed Operator provides the currency conversion service for a transaction should be included as part of Issuer revenues.
- FX conversion revenues should be included in this worksheet regardless of whether the Directed Operator chooses to include them in the UK Card Operations P&L (RFS Template *Worksheet A: P&L*) or in a separate schedule per paragraph 3.53.
- Scheme and processing revenues for Intra-Europe and Inter-Regional should include the revenues for the equivalent services in Domestic Transactions.
- International revenues are those where there is no equivalent services in Domestic Transactions.
- The template that each Directed Operator submits as part of the RFS may differ from the template shown above, should the Directed Operator make a change request approved by the PSR per paragraph 3.24.
- Where using the "Other (please specify)" option, the line items should be clearly labelled to describe the revenue.

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