

# Competition in the Payments Sector – a year in review of the PSR

Osborne Clarke

20<sup>th</sup> April 2016

Carole Begent

Head of Division: Legal

# Competition in the Payments Sector – a year in review of the PSR

- **Concurrency and the relationship between Regulation and Competition**
- **Indirect Access Market Review**
- **Innovation – Payment Strategy Forum**

# Concurrency and relationship between Regulation and Competition

## **History and Scope of Concurrency**

### **Competition Act 1998 – UK – Antitrust**

### **Enterprise Act 2002 – Market Studies/Investigations and Merger Control**

### **Articles 101 and 102 – EU – Antitrust**

### **EU Merger Regulations – EU – Merger**

# Indirect Access Market Review – Interim Findings (1)

- **Large IPSPs (such as challenger banks) have a number of options** to access payment systems
- A reasonable level of **overall satisfaction with the quality** of the indirect access offering
- The overall feedback we have received to date **does not indicate a widespread level of concern with price**
- We are seeing **investment and innovation** in new and improved service offerings, which should improve quality and choice outcomes for all IPSPs

# Indirect Access Market Review – Interim Findings (2)

	<b>Small IPSPs</b>	<b>Medium IPSPs</b>	<b>Large IPSPs</b>
<b>Choice</b>	Limited	Could be limited	Have more choice
<b>Quality</b>	Relationship management	Quality – 24/7 FPS access	
<b>Switching</b>	Notice periods	Costly, complex, time-consuming	
	Business continuity		

# Indirect Access Market Review - Developments

	Small IPSPs	Medium IPSPs	Large IPSPs
Choice	Reviews of financial crime regulation	Bank of England RTGS review	
		Improved technical access for IPSPs	
		PSR Programme of work on direct access	
	Market entry and expansion		
Quality	PSR Sponsor Bank Information Direction		
	Improved IAP access offerings		
	IAP Code of Conduct		
Switching	Current Account Switch Service + CMA's proposed measures	Image Clearing System	
	Payments Strategy Forum – working groups on access and financial crime		

# Indirect Access - Interim proposal

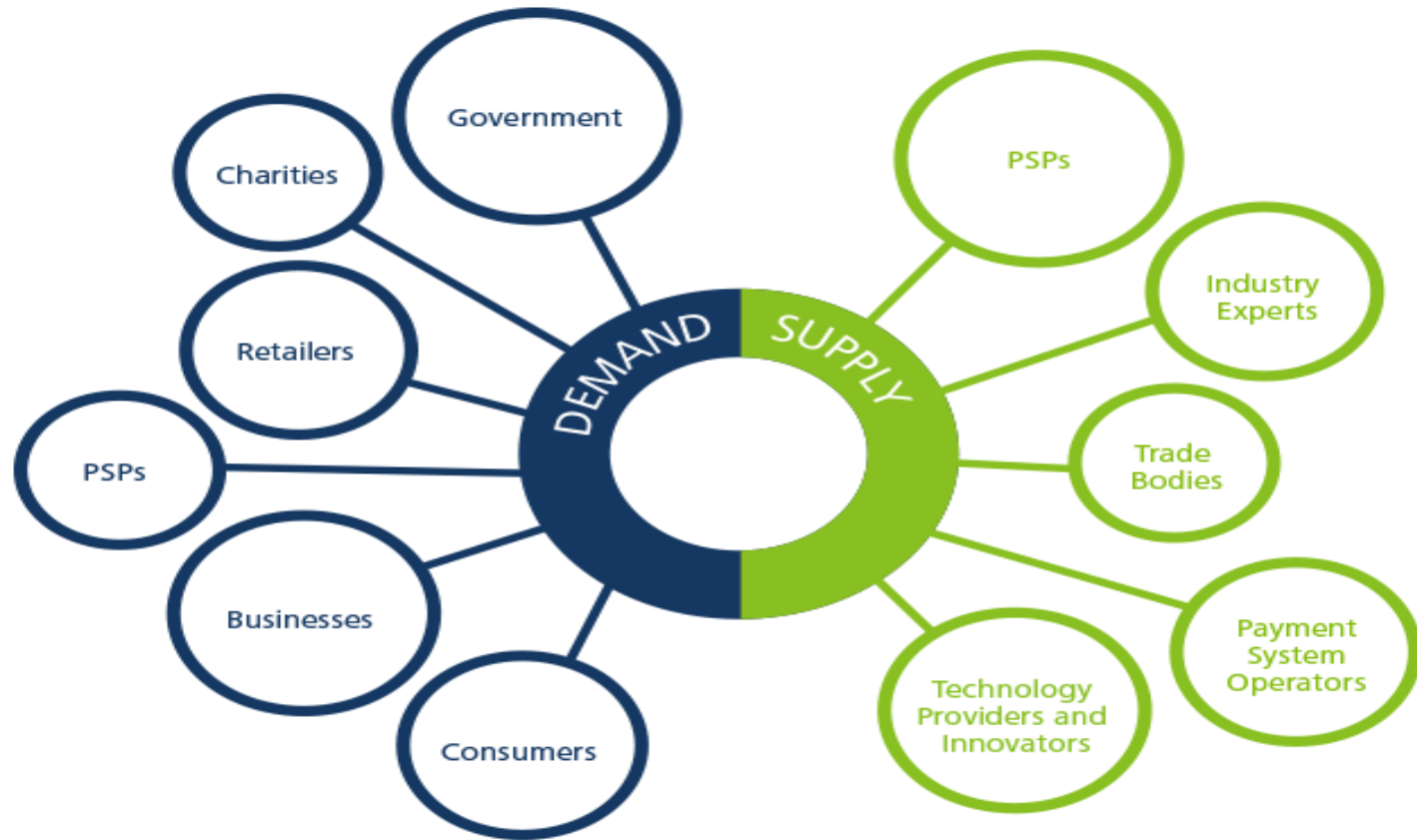
- We have **considered what options** we might take to address concerns identified
- A **number of significant developments** are occurring – particularly entry by new IAPs, new forms of access arrangement and other work by the PSR on access
- **We expect these developments to address the concerns** we have and improve choice, quality and price outcomes for service-users
- We therefore propose to **support these developments rather than take immediate regulatory action**, which may affect the incentives for such developments to proceed
- We will monitor these developments and will consider taking further regulatory action either as part of this review, or if our concerns are not sufficiently addressed **within twelve months**

# Innovation - Payments Strategy Forum (1)

- To develop a long-term visions for the sector and strategic priorities for the industry
- To make payment systems work better for those who use them
- Particular focus on where market participants need to work together to deliver innovation



# Innovation - Payments Strategy Forum (2)



Forum, Working Group, Payments Community

# The Months Ahead

5 May 2016 – receipt of responses on Indirect Access Market Review Interim report

July 2016 – publish Final Report on Indirect Access Market Review

July 2016 – Payment Strategy Forum – Consultation on draft strategy

October 2016 – Payment Strategy Forum – publishes conclusions on Consultation – Final Strategy