

Consultation paper

PSR regulatory fees

2023/24

December 2022

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 3 February 2023**.

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

Fees team
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

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

We will make all non-confidential responses to this consultation available for public inspection.

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you want to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website:

www.psr.org.uk/psr-regulatory-fees-2023-24-consultation-paper/

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1 Overview

This chapter gives a high-level overview of:

- changes we are proposing to the way we allocate Payment Systems Regulator (PSR) fees
 - the background to the proposed changes
 - who would be affected by the proposed changes
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- 1.1** We are consulting on changes to the structure of regulatory fees for the Payment Systems Regulator (PSR). We are proposing these changes to ensure that payment system operators (PSOs) contribute to the cost of special project work that is directly relevant to them.
- 1.2** For convenience, when this document refers to 'we' or 'us', this means the PSR.
- 1.3** The PSR is an independent subsidiary of the FCA, which collects fees to fund the PSR's work. This enables the PSR to pursue its statutory objectives, and achieve the outcomes it set out in its five-year Strategy in January 2022.
- 1.4** We adopted the current PSR fees structure in 2018/19 (as outlined in our [policy statement PS18/12](#)). It does not include specific provisions to ensure that PSOs contribute to the cost of special project work that affects them. Examples of these projects include the PSR's ongoing card fees market reviews and the work required when new payment systems are designated (such as Fnality, for example).
- 1.5** Without a mechanism to charge PSOs for relevant special project work, the PSR will need to use funds that it had allocated to ongoing regulatory work. This could generate knock-on, adverse effects on the market and end users.
- 1.6** The purpose of this paper is primarily to consult on a mechanism to charge 'special project fees'. We would charge these where appropriate to fund one-off or significant activities that may be time limited and require additional resource, and which apply to one or more PSOs. We would implement this change by adapting the FCA Handbook FEES 9. We are proposing this change to enable the PSR to scale its resources effectively.
- 1.7** We are also consulting on introducing a minimum threshold for charging, using existing provisions from the FCA Handbook FEES 9.2. We aim to provide a time and cost saving to small fee payers by reducing administration, and free up our time for more productive activities.
- 1.8** These proposals are set out in detail in Chapter 3. We assess whether the proposed changes are aligned with PSR and FCA requirements and principles in chapter 4.
- 1.9** If we adopt the proposals outlined in this consultation paper, we will use them from the next financial year (1 April 2023 to 31 March 2024,). We do not propose to consult on our approach again in future years unless we consider material changes.

Background to the PSR fees structure

- 1.10** Every year, the PSR receives regulatory fees (PSR fees) from regulated firms acting as payment service providers (PSPs). We calculate fees in two parts – one based on PSP transaction volumes (80%), and one based on PSP transaction values (20%).
- 1.11** We levy these fees to fund the PSR's operations to perform its functions under relevant legislation. These include functions under and as a result of:
- the Financial Services (Banking Reform) Act 2013 (FSBRA)
 - the Payment Card Interchange Fee Regulations 2015 (PCIFRs)
 - the Payment Services Regulations 2017 (PSRs 2017)
- 1.12** In our consultation paper CP17/30 (August 2017), we set out the PSR's powers under FSBRA, the PCIFRs and PSRs 2017. We also set out the FCA's fee-raising powers in relation to PSR fees. More details of this are in Chapter 1 of that document (paragraphs 1.12 to 1.29).
- 1.13** We last consulted on our approach to PSR fees in 2017/18. Details of the questions we consulted on and the decisions we made are in three consultation papers: CP17/30 (August 2017), CP17/44 (December 2017) and CP18/8 (March 2018). The fee mechanism is described in full in PS18/12 (June 2018).

The structure of this publication

- 1.14** The rest of this document is structured as follows:
- **Chapter 2** details the PSR fees consultation process and timeline for 2023/24 fees.
 - **Chapter 3** outlines our proposed amendments to the fees allocation method.
 - **Chapter 4** explains why we believe the proposed amendments are compatible with PSR and FCA requirements and principles.

Who does this consultation affect?

- 1.15** This consultation paper will be of interest to:
- participants in regulated payment systems under FSBRA
 - regulated persons under the PCIFRs
 - regulated persons under the PSRs 2017
- 1.16** This document contains no material directly relevant to retail financial services consumers or consumer groups (although financial services consumers may contribute to regulatory fees indirectly).

What do you need to do next?

- 1.17** Please consider our proposals and send us your comments on the questions in this consultation paper by 5pm on Friday 3 February 2023. You can email us at **PSRfees@psr.org.uk** or write to us at the following address:

Fees Team
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

2 The PSR fees consultation process and timeline for 2023/24 fees

This chapter describes the regulatory process in relation to PSR fees and the fees timeline subject to the outcome of this consultation.

The fees consultation process

- 2.1 For 2023/24, we are proposing two changes to the PSR Fee Policy. We are therefore publishing this consultation and requesting responses from industry participants. This is the first consultation on fees since the current Fee Policy was implemented in 2018.
- 2.2 Table 1 gives a brief overview of the fees consultation process timeline as currently planned. The exact timeline will depend on the outcome of this consultation. We will publish further details if the timeline changes.

Provisional fees consultation process timeline

Table 1: Fees timeline

December 2022	Consultation paper published (this document): How 2023/24 PSR regulatory fees will be allocated, how we propose to calculate and collect PSR fees, and changes to the fees rules that we propose to introduce.
3 February 2023	Consultation closes.
February – March 2023	The FCA invoices eligible fee payers for an ‘on-account’ PSR fee. The fee is 50% of the fee payers’ 2022/23 fee. These fee payers pay their on-account fee by 1 April 2023.
March 2023	Submissions and PSR responses to the December 2022 consultation published. This will outline our decision on final rules regarding fee allocation and calculation for 2023/24 and future years.
June 2023	The PSR publishes the 2023/24 Fee Policy.

**July –
September 2023**

The FCA invoices all fee payers for their PSR fee for 2023/24.

Fee payers that have paid an on-account fee pay by 1 September 2023 pay their PSR fee for 2023/24 less any on-account payments made.

All fee payers must pay their PSR fee for 2023/24 within 30 days of receiving the invoice.

3 Consultation on proposed changes to the fees allocation method

This chapter sets out two policy changes we are consulting on. While we will continue to use the fees policy we introduced in 2018/19, we are proposing to introduce:

- a minimum threshold for charging fees
- a mechanism to charge ‘special project fees’, where appropriate, to fund one-off or significant activities that apply to one or more PSOs, and may be time limited and require additional resource

We close the chapter with an assessment of the compatibility of the changes against FCA duties and PSR regulatory principles.

Proposed changes to fees rules

- 3.1** This chapter sets out a summary of proposed changes to the current fees rules, which we have included in Annex 2.

Proposal 1: A minimum fee threshold

- 3.2** We are proposing to use existing provisions in the FCA Handbook (FEES 9.2.1A R) to charge fee payers nothing where their initial fee is calculated to be below a certain threshold (starting at £100), and then to recalculate fees for remaining fee payers to distribute the funding shortfall.

Rationale for change

- 3.3** This is intended to provide a time and cost saving to small fee payers through reduced admin and free up the FCA’s and the PSR’s time for more productive activities.
- 3.4** For example, in 2022/23, 46 of the 238 fee payers paid under £100 (collectively paying £1,842, an average of just over £40 each). Changing the fee structure to eliminate invoices of under £100 would remove the administrative burden and improve the efficiency of the process.
- 3.5** We don’t anticipate this change creating significant additional costs for us or industry (as a whole). Costs for fee payers below the threshold will fall, while costs for the remaining fee payers will increase by a modest amount (for reference, in 2022/23, costs for fee payers above the threshold would have increased by around £10 on average).

Payers

- 3.6** We propose to apply this change to all payers currently in scope, as outlined in Annex 2, paragraphs 2.20 to 2.24.

How we would calculate, apportion and collect fees

- 3.7** These are the new steps the PSR would follow to calculate fees:
1. Calculate provisional invoices for the fee year using the existing formula.
 2. Exclude fee payers with provisional invoice values below the threshold we have decided on (£100 for 2023/24).
 3. Recalculate fees using the existing formula for the remaining fee payers only.
- 3.8** We have given examples to illustrate how this change would affect excluded and remaining fee payers:
- 3.9** **Example 1:** Fee Payer A is calculated to owe PSR fees of £47 for the year 2023/24 when the preliminary calculation is made. As the provisional invoice value is below £100, we exclude it from the second fees calculation. Fee Payer A's fee is waived for the year 2023/24.
- 3.10** **Example 2:** Fee Payer B is calculated to owe PSR fees of £2,000 for the year 2023/24 when the preliminary calculation is made. As the provisional invoice is £100 or more, we include it in the second fees calculation. Fee Payer B's share of the fees for the year 2023/24 rises by £11 to £2,011 and it receives an invoice for this amount.

Anticipated effect of change

- 3.11** We anticipate that the financial impact of this change on fee payers owing more than £100 in fees will be small.
- 3.12** For reference, if a £100 threshold had been used in 2022/23, in-scope fee payers would have seen their fees increase by around 0.01% each – less than £10 on average.

Question 1: Do you have any comments on Proposal 1?

Proposal 2: A mechanism to charge 'special project fees'

- 3.13** We are proposing to introduce an additional fees rule that would enable the PSR to charge relevant PSOs a share of the costs of 'special projects'. These would be one-off, significant activities that are time limited, call for extra resources and focus on the activity of one or more PSOs.
- 3.14** Examples of 'one-off, significant activities' could include designation activity, market studies or market reviews, such as the card fees market reviews.

Rationale for change

- 3.15** The main benefit of this proposal is that it enables the PSR to scale its effort to complete special projects without impacting other work. We believe that special

projects – including the card fees market reviews – cannot reasonably be absorbed by the PSR’s annual funding requirement (AFR) without having a knock-on effect for other regulatory work and, in turn, end users. It is not clear how other regulatory work could be prioritised to accommodate special projects while avoiding such an outcome.

3.16 In addition, this proposal enables the PSR to raise funds to recoup the costs of one-off or significant activities without needing to increase the PSR’s annual budget. This mechanism would, therefore, also enable the PSR to demonstrate which costs of significant projects result in an overall increase in fees.

3.17 We also anticipate that a special project fee will enable the PSR to more fairly distribute its costs across industry by providing a mechanism to charge PSOs. PSOs do not currently contribute to the PSR’s regulatory costs.

Criteria for special project fees

3.18 ‘Special project fees’ will be levied for one-off, significant activities that:

- are time limited
- focus on the activity of one or more PSO.

3.19 A special project fee will only apply where it will:

- Be compatible with the regulatory principles applicable to the PSR under section 53 of FSBRA. For the purposes of this assessment, these principles include:
 - a. The need to use our resources in the most efficient and economical way.
 - b. The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from imposing it.
 - c. The desirability of exercising our functions in a way that recognises differences in the nature of the businesses carried on by different persons we regulate.
 - d. The principle that we should exercise our functions as transparently as possible.
 - e. Compatibility with the duty to promote effective competition in the interests of consumers.
- Enable the PSR to support the FCA in discharging its statutory duties under the Financial Services and Markets Act 2000 (FSMA), as amended by FSBRA.

3.20 The PSR will carry out an internal assessment to check the special project fee is in alignment with the requirements of paragraphs 3.18 to 3.19 before levying the charge.

3.21 The PSR will decide whether to designate a special project fee. We do not propose to publish or consult on the content of any internal assessment or decision to levy a specific special project fee.

Payers

3.22 The proposed mechanism would apply to PSOs only.

3.23 Although the proposal would allow the PSR to charge any PSO, it should be noted that our intention is to only charge PSOs where they have a for-profit business model. There are currently two PSOs in this group: Mastercard and Visa Europe. We do not

intend to charge PSOs with not-for-profit business models because doing so would force them to pass on additional costs to PSPs, with VAT chargeable (which would increase the costs for PSPs).

3.24 The PSO(s) in scope for a specific special project fee would be those that operate the payment system or systems that are the focus of the special project's activity.

3.25 The PSO(s) in scope for charges as part of a project will be determined by the PSR.

3.26 We do not propose to consult on which PSOs will be in scope for a specific special project.

How we will calculate, apportion and collect fees

3.27 To levy a special project fee for the upcoming year, the PSR would:

1. Identify a special project using the criteria outlined in paragraph 3.18.
2. Check the proposed special project will support it in delivering its statutory duties, is compatible with the applicable regulatory principles and will enable the PSR to support the FCA's objectives, as outlined in paragraph 3.19.
3. Produce a project plan, including the number of years the project is expected to take and the resource requirements and estimated project costs for the upcoming financial year. The project may span multiple financial years and reporting periods but costs will be estimated on an annual basis.
4. Estimate project costs for the upcoming year.
5. Determine in-scope PSOs for invoicing, using the process described in paragraphs 3.22 to 3.26.
6. Divide the total estimated annual special project fee equally between the in-scope PSO(s) (on an annual basis). If only one PSO is in scope, it will pay the total annual special project fee.
7. Communicate details of the total estimated special project and the split of fees to the in-scope PSO(s) (and fee payers) on an annual basis.
8. Include the total estimated annual special project fee in the next Fee Policy statement.
9. Invoice in-scope PSO(s) during the PSR's July to September invoicing window. In-scope PSOs would have 30 days from receiving their invoice to pay their fees. In-scope PSOs would not need to make early payment of 'on account fees' (50% of the prior year's fee) for the amount paid in special project fees during the previous year. For the avoidance of doubt, any PSO that also acts as a PSP would still be liable for on-account fees for any amount charged via the AFR in the previous year.
10. Reconcile actual annual costs with estimated spend at the end of each financial year and:
 - credit an equal share of any underspend to in-scope PSOs for use against any planned future special project fees, or refund the underspend
 - charge an equal share of overspend to in-scope PSOs

Note: If the PSR has an in-year overspend on a special project and has used up its reserves, it may borrow money that year to meet the deficit and fund the cost of the special project in the interim, before recovering the cost from in-scope PSOs.

Question 2: Do you have any comments on Proposal 2?

4 Consultation on compatibility with PSR and FCA requirements and principles

In this chapter, we set out our reasons for concluding that our proposals in this consultation are compatible with the requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by FSBRA. The FCA and the PSR are not required to carry out a cost benefit analysis in relation to PSR fees rules.

When consulting on new rules, the FCA is required by section 138I(2)(d) of FSMA to explain why it believes making the proposed rules is compatible with:

- a. the general duty, under section 1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives
- b. the general duty under section 1B(5)(a) of FSMA, to have regard to the regulatory principles in section 3B of FSMA

We also set out our view of how the proposed rules are compatible with the FCA's duty to discharge its general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (section 1B(4) of FSMA). This duty applies if promoting competition is compatible with advancing our consumer protection and/or integrity objectives.

In addition, we set out our view of how the proposed rules are compatible with the regulatory principles applicable to the PSR under section 53 of FSBRA.

We also explain that the FCA have considered the Treasury's recommendations under section 1JA of FSMA of aspects of His Majesty's Government's economic policy.

This chapter includes our assessment of the equality and diversity implications of these proposals, and other issues for consideration such as the implications of our proposals on financial stability.

Compatibility statement

- 4.1** The proposals we set out in this consultation are not intended in themselves to advance the FCA's operational objectives. However, they will help the FCA to ensure that the PSR is capable of discharging its functions, by funding the activities the PSR needs to undertake in 2023/24 and future years to meet its responsibilities under FSBRA, PCIFRs and parts of the PSRs 2017. Therefore, these proposals will indirectly advance the FCA's operational objectives of:

- delivering consumer protection – securing an appropriate degree of protection for consumers

- enhancing market integrity – protecting and enhancing the integrity of the UK financial system
- building competitive markets – promoting effective competition in the interests of consumers

4.2 We consider these proposals will help fund activities designed to meet the FCA's strategic objective of ensuring that the relevant markets function well.

4.3 The FCA must also consider the regulatory principles set out in section 3B FSMA and the importance of taking action intended to minimise financial crime (s.1B(5)(b) FSMA).

4.4 For the PSR, the proposals in this consultation will enable it to set out its fees allocation and collection method to fund its activities so it can meet its statutory objectives. These are:

- to promote effective competition in the markets for payment systems and the services provided by payment systems, in the interests of service-users
- to promote development and innovation in payment systems, including in infrastructure used for the purpose of operating payment systems, in the interests of service-users
- to ensure payment systems are operated and developed in a way that takes account of and promotes the interests of service-users

4.5 The funding also enables the PSR to carry out its functions to monitor and enforce the IFR and parts of PSD2.

4.6 The most relevant regulatory principles are considered below. These are also broadly consistent with the PSR's regulatory principles under section 53 FSBRA.

(a) The need to use our resources in the most efficient and economical way

4.7 Both proposed changes reflect a balance between the need to use our resources in an efficient and economical way and an approach that is not disproportionate or unfair to individual payment systems or participants.

4.8 Proposal 1 enables a more efficient use of resources by further simplifying the billing process. This provides a small efficiency benefit for the FCA, PSR, and small PSPs.

4.9 Proposal 2 enables the PSR to carry out special projects – such as market reviews – without making difficult decisions about whether to prioritise, stop or delay essential regulatory activity covered by the existing fee mechanism.

4.10 Proposal 2 is designed to improve the sustainability of the PSR's fees allocation methodology, which would reduce the need for frequent changes to the fees rules. This would, in turn, reduce the burden on our resources associated with making or implementing these changes. This proposal therefore eliminates a potential future cost.

(b) The principle that a burden or restriction should be proportionate to the benefits, considered in general terms, which are expected to result from imposing it

- 4.11** Proposal 1 reduces the regulatory burden on smaller firms with only a negligible impact on larger firms. This is consistent with the Better Regulation Framework.
- 4.12** Proposal 2 provides a mechanism for aligning regulatory burden with relevant industry subsections. Currently, the entire industry is required to pay for projects which focus on only a subsection of the market.
- 4.13** Proposal 2 would require a departure from the approach we have set out in CP17/44, where we expressly rejected a methodology that was allocation or time-cost based – stating that our regulatory activity benefits the whole industry. This could be justified on the basis that introducing charging for special fees is the only way that we can maintain our existing programme of work and undertake work on important additional projects to meet our objectives, such as our work on the card market review. The introduction of these charges recognises the need for a different approach for PSOs with for-profit business models, as distinct from PSPs and other PSOs.

(c) The desirability of exercising our functions in a way that recognises differences in the nature of the businesses carried on by different persons we regulate

- 4.14** We acknowledge the need to treat different fee payers and operators differently when they are in significantly different situations. Both proposals are structured around the different nature of the businesses being targeted.
- 4.15** Proposal 1 reduces the regulatory burden on smaller firms, recognising that the cost to firms and FCA is greater than the benefit to the PSR.
- 4.16** Proposal 2 recognises the unique market power of PSOs and proposes a specific mechanism for levying fees from particular PSOs, taking into account the business model of the PSO and the nature of the project we propose to undertake, where none currently exists.

(d) The principle that we should exercise our functions as transparently as possible

- 4.17** We consider that both proposals will enable us to exercise our functions as transparently as possible.
- 4.18** Proposal 1 will continue to see the full formula published. This effectively means there will be no change in current transparency arrangements.
- 4.19** Proposal 2 will see the details of any special project fee published as part of our normal annual plan and budget publication. The published details will include when and how the fee will be used. This will increase the transparency of the PSR through sharing major planned or ongoing work with industry. The names of in-scope PSOs will also be published, ensuring there is also transparency in funding.

(e) Compatibility with the duty to promote effective competition in the interests of consumers

- 4.20** Both proposals are consistent with the PSR's objective to promote effective competition in the markets for payment systems and services provided by payment systems.
- 4.21** Proposal 1 is likely to have very little impact on firms. However, this impact may reduce the burden on small firms to a very limited extent, facilitating greater competition through encouraging more market participants. Proposal 1 may also demonstrate to the market the PSR's commitment to acting in a pragmatic manner.
- 4.22** Proposal 2 enables the PSR to promote effective competition by charging relevant special project fees to PSOs, rather than all fee payers. This, in our assessment, will not be market distorting since there will be strict controls around how the projects are defined, managed and charged for.
- 4.23** Proposal 2 does raise the risk of fee pass-on with VAT chargeable (such as pass-on from PSOs to PSPs). It would be up to PSPs to counter attempts for direct pass-on, and the risk would be mitigated by ensuring that any special project fees are time limited.

Other considerations

(f) The Treasury's recommendations about economic policy

- 4.24** The Treasury makes recommendations to the FCA under section 1JA of FSMA about aspects of economic policy which the FCA should consider when undertaking its functions. Our fees proposals indirectly take account of the Treasury's recommendations.

(g) Equality and diversity

- 4.25** We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions.
- 4.26** We believe that none of our proposals raise issues of equality and diversity. We would welcome your comments if you believe any equality and diversity issues might arise from our proposals.
- 4.27** The funding for the PSR through the collection of PSR fees will enable it to progress its programme of work. This may in due course lead us to consider new general directions or generally applicable requirements (or modifications to existing ones). In these circumstances the PSR would consider any equality and diversity implications.

(h) Impact on financial stability

- 4.28** The PSR has general duties under section 49(3)(a) of FSBRA to 'have regard' to the importance of maintaining the stability of, and confidence in, the UK financial system.
- 4.29** We currently believe that none of our proposals would negatively affect financial stability. This is because the total PSR AFR is relatively small, and the new fees allocated to each fee payer under these proposals is unlikely to be high enough to create any material impact on financial stability.

Question 3: Do you have any comments on the compatibility of Proposal 1 with PSR and FCA requirements and principles?

Question 4: Do you have any comments on the compatibility of Proposal 2 with PSR and FCA requirements and principles?

Annex 1

Consultation questions

Consultation questions

1.1 The consultation questions are as follows:

Question 1: Do you have any comments on Proposal 1?

Question 2: Do you have any comments on Proposal 2?

Question 3: Do you have any comments on the compatibility of Proposal 1 with the PSR and FCA requirements and principles?

Question 4: Do you have any comments on the compatibility of Proposal 2 with the PSR and FCA requirements and principles?

Annex 2

The way we collect PSR regulatory fees – a restatement

In this annex, we summarise the current PSR regulatory fees regime, restating the mechanism described in the *PSR regulatory fees* policy statement published in 2018 (PS18/12).¹ We cover, in particular:

- the annual timeline for data provision and fees collection
 - provision and verification of transaction and contact information
 - our fees collection method
 - our fees allocation methodology
 - our treatment of underspend (surplus) and overspend (deficit)
-

The annual timeline for data provision and fees collection

- 2.1** Table 2 sets out the expected annual fees collection timeline. This includes the timings for when:
- payment system operators** should submit the relevant transaction data and contact details to the PSR and FCA
 - the PSR** will publish the annual figures for calculating PSR fees for that fee year
 - fee payers** can expect to pay the PSR fees, after receiving an invoice from the FCA

¹ PS18/12, [PSR regulatory fees](#) (June 2018)

Table 2: Timeline for PSR data provision and fees collection for each fee year (from 1 April to 31 March of the following calendar year)

February to March	The FCA sends eligible fee payers invoices for on-account PSR fees for the next fee year starting on 1 April. These on-account fees are based on the fee payers' fees for the fee year ending on 31 March. These fee payers pay on-account fees by 1 April.
By 1 March	<p>Operators submit transaction data from the previous calendar year and relevant contact details to the PSR and the FCA by 1 March.</p> <p>Fee payers, if they wished, should have contacted operators to confirm the accuracy of their respective transaction data before the operators submit it to the PSR and FCA.</p>
By early July	<p>The PSR publishes the annual PSR fees information for the fee year starting on 1 April – namely:</p> <ul style="list-style-type: none"> • the PSR's annual funding requirement for the relevant fee year minus any underspend in the previous fee year • the consolidated transaction data submitted to the PSR and the FCA by operators (see above)
July to August	<p>The FCA issues invoices to all fee payers for the remainder of PSR fees for that financial year.</p> <p>On-account fee payers pay the balance of PSR fees for that fee year by 1 September. This is their PSR fees less any on-account payments made (see above).</p> <p>All other fee payers pay PSR fees within 30 days of receiving the invoice.</p>

Verification and provision of transaction and contact data

2.2 This section sets out the PSP data that operators need to supply to the PSR as part of the current regulatory fees regime.

Verification and provision of transaction data

2.3 Operators are required to submit transaction data to the PSR every year. This requirement is set out in the FCA Handbook, see FEES 9.2.4DR(a).

2.4 We also set out in the fees rules a guidance provision (FEES 9.2.4GG). This states that, if requested by PSPs, operators should verify the accuracy of their transaction data before they supply it to us for fees calculations.

2.5 We do not specify how or when that confirmation should take place (although it must be done by 1 March for it to be factored into our fees calculations). Our guidance does not anticipate the need for operators to establish a further process for verifying data if existing processes are sufficient.

- 2.6** We would expect it to be in the interests of both PSPs and operators to verify the data in plenty of time before operators send it to us by 1 March.
- 2.7** After that deadline we will have to use the data supplied, and there is little scope for change in the data and fees allocation.
- 2.8** In any case of dispute, before or after the submission of the data, PSPs should resolve this with the operators.

Provision of contact details

- 2.9** Another element that is essential for the fair functioning of the fees regime is the provision of PSP contact details by operators to us.
- 2.10** Operators are required to provide contact information for PSPs every year. This requirement is set out in FEES 9.2.4DR(1)(b).

Our PSR fees collection method

- 2.11** Each year, there are two collections of PSR fees. The collection of on-account fees, due by 1 April, is the first of two fees collection points in each fee year for the PSR and the FCA. The collection is intended to cover our spending in the first half of each year. The collection of the remainder of the fees, sometimes called 'periodic fees', is due by 1 September or 30 days from the date of the invoice. This collection is intended to collect the remainder of fees to cover our spending in the rest of the year.
- 2.12** The FCA directly collects PSR fees from PSPs, using the data supplied by the operators. The FCA handles the liaison with PSP fee payers directly, and chases fee payers directly for late payments. This process requires operators to provide accurate transaction and contact information to us, which we have discussed in greater detail in the previous section.
- 2.13** Every fee year, the FCA will collect PSR fees in the following ways:
- a. **First collection:** In around February every year, the FCA will reach out to fee payers who need to pay FCA fees on-account.² Included in the consolidated bill will be that fee payer's FCA on-account fees as well as on-account fees for the PSR and other organisations.³ The fees will be due by 1 April.
 - b. **Second collection:** From around July, the FCA will reach out to all PSR fee payers and send them a consolidated bill containing their PSR fees for that fee year⁴, net of any amount they have paid on account in the first collection.
- 2.14** More details of our decision can be found in Chapter 3 of CP17/44 and in paragraphs 3.16 to 3.22 of PS18/12.

² More details of the decision and the rationale behind it can be found in paragraphs 3.16 to 3.22 of PS18/12.

³ For more details, please see CP17/44, paragraphs 3.1 to 3.18.

⁴ As above.

Our PSR fees allocation methodology

2.15 Every year, we will assign the PSR’s overall annual funding requirement (AFR), the PSR’s projected spend for a particular year, to two blocks – the transaction volume block and the transaction value block. Each fee payer pays PSR fees based on the relative size of their total transaction volumes and total transaction values across all PSR-regulated payment systems.⁵

2.16 Each fee payer’s PSR fees is determined by the following formula:

$$\begin{aligned}
 & \textbf{Fees allocated to a fee payer} \\
 & = \\
 & \text{its fees under the volume block ("Vo")} \\
 & + \\
 & \text{its fees under the value block ("Va")} \\
 \\
 & \textbf{Vo} \\
 & = \\
 & (\text{AFR} \times 80\%*) \\
 & \times \\
 & \left(\frac{\text{The fee payer's transaction volumes (count) in all systems}}{\text{The sum of all fee payers' transaction volumes across all systems}} \right) \\
 \\
 & \textbf{Va} \\
 & = \\
 & (\text{AFR} \times 20\%*) \\
 & \times \\
 & \left(\frac{\text{The sum of the values (£) of the fee payer's transactions in all systems}}{\text{The sum of all fee payers' total transaction values across all systems}} \right)
 \end{aligned}$$

2.17 With regard to variables, we will provide every year the updated figures for:

- a. the PSR’s AFR
- b. the sum of all fee payers’ transaction volumes across all systems
- c. the sum of all fee payers’ transaction values across all systems

These annual figures will provide transparency to the fees process and allow a fee payer to independently check its PSR fee that year, using its own transaction volumes and values data (highlighted in the formula above).

2.18 The **80:20 volume-to-value ratio** is fixed and is not subject to change every year.⁶ We will consult stakeholders if we propose to change the ratio.

⁵ More details of the decision and the rationale behind it can be found in CP18/8 paragraph 3.19.

⁶ To see a more detailed discussion of why we proposed this ratio, see CP17/44, paragraphs 4.24 to 4.26.

- 2.19** For the transaction value block, we will use HMRC's published yearly average foreign exchange rates to convert non-GBP transactions to GBP.⁷

Fee payers

- 2.20** Another element that is essential for the fair functioning of the fees regime is the provision of PSP contact details by operators to us.

- 2.21** There are two broad groups of PSR fee payers. These are:

- a. PSPs that are direct participants in any of the PSR-regulated payment systems ('direct PSPs'); each would pay PSR fees based on their transactions processed through those systems relative to all fee payers' combined transactions in all PSR regulated payment systems
- b. operators that also act as PSPs and that we would continue to treat as PSR fee payers; each would pay PSR fees based on the transactions in its system relative to all fee payers' combined transactions in all PSR-regulated payment systems

- 2.22** PSR fees continue to be out of scope for VAT for the above groups. This is possible because we continue to allocate fees to direct PSPs only (or operators acting as such), instead of allocating fees to the operators of the relevant payment systems who would then pass on the regulatory costs to the PSPs.

- 2.23** We will allocate PSR fees to direct PSPs and not to PSPs that access those payment systems through other PSPs ('indirect PSPs'). The indirect PSPs' transactions will be counted as belonging to the direct PSPs that provided the access.⁸

Scope of relevant transaction for fees allocation

- 2.24** We will use the following approach to decide what the scope of relevant transactions should be for each PSR-regulated payment system:⁹

- a. If a payment system is designated under the Financial Services (Banking Reform) Act 2013 (FSBRA), we will take into account all transactions with a UK element ('FSBRA scope'). This covers any designated system that we also regulate under other legislation. For example, if we regulate a system because of its exposure to both FSBRA and the Payment Card Interchange Fee Regulations 2015 (PCIFRs), we will include all relevant transactions under the FSBRA scope for that system.
- b. If the payment system is not designated under FSBRA, the scope of relevant transactions will be dependent on the legislation that brings the system under our regulation. For example, if we regulate a card scheme only because of its exposure to the Payment Card Interchange Fee Regulations 2015 (PCIFRs), we will only include the transactions that are relevant to the PCIFRs.

⁷ HMRC foreign exchange rates: yearly averages and spot rates, www.gov.uk/government/publications/exchange-rates-for-customs-and-vat-yearly.

⁸ More details of the decision can be found in CP18/8 paragraph 3.19 f.

⁹ The decision can be found in CP18/8 paragraph 4.3.

Our approach to underspend (surplus) and overspend (deficit)

- 2.25** While the PSR tries to accurately forecast its spend every year, it may end up spending less or more than it has expected at the beginning of that year.
- 2.26** If the PSR has an underspend, it will deduct the amount from the following year's AFR before it is apportioned to that year's fee payers.¹⁰
- 2.27** If the PSR has an overspend and has used up its reserves, it may borrow money that year to meet the deficit and fund the cost of our operations. It will then recover the borrowed amount from the following year's fee payers.

June 2018 Compatibility statement

- 2.28** In Annex 2 of PS18/12, we provided:
- a. Our reasons for concluding that our current fees policy – as outlined above – is compatible with the requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by FSBRA. The FCA and the PSR are not required to carry out a cost benefit analysis in relation to PSR fees rules.
 - b. An explanation on why we believe making the rule changes are compatible with the FCA's strategic objectives, advances one or more of its operational objectives and has regard to the regulatory principles in section 3B of FSMA, which is required by section 138I(2)(d) of FSMA.
 - c. An assessment of the equality and diversity implications of these proposals, and other issues for consideration such as the implications of our proposals on financial stability.
- 2.29** We also set out our view of how the rule changes are compatible with the following:
- a. The FCA's duty to discharge its general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (section 1B(4) of FSMA). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
 - b. The regulatory principles applicable to the PSR under section 53 of FSBRA.

¹⁰ More details of the decision and the rationale behind it can be found in paragraphs 3.23 to 3.31 of PS18/12.

Annex 3

Fees instrument making amendments to the PSR fees rules

FEES 9 Payment Systems Regulator funding

FEES 9.1 Application and purpose

Application

9.1.1 R This chapter applies to:

- (1) operators of regulated payment systems;
- (2) operators of IFR card payment systems; and
- (3) direct payment service providers.

Purpose

9.1.2 G This chapter sets out the fee payable by *PSR fee payers* will be calculated, to establish and fund the *PSR*.

Introduction

9.1.3 G Section 40(1) of *FSBRA* (The Payment Systems Regulator) requires the *FCA* to establish the *PSR*.

9.1.4 G (1) Paragraph 9 of Schedule 4 of *FSBRA* and the *2015 Interchange Regulations* applying *FSBRA* in a modified form and the *Payment Services Regulations* applying *FSBRA* in a modified form allow the *FCA* to make rules requiring participants in regulated payment systems and *IFR card payment systems* to pay the *FCA* specified amounts or amounts calculated in a specified way to:

- (a) meet the relevant costs referred to in (2) below; and
- (b) enable the *PSR* to maintain adequate reserves.

(2) The relevant costs in (1)(a) means:

- (a) the expenses incurred, or expected to be incurred, by the *PSR* in connection with the discharge of its functions;
- (b) the expenses incurred by the *FCA* in establishing the *PSR*;
- (c) any other expenses incurred by the *FCA* in connection with the discharge of its functions under Part 5 of *FSBRA*; and
- (d) any expenses incurred, or expected to be incurred, by the *FCA* in connection with the discharge of the *PSR*'s functions by an officer or member of staff of the *FCA* under arrangements made under paragraph 5 of Schedule 4 of *FSBRA*.

(3) The amounts in (1) may include the expenses of the *FCA* in collecting PSR fees.

9.1.5 G *FEES 9* sets out the rules referred to in *FEES 9.1.4 G*

9.1.6 G The *FCA* must pay to the *PSR* the amounts that it receives as *PSR fees*, apart from the following amounts (which it may keep):

- (1) expenses under *FEES 9.1.4G (2)(b) to (d)*; and
- (2) collection costs, referred to in *FEES 9.1.4G (3)*.

Publication of fees information

9.17 G (1) Paragraph 4(1) of Schedule 4 of *FSBRA* requires the *PSR* to adopt an annual budget which has been approved by the *FCA*.

(2) Paragraph 6(1) of Schedule 4 of *FSBRA* requires the *PSR* to prepare an annual plan which has been approved by the *FCA*.

9.18 G (1) *PSR* fees will vary from year to year, depending on the *PSR's AFR* and the *transaction volumes* and *transaction values* in the *relevant time period*.

(2) *The PSR* will publish each year the *PSR's AFR* along with the total *transaction volumes* and *transaction values* for the *relevant time period* to enable *PSR fee payers* to apply the methodology in *FEES 9 Annex 1R* if they wish.

FEES 9.2 PSR fees

Obligation to pay PSR fees

9.2.1 R A *PSR fee payer* must pay to the *FCA* the *PSR fees* applicable to it and calculated by the *FCA* in accordance with *FEES 9 Annex 1 R*:

- (1) in full and without deduction; and
- (2) in accordance with this chapter, subject to:
 - (a) *FEES 9.2.1AR*;
 - (b) *FEES 9.2.1CR*; and
 - (c) *FEES 9.2.1DR*.

9.2.1A R (1) A *PSR fee payer* is not required to pay any *PSR fee* in accordance with *FEES 9.2.1R* where, in the opinion of the *FCA* and *PSR*, the costs of collection would be disproportionate to the amount payable.

(2) If (1) applies in any given *fee year*, the *transaction volumes* and *transaction values* attributable to that *PSR fee payer* are not to be included in the sum of all *PSR fee payers*' relevant transactions set out in columns 4 and 5 of the table in *FEES 9 Annex 1R* for that *fee year*.

9.2.1B R (1) If a *payment service provider* (A) acquires all or part of the business of another *payment service provider* which includes *transaction volumes* (B), whether by merger, acquisition or transfer, during the course of a *fee year*, the liability for paying the *PSR fee* in the following *fee year* in relation to B shall rest with A.

(2) *FEES 9.2.1BR(1)* also applies when the business acquired, transferred or merged is not a legal entity but is an unincorporated business, or is in the form of assets and/or contracts.

9.2.1C R An *operator acting as a PSR fee payer* must pay the entire *PSR fee* for the relevant *card payment system* or *IFR card payment system* for that *fee year*.

9.2.1D R Where *FEES 9.2.1CR* applies, no other *acquirers* or *card issuers* are required to pay any *PSR fee* for that *card payment system* or *IFR card payment system* in accordance with *FEES 9.2.1R*.

Time of payment

9.2.2 R *PSR fee payers* falling within the scope of *FEES 4.3.6R(1C) – (1E)* must pay to the FCA:

(1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 1 April in the current *fee year* or, if later, within 30 days of the date of the invoice; and

(2) the balance of the *PSR fee* due by 1 September in the current *fee year* or, if later, within 30 *days* of the date of the invoice.

9.2.3 R If *FEES 9.2.2R* does not apply, the *PSR fee payer* must pay its *PSR fee* in full to the FCA:

(1) by 1 August in the current *fee year*; or

(2) if later, within 30 days of the date of the invoice.

Method of payment

9.2.4 G A *PSR fee payer* should pay its fees to the FCA by direct debit, electronic credit transfer, cheque, Maestro, Visa Debit or by credit card (*Visa/Mastercard* only).

Provision of information

- 9.2.4D R (1) The *operator of a regulated payment system or IFR card payment system* must provide to the *FCA* and *PSR*, for each of its *direct payment service providers* (and for itself, where it is an operator acting as an *acquirer or card issuer*):
- (a) a copy of the data setting out the *transaction volumes* and *transaction values* required by the *FCA* to calculate the *PSR fees* as set out in *FEES 9 Annex 1R*; and
 - (b) the following information (which is either in the *operator's* possession or to which it has reasonable access) to enable and/or assist the *FCA* to issue invoices to *PSR fee payers* and/or collect *PSR fees*:
 - (i) telephone and/or e-mail contact information (including named point of contact);
 - (ii) billing address;
 - (iii) *FCA* firm reference number (where applicable);
 - (iv) company name, registered address and company number; and
 - (v) any other information which in the opinion of the *operator* would assist the *FCA* in issuing invoices to the relevant *PSR fee payers* within the *operator's regulated payment system or IFR card payment system*.
- (2) The *operator of a regulated payment system or IFR card payment system* must:
- (a) provide the information in (1) to the *PSR* and *FCA* as soon as practicable, but no later than 1 March each year; and
 - (b) provide such other data to the *FCA* and *PSR* on request to enable the individual *PSR fees* to be verified.

- 9.2.4G G The *FCA* will use the data provided by the relevant operators in *FEES 9.2.4DR* to calculate the *PSR fees*. Before being submitted to the *FCA*, if requested by a *PSR fee payer*, the *operator* should confirm with the relevant *PSR fee payer* the accuracy of the data it proposes to submit. In the event of a dispute raised by a *PSR fee payer* over the accuracy of the data provided to the *FCA*, the *FCA* will continue to use the data as originally provided. Any later dispute should be directed to the relevant operator of the *regulated payment system or IFR card payment system* responsible for the provision of the data to the *FCA*.

Ceasing to be designated as a regulated payment system, ceasing to be a direct payment system provider of a regulated payment system or IFR card payment system, and ceasing to be subject to the IFR

- 9.2.5 G The *FCA* will not relieve or refund a *PSR fee* if after the start of that *fee year*:

- (1) a *payment system* ceases to be a *regulated payment system*; or
- (2) an *IFR card payment system* ceases to be subject to the *IFR*; or
- (3) a *person* ceases to be a *direct payment service provider* of a *regulated payment system* or an *IFR card payment system*.

9.2.6 R If a *payment system* ceases to be a *regulated payment system*, or an *IFR card payment system* ceases to be subject to the *IFR*, all *direct payment service providers* of that system, and the *operator* of that *IFR card payment system*, must pay any outstanding *PSR fees* before the system ceases to hold that status.

9.2.6A R If a *person* ceases to be:

- (1) a *direct payment service provider* of a *regulated payment system* or of an *IFR card payment system*, it must pay any outstanding *PSR fees* in respect of that system, before it ceases to be a *direct payment system provider* of the system; or
- (2) the *operator* of a *IFR card payment system*, it must pay any outstanding *PSR fees* in respect of that system before it ceases to be the *operator* of that *IFR card payment system*.

Late payments

9.2.7 R If a *PSR fee payer* does not pay the total amount of its *PSR fees* before the end of the date on which it is due, it must pay to the *FCA*:

- (1) an administrative fee of £250; plus
- (2) interest on any unpaid part of the fee at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

9.2.7A G (1) The *FCA* may recover a *PSR fee* as a debt owed to it under paragraph 23 (8) of Schedule 1ZA of the Act.

(2) The *FCA* will consider taking action for the recovery (including interest) through the civil courts.

(3) In addition, the *FCA* or *PSR* may be entitled to take regulatory action in relation to the non-payment of *PSR fees*. What action, if any, that is taken by the *FCA* or *PSR* will be decided upon given the particular circumstances of the case.

Reduction, remission and repayment of fees

- 9.2.8 G The *FCA* may reduce or remit all or part of a *PSR fee*, if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case paying all or part of it would be inequitable.
- 9.2.9 G The *FCA* may refund all or part of a *PSR fee* if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case the *FCA* or the *PSR* retaining all or part of it would be inequitable.
- 9.2.10 G The *FCA* will not consider a claim to refund a *PSR fee* due to a mistake of fact or law by the *PSR fee payer* if the claim is made more than two years after the beginning of the *fee year* to which the fee relates.

VAT

- 9.2.11 R *PSR fees* payable are stated net of VAT. Where VAT is applicable this must also be included.

FEES 9 Annex 1 PSR fees methodology

The table below shows the methodology used by the *FCA* to determine the *PSR fee* applicable to *PSR fee payers* for each *fee year*.

<p>Regulated payment system or IFR card payment system (column 1)</p>	<p>Relevant transactions (column 2)</p>	<p>Relevant time period (column 3)</p>	<p>Volume block (“Vo”) (column 4)</p>	<p>Value block (“Va”) (column 5)</p>	<p>Calculation methodology for PSR fee payable (column 6)</p>
<p><i>Bacs</i></p>	<p>All transactions processed through the <i>BACS regulated payment system</i>. Transactions include both the initiation of the transfer of the funds, and the receipt of transferred funds.</p>	<p>The full calendar year (1 January to 31 December) before the start of the relevant fee year. For example this would be 1 January to 31 December 2017 for the 2018/2019 <i>fee year</i>.</p>	<p>$V_o = (PSR's\ AFR \times 80\%) \times \text{the } PSR\ \text{fee payer's percentage share of the volume block}$ A <i>PSR fee payer's</i> percentage share of the volume block = $\left(\frac{\text{Sum of that } PSR\ \text{fee payer's relevant transaction volumes in all systems}}{\text{Sum of all } PSR\ \text{fee payers' relevant transaction volumes across all systems}^*} \right)$</p>	<p>$V_a = (PSR's\ AFR \times 20\%) \times \text{the fee payer's percentage share of the value block}$ A <i>PSR fee payer's</i> percentage share of the value block = $\left(\frac{\text{Sum of that } PSR\ \text{fee payer's relevant transaction values in all systems}}{\text{Sum of all } PSR\ \text{fee payers' relevant transaction values across all systems}^{**}} \right)$</p>	<p>Fees allocated to a PSR fee payer = its fees under the volume block (Vo) + its fees under the value block (Va)</p>
<p><i>C&C</i></p>	<p>All transactions processed through the <i>C&C regulated payment system</i>. This includes ‘in clearing’ and ‘out clearing’ transactions in paper clearing, and the payment and the receipt of the transfers</p>				

	of funds in image clearing.				
<i>CHAPS</i>	All MT103 and MT202 transactions processed through the <i>CHAPS regulated payment system</i> . Transactions include both the initiation of the transfer of the funds, and the receipt of transferred funds.				
<i>FPS</i>	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.				
<i>LINK</i>	All transactions issued and acquired under the <i>LINK regulated payment system</i> , including GBP cash				

	<p>withdrawals, foreign currency dispenses, balance enquiries, PIN management, charity donations, non-cash transactions and mobile payment transactions but excluding ‘<i>on us</i>’ transactions. Both issuing and acquiring transactions are taken into account.</p>				
<p><i>Mastercard</i></p>	<p><i>All transactions by acquirers operating in the United Kingdom and transactions by card issuers operating in the United Kingdom under the Mastercard regulated payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All</i></p>				

	<p><i>Mastercard</i> branded transactions are included irrespective of the <i>processing entity</i> (<i>Mastercard</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions). Both issuing and acquiring transactions are taken into account.</p>				
<i>NICC</i>	<p>All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>NICC regulated payment system</i>.</p>				
<i>Visa</i>	<p>All transactions by <i>acquirers operating in the United Kingdom</i> and transactions by <i>card issuers operating in the United Kingdom</i> under the <i>Visa regulated payment</i></p>				

	<p><i>system</i>, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>Visa</i> branded transactions are included irrespective of the <i>processing entity</i> (<i>Visa</i> itself, a third party <i>processing entity</i> or <i>'on us'</i> transactions). Both issuing and acquiring transactions are taken into account.</p>				
AmEx	<p>All <i>IFR</i> transactions by acquirers operating in the United Kingdom and <i>IFR transactions by card issuers operating in the United Kingdom</i> (or by the <i>operator</i> of that <i>IFR card payment system</i> acting as such an <i>acquirer</i> or <i>card</i></p>				
Diners Club					
JCB					
UPI					

	<p><i>issuer</i>) under that <i>IFR card payment system</i>, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All transactions under the brand of that <i>IFR card payment system</i> are included irrespective of the <i>processing entity</i> (the <i>operator</i> or the <i>IFR card payment system</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions). Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i>.</p>				
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Notes:

* The PSR will publish this figure annually. The figure represents the sum of all PSR fee payers' relevant transaction volumes across all systems in the relevant time period.

** The PSR will publish this figure annually. This figure represents the sum of all PSR fee payers' relevant transaction values across all systems in the relevant time period.

Annex 4

Draft fees instrument making amendments to the PSR fees rules for consultation

FCA 202x/xx

FEES (PAYMENT SYSTEMS REGULATOR) INSTRUMENT (No x) 202x**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions:
- (1) paragraph 9 (Funding) of Schedule 4 (The Payment Systems Regulator) of the Financial Services (Banking Reform) Act 2013 (“FSBRA”);
 - (2) in and under Regulation 15 of The Payment Card Interchange Fee Regulations 2015 (SI 2015/1911);
 - (3) in and under Regulation 136 of the Payment Services Regulations 2017 (SI 2017/752); and
 - (4) in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137T (General supplementary powers);
 - (b) section 139A (Power of the FCA to give guidance); and
 - (c) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purpose of paragraph 9 of schedule 4 to FSBRA and section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on DAY MONTH YEAR.

Amendments to the Handbook

- D. The Fees manual (FEES) is amended in accordance with Annex A to this instrument.

Citation

- E. This instrument may be cited as the Fees (Payment Systems Regulator) Instrument (No x) 202x.

By order of the Board
DAY MONTH YEAR

Annex A

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

9 Payment Systems Regulator funding

9.1 Application and purpose

Application

9.1.1 R This chapter applies to:

- (1) *operators of regulated payment systems;*
- (2) *operators of IFR card payment systems; and*
- (2A) operators of payment systems under the Payment Services Regulations; and
- (3) *direct payment service providers.*

Purpose

9.1.2 G This chapter sets out how the fees payable by *PSR fee payers* and other participants will be calculated, to establish and fund the *PSR*.

Introduction

9.1.3 G Section 40(1) of *FSBRA* (The Payment Systems Regulator) requires the FCA to establish the *PSR*.

9.1.4 G (1) Paragraph 9 of Schedule 4 of *FSBRA* and the *2015 Interchange Regulations* applying *FSBRA* in a modified form and the *Payment Services Regulations* applying *FSBRA* in a modified form allow the FCA to make *rules* requiring *participants* in *regulated payment systems* and *IFR card payment systems* to pay the FCA specified amounts or amounts calculated in a specified way to:

- (a) meet the relevant costs referred to in (2) below; and
- (b) enable the *PSR* to maintain adequate reserves.

(2) The relevant costs in (1)(a) means:

- (a) the expenses incurred, or expected to be incurred, by the *PSR* in connection with the discharge of its functions;

- (b) the expenses incurred by the *FCA* in establishing the *PSR*;
- (c) any other expenses incurred by the *FCA* in connection with the discharge of its functions under Part 5 of *FSBRA*; and
- (d) any expenses incurred, or expected to be incurred, by the *FCA* in connection with the discharge of the *PSR*'s functions by an officer or member of staff of the *FCA* under arrangements made under paragraph 5 of Schedule 4 of *FSBRA*.

(3) The amounts in (1) may include the expenses of the *FCA* in collecting PSR fees.

9.1.5 G *FEES 9* sets out the rules referred to in *FEES 9.1.4 G*

9.1.6 G The *FCA* must pay to the *PSR* the amounts that it receives as *PSR fees*, apart from the following amounts (which it may keep):

- (1) expenses under *FEES 9.1.4G (2)(b) to (d)*; and
- (2) collection costs, referred to in *FEES 9.1.4G (3)*.

Publication of fees information

- 9.17 G (1) Paragraph 4(1) of Schedule 4 of *FSBRA* requires the *PSR* to adopt an annual budget which has been approved by the *FCA*.
- (2) Paragraph 6(1) of Schedule 4 of *FSBRA* requires the *PSR* to prepare an annual plan which has been approved by the *FCA*.
- 9.18 G (1) *PSR* fees will vary from year to year, depending on the *PSR*'s *AFR* and the *transaction volumes* and *transaction values* in the *relevant time period*.
- (2) *The PSR* will publish each year the *PSR*'s *AFR* along with the total *transaction volumes* and *transaction values* for the *relevant time period* to enable *PSR fee payers* to apply the methodology in *FEES 9 Annex 1R* if they wish.

FEES 9.2 PSR fees

Obligation to pay PSR fees

- 9.2.1 R A *PSR fee payer* must pay to the *FCA* the *PSR fees* applicable to it and calculated by the *FCA* in accordance with *FEES 9 Annex 1 R*:
- (1) in full and without deduction; and
 - (2) in accordance with this chapter, subject to:

- (a) *FEES 9.2.1AR*;
- (b) *FEES 9.2.1CR*; and
- (c) *FEES 9.2.1DR*.

9.2.1A R (1) A *PSR fee payer* is not required to pay any *PSR fee* in accordance with *FEES 9.2.1R* where, in the opinion of the *FCA* and *PSR*, the costs of collection would be disproportionate to the amount payable.

(2) If (1) applies in any given *fee year*, the *transaction volumes* and *transaction values* attributable to that *PSR fee payer* are not to be included in the sum of all *PSR fee payers*' relevant transactions set out in columns 4 and 5 of the table in *FEES 9 Annex 1R* for that *fee year*.

9.2.1B R (1) If a *payment service provider* (A) acquires all or part of the business of another *payment service provider* which includes *transaction volumes* (B), whether by merger, acquisition or transfer, during the course of a *fee year*, the liability for paying the *PSR fee* in the following *fee year* in relation to B shall rest with A.

(2) *FEES 9.2.1BR(1)* also applies when the business acquired, transferred or merged is not a legal entity but is an unincorporated business, or is in the form of assets and/or contracts.

9.2.1C R An *operator acting as a PSR fee payer* must pay the entire *PSR fee* for the relevant *card payment system* or *IFR card payment system* for that *fee year*.

9.2.1D R Where *FEES 9.2.1CR* applies, no other *acquirers* or *card issuers* are required to pay any *PSR fee* for that *card payment system* or *IFR card payment system* in accordance with *FEES 9.2.1R*.

Time of payment

9.2.2 R *PSR fee payers* falling within the scope of *FEES 4.3.6R(1C) – (1E)* must pay to the *FCA*:

(1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 1 April in the current *fee year* or, if later, within 30 days of the date of the invoice; and

(2) the balance of the *PSR fee* due by 1 September in the current *fee year* or, if later, within 30 days of the date of the invoice.

9.2.3 R If *FEES 9.2.2R* does not apply, the *PSR fee payer* must pay its *PSR fee* in full to the *FCA*:

(1) by 1 August in the current *fee year*; or

(2) if later, within 30 days of the date of the invoice.

Method of payment

9.2.4 G A *PSR fee payer* should pay its fees to the *FCA* by direct debit, electronic credit transfer, cheque, Maestro, Visa Debit or by credit card (*Visa/Mastercard* only).

Provision of information

9.2.4D R (1) The *operator* of a *regulated payment system* or *IFR card payment system* must provide to the *FCA* and *PSR*, for each of its *direct payment service providers* (and for itself, where it is an operator acting as an *acquirer* or *card issuer*):

(a) a copy of the data setting out the *transaction volumes* and *transaction values* required by the *FCA* to calculate the *PSR fees* as set out in *FEES 9 Annex IR*; and

(b) the following information (which is either in the *operator's* possession or to which it has reasonable access) to enable and/or assist the *FCA* to issue invoices to *PSR fee payers* and/or collect *PSR fees*:

(i) telephone and/or e-mail contact information (including named point of contact);

(ii) billing address;

(iii) *FCA* firm reference number (where applicable);

(iv) company name, registered address and company number; and

(v) any other information which in the opinion of the *operator* would assist the *FCA* in issuing invoices to the relevant *PSR fee payers* within the *operator's regulated payment system* or *IFR card payment system*.

(2) The *operator* of a *regulated payment system* or *IFR card payment system* must:

(a) provide the information in (1) to the *PSR* and *FCA* as soon as practicable, but no later than 1 March each year; and

(b) provide such other data to the *FCA* and *PSR* on request to enable the individual *PSR fees* to be verified.

9.2.4G G The *FCA* will use the data provided by the relevant operators in *FEES 9.2.4DR* to calculate the *PSR fees*. Before being submitted to the *FCA*, if requested by a *PSR fee payer*, the *operator* should confirm with the relevant *PSR fee payer* the accuracy of the data it proposes to submit. In the event of a dispute raised by a *PSR fee payer* over the accuracy of the data provided to the *FCA*, the *FCA* will continue to use the data as originally provided. Any later dispute should be directed to the relevant

operator of the *regulated payment system* or *IFR card payment system* responsible for the provision of the data to the *FCA*.

Ceasing to be designated as a regulated payment system, ceasing to be a direct payment system provider of a regulated payment system or IFR card payment system, and ceasing to be subject to the IFR

9.2.5 G The *FCA* will not relieve or refund a *PSR fee* if after the start of that *fee year*:

- (1) a *payment system* ceases to be a *regulated payment system*; or
- (2) an *IFR card payment system* ceases to be subject to the *IFR*; or
- (3) a *person* ceases to be a *direct payment service provider* of a *regulated payment system* or an *IFR card payment system*.

9.2.6 R If a *payment system* ceases to be a *regulated payment system*, or an *IFR card payment system* ceases to be subject to the *IFR*, all *direct payment service providers* of that system, and the *operator* of that *IFR card payment system*, must pay any outstanding *PSR fees* before the system ceases to hold that status.

9.2.6A R If a *person* ceases to be:

- (1) a *direct payment service provider* of a *regulated payment system* or of an *IFR card payment system*, it must pay any outstanding *PSR fees* in respect of that system, before it ceases to be a *direct payment system provider* of the system; or
- (2) the *operator* of a *IFR card payment system*, it must pay any outstanding *PSR fees* in respect of that system before it ceases to be the *operator* of that *IFR card payment system*.

Late payments

9.2.7 R If a *PSR fee payer* does not pay the total amount of its *PSR fees* before the end of the date on which it is due, it must pay to the *FCA*:

- (1) an administrative fee of £250; plus
- (2) interest on any unpaid part of the fee at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

9.2.7A G (1) The *FCA* may recover a *PSR fee* as a debt owed to it under paragraph 23 (8) of Schedule 1ZA of the Act.

(2) The *FCA* will consider taking action for the recovery (including interest) through the civil courts.

(3) In addition, the *FCA* or *PSR* may be entitled to take regulatory action in relation to the non-payment of *PSR fees*. What action, if any, that is taken by the *FCA* or *PSR* will be decided upon given the particular circumstances of the case.

Reduction, remission and repayment of fees

9.2.8 G The *FCA* may reduce or remit all or part of a *PSR fee*, if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case paying all or part of it would be inequitable.

9.2.9 G The *FCA* may refund all or part of a *PSR fee* if it appears to the *FCA*, having consulted the *PSR*, that in the exceptional circumstances of a particular case the *FCA* or the *PSR* retaining all or part of it would be inequitable.

9.2.10 G The *FCA* will not consider a claim to refund a *PSR fee* due to a mistake of fact or law by the *PSR fee payer* if the claim is made more than two years after the beginning of the *fee year* to which the fee relates.

VAT

9.2.11 R *PSR fees* payable are stated net of VAT. Where VAT is applicable this must also be included.

9.3 PSR Special Project Fee

9.3.1 R The PSR Special Project Fee (the PSPF) is only payable by operators of regulated payment systems, operators of IFR card payment systems, and operators of payment systems under the Payment Services Regulation.

9.3.2 G The purpose of this section is to enable the PSR to undertake and fund specific, time-limited projects which relate to one or more persons falling within FEES 9.3.1R in such a way as to promote the interests of payment service users as a whole.

9.3.3 R The PSPF becomes payable by a person falling within FEES 9.3.1R if:

- (1) The PSR is to undertake a project[, such as but not limited to a market review, a market study or work in relation to the designation of a new operator of a payment system or IFR card payment system,] which focuses entirely or predominantly on one or more specific persons to which FEES 9.3.1R applies.

(2) The PSR determines that:

(a) the costs for the project should be met by means of the PSPF, on the basis of an assessment which includes (but is not limited to) the compatibility of the levying of a PSPF in relation to that project with the regulatory principles applicable to the PSR under section 53 of FSBRA, and the degree to which the support which the levying of a PSPF would offer to the PSR in discharging its statutory duties; and

(b) It is appropriate to charge the PSPF to one or more specific persons to which FEES 9.3.1R applies in relation to the project.

9.3.4 R (1) For each year in which a project in connection with which the PSPF is payable is anticipated to be undertaken, the PSPF to be charged is calculated by estimating the total expenditure on the project during that year, comprising the PSR's internal costs and any fees and disbursements the PSR reasonably assesses it will be invoiced.

(2) Where more than one person is to be charged a PSPF in relation to that project, the PSPF to be charged in each year in which that project is undertaken will be allocated equally between those persons.

9.3.5 G Where a person is charged a PSPF in a given year, the PSPF is payable in addition to, and not instead of or as part of, any PSR fee which is payable by that person.

9.3.6 R A person who is liable to pay a PSPF must pay it in full to the FCA:

(1) by 1 September of the fee year in which the PSPF is invoiced; or

(2) if later, within 30 days of the date of the invoice.

9.3.7 G A person who is liable to pay a PSPF should pay it to the FCA by direct debit, electronic credit transfer, cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only).

9.3.8 R If a person who is liable to pay a PSPF does not pay it in full before the end of the date on which it is due, that person must pay to the FCA:

(1) an administrative fee of £250; plus

- (2) interest on any unpaid part of the fee at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.

9.3.9 G

- (1) The FCA may recover a PSPF as a debt owed to it under paragraph 23 (8) of Schedule 1ZA of the Act.
- (2) The FCA will consider taking action for the recovery (including interest) through the civil courts.
- (3) In addition, the FCA or PSR may be entitled to take regulatory action in relation to the non-payment of a PSPF. What action, if any, that is taken by the FCA or PSR will be decided upon given the particular circumstances of the case.

9.3.10 R

Where the actual cost of the regulatory work undertaken by the PSR on a project referred to in FEES 9.3.3R which is the subject of a PSPF differs in a given year from the PSPF charged to one or more *persons* in relation to that project for that year:

- (1) Where the actual cost exceeds the total PSPF charged in respect of that project in that year, the additional cost (or, if more than one *person* was charged the PSPF in relation to that project, an equal share of the additional cost) will be added to the PSPF to be invoiced to the *person* or *persons* in the following year.
- (2) Where the actual cost is lower than the total PSPF charged in respect of that project in that year, the difference (or, if more than one *person* was charged the PSPF in relation to that project, an equal share of the difference) will, in the following year:
- (a) Be deducted from the PSPF invoiced to the *person* or each of the *persons*; or
- (b) if the project has come to an end, be refunded to the *person* or each of the *persons*.

FEES 9 Annex 1 PSR fees methodology

The table below shows the methodology used by the *FCA* to determine the *PSR fee* applicable to *PSR fee payers* for each *fee year*.

Regulated payment system or IFR card payment system (column 1)	Relevant transactions (column 2)	Relevant time period (column 3)	Volume block (“Vo”) (column 4)	Value block (“Va”) (column 5)	Calculation methodology for PSR fee payable (column 6)
<i>Bacs</i>	All transactions processed through the <i>BACS regulated payment system</i> . Transactions include both the initiation of the transfer of the funds, and the receipt of transferred funds.	The full calendar year (1 January to 31 December) before the start of the relevant fee year. For example this would be 1 January to 31 December 2017 for the 2018/2019 <i>fee year</i> .	$V_o = (PSR's\ AFR \times 80\%) \times \text{the } PSR\ \text{fee payer's percentage share of the volume block}$ $\text{A } PSR\ \text{fee payer's percentage share of the volume block} = \left(\frac{\text{Sum of that } PSR\ \text{fee payer's relevant transaction volumes in all systems}}{\text{Sum of all } PSR\ \text{fee payers' relevant transaction volumes across all systems}^*} \right)$	$V_a = (PSR's\ AFR \times 20\%) \times \text{the fee payer's percentage share of the value block}$ $\text{A } PSR\ \text{fee payer's percentage share of the value block} = \left(\frac{\text{Sum of that } PSR\ \text{fee payer's relevant transaction values in all systems}}{\text{Sum of all } PSR\ \text{fee payers' relevant transaction values across all systems}^{**}} \right)$	Fees allocated to a PSR fee payer = its fees under the volume block (Vo) + its fees under the value block (Va)
<i>C&C</i>	All transactions processed through the <i>C&C regulated payment system</i> . This includes ‘in clearing’ and ‘out clearing’ transactions in paper clearing, and the payment and the receipt of the transfers				

	of funds in image clearing.				
<i>CHAPS</i>	All MT103 and MT202 transactions processed through the <i>CHAPS regulated payment system</i> . Transactions include both the initiation of the transfer of the funds, and the receipt of transferred funds.				
<i>FPS</i>	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.				
<i>LINK</i>	All transactions issued and acquired under the <i>LINK regulated payment system</i> , including GBP cash				

	<p>withdrawals, foreign currency dispenses, balance enquiries, PIN management, charity donations, non-cash transactions and mobile payment transactions but excluding ‘<i>on us</i>’ transactions. Both issuing and acquiring transactions are taken into account.</p>				
<p><i>Mastercard</i></p>	<p><i>All transactions by acquirers operating in the United Kingdom and transactions by card issuers operating in the United Kingdom under the Mastercard regulated payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All</i></p>				

	<p><i>Mastercard</i> branded transactions are included irrespective of the <i>processing entity</i> (<i>Mastercard</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions). Both issuing and acquiring transactions are taken into account.</p>				
<p><i>NICC</i></p>	<p>All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>NICC regulated payment system</i>.</p>				
<p><i>Visa</i></p>	<p>All transactions by <i>acquirers operating in the United Kingdom</i> and transactions by <i>card issuers operating in the United Kingdom</i> under the <i>Visa regulated payment</i></p>				

	<p><i>system</i>, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>Visa</i> branded transactions are included irrespective of the <i>processing entity</i> (<i>Visa</i> itself, a third party <i>processing entity</i> or <i>'on us'</i> transactions). Both issuing and acquiring transactions are taken into account.</p>				
AmEx	<p>All <i>IFR</i> transactions by acquirers operating in the United Kingdom and <i>IFR transactions by card issuers operating in the United Kingdom</i> (or by the <i>operator</i> of that <i>IFR card payment system</i> acting as such an <i>acquirer</i> or <i>card</i></p>				
Diners Club					
JCB					
UPI					

	<p><i>issuer</i>) under that <i>IFR card payment system</i>, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All transactions under the brand of that <i>IFR card payment system</i> are included irrespective of the <i>processing entity</i> (the <i>operator</i> or the <i>IFR card payment system</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions). Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i>.</p>				
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Notes:

* The PSR will publish this figure annually. The figure represents the sum of all PSR fee payers' relevant transaction volumes across all systems in the relevant time period.

** The PSR will publish this figure annually. This figure represents the sum of all PSR fee payers' relevant transaction values across all systems in the relevant time period.

Annex 5

Glossary

This annex includes the glossary and abbreviations used for the purposes of this consultation paper on 2023/24 PSR regulatory fees.

Expressions which are defined in the fees rules are italicised (for example, '*direct payment service provider*').

Term or abbreviation	Description
2015 Regulations	<i>The Payment Card Interchange Fees Regulations 2015 (SI 2015/1911)</i>
acquirer (acquiring PSP)	<i>A payment service provider contracting with a payee to enable them to accept payment transactions made by means of any card, telecommunication, digital or IT device or software, and which result in a transfer of funds to the payee</i>
AFR	Annual funding requirement
allocation	The methodology whereby the PSR AFR to be recovered is allocated across regulated payment systems and IFR card payment systems
AmEx	<i>The American Express IFR card payment system</i>
Bacs	<i>The Bacs regulated payment system designated by HM Treasury under section 43 of FSBRA</i> (The regulated payment system which processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit.)
C&C (Cheque & Credit)	<i>The Cheque & Credit regulated payment system designated by HM Treasury under section 43 of FSBRA</i> (The regulated payment system in England, Scotland and Wales that processes cheques and other paper instruments. It is operated by Cheque and Credit Clearing Company Limited (C&CCCL).)
CA98	Competition Act 1998

Term or abbreviation	Description
calculation (fee calculation)	The methodology whereby the PSR AFR allocated to a specific regulated payment system or IFR card payment system is calculated for an individual fee-paying PSP (or card operator acting as such an acquirer or card issuer) (part of the 'indirect billing' approach)
card issuer (card-issuing PSP)	<i>A payment service provider contracting with a payer to enable the latter to initiate a payment transaction, made by means of any card, telecommunication, digital or IT device or software</i>
card payment system	<i>A regulated payment system that enables a holder of a payment card to effect a payment</i>
CHAPS (Clearing House Automated Payment System)	<i>The CHAPS regulated payment system designated by HM Treasury under section 43 of FSBRA</i> (The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's Real Time Gross Settlement (RTGS) system.)
collection (fee collection)	The methodology whereby the operators act as collection agents for the PSR fee (part of the 'indirect billing' approach)
CP15/26	<i>PSR regulatory fees 2015/16 – a document published in August 2015 at www.psr.org.uk/about-psr/how-psr-funded and http://fca.org.uk</i>
Diners Club	The Diners Club International IFR card payment system
direct access	<ul style="list-style-type: none"> <li data-bbox="627 1373 1321 1626"><i>a. Access to a regulated payment system to enable a payment service provider to provide services for the purposes of enabling the transfer of funds using the regulated payment system, as a result of arrangements made between that payment service provider and the operator (and other participants, as applicable)</i> <li data-bbox="627 1648 1321 1787"><i>b. Access to an IFR card payment system to enable a payment service provider to provide services for the purposes of enabling the transfer of funds under the rules of that IFR card payment system</i>

Term or abbreviation	Description
direct payment service provider (also referred to as a 'direct member' of a regulated payment system)	<p>a. Any person with direct access to a regulated payment system who provides services to consumers or businesses who are not participants in a regulated payment system, for the purposes of enabling the transfer of funds using that regulated payment system. For the purposes of FEES 9, direct payment service provider includes an acquirer and a card issuer, and does not include the Bank of England</p> <p>b. Any person with direct access to an IFR card payment system who acts as an acquirer or card issuer for the purposes of enabling the transfer of funds under the rules of that IFR card payment system</p>
FCA	Financial Conduct Authority
FEES 9	PSR fees rules included in the FCA Fees Manual (FEES) at FEES 9 (http://fshandbook.info/FS/html/FCA/FEES/9)
FPS (Faster Payments Scheme)	<p>The Faster Payments Scheme regulated payment system designated by the Treasury under section 43 of FSBRA</p> <p>(The regulated payment system that provides near real-time payments as well as standing orders.)</p>
FSBRA	Financial Services (Banking Reform) Act 2013
FSMA	Financial Services and Markets Act 2000
HMRC	His Majesty's Revenue & Customs
HMRC ruling	HMRC ruling dated 9 August 2015 to the PSR on VAT treatment of Payment Systems Regulator (PSR) fees
IFR (EU Interchange Fee Regulation)	Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, published in the Official Journal of the EU on 19 May 2015
IFR card payment system	A payment card scheme as defined in the IFR, being a single set of rules, practices, standards and/or implementation guidelines for the execution of card-based payment transactions and which is separated from any infrastructure or payment system that supports its operation, and includes any specific decision-making body, organisation or entity accountable for the functioning of the scheme

Term or abbreviation	Description
IFR transactions by acquirers operating in the United Kingdom	<p>All transactions subject to the IFR acquired by:</p> <ul style="list-style-type: none"> a. UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located in the United Kingdom, where the card issuer is located in the EEA; b. UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located outside the United Kingdom, where the card issuer is located in the EEA; and c. non-UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located in the United Kingdom, where the card issuer is located in the EEA
IFR transactions by card issuers operating in the United Kingdom	<p>All transactions subject to the IFR on cards issued by UK-based card issuers (or an operator acting as card issuer), where the acquirer is located in the EEA</p>
‘indirect billing’ approach	<p>The approach to raising PSR fees whereby PSR fees are levied on direct members of Bacs, CHAPS, C&C, FPS, LINK or NICC, and on acquiring and issuing PSPs that are members of Mastercard or Visa, and which is proposed to be used for acquiring and issuing PSPs (and in some cases on operators) in IFR card payment systems. PSR fees are collected on behalf of the FCA and PSR by operators acting as collection agents (fee collection methodology). The operators also issue invoices for the PSR fees determined for individual direct members using the fee calculation methodology</p>
interchange fees	<p>A fee paid for each transaction directly or indirectly (i.e. through a third party) between the issuer and the acquirer involved in a card-based payment transaction. The net compensation or other agreed remuneration is considered to be part of the interchange fee</p>
JCB	<p><i>The JCB International IFR card payment system</i></p>
LINK	<p><i>The LINK regulated payment system designated by HM Treasury under section 43 of FSBRA</i></p> <p>(The regulated payment system which enables end users to take cash out of their accounts (amongst other activities) using the network of ATMs in the UK.)</p>

Term or abbreviation	Description
Mastercard	<i>The Mastercard regulated payment system designated by the Treasury under section 43 of FSBRA and the Mastercard IFR card payment system</i>
NICC (Northern Ireland Cheque Clearing)	<i>The Northern Ireland Cheque Clearing regulated payment system designated by the Treasury under section 43 of FSBRA</i> <i>(The regulated payment system in Northern Ireland that processes cheques and other paper instruments. It is operated by Belfast Bankers' Clearing Company Ltd)</i>
'on us' transactions	<i>Transactions where the acquirer and card issuer are the same entity</i>
operator	<i>In relation to a payment system, any person with responsibility under a payment system for managing or operating it; and any reference to the operation of a payment system includes a reference to its management</i>
PAD (EU Payment Accounts Directive)	<i>Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, published in the Official Journal of the EU on 28 August 2014</i>
participants	<ul style="list-style-type: none"> <i>a. In relation to a regulated payment systems, any operator, payment service provider and infrastructure provider to a regulated payment system. See also s.42(2) FSBRA</i> <i>b. In relation to IFR card payment systems, any operator and payment system provider to that IFR payment card scheme</i>
payee	<i>A person who is the intended recipient of transferred funds</i>
payer	<i>A person who holds a payment account and allows instructions to be given to transfer funds from that payment account, or who gives instructions to transfer funds</i>

Term or abbreviation	Description
payment service provider (PSP)	<p><i>a. Any person with access to a regulated payment system who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that regulated payment system. For the purposes of FEES 9, the Bank of England is not considered a payment service provider</i></p> <p><i>b. Any person with access to an IFR card payment system who acts as an acquirer or card issuer for the purposes of enabling the transfer of funds under the rules of that IFR card payment system</i></p>
payment system	<p><i>A system which is operated by one or more persons in the course of business for the purpose of enabling persons to make transfers of funds, and includes a system which is designed to facilitate the transfer of funds using another payment system</i></p>
payment system allocation	<p><i>a. For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the allocation of PSR fees specified for that regulated payment system in column 2 of Table A of FEES 9 Annex 1R</i></p> <p><i>b. For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the annual allocation of PSR fees specified for that IFR card payment system in column 2 of Table C of FEES 9 Annex 1R</i></p>
payment system denominator	<p><i>a. For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the figure specified for that regulated payment system in column 6 of Table A and which is also the total transaction volumes for that regulated payment system undertaken by all relevant direct payment service providers in the relevant time period, prior to any adjustment resulting from the application of FEES 9.2.1AR</i></p> <p><i>b. For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the figure specified for that IFR card payment system in column 4 of Table B and column 6 of Table C of FEES 9 Annex 1R, and which is also the total transaction volumes for that IFR card payment system undertaken by all relevant acquirers, card issuers and operators acting as an acquirer or card issuer in the relevant time period, prior to any adjustment resulting from the application of FEES 9.2.1BAR</i></p>

Term or abbreviation	Description
payment transaction	<i>An action of transferring funds, initiated by the payer or on its behalf or by the payee, irrespective of any underlying obligations between the payer and the payee</i>
person	<i>(In accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a partnership)</i>
processing entity	<i>Any person providing payment transaction processing services, in terms of the actions required for the handling of a payment instruction between the acquirer and the card issuer in a card payment system or in an IFR card payment system</i>
PS15/25	<i>PSR regulatory fees 2015/16 – a document published in October 2015 at www.psr.org.uk/about-psr/how-psr-funded and www.fca.org.uk</i>
PSR	<i>The Payment Systems Regulator Limited, the body corporate established by the FCA under section 40(1) of FSBRA</i>
PSR fee (also referred to as PSR regulatory fee)	<i>The fee payable to the FCA by a direct payment service provider or by an acquirer, card issuer or operator of an IFR card payment system under FEES 9.2.1R</i>
regulated payment system	<i>Any payment systems designated by the Treasury in accordance with s.43 FSBRA. As of the date of publication this includes Bacs, C&C, CHAPS, FPS, LINK, NICC, MasterCard and Visa</i>
regulated person	<i>A person on whom an obligation, prohibition or restriction is imposed by any provision of the IFR, including participants in IFR card payment systems</i>
relevant time period	<ul style="list-style-type: none"> <i>a. For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the time period or date specified for that regulated payment system in column 4 of Table A</i> <i>b. For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the time period specified for that IFR card payment system in column 2 of Table B and column 4 of Table C of FEES 9 Annex 1R</i>
service-user	<i>Those who use, or are likely to use, services provided by payment systems</i>

Term or abbreviation	Description
transaction volumes	<p>a. For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the number of transfers of funds of the type specified in column 5 of Table A undertaken by a direct payment service provider in the relevant time period</p> <p>b. For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the number of transfers of funds of the type specified in column 1 of Table B and column 5 of Table C of FEES 9 Annex 1R undertaken by an acquirer, issuer or operator of an IFR card payment system acting as such an acquirer or card issuer in the relevant time period</p>
transactions by acquirers operating in the UK	<p>All transactions acquired by:</p> <p>a. UK-based acquirers (or an operator acting as such an acquirer) resulting in payments to merchants located in the United Kingdom</p> <p>b. UK-based acquirers (or an operator acting as such an acquirer) resulting in payments to merchants located outside the UK and</p> <p>c. non-UK-based acquirers (or an operator acting as such acquirer) resulting in payments to merchants located in the UK</p>
transactions by card issuers operating in the UK	All transactions on cards issued by UK-based card issuers (or an operator acting as such a card issuer)
(the) Treasury	His Majesty's Treasury
UPI	The Union Pay International IFR card payment system
Visa (Visa Europe)	<p>The Visa Europe regulated payment system designated by HM Treasury under section 43 of FSBRA and the Visa Europe IFR card payment system</p> <p>(The regulated payment system supporting payments made by cards and operated by Visa Europe and Visa UK Limited)</p>
working days	Any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom

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