

PSR regulatory fees 2016/17

Decision and further consultation on 2016/17 PSR regulatory fees for the funding of the PSR's FSBRA and IFR functions

In this consultation paper we report on the responses to our consultation paper CP15/44, *PSR regulatory fees 2016/17* (December 2015), and ask for responses to the consultation questions set out in this document. The deadline for responding is **5pm on Friday 13 May 2016**.

Please send any comments or enquiries to:
Payment Systems Regulator
Fees team
25 The North Colonnade
Canary Wharf
London E14 5HS
Email: PSRfees@psr.org.uk

We may publish all non-confidential responses to our consultation paper along with our final policy statement.

We will not regard a standard confidentiality statement in an email message as a request for non disclosure. Stakeholders who wish to claim commercial confidentiality over specific items in their response should identify those specific items which they claim to be commercially confidential by **highlighting them in yellow**.

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 in handling such a request. Any decision we make not to disclose a response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website: www.psr.org.uk

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- Annex 1** Fees instrument giving effect to our policy decision and making amendments to the PSR fees rules which take effect on 15 April 2016 (*FEES 9, FEES TP12, and FEES 9 Annex 1R*)
- Annex 2** Draft fees instrument with proposed amendments to the PSR fees rules (*FEES 1 and 9, FEES TP12, and FEES 9 Annex 1R*)
- Annex 3** List of non-confidential respondents

1. Overview

Introduction

- 1.1** This paper sets out decisions and proposals for consultation on how fees for the Payment Systems Regulator's (PSR's) functions under the Financial Services (Banking Reform) Act 2013 (FSBRA) and the EU Interchange Fee Regulation (IFR) for the financial year 2016/17 will be allocated, calculated and collected. It follows our consultation CP 15/44 *PSR regulatory fees 2016/17* (December 2015).¹ This paper also includes proposed fees rates for relevant market participants, and sets out how we propose to deal with the PSR's anticipated underspend against its year 2015/16 budget.
- 1.2** For convenience, when this document refers to 'we', this means the FCA and PSR jointly, although the final decision and fees rules are made by the FCA.
- 1.3** In December 2015, we consulted on our proposed approach for allocating, calculating and collecting the PSR's Annual Funding Requirement (AFR) for the year 2016/17.
- 1.4** We received a total of thirteen responses to our consultation, from operators of payment systems and payment service providers. Most respondents were supportive or did not object to our proposals.

FSBRA

- 1.5** For the PSR's FSBRA funding requirements, we proposed to continue with the same allocation methodology as for the year 2015/16: equal allocation across regulated pan-UK payment systems, with PSR fees calculated for individual fee-payers based on their relative transaction volumes within each system (or shareholdings in the case of NICC). We also proposed to continue to apply the same minimum thresholds as we did for the year 2015/16 for individual acquiring and card-issuing payment service providers (PSPs) in the regulated card payment systems, below which they would not be required to pay a fee in respect of that system in relation to our FSBRA functions and activities.
- 1.6** Most respondents to our December 2015 consultation supported our proposed approach for:
- allocating the PSR's FSBRA AFR for the year 2016/17
 - calculating and collecting PSR FSBRA fees
- 1.7** We have decided to fully implement the proposals for our fees for the funding of our FSBRA functions ('FSBRA fees') contained in our December 2015 consultation, subject to a small number of technical clarifications that respondents asked for.
- 1.8** In this paper we:
- give feedback on responses to the December 2015 consultation
 - set out our policy decisions on how fees for the PSR's functions under FSBRA for the year 2016/17 will be allocated, calculated and collected

¹ <https://www.psr.org.uk/psr-publications/consultations/cp-1544-psr-regulatory-fees-2016-2017>. Please refer to the Glossary contained in Annex 3 of that publication which also applies to this paper.

- consult on the fees levels for the funding of our FSBRA activities and functions

IFR

- 1.9** In our December 2015 consultation, we proposed to use a three-tier methodology to allocate the PSR's AFR for its IFR functions across the relevant card payment systems, while recognising the differences in scale of the UK presence of some of these systems. We considered this methodology to be simple, transparent and predictable. As with the FSBRA fees, we proposed that the IFR fees should be calculated for individual fee-payers based on their relative transaction volumes within each IFR card payment system and that the same minimum thresholds for individual acquiring and card-issuing PSPs should apply.
- 1.10** Most respondents also supported, or did not object to, the majority of our IFR proposals. However, two respondents requested different treatment for themselves. In light of the responses we received, we consider it appropriate to propose varying one element of our December 2015 IFR proposals, relating to liability for the payment of IFR fees when the operator of a card payment system also acts as an acquiring and/or card-issuing PSP.
- 1.11** In this paper we:
- give feedback on responses to the December 2015 consultation
 - set out our policy decision on how fees for the PSR's functions under IFR for the year 2016/17 will be allocated, calculated and collected (subject to the consultation point immediately below)
 - consult on an additional point on the payment of IFR card payment system fees by operators who are also acting as PSPs
 - consult on the fees levels for the funding of our IFR activities and functions

Other proposed changes to the PSR fees rules

- 1.12** In our December 2015 consultation, we proposed a number of other changes to the PSR fees rules to:
- deal with certain technical and clarificatory points that arose from our fees policy for the year 2015/16
 - align our FSBRA policy with our IFR proposals
- 1.13** Most respondents were supportive of these proposals, subject to a couple of clarificatory questions which we address in this paper.

Additional consultation point for both FSBRA and IFR

- 1.14** In addition, we are now also consulting on postponing the August and September payment deadlines by one month for both our FSBRA and IFR fees, to address concerns raised by some respondents about the time available to invoice and collect these fees over the summer.

Fees rules

- 1.15** The status of the fees rules for funding the PSR's activities and functions is presently as follows:
- (a) **FSBRA funding:** other than for points c. and d. below, these rules have been made and are contained in Annex 1.
 - (b) **IFR funding:** other than for points c. and d. below, these rules have not yet been made but we are not inviting further comments on them at this time (see paragraph 4.29), other than for points c. and d. which we are currently consulting on.
 - (c) **Summer payment dates for FSBRA and IFR funding:** we propose in this consultation to change these dates (see paragraphs 5.5-5.7). The dates contained in Annex 1 currently apply. Annex 2 contains the proposed fees rule change, on which we are consulting, and which would implement this postponement to the summer payment dates.
 - (d) **Payment of fees by card payment system operators who are also acting as PSPs:** we propose in this consultation to vary our original proposal. Annex 2 contains the proposed fees rule change, on which we are consulting and which would implement this proposal. This change would apply to operators of any card payment system (whether under FSBRA or IFR) to the extent that the operator is also acting as a PSP.
- 1.16** This consultation closes at **5pm on Friday 13 May 2016.**

Background

- 1.17** When money moves between individuals, businesses and government – for example, when buying goods and services, receiving income or paying taxes – the transfers of funds are made through payment systems. Payment systems in the UK handle around 20 billion transactions worth £75 trillion annually.
- 1.18** The PSR was incorporated on 1 April 2014 as an independent subsidiary of the Financial Conduct Authority (FCA), and became fully operational on 1 April 2015. As of that date, the PSR regulates payment systems operating in the UK designated by the Treasury, and has a range of regulatory powers under FSBRA, as well as concurrent competition powers under the Competition Act 1998 and the Enterprise Act 2002. The PSR has statutory objectives under FSBRA to promote competition, innovation and the interests of service-users.
- 1.19** Since 9 December 2015, the PSR also has functions under the EU Interchange Fee Regulations 2015 (IFR) pursuant to The Payment Card Interchange Fee Regulations 2015 (the 2015 Interchange Regulations).
- 1.20** The financial year 2016/17 is the annual financial year beginning 1 April 2016 and ending 31 March 2017. This paper includes a consultation on fees relating to the PSR's FSBRA and IFR functions, which are collected by the FCA to fund the PSR.
- 1.21** This document forms part of our annual cycle of fees consultations. The cycle for PSR fees for the year 2016/17 is set out in more detail in Chapter 2.
- 1.22** This document is structured as follows:
- **Chapter 1** is this overview

- **Chapter 2** explains the roles of the FCA and PSR in relation to PSR fees and sets out the fees timeline.
- **Chapter 3:**
 - summarises our December 2015 proposals for allocating the PSR's FSBRA AFR between regulated payment systems, and for calculating and collecting the fees for this, listing the relevant consultation questions we asked
 - summarises the responses to our December 2015 consultation
 - gives our feedback on those responses
 - sets out our decision on how we will allocate the PSR's FSBRA AFR and how we will calculate and collect the fees to fund our FSBRA functions and activities
 - sets out how we propose to deal with the PSR's anticipated year 2015/16 budget underspend
 - sets out our consultation on fees rates for funding our FSBRA activities and functions, enabling those who will be liable to pay PSR FSBRA fees for the year 2016/17 to calculate their individual fee liability
- **Chapter 4:**
 - summarises our December 2015 proposals for allocating the PSR's IFR AFR between IFR card payment systems, and for calculating and collecting the fees for this, listing the relevant consultation questions we asked
 - summarises the responses to our December 2015 consultation
 - gives our feedback on those responses
 - sets out our intended decision on the PSR's IFR AFR allocation methodology and on the fees calculation and collection methodologies, subject to the additional point being consulted on
 - sets out our proposed variation to our December 2015 proposal concerning the liability of operators to pay PSR fees where they are also acting as PSPs, and the related consultation questions
 - sets out our consultation on fees rates for funding our IFR activities and functions, enabling those who will be liable to pay PSR IFR fees for the year 2016/17 to calculate their individual liability
- **Chapter 5**
 - references the other amendments to the fees rules which cover funding of both our FSBRA and IFR activities and functions which we consulted on in December 2015
 - sets out our decision on those proposed amendments
 - consults on our proposal to delay the summer payment dates in relation to both FSBRA and IFR by one month
 - answers some general clarificatory questions raised by respondents
 - sets out our compatibility statement

- **Annex 1**
 - contains the fees instrument amending the fees rules, which reflect the FCA's policy decisions, and which comes into effect on 15 April 2016
- **Annex 2**
 - contains the draft fees instrument reflecting the points being consulted on in this document, as well as the rules relating to funding our IFR activities and functions which haven't yet been made

Who does this consultation affect?

- 1.23** This consultation will affect participants in regulated payment systems under FSBRA, IFR regulated persons and payment service providers (PSPs) which operate in the UK. This includes²:
- operators of the following regulated payment systems: Bacs, CHAPS, Cheque and Credit (C&C), Faster Payments Scheme (FPS), LINK, MasterCard, Northern Ireland Cheque Clearing (NICC) and Visa
 - PSPs which are direct members of one or more of the following regulated payment systems: Bacs, CHAPS, C&C, FPS, LINK and NICC
 - acquiring or card-issuing PSPs operating in the UK which are members of MasterCard or Visa (in respect of funding our FSBRA activities and functions).
 - acquiring or card-issuing PSPs operating in the UK which are members of card payment systems subject to the IFR, and the operators of such card payment systems
- 1.24** This consultation paper contains no material directly relevant to retail financial services consumers or consumer groups, although financial services consumers may pay for fees indirectly.

What do you need to do next?

- 1.25** Please consider our proposals and send us your comments on the questions in this consultation paper by **5pm on Friday 13 May 2016**. You can email us at PSRfees@psr.org.uk or write to us at the following address:

Payment Systems Regulator
Fees team
25 The North Colonnade
Canary Wharf
London E14 5HS

² The fees rules on liability for fees refer to 'direct payment service providers', which includes direct payment service providers (in the Bacs, CHAPS, C&C, FPS, LINK and NICC payment systems), and acquirers and card issuers (for MasterCard and Visa in respect of funding our FSBRA activities and functions and for all of the IFR card systems). We proposed in December 2015 that the fees rules be modified to also refer to operators of card payment systems (where they are liable to pay fees themselves).

2. The PSR's and FCA's roles and the 2016/17 PSR fees timeline

This chapter describes the respective roles of the PSR and FCA in relation to the 2016/17 PSR regulatory fees, and the fees timeline.

The fees process and the PSR's and FCA's roles

- 2.1** The FCA is responsible for funding the PSR for its functions and activities through the collection of fees. It may make rules requiring participants in regulated payment systems (in relation to FSBRA functions) and regulated persons (in relation to IFR functions) to pay to the FCA specified amounts, or amounts calculated in a specified way, to fund the PSR.³
- 2.2** The FCA works closely with the PSR on funding matters, and in particular in determining the policies for allocating, calculating and collecting PSR fees.
- 2.3** The PSR's AFR for the year 2016/17 is shown in Table 1.⁴

Table 1: PSR budget 2016/17 AFR

PSR annual funding requirement 2016/17	£ million
FSBRA 2016/17 budget	13.7
IFR 2016/17 budget	1.5
Total PSR AFR 2016/17	15.2

- 2.4** We use 'FSBRA AFR' and 'IFR AFR' as shorthand to refer to those portions of the overall PSR AFR which are currently earmarked to fund the PSR's FSBRA (and concurrent competition) and IFR functions and activities respectively. The PSR's AFR in relation to its FSBRA and IFR functions and activities will be recovered from participants in regulated payment systems (for FSBRA) and from regulated persons (for IFR). We set this out in more detail in Chapters 3 and 4.

³ See FSBRA Schedule 4, paragraph 9, as modified by the 2015 Interchange Regulations.

⁴ See the PSR's Annual Plan and Budget 2016/17 <https://www.psr.org.uk/psr-publications/annual-plans-and-reports/annual-plan-2016-17>.

Fees timeline

2.5 The FCA's usual fees cycle begins with a consultation paper published in November of each year. In the case of the PSR's fees for the year 2016/17, our first consultation was issued in December 2015, approximately six weeks after the FCA published its 2016/17 fees and levies policy proposals consultation.⁵ This discrepancy was due to our final policy statement for PSR regulatory fees 2015/16 only being published on 27 October 2015. This year we aim to have a similar end date to our consultation for PSR fees as the FCA will for its other fees, and to publish our final policy statement by the end of June 2016.

2.6 Our intended timeline is:

December 2015	Consultation paper CP15/44 on how we proposed to allocate the PSR's annual funding requirement for the year 2016/17 to fund its FSBRA and IFR functions and activities, and how we proposed to calculate and collect the PSR's regulatory fees.
March 2016	Fee tariff data collection: Operators of regulated payment systems and of relevant IFR card payment systems are asked to provide relevant data to the PSR.
April 2016	Consultation paper on proposed fees rates for individual fee-payers for the year 2016/17 (and any other items which need to be consulted on), together with feedback on the December 2015 consultation and the making of any rules which will come into effect from April 2016.
15 April 2016	Payment date for on-account invoices: Fee-payers whose 2015/16 PSR fees were £20,000 or more for their participation in any individual regulated payment system are required to make an advance 'on-account' payment to each of those operators in respect of their 2016/17 PSR FSBRA fees calculated as 30% of their 2015/16 PSR fees. Date as of which the Fees (Payment Systems Regulator) Instrument 2016 comes into effect (included as Annex 2 to this consultation paper).
June 2016	Policy statement finalising the periodic fees rates rules for the year 2016/17 and making any other rules.
July 2016	From July, the operators of regulated payment systems and IFR card systems invoice fee-payers.
August 2016/ September 2016 (subject to proposal to change, see paragraphs 5.5 – 5.7 below)	The PSR fees for the year 2016/17 are due (after deducting any on-account payments).

⁵ See CP15/34, Regulatory fees and levies: policy proposals for 2016/17 (November 2015): <http://www.fca.org.uk/news/cp15-34-regulatory-fees-and-levies-proposals-for-2016-17>.

3.

Policy on allocation, calculation and collection of the PSR's 2016/17 FSBRA AFR and consultation on fees rates

In this chapter we:

- summarise our December 2015 proposals on how we will allocate the PSR's FSBRA AFR between regulated payment systems, and how we will calculate and collect the fees for this, listing the relevant consultation questions we asked
- summarise the responses to our December 2015 consultation
- give our feedback on those responses
- set out our decision on how we will allocate the PSR's FSBRA AFR and how we will calculate and collect the fees to fund our FSBRA functions and activities
- set out how we propose to deal with the PSR's anticipated year 2015/16 budget underspend
- set out our consultation on fees rates for the funding of our FSBRA activities and functions, enabling those who will be liable to pay PSR FSBRA fees for the year 2016/17 to calculate their individual fee liability

Annex 1 contains the fees instrument amending the fees rules, which reflect the FCA's policy decision, and which take effect on 15 April 2016.

Annex 2 contains the draft fees instrument reflecting the points being consulted on in this document, as well as the rules relating to funding our IFR activities and functions which haven't yet been made.

Our consultation proposals and questions

Proposed approach for the allocation of the FSBRA AFR

- 3.1** In CP15/44, we proposed to raise PSR fees to fund our FSBRA functions and activities for the year 2016/17 by continuing with the same allocation, calculation and collection approach we adopted for 2015/16. This means we would allocate the PSR's FSBRA AFR equally across all the pan-UK payment systems the PSR regulates under FSBRA: Bacs, CHAPS, C&C, NICC, FPS, LINK, MasterCard, and Visa.
- 3.2** We also proposed to continue treating C&C and NICC as a single pan-UK cheque system for allocation purposes, as they are both cheque and credit clearing systems but operate in distinct, complementary geographic areas. The allocation between them was based on their respective transaction volumes.

- 3.3** This means each regulated pan-UK system will contribute 14.3% of the funding for the PSR's FSBRA functions. For the year 2016/17 this meant £1.96 million would be allocated to each system (compared to £4 million for the year 2015/16, which also included the PSR's set-up costs).
- 3.4** We explained in our consultation that we considered this approach to have the benefits of being proportionate, predictable and simple to administer. It is also consistent with the approach we adopted in year 2015/16 for PSR FSBRA fees. We also considered that equal allocation between regulated pan-UK payment systems is still appropriate as the PSR is still in the early stages of its operations; its work programme remains broad as it considers developments and deepens its understanding across the payments industry. Finally, an equal allocation approach is inexpensive to administer and so is consistent with the need to use our resources in an efficient and economical way.

Proposed approach for the calculation and collection of FSBRA fees

- 3.5** We proposed that, as was the case in 2015/16, the liability for paying the PSR's FSBRA AFR for each payment system should fall on their direct PSP members, based on their relative individual transaction volumes (or shareholdings in the case of NICC). For these purposes, direct PSP members are:
- i. PSPs which are direct PSP members of Bacs, CHAPS, C&C, FPS, LINK (and shareholders in NICC)
 - ii. acquiring and/or card-issuing PSPs operating in the UK that are members of MasterCard or Visa
- 3.6** We also proposed to use the same 'indirect billing' method for collecting the PSR's FSBRA fees for the year 2016/17 as we did in 2015/16. This means the operators of each regulated payment system would act as our collection agents in respect of their member PSPs (or shareholders for NICC), issuing invoices in accordance with our instructions (as set out in the fees rules). We considered that this approach remains appropriate for the collection of our fees in relation to FSBRA functions and activities.
- 3.7** This approach minimises the overall regulatory burden as far as possible, by ensuring that PSR regulatory fees paid by PSPs are outside the scope of VAT – and also do not trigger the need for additional regulatory reserves to be constituted and held by those payment systems which are recognised by the Bank of England under the Banking Act 2009.

Proposed fee calculation methodology for individual PSPs

- 3.8** In CP15/44 we proposed to continue with the approach to the fee calculation methodology we adopted for 2015/16. This means the fees payable by each relevant participant of a FSBRA regulated payment system would be calculated according to their relative individual transaction volumes in that system (or, for NICC, relative shareholdings in the NICC operator).
- 3.9** We also set out what specific transactions are to be taken into account for each regulated payment system.
- 3.10** We also proposed to continue applying the minimum transaction volume threshold for card systems as we did in the year 2015/16. This reflects the fact that the cost of collecting fees from some very small PSPs under the card systems may equal or even exceed the amount collected.
- 3.11** Under this minimum threshold, an acquirer or card issuer operating in the UK is not required to pay a PSR fee for a specific card system in the given year, and the UK transaction volumes that it realises in that specific card system are to be excluded from the total transaction volumes used for PSR FSBRA fee calculation purposes, if:
- i. it has acquired and issued fewer than 100,000 relevant UK transactions in the relevant time period in any card system, or

- ii. the PSR fee it would normally pay, as calculated according to the fees rules, would be less than £50 for the current fee year for a specific card system if the minimum transaction volume threshold was not applied

List of relevant December 2015 consultation questions

Q1: Do you agree with our proposal to use the same AFR allocation methodology across regulated payment systems in relation to FSBRA functions and activities in 2016/17 as we did in 2015/16?

Q2: Do you agree with our proposal to continue to use the indirect billing method for collecting PSR fees in relation to FSBRA functions and activities in 2016/17?

Q3: Do you agree with our proposal to use the same fee calculation methodology relating to FSBRA functions and activities for the year 2016/17 as we did for the year 2015/16?

Q4:

(a) Do you agree with our proposal to apply the same criteria as we did in the year 2015/16 to determine which acquiring and card-issuing PSPs must pay PSR FSBRA fees?

(b) Do you agree with our proposal to apply a minimum transaction volume threshold for card issuers and acquirers in regulated card payment systems in 2016/17?

(c) Do you agree with our proposal to apply the minimum threshold for regulated card payment systems only, as we did in 2015/16?

Summary of responses

3.12 Most respondents to our December 2015 consultation supported our proposed approaches for allocating the PSR's FSBRA AFR for the year 2016/17 and for calculating and collecting PSR FSBRA fees. Only one respondent objected to our allocation methodology, while another respondent asked for clarification about a proposed change to our calculation methodology. We summarise these respondents' views below.

Activity-based costing methodology

3.13 The respondent who objected to the allocation methodology disagreed with our proposal to allocate our FSBRA AFR equally across the payment systems. It suggested instead adopting a PSR 'activity-based costing methodology', suggesting that the PSR 'is no longer in set-up phase'. This respondent proposed that this methodology could, for example, be calculated using an analysis of the PSR's forward work programme, and did not need to present an unnecessary administrative burden. It also said that, in respect of the FSBRA AFR, it did not believe that card systems should disproportionately bear the cost of the PSR's activity in relation to interbank payment systems.

Fee calculation methodology

- 3.14** Another respondent asked us to clarify why we proposed to change one element of the calculation methodology relating to the transactions to be taken into account in the total transaction volumes (the 'Payment system denominator' in FEES 9 Annex 1R, Table A, column 6). Under the December 2015 proposal this would include both transactions initiated and transactions received (or the equivalent) for all regulated payment systems.⁶ We provide this clarification at paragraph 3.19.
- 3.15** A number of respondents encouraged the PSR to keep the matters in our proposals under review.

Our response and policy decision

Activity-based costing methodology

- 3.16** We do not consider that this would be a more appropriate methodology than equal allocation. As we explained in paragraph 3.4, the PSR is still in the early stages of its operations and so has a broad focus across all of the regulated payment systems. More generally, we consider that all payment systems (and their participants) benefit from our activities, our programme of work and our regulatory/competition interventions.
- 3.17** While the PSR's work is directed by its forward work programme, this does not create an absolute boundary for the PSR's activities. We must remain flexible and agile in order to be able to deal with issues that might arise at any time. Therefore, it would be inappropriate to allocate the PSR's AFR on the basis of a static work programme which, by its nature, cannot fully reflect the PSR's workload during the full course of any year.
- 3.18** The regulated card payment systems are also subject to FSBRA and therefore the PSR's activity under FSBRA. The PSR's work related to the IFR is distinct from its other work and will be funded separately (see Chapter 4).

Fee calculation methodology

- 3.19** As we set out in paragraph 5.10 of our December 2015 consultation, the fee calculation methodologies applicable to C&C, LINK, MasterCard and Visa have already taken into account both transactions initiated and transactions received (or issued and acquired transactions). Our proposal to specify this also for Bacs, CHAPS and FPS was intended to ensure a consistent calculation methodology across all regulated payment systems. We consider that consistency is desirable as a general rule. One respondent made us aware that some of its PSR fee-paying members would pay more, and others less, as a result of the proposed change to the calculation methodology. We do not consider this consequence to be an appropriate reason not to adopt a consistent methodology across the regulated payment systems; in fact, we consider our proposed approach to be fairer for all fee payers.

Policy decision⁷

- 3.20** Taking account of the consultation responses received, we have decided to fully implement the proposals for funding the PSR's FSBRA functions and activities, as set out in our December 2015 consultation, without amendment. We describe the calculation methodology for determining fees rates for funding our FSBRA activities and functions in the next section of this chapter.
- 3.21** We will continue to keep the appropriateness of our approach under review in future years.

⁶ By way of proposed amendment to Table A of Fees 9 Annex 1R (column 5)

⁷ See also paragraphs 4.30-4.43 below where we are consulting on fee liability where the operator is also acting as a PSP.

How we propose to handle the anticipated 2015/16 underspend

- 3.22** We currently anticipate an underspend for the year 2015/16, compared to the PSR's budget and resulting collection of fees. We consider that if there is a significant underspend, it could be appropriate to return some money to relevant fee-payers, as some of their fees will not have been used. We therefore propose that in this situation we would give those PSPs who contributed to the PSR's 2015/16 FSBRA AFR a 'refund'.
- 3.23** We would do this in accordance with the PSR fees rules, which provide for the possibility of reducing a PSP's fee, or refunding a fee, where to do otherwise *'in the exceptional circumstances of a particular case [...] would be inequitable'*. As 2015/16 was the PSR's first year of operation, it was naturally difficult to accurately predict its anticipated costs for the year. We consider that this may constitute 'exceptional circumstances' within the meaning of the PSR fees rules, and so a refund to 2015/16 fee payers could be appropriate.
- 3.24** During the consultation period, we will consider how much we would return to any individual PSP who paid fees in 2015/16. To be eligible for a refund, an individual PSP would have to have paid fees to a specific operator in 2015/16, and be liable to pay 2016/17 FSBRA fees to that same operator. Our intention is to reflect any refund by reducing correspondingly the individual 2016/17 fees due from PSPs, as set out in the invoices issued by operators in accordance with the timeline set out at 2.6 above. Any 2015/16 fees refund would therefore be automatically 'netted off' against 2016/17 FSBRA fees due by an individual PSP to a specific operator. We consider that this approach would be the most appropriate, transparent and practicable way of treating this anticipated underspend. We think combining the handling of any 2015/16 refund with the invoicing and collection of 2016/17 fees (which enables the 'netting off' of the refund) would also be the most efficient way to proceed operationally for the PSR, for operators and for fee-paying PSPs.
- 3.25** Where a PSP has paid 2015/16 fees to an operator of a regulated payment system, but is not liable to pay any 2016/17 FSBRA fees to that same operator, it would not benefit from the 'automatic' refund process described above. Instead, it would need to apply to us individually under FEES 9.2.9G.
- 3.26** PSPs can still calculate their 2016/17 FSBRA fees as they would normally do (see paragraphs 3.29 to 3.31). However, any PSP which also paid a PSR fee to a regulated payment system operator in 2015/16 should note that it may receive a partial refund on that 2015/16 fee. This would be reflected in an operator's invoice as a reduction to that PSP's 2016/17 FSBRA fee for that system. We propose that any such refund would be proportional to each PSP's contribution in 2015/16 (and therefore proportional to its 2014 transaction volumes or, in the case of NICC, shareholdings in the operator). Any final decision on refunds will be included in our policy statement setting out the final fees rules for the fee year 2016/17.
- 3.27** This would not affect any PSP who did not pay PSR fees in 2015/16.
- 3.28** The PSR's FSBRA and total budgets and AFRs for 2016/17 are unaffected. As the 2015/16 underspend relates only to fees collected for FSBRA activities and functions, it does not affect the IFR budget or AFR for year 2016/17.

3.29 **Table 2: 2016/17 FSBRA payment system allocation**

Regulated payment system	Proportion	Payment system allocation of FSBRA AFR of £13.7 million
Bacs	1/7 = 14.3%	£1,957,150
CHAPS	1/7 = 14.3%	£1,957,150
FPS	1/7 = 14.3%	£1,957,150
LINK	1/7 = 14.3%	£1,957,150
MasterCard	1/7 = 14.3%	£1,957,150
Visa Europe	1/7 = 14.3%	£1,957,150
Cheques (*)	1/7 = 14.3%	£1,957,150
C&C (*)	97.2% of cheques	£1,901,750
NICC (*)	2.8% of cheques	£55,400

(*) The split between C&C and NICC is based on their respective 2015 transaction volumes.

Consultation on calculation of fee rates for funding our FSBRA activities and functions for the year 2016/17

- 3.30** We describe below the calculation methodology for determining the PSR FSBRA fees payable by individual direct PSPs for each regulated payment system. This calculation methodology is also set out in the fees rules, in particular the amendments to the fees rules (FEES 9, included at Annex 1) which will come into effect from 15 April 2016. The calculation methodology reflects the change in definition of relevant transactions for Bacs, CHAPS and FPS on transactions initiated and received (see Chapter 5 for relevant clarifications). The relevant time periods/dates are those to be taken into account when calculating the PSR fees applicable for the fee year 2016/17 to individual direct PSP members.
- 3.31** It should be noted that under section 42(8) FSBRA, the Bank of England is not a participant within the meaning of section 42 FSBRA, and accordingly there is no liability for PSR fees on the Bank of England. This also means that when considering transaction volumes (numbers of transfers of funds), volumes attributed to the Bank of England are not to be taken into account.
- 3.32** To enable individual fee-payers to calculate their 2016/17 PSR fee rates for the funding of our FSBRA functions, we have set out below the calculation methodologies for each regulated payment system for the year 2016/17. The payment system allocations and payment system denominators for each regulated payment system for the year 2016/17 are set out in Table A of FEES 9 Annex 1R, included as Annex 2 to this consultation. Direct PSP members can calculate their 2016/17 PSR FSBRA fee rates by using their own transaction volumes (or, for NICC, shareholdings in the operator), as follows:
- (a) **Bacs:** The PSR fee to be recovered from individual direct PSP members of the Bacs payment system is calculated proportionally to the transaction volumes processed on behalf of that direct PSP through Bacs during the relevant time period. The 2016/17 relevant time period for transaction volumes processed through the Bacs regulated payment system is between 1 January and 31 December 2015. Transactions include both the initiation of the transfer of funds, and the receiving of transferred funds. For these purposes, the direct PSP members are listed at <http://www.bacs.co.uk/Bacs/Corporate/CorporateOverview/Pages/OurMembers.aspx>, excluding the Bank of England.

- (b) **C&C:** The PSR fee to be recovered from individual direct PSP members of the C&C payment system is calculated proportionally to the transaction volumes processed on behalf of that direct PSP member through C&C during the relevant time period. The 2016/17 relevant time period for transaction volumes processed through the C&C regulated payment system is between 1 June and 31 December 2015. Transaction volumes include cleared transaction volumes 'in clearing' and 'out clearing' for GBP, USD and EUR. For these purposes, the direct PSP members are listed at http://www.chequeandcredit.co.uk/about_us_and_our_members/our_members/, excluding the Bank of England.
- (c) **CHAPS:** The PSR fee to be recovered from individual direct PSP members of the CHAPS payment system is calculated proportionally to the transaction volumes processed on behalf of that direct PSP member through CHAPS during the relevant time period. The 2016/17 relevant time period for transaction volumes processed through the CHAPS regulated payment system is between 1 January and 31 December 2015. Transaction volumes include CHAPS' internal MT103 and MT202 categories of transfers of funds. Transactions include both the initiation of the transfer of funds, and the receiving of the transferred funds. For these purposes, the direct PSP members are the direct participants listed at <http://www.chapsco.co.uk/participation/currentparticipants/>, excluding the Bank of England.
- (d) **FPS:** The PSR fee to be recovered from individual direct PSP members of the FPS payment system is calculated proportionally to the transaction volumes processed on behalf of that direct PSP member through FPS during the relevant time period. The 2016/17 relevant time period for transaction volumes processed through the FPS regulated payment system is between 1 January and 31 December 2015. Transactions include both the initiation of the transfer of funds, and the receiving of the transferred funds. For these purposes, the direct PSP members are listed at <http://www.fasterpayments.org.uk/membership/access-options/direct-membership/currentmembers>.
- (e) **LINK:** The PSR fee to be recovered from individual direct PSP members of the LINK payment system is calculated proportionally to the transaction volumes issued and acquired on behalf of that direct PSP member through LINK during the relevant time period. The 2016/17 relevant time period for transaction volumes issued and acquired through the LINK regulated payment system is between 1 January and 31 December 2015. Transaction volumes include all transactions issued and acquired through the LINK regulated payment system (including GBP cash withdrawals, foreign currency dispenses, balance enquiries, PIN management, charity donations, non-cash transactions and mobile payment transactions), excluding 'on us' cash withdrawals (which do not get processed through the LINK regulated payment system). Both acquired and issued transactions are included. For these purposes, the direct PSP members are listed at <http://www.link.co.uk/AboutLINK/Pages/Members.aspx>.
- (f) **MasterCard:** The PSR fee to be recovered from individual acquirers and card issuers operating in the UK that are direct PSP members or licensees of the MasterCard payment system is calculated proportionally to the transaction volumes issued and acquired on behalf of that acquirer or card issuer (or by the operator acting as such an acquirer or card issuer) under the MasterCard system in the UK during the relevant time period. The 2016/17 relevant time period for transaction volumes issued and acquired under the MasterCard regulated payment system in the UK is between 1 January and 31 December 2015.

This includes all transactions by acquirers or card issuers operating in the UK under the MasterCard regulated payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards (such as buying foreign currency at a bureau de change or getting cashback when buying groceries at a supermarket), but excluding cash-only withdrawals (such as from ATMs or over the counter). All MasterCard-branded transactions are included irrespective of the processing entity (MasterCard itself, a third party processing entity or 'on us' transactions). For these purposes, 'transactions by acquirers and card issuers operating in the UK' means:

- On the acquiring side:
 - all transactions acquired by UK-based acquirers resulting in payments to merchants located in the UK
 - all transactions acquired by UK-based acquirers resulting in payments to merchants located outside the UK
 - all transactions acquired by non-UK-based acquirers resulting in payments to merchants located in the UK
- On the issuing side: all transactions on cards issued by UK-based card issuers

A minimum transaction volume threshold is applied whereby an acquirer or card issuer operating in the UK is not required to pay a PSR fee in the given year, and the UK transaction volumes that they realise are to be excluded from the total MasterCard transaction volumes used for fee calculation purposes, if (i) it has acquired and issued less than 100,000 relevant UK transactions in the relevant time period, or (ii) the PSR fee it would normally pay, as calculated according to the fees rules, would be less than £50 for the current fee year if the minimum transaction volume threshold was not applied.

- (g) **NICC:** The PSR fee to be recovered from individual direct PSP members of the NICC payment system is calculated proportionally to their shareholding in the operator of the NICC regulated payment system (Belfast Bankers' Clearing Company Ltd) during the relevant time period. For the NICC regulated payment system, this is defined as relevant shareholdings as of 31 December 2015. The direct PSP members are Northern Bank Ltd t/a Danske Bank, AIB Group (UK) plc t/a First Trust, Bank of Ireland (UK) Ltd and Ulster Bank Ltd.
- (h) **Visa Europe:** The PSR fee to be recovered from individual acquirers and card issuers operating in the UK that are direct PSP members or licensees of the Visa payment system is calculated proportionally to the transaction volumes issued and acquired on behalf of that acquirer or card issuer (or by the operator acting as such an acquirer or card issuer) under the Visa system in the UK during the relevant time period. The 2016/17 relevant time period for transaction volumes issued and acquired under the Visa regulated payment system in the UK is between 1 January and 31 December 2015.

This includes all transactions by acquirers and card issuers operating in the UK under the Visa regulated payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards (such as buying foreign currency at a bureau de change or getting cashback when buying groceries at a supermarket), but excluding cash-only withdrawals (such as from ATMs or over the counter). All Visa-branded transactions are included irrespective of the processing entity (Visa itself, a third party processing entity or 'on us' transactions). For these purposes, 'transactions by acquirers and card issuers operating in the UK' means:

- On the acquiring side:
 - all transactions acquired by UK-based acquirers resulting in payments to merchants located in the UK
 - all transactions acquired by UK-based acquirers resulting in payments to merchants located outside the UK
 - all transactions acquired by non-UK-based acquirers resulting in payments to merchants located in the UK
- On the issuing side: all transactions on cards issued by UK-based card issuers

A minimum transaction volume threshold is applied whereby an acquirer or card issuer operating in the UK is not required to pay a PSR fee in the given year, and the UK transaction volumes that they realise are to be excluded from the total Visa transaction volumes used for fee calculation purposes, if (i) it has acquired and issued less than 100,000 relevant UK transactions in the relevant time period, or (ii) the PSR fee it would normally pay, as calculated according to the fees rules, would be less than £50 for the current fee year if the minimum transaction volume threshold was not applied.

Consultation questions

- Q1: Do you have any comments on our proposed handling of the anticipated 2015/16 budget underspend? In particular, do you have any comments on (i) our proposed timing and the setting out of the 2016/17 FSBRA fee and any 2015/16 FSBRA fee refund in a single invoice; or (ii) our proposal that only PSPs who paid fees in 2015/16 and are liable to pay 2016/17 FSBRA fees are eligible for an 'automatic' refund? If so please set out your reasons.**
- Q2: Do you have any comments on the fees levels resulting from the decision for funding the PSR's FSBRA functions and activities for 2016/17, in accordance with the fees rules?**

(Note: the fees rules are set out in Annexes 1 (which contains the fees rules made by the FCA coming into effect from 15 April 2016) and 2 (which contains the draft fees rules setting out Table A of FEES 9 Annex 1R used for the calculation of fees rates))

4.

Policy on allocation, calculation and collection of the PSR's 2016/17 IFR AFR and further consultation

In this chapter we:

- summarise our December 2015 proposals on how we will allocate the PSR's IFR AFR between IFR card payment systems, and how we will calculate and collect the fees for this, listing the relevant consultation questions we asked
- summarise the responses to our December 2015 consultation
- give our feedback on those responses
- set out our intended decision on the PSR's IFR AFR allocation methodology and on the fees calculation and collection methodologies, subject to the additional point being consulted on
- set out our proposed variation to our December 2015 proposal concerning the liability of operators to pay PSR fees where they are also acting as PSPs, and the related consultation question[s]
- set out our consultation on fees rates for funding our IFR activities and functions, enabling those who will be liable to pay PSR IFR fees for the year 2016/17 to calculate their individual liability

Annex 1 contains the fees instrument amending the fees rules, which reflect the FCA's policy decision, and which take effect on 15 April 2016.

Annex 2 contains the draft fees instrument reflecting the points being consulted on in this document, as well as the rules relating to funding our IFR activities and functions which haven't yet been made.

Our consultation proposals

Proposed allocation of the IFR AFR

- 4.1** The 2015 Interchange Regulations give the FCA the ability to raise fees in relation to the funding of the PSR's IFR functions.
- 4.2** In our December 2015 consultation, we proposed to allocate the IFR AFR across all the card payment systems which operate in the UK and which are subject to the IFR (with some exceptions as set out below). We considered that this was appropriate and fair, as all of these card payment systems will be subject to the PSR's monitoring and enforcement activities under the IFR.

- 4.3** We considered an equal allocation methodology, as per our FSBRA proposals. If we allocated our funding requirement for our IFR activity equally across the six card payment systems currently operating in the UK, they would each contribute 16.7% towards the PSR's IFR AFR. This would amount to approximately £250,000 each. Given some of the significant differences in the current UK presence of the different IFR card systems, we did not think that it would be appropriate or proportionate to treat all card payment systems identically.
- 4.4** Therefore, we proposed to allocate the PSR's IFR AFR across the relevant IFR card payment systems using a three-tier methodology which recognises the significant differences in scale of the different systems' current UK presence. Under our proposed three-tier approach:
- IFR card payment systems with more than 10 million UK transactions (American Express (AmEx), MasterCard and Visa) would be allocated an equal share of our IFR AFR, amounting to approximately £497,500 each in 2016/17
 - IFR card payment systems with more than 100,000 and less than 10 million UK transactions (Diners Club International (Diners Club)) would be allocated a flat fee amounting to 0.5% of the overall IFR AFR, or £7,500 in 2016/17.
 - IFR card payment systems with less than 100,000 UK transactions (JCB and Union Pay International (UPI)) would have no payment system allocation, and would therefore pay no PSR fees
- 4.5** This approach ensures that IFR card payment systems operating in the UK contribute appropriately to the funding of the PSR's IFR functions and activities, while taking the significant disparities in their current UK presence into account.

Proposed approach for the calculation and collection of IFR fees

- 4.6** We proposed to follow the same approach as for the regulated card payment systems under FSBRA, namely to levy PSR fees on acquiring and card-issuing PSPs operating in the UK which are direct PSP members or licensees of IFR card payment systems operating in the UK. For any card payment system where the operator also acts as such acquiring or card-issuing PSP, liability for paying fees would fall on the operator itself in relation to its acquiring and card-issuing activities.
- 4.7** We considered that the 'indirect billing' method used in relation to funding the PSR's FSBRA functions and activities would also be appropriate for collecting its IFR fees. Therefore we proposed to use it for PSR fees in relation to the IFR for the year 2016/17, to ensure that these fees are outside the scope of VAT.
- 4.8** Finally we considered that the same minimum transaction volume level thresholds (100,000 or £50)⁸ should apply to our IFR fees as this is potentially relevant for all card systems. We did not see any clear rationale for applying a different minimum threshold for PSPs in relation to the IFR compared to FSBRA.
- 4.9** It is possible that in any given fee year, for the smaller IFR card payment systems (in particular those that would only be subject to a PSR flat fee), no individual acquiring or card-issuing PSP would be above the minimum thresholds. We proposed that in such a situation (where all of its acquiring and card-issuing PSPs are below one or both of the minimum thresholds), the operator of that IFR card payment system would pay the PSR fee allocated to its system itself. This will ensure that all IFR card payment systems which are not fee-exempt make a contribution to the funding of the PSR's IFR monitoring and enforcement activities, which we think is appropriate.

⁸ See paragraph 3.10 above.

List of relevant December 2015 consultation questions

- Q5:** Do you agree with our three-tier approach to allocating the PSR's IFR AFR, as follows:
- (a) Equal allocation of IFR fees across those IFR card payment systems with more than 10 million relevant UK transactions?
 - (b) A flat fee contribution of 0.5% of the total IFR AFR for IFR card payment systems with between 100,000 and 10 million relevant UK transactions (which amounts to £7,500 in 2016/17)?
 - (c) IFR card payment systems with less than 100,000 relevant transactions should be exempted from PSR fees in 2016/17?
- Q6:** Do you agree with our proposal to use the indirect billing method for collecting IFR fees, except where we propose to invoice operators directly?
- Q7:** Do you agree with our proposal to use the same fee calculation methodology relating to the funding of IFR functions and activities in 2016/17 as we propose to use for PSR FSBRA fees, adapted to capture also operators acting as acquiring and/or card-issuing PSPs?
- Q8:** Do you agree with our proposal to apply the same minimum threshold for IFR card payment systems (relating to which PSPs are liable to pay PSR fees) for the funding of IFR functions and activities in 2016/17 as we propose to continue to apply for PSR FSBRA fees?
- Q9:** Do you agree with our proposed approach that where all of the acquiring and card-issuing PSPs in an IFR card payment system are below the minimum threshold, any PSR fee which is due will be paid by the operator?

Summary of responses

- 4.10** Most respondents supported, or did not object to, the majority of our proposals. However two respondents, AmEx and Diners Club, requested different treatment for themselves.

Tiering

- 4.11** Diners Club argued that it would be more appropriately placed in the bottom tier in the context of our three tier proposal.
- 4.12** AmEx expressed concern that our IFR allocation proposal affects it disproportionately. AmEx did not consider it appropriate that it should be placed in the top of our three tiers, primarily because it considered its volumes of transactions to be significantly lower than those of the other two IFR card payment systems in the top tier. It asked to be placed in a new, separate tier on its own between the proposed first and second tiers. It also suggested using a volume-based-only metric to calculate its allocation to better reflect its market position. Finally, AmEx considered that only transactions subject to IFR interchange fee caps should be counted in the volumes considered under our allocation methodology.

Acquiring and issuing activity falling within the scope of the IFR fee calculation methodology

- 4.13** One respondent asked us to confirm if their understanding of acquiring and issuing activity falling within scope of the calculation methodology was accurate. For ease we set out in *Our response and policy decision section (paragraphs 4.27-4.28)* below both their query and our response.

Payment of IFR card payment system fees by operators also acting as PSPs

- 4.14** We also received representations from AmEx concerning two closely linked aspects: it considered that as an operator which also acts as a PSP, it wanted the option to pay the PSR fee itself and for that reason it did not consider it necessary for its relevant total system volumes (the 'payment system denominator' in column 6 of Table C in FEES 9 Annex 1R) to be published. Under our indirect billing approach, such an operator would invoice its direct PSP members for their respective proportions of the total system volumes on our behalf, and the operator would pay a fee only in respect of its own volumes where it acts as a card issuer and/or acquirer within its own system. We address this below in paragraphs 4.30-4.43.

Our response and policy decision

- 4.15** We set out our reasons in paragraphs 4.17-4.26 as to why we think the tier structure on which we consulted is appropriate.
- 4.16** However, we consider the points raised around the specificity of operators also acting as PSPs and the possible effect of publishing total system volumes for some card payment systems needs to be considered further. Consequently, as set out below, we are proposing changes to our calculation and collection method as regards the payment of PSR fees by IFR card payment system operators who are also acting as PSPs (see paragraphs 4.30-4.43). Following the outcome of this consultation, we will implement the policy decisions for funding our IFR activities and functions.

Tiering

Regarding Diners Club's response

- 4.17** Based on the ranges of the volumes of transactions of IFR card systems in the UK, we consider that the tiers we proposed best achieve a pragmatic, fair and proportionate solution. Our decision is to implement the approach set out in our December 2015 consultation and we set out our reasons below:
- (a) As we explained in our December 2015 consultation at paragraph 4.20, we considered it appropriate to apply an exemption from making any contribution towards the IFR AFR only for those card systems with fewer than 100,000 UK transactions. This is the same threshold which we applied in the year 2015/16 to individual acquiring and card-issuing PSP members of MasterCard and Visa under FSBRA, and which we proposed to apply in the year 2016/17 to individual acquiring and card-issuing PSPs under both FSBRA and IFR.
 - (b) At this time it would not be appropriate to place Diners Club in the bottom, 'small-size' card system tier. We consider that placing Diners Club in the bottom tier would misrepresent its current presence in the UK as well as the PSR's role in respect of IFR in relation to Diners Club. Unlike in the case of IFR card systems, or individual PSPs, with fewer than 100,000 UK transactions, we do not think Diners Club's UK presence is of such a small size that it should not be required to make a reasonable contribution towards our IFR AFR.

- (c) More generally, any proposed change to the fee allocations for each system and to the tier boundaries would be consulted upon, as part of our annual fees consultation, on which any relevant party would have the opportunity to comment.

Regarding AmEx's response

- 4.18** We have considered AmEx's comments both in terms of which tier AmEx should sit in, and whether an additional tier should be created for it between the top two tiers we proposed.
- 4.19** We set out our proposed approach to allocating our IFR AFR in our December 2015 consultation. In that consultation, we explained that allocating IFR AFR using a transaction volumes or values approach *'would not achieve an adequate balance between ensuring that all card payment systems operating in the UK make an appropriate contribution to funding our IFR activities while keeping contributions fair and proportionate'*. We also considered a weighted transaction volume and values approach, but concluded that setting appropriate weightings could be complex. In deciding how to allocate IFR card systems to tiers, we have taken account of the differences between them in relation to the relevant transaction volumes, as well as values. We also recognise that it would not be appropriate to apportion fees directly in proportion to any specified weighted transaction volume and values metric for the reasons we set out in our December consultation (see paragraph 4.12 of that consultation).
- 4.20** For these reasons we consider that our starting point of equal allocation across the IFR card systems, adapted where this is required to ensure our fee is proportionate in light of the significant disparities in current UK presence of the different card IFR systems, remains appropriate.
- 4.21** With that in mind, we do not consider it appropriate or necessary at this time to create an additional tier for card systems between the top two tiers as our starting point is equal allocation, subject to exceptions only where a system has only modest or very limited UK presence.
- 4.22** We consider that placing the IFR card payment systems in the three tiers we proposed best reflects the difference between those systems with a large number of relevant UK transactions (in the top tier), the one system currently with a modest number of UK transactions (in the middle tier) and those with very little UK presence (in the bottom tier).
- 4.23** As noted above, in considering in which tier to place an IFR card system, we have taken into account their relevant UK transaction volumes, but we have also been mindful of respective UK transaction values, given that volume is only one of the metrics for size, and each of the IFR card payment systems has a different profile in terms of its overall transaction volumes and values. We consider that, taking all of the relevant information into account, it is appropriate for AmEx to be in the top tier even if it has a smaller volume of UK transactions than MasterCard and Visa.
- 4.24** We acknowledge that regulatory costs are a burden for the businesses on whom they fall but this is a necessary consequence of regulation and we remain of the view that the apportionment of this burden under our three-tier approach is fair and proportionate. We have also considered the implied cost per transaction of the IFR AFR allocated to AmEx. As stated in our December 2015 consultation with respect to Diners Club⁹, we consider that the implied cost per transaction of our proposal for AmEx is not out of line with the range of implied cost per transaction for the PSR's 2015/16 FSBRA funding requirement.
- 4.25** We do not consider that AmEx's position that only issued transactions subject to IFR interchange caps should be counted in the volumes considered under our three-tier allocation methodology. The IFR places requirements on both issuers and acquirers (and on card payment operators acting as such) and the PSR is responsible for monitoring and enforcing compliance by regulated persons with all obligations, prohibitions and restrictions imposed on them by the IFR.

⁹ See paragraph 4.30 of CP 15/44,

4.26 Irrespective of the scope of Chapter II of the IFR (which sets out the interchange fee caps), Chapter III sets out a number of important provisions relating to business rules which apply variously to schemes (operators), issuers and acquirers. Therefore AmEx, acting as an operator, issuer and/or acquirer, as well as its licensee issuers, will be regulated persons bound by some or all of these provisions. AmEx's proposed approach of focusing on only the IFR interchange fee caps in effect overlooks all of the other requirements that apply to IFR card payment systems, including AmEx. We therefore do not consider that its proposed approach is appropriate.

Acquiring and issuing activity falling within the scope of the IFR fee calculation methodology

4.27 One respondent asked us to confirm whether their understanding of acquiring and issuing activity falling within scope of the calculation methodology was accurate. We set out below our confirmations next to the text taken from the fees rules that the transactions described below fall within the scope of IFR fee calculation.

(a) On the acquiring side:

- i. *'any transactions acquired by UK-based acquirers (or by an operator acting such as an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA'* – we can confirm that this includes transactions involving UK-based acquirers, UK merchants and cards issued anywhere in the EEA (including the UK).
- ii. *'any transactions acquired by UK-based acquirers (or by an operator acting as such an acquirer) resulting in payments to merchants located outside the UK, where the card issuer is located in the EEA'* – we can confirm that this includes transactions involving UK-based acquirers, merchants located anywhere outside the UK (whether elsewhere in the EEA or outside the EEA) and cards issued anywhere in the EEA (including the UK). We recognise that in practice, where transactions are on EEA-issued cards and UK-acquirers, the merchants involved are likely to be located in the EEA (including the UK), as opposed to outside the EEA.
- iii. *'any transactions acquired by EEA-based acquirers (based outside the UK) (or by such an operator acting as an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA'* – we can confirm that this includes transactions involving EEA-based acquirers (who are not based in the UK), UK merchants and cards issued anywhere in the EEA (including the UK).

(b) On the issuing side: *'any transactions on cards issued by UK-based card issuers (or operators acting as such a card issuer), where the acquirer is located in the EEA'* – we can confirm that this includes all transactions involving UK-based card issuers and EEA-based acquirers (including the UK). Merchants can be located anywhere, although we recognise that in practice, where transactions are on UK-issued cards and EEA-based acquirers, the merchants involved are likely to be located in the EEA (including the UK).

4.28 All of these transactions have at least one 'leg' in the UK (card issuer, acquirer and/or merchant), and all of these transactions involve EEA-based acquirers and card issuers. It is only for certain acquiring and for issuing transactions that merchants could be located outside the UK and EEA, as described above.

Intended policy decision

4.29 As we are now consulting on one element of the fee calculation and collection methodology for IFR fees (with respect to fee liability where the operator is also acting as a PSP), the rules to implement our IFR policy decisions are not being made at this time, as we feel it would be more appropriate to make the relevant rules for funding our IFR activities and functions in one go following this

consultation. However, we are not now inviting further comments on those matters of policy which we are not changing from the December consultation (e.g. the allocation by tiers, the positioning of individual IFR card systems within specific tiers, and the calculation methodology). Our intention is to fully implement our proposals for funding the PSR's IFR functions and activities, as set out in our December 2015 consultation, subject to the outcome of the further specific consultation set out below.

Consultation on the payment of PSR fees where the IFR card payment system operator is also acting as a PSP

- 4.30** As noted above (see paragraph 4.14), we received representations by a card payment system operator concerning two closely linked aspects: it considered that as an operator which is also acting as a PSP, it wanted to pay the PSR fee itself, and it did not consider that its relevant total system volumes (the 'payment system denominator' in column 6 of Table C in FEES 9 Annex 1R) should be published.
- 4.31** On the first element, this IFR card payment system operator considered that the fact that it also operates as a PSP (by acquiring and/or issuing cards within its system) was a specific situation which ought to be taken into account in our fee calculation and collection methodology by allowing such an operator to be liable for the PSR fee itself, rather than having to invoice its members for that fee.
- 4.32** On the second closely linked element, the operator's representations stem from a concern which seems specific to the situation of IFR card payment systems in which the operator also acts as an issuer and/or acquirer within the system. In such systems, total system volume data may be competitively sensitive information, the publication of which could enable PSP members of such a card system to gain valuable insight into the status of the system operator's own issuing/acquiring business. Such concerns do not arise in those card payment systems where the operator does not also carry out card-issuing and/or acquiring activity.
- 4.33** This concern is exacerbated by the relatively low number of issuers and acquirers in the AmEx and Diners Club systems (in both of which the operator also acts as a PSP) as compared to the significantly higher number of direct PSP members in the MasterCard and Visa systems (where the operator does not act as a PSP). We consider that the disclosure of information about total system transaction volumes has a greater potential to impact on competition where there is a small number of card-issuing and acquiring PSPs within an IFR card payment system.
- 4.34** As set out in our December 2015 consultation with respect to both FSBRA and IFR, we would normally publish such volumes (the payment system denominator in FEES 9 Annex 1R) so as to enable individual PSPs within a payment system to calculate their own fees liability within that system. We do not publish information about individual PSPs' volumes. Total system information will be published in respect of our FSBRA fees and we still propose to publish it in respect of those IFR card payment systems where the operator does not also act as a card issuer and/or acquirer. The proposal of the IFR card system operator to pay the whole of the IFR AFR allocated to that system would obviate the need to publish total system transaction volumes to enable PSPs competing with the operator to calculate their fee liability, as the operator would be liable for the entire payment system allocation for that system (and would accordingly not need to calculate its fee liability).
- 4.35** We agree that there may be some risk of an impact on competition if, in the context of funding our activities and functions, we disclosed to competing PSPs within those systems sensitive commercial information such as total transaction volumes which could enable PSPs to calculate or make educated assumptions about the transaction volumes of competing PSPs (including those of operators also acting as PSPs). This is likely to be a greater risk within card systems containing relatively few PSPs where the ability to make educated assumptions is greater.

- 4.36** We do not consider that the same concerns arise in respect of operators funding our activities and functions under FSBRA, nor do they apply to MasterCard and Visa in respect of funding our IFR activities and functions, because none of these system operators also act as PSPs within their respective systems.
- 4.37** We considered a number of options for how to address these issues.
- 4.38** We considered the option that if the operator of an IFR card payment system also acts as a PSP, that operator could pay the fee allocation for that card system itself, subject to each (non-operator) PSP contributing a fixed fee towards the system's fee allocation. However, we discounted this option as such a fixed fee would by definition not be calculated based on transaction volumes, which could potentially create other distortions among PSPs.
- 4.39** We also considered the option of allowing operators of IFR card systems who also act as PSPs to choose whether to (i) pay the entire fee allocation for that IFR card system themselves (the new proposal above), or (ii) use our original proposed methodology under which they would indirectly invoice their PSPs (and also pay a fee reflecting their own issuing and/or acquiring activity within their system). However, we discounted this approach as we consider that it could cause unpredictability and uncertainty for the PSPs, particularly in terms of which option might be selected in any given year by the operator.
- 4.40** We propose instead that whenever the operator of an IFR card system also acts as a PSP (card-issuing, acquiring or both), it should pay the entire PSR fee allocation for that IFR card system. This would mean that the disclosure of total system volumes (the payment system denominator) would be unnecessary for such IFR card payment systems as the non-operator PSPs within any such system would no longer need to calculate their individual fee liability. The PSR would still gather this data for its IFR AFR allocation purposes. We note that under our proposal the PSR regulatory fees should not be passed through to PSPs within that IFR card payment system by the operator who also acts as a PSP, as such a pass through would have the consequence of attracting VAT and would therefore inappropriately increase the regulatory burden on those PSPs.
- 4.41** We believe this is consistent with our approach for fees overall as it still ensures that responsibility to contribute to our fees rests on each system. This proposal recognises the specificity of those card payment systems where the operator also acts as a card-issuing and/or acquiring PSP. It is consistent with our approach of levying fees on direct PSP members in other payment systems (i.e. on the 'first level' of PSPs within those systems, where the operator does not act as a PSP, and not on indirect or 'second level' PSPs (such as licensee PSPs within card payment systems where the operator also acts as a PSP).
- 4.42** In summary, we are proposing that in card payment systems, where an operator also acts as a card-issuing and/or acquiring PSP, that operator should be liable to pay the entire PSR fee allocation for that system and no payment denominator information needs to be published in FEES 9 Annex 1R.
- 4.43** At the present time, only AmEx and Diners Club would be caught by this fees rule, and these two systems are currently only subject to funding our IFR functions (as they have not been designated by the Treasury under FSBRA). At this point in time there are no FSBRA regulated payment systems to which this proposal would apply. However, we see no need at this time to specifically limit the proposal to exclude a potential application under FSBRA.

Consultation question

- Q3: Do you agree with our proposed approach (as set out in proposed fees rule FEES 9.2.1ER) that whenever the operator of a card payment system (under the IFR or FSBRA) also acts as a card-issuing and/or acquiring PSP**
- i. that operator should be liable to pay the entire PSR fee allocation for that card system,**
 - ii. no other PSPs within that system should be liable for paying fees towards that system's PSR fee allocation, and**
 - iii. the payment system denominator for that system is not published in FEES 9 Annex 1R?**

Consultation on calculation of fee rates for funding our IFR activities and functions for the year 2016/17

- 4.44** We describe below the calculation methodology for determining the PSR IFR fees payable by individual direct PSP members and operators for each IFR card payment system. This calculation methodology is also set out in the proposed amendments to the fees rules (FEES 9, included at Annex 2). The relevant time periods/dates are those to be taken into account when calculating the PSR fees applicable for the year 2016/17 to individual direct PSP members and operators. The calculation methodologies reflect our intended policy decision (paragraph 4.29), and incorporate, for AmEx and Diners Club, our proposals on the treatment of systems where the operator also acts as a PSP.
- 4.45** To enable individual fee-payers to calculate their 2016/17 PSR fee rates for the funding of our IFR functions, we have set out below the calculation methodologies for each IFR card payment system for the year 2016/17. The payment system allocations and payment system denominators (where applicable) for each IFR card payment system for the year 2016/17 are set out in Table C of FEES 9 Annex 1R, included as Annex 2 to this consultation. Direct acquiring and/or card-issuing PSP members can calculate their 2016/17 PSR IFR fee rates using their transaction volumes and the methodologies set out below. Where operators are liable to pay PSR IFR fees themselves, this is a consequence of (i) the tier in which they are (as set out in Table B of FEES Annex 1R, included as Annex 2); (ii) all of the PSPs within their IFR card payment system being below one or both the minimum thresholds; and/or (iii) the fact that (as per our proposal) the operator also acts as a PSP. Should we not proceed with our proposal with respect to fee liability where the operator also acts as a PSP, then the methodology described below for MasterCard and Visa acquiring and card issuing PSPs would also apply to AmEx and Diners Club acquiring and card issuing PSPs.
- 4.46** For each of the IFR card payment systems, the following common definitions apply:
- (a) **'Transactions by acquirers and card issuers operating in the UK'** in a relevant time period means:
- On the acquiring side:
 - any transactions acquired by UK-based acquirers (or by an operator acting such as an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA
 - any transactions acquired by UK-based acquirers (or by an operator acting as such an acquirer) resulting in payments to merchants located outside the UK, where the card issuer is located in the EEA

- any transactions acquired by EEA-based acquirers (based outside the UK) (or by such an operator acting as an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA
 - On the issuing side: any transactions on cards issued by UK-based card issuers (or operators acting as such a card issuer), where the acquirer is located in the EEA.
- (b) **All transactions** by acquirers or card issuers operating in the UK, or by the operator acting as such an acquirer and/or card issuer, under the relevant card payment systems are taken into account, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards (such as buying foreign currency at a bureau de change or getting cashback when buying groceries at a supermarket), but excluding cash-only withdrawals (such as from ATMs or over the counter).
- (c) There is a **minimum transaction volume threshold** for each of the IFR card payment systems. This means an acquirer or card issuer operating in the UK is not required to pay a PSR fee in the given fee year for a given IFR card payment system, and the UK transaction volumes that it realises are to be excluded from the total transaction volumes under each IFR card payment system used for fee calculation purposes, if:
- any such PSP has acquired and issued fewer than 100,000 relevant UK transactions in the relevant time period in that IFR card payment system, or
 - the PSR fee it would normally pay for that IFR card payment system, as calculated according to the fees rules, would be less than £50 for the current fee year if the minimum transaction volume threshold was not applied

4.47 The methodologies for each IFR card payment system for the year 2016/17 are:

- (a) **JCB and Union Pay International:** These IFR card payment systems are within the third tier as they realised less than 100,000 UK transactions between 1 January and 31 December 2015. These systems, operators and the PSPs in these systems are consequently exempted from paying any PSR fee to fund our IFR activities in respect of JCB and/or Union Pay International.
- (b) **Diners Club:** This IFR card payment system is within the second tier as it realised between 100,000 and 10 million UK transactions between 1 January and 31 December 2015. The payment system allocation is 0.5% of the IFR AFR, amounting to £7,500 in 2016/17. As the Diners Club operator also acts as an acquiring and/or card issuing PSP, our proposed rule would apply and, consequently, the Diners Club operator would be liable for the entire payment system allocation of £7,500.
- (c) **American Express:** This IFR card payment system is within the first tier as it realised more than 10 million UK transactions between 1 January and 31 December 2015. The payment system allocation is 33.2% of the IFR AFR, amounting to £497,500 in 2016/17. As the AmEx operator also acts as an acquiring and/or card issuing PSP, our proposed rule would apply and, consequently, the American Express operator would be liable for the entire payment system allocation of £497,500.
- (d) **MasterCard and Visa:** These IFR card payment systems are within the first tier as they realised more than 10 million UK transactions between 1 January and 31 December 2015. The payment system allocation is 33.2% of the IFR AFR, amounting to £497,500 in 2016/17 for each of MasterCard and Visa. As the MasterCard and Visa operators do not also act as an acquiring and/or card-issuing PSP the PSR fees would be payable by the individual acquirers and card issuers operating in the UK that are their direct PSP members or licensees. Their individual liability will be calculated proportionally to the transaction volumes issued and acquired on behalf of that acquirer or card issuer under the MasterCard or Visa system in the UK during the relevant

time period. The 2016/17 relevant time period for transaction volumes issued and acquired under these IFR card payment systems in the UK is between 1 January and 31 December 2015. All MasterCard-branded and Visa-branded transactions are included irrespective of the processing entity (MasterCard or Visa itself or a third party processing entity or 'on us' transactions).

Consultation question

Q4: Do you have any comments on the fees levels resulting from the intended policy decision for funding the PSR's IFR functions and activities for 2016/17, including implementation of our proposal in relation to operators that also act as PSPs, in accordance with the fees rules?

(Note: the fees rules set out in Annex 2 (draft fees rules, in particular Tables B and C of FEES 9 Annex 1R used for the calculation of fees rates))

5. Other proposed policy and rules amendments and clarifications, and additional compatibility statement

In this chapter we:

- reference our other proposed amendments to the fees rules which cover funding of both our FSBRA and IFR activities and functions
- set out our decision on those proposed amendments
- consult on our proposal to delay the summer payment dates by one month
- answer some general clarificatory questions asked
- set out our compatibility statement

Annex 1 contains the fees instrument amending the fees rules, which reflect the FCA's policy decision, and which take effect from 15 April 2016.

Annex 2 contains the draft fees instrument reflecting the points being consulted on in this document, as well as the rules relating to funding our IFR activities and functions which haven't been made yet.

Decision on other amendments we proposed to the fees rules

- 5.1** In Chapter 5 of our December 2015 consultation we also proposed a number of other changes to the fees rules to deal with certain technical and clarificatory points that arose from our fees policy for the year 2015/16, to align our FSBRA policy with our IFR proposals, and to modify the on-account payments rule.
- 5.2** We received one response to those proposals, asking for clarification about why we proposed, at paragraph 5.10 of our December 2015 consultation, to amend column 5 of Table A of FEES 9 Annex 1R in order that from fee year 2016/17 onwards, total transaction volumes for Bacs, CHAPS and FPS would include both the initiation of the transfer of funds and the receiving of transferred funds.
- 5.3** We proposed this change in order to align the methodology applied to Bacs, CHAPS and FPS with the other regulated payment systems and with the IFR card payment systems. In this way all systems take into account both transactions initiated and received (issued and acquired under card payment systems) for the purpose of calculating total transaction volumes. As we explain in paragraph 3.19, we think it is desirable to have a consistent approach across all payment systems for funding both our FSBRA and IFR functions and activities.
- 5.4** As we received no objection to the proposed amendments we are implementing the proposals in full. The fees rules set out in Annex 1 (and which take effect from 15 April 2016) reflect these amendments.

Consultation on moving the summer payment dates for PSPs and operators

- 5.5** We received representations from two payment system operators that they were concerned about their ability to meet our timetable for summer invoicing and fee collection. They have accordingly requested more time between the publication of our final fees policy statement and the summer final payment deadline (fees to be paid by PSPs to operators by 15 August and those monies collected by the operators from their PSPs to be paid to us by 1 September).
- 5.6** Currently, the date by which PSR fees payments must be made to us is aligned with the FCA fees payment dates (fees collected by 15 August from PSPs by the operators acting as collection agents, and those collected fees paid to us by 1 September by operators). However, the PSR fees collection process, using the indirect billing approach described above, introduces some additional steps compared to the FCA process. We therefore propose to postpone these dates by one month, from 15 August to 15 September for PSPs to pay operators, and from 1 September to 1 October for operators to transfer monies collected to us. With this change to the summer payment dates, we expect that fees will therefore all be paid without any delays.
- 5.7** At this stage we do not propose to increase the level of the on-account payments due in March to address any cash flow issues that could arise for the PSR as a result of this proposal to postpone the summer payment dates by one month. However, we may review this matter in the future.
- 5.8** This proposal would be implemented through changes to fees rules FEES 9.2.2R(2), 9.2.2AR(2), (new) 9.2.2BR(2), 9.2.3R(1), 9.2.3AR(1) and (new) 9.2.3BR(1) (included in Annex 2 to this consultation).

Consultation question

Q5: Do you have any comments on our proposal to move the 15 August and 1 September payment dates to 15 September and 1 October respectively from July 2016?

Clarificatory questions

- 5.9** In response to our consultation, some respondents sought technical clarification on certain proposals cutting across both FSBRA and IFR funding. These, together with our responses, are as follows:

Clarificatory question 1 – leaving a payment system

- 5.10** What happens if a PSP member of a payment system leaves that payment system during the course of a fee year, before the PSR fees are due? Should the PSP member receive a rebate for the period after it leaves the payment system up until the end of March (for example, 2017)? As it has processed transactions in 2017, how should this be reflected in the 2017 volumes which will be used to calculate the payments due by individual PSP members for the 2017/2018 PSR regulatory fee?

Answer to clarificatory question 1:

- 5.11** If a fee-paying PSP member of a payment system leaves part way through a fee year (for example at the end of February, during the fee year 1 April 2016 to 31 March 2017), and its business is not acquired by another PSP, it would not receive a rebate for the fees paid for the fee year 2016/17 PSR fee. However it would not be liable for any PSR fee in the year 2017/18, and its 2016 volumes would not be included in the payment system denominator for the reference year 2016, used to calculate the 2017/18 fees for that system.

- 5.12** We have clarified this point in the fee rules, which say that a PSP's volumes in the reference year in which it ceases to be a direct member of a regulated payment system will be excluded from the denominator.

Clarificatory question 2 – movement of a transactions portfolio

- 5.13** Who is liable to pay fees in respect of a portfolio of transactions which a new PSP acquires during the course of a fee year?

Answer to clarificatory question 2:

- 5.14** This question is addressed by the new fees rule FEES 9.2.1BR which we consulted on in December 2015, and which comes into effect from 15 April 2016 (see Annex 1). The transferor of the portfolio will be liable to pay fees in respect of transaction volumes in the fee year during which they are transferred. The acquirer of the portfolio will be liable to pay fees for the transferred transaction volumes from the following fees year.
- 5.15** To give an example, if the transfer were to occur in August 2016, the transferor will still be liable to pay its entire 2016/17 PSR fee (which is based on volumes in the reference year 2015), without any rebate. The acquirer's PSR fee for the 2016/17 year will be unchanged. In the subsequent year (2017/18), the PSR fee for the acquirer of the portfolio will take into account the transferred volumes for the entire relevant reference year (2016), so the acquirer's volumes will include both its own 2016 volumes, and all of the volumes realised throughout calendar 2016 by the transferred portfolio.

Clarificatory question 3 – on-account payment

- 5.16** Is it the PSR's proposed policy that participants who were obligated to pay PSR fees of £20,000 or more for the year 2015/16 should be invoiced in early 2016 30% of their 2015/16 fees liability calculation, with their balance to pay in August for 2016/17 fees then being deducted from their total 2016/17 fees liability (calculated on 2015 data)?

Answer to clarificatory question 3:

- 5.17** This correctly states the PSR's policy.
- 5.18** We note that for the fee years 2017/18 and beyond, the on-account payment is 50% of the previous year's fee, and the payment dates are 15 March (for PSPs to operators) and 1 April (for operators to us). (See FEES 9.2.2R, 9.2.2AR and 9.2.2BR)

Clarificatory question 4 – invoicing

- 5.19** Is it acceptable for an operator to issue a single invoice to any one PSP in respect of both their FSBRA and IFR fee liabilities, including (in respect of IFR fees) separate lines in that one invoice to denote their separate liability for PSR fees in respect of each of their card-issuing and acquiring activities (so one invoice could contain a maximum of four lines)?

Answer to clarificatory question 4:

- 5.20** This is acceptable as long as the invoice is consistent with FEES 9 and clearly sets out the PSP's separate liabilities for PSR fees in respect of its FSBRA and IFR regulated activities, and states that the invoice relates to the operator acting as collection agent for PSR regulatory fees.

Assessment of compatibility with FCA duties and PSR regulatory principles

- 5.21** As set out at paragraph 5.23 of our December 2015 consultation, we are required to assess the compatibility of our proposals with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by FSBRA. The FCA is exempt from the obligation to carry out a cost benefit analysis in relation to PSR fees rules.
- 5.22** When consulting on new rules, the FCA is required by section 138(2)(d) FSMA to explain why it believes making the proposed rules is compatible with the FCA's strategic objectives, advances one or more of its operational objectives and has regard to the regulatory principles in s.38 FSMA.
- 5.23** We set out in our December 2015 consultation¹⁰ our view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives. We also included our assessment of the equality and diversity implications of these proposals, and set out our view of how the proposed rules are compatible with the regulatory principles applicable to the PSR under s.53 FSBRA.
- 5.24** In addition to the compatibility statement included in our December 2015 consultation, which we still regard as applicable, we make the following additional observations in relation to our additional consultation questions (in relation to operators that also act as PSPs and FSBRA and IFR fees rates).

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

- 5.25** Our proposal to postpone the summer payment dates by one month addresses logistical concerns raised by certain operators. It makes it easier for operators to act as our collection agents, which in itself is more efficient and economical for us. It also reduces the likelihood that we will need to devote significant additional time and resources to collect fees from late payers simply because of the timing of the summer payment dates. Our proposal on how to handle any refund of 2015/16 FSBRA fees resulting from our anticipated 2015/16 budget underspend is also intended to make the process as efficient as possible for the PSR, for operators and for fee-paying PSPs.

(d) The desirability of exercising our functions in a way that recognises differences in the nature of the business of different persons we regulate

- 5.26** Our proposal for card payment system operators that also act as acquiring and/or card-issuing PSPs to be liable for the entire payment system allocation for that system, recognises the different nature of certain card payment systems.

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

- 5.27** For the reasons set out in paragraphs 4.30-4.43, we consider that our proposal that card payment system operators that also act as acquiring and/or card issuing PSPs should be liable for the entire payment system allocation for that system minimises the possible impact on competition within and between the relevant card payment systems.

¹⁰ See Chapter, 5 paragraphs 5.23-5.45 of CP15/44.

Consultation questions

Q1: Do you have any comments on our proposed handling of the anticipated 2015/16 budget underspend? In particular, do you have any comments (i) on our proposed timing and the setting out of the 2016/17 FSBRA fee and any 2015/16 FSBRA fee refund would be set out in a single invoice; or (ii) our proposal that only PSPs who paid fees in 2015/16 and are liable to pay 2016/17 FSBRA fees are eligible for an 'automatic' refund? If so please set out your reasons.

Q2: Do you have any comments on the fees levels resulting from the decision for funding the PSR's FSBRA functions and activities for 2016/17, in accordance with the fees rules?

(Note: the fees rules are set out in Annexes 1 (which contains the fees rules made by the FCA coming into effect from 15 April 2016) and 2 (which contains the draft fees rules setting out Table A of FEES 9 Annex 1R used for the calculation of fees rates))

Q3: Do you agree with our proposed approach (as set out in proposed fees rule FEES 9.2.1ER) that whenever the operator of a card payment system (under the IFR or FSBRA) also acts as a card-issuing and/or acquiring PSP:

- i. that operator should be liable to pay the entire PSR fee allocation for that card system?
- ii. no other PSPs within that system should be liable for paying fees towards that system's PSR fee allocation? and
- iii. the payment system denominator for that system is not published in FEES 9 Annex 1R?

Q4: Do you have any comments on the fees levels resulting from the intended policy decision for funding the PSR's IFR functions and activities for 2016/17, including implementation of our proposal in relation to operators that also act as PSPs, in accordance with the fees rules?

(Note: the fees rules are set out in Annex 2 (draft fees rules, in particular Tables B and C of FEES 9 Annex 1R used for the calculation of fees rates))

Q5: Do you have any comments on our proposal to move the 15 August and 1 September payment dates to 15 September and 1 October respectively with effect from July 2016?

Annex 1

Fees instrument giving effect to our policy decision and making amendments to the PSR fees rules which take effect on 15 April 2016 (*FEES 9*, *FEES TP12*, and *FEES 9 Annex 1R*)

FEES (PAYMENT SYSTEMS REGULATOR) INSTRUMENT 2016

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the powers in paragraph 9 (Funding) of Schedule 4 (The Payment Systems Regulator) of the Financial Services (Banking Reform) Act 2013 (“FSBRA”);
 - (2) the powers in Regulation 15 of The Payment Card Interchange Fee Regulations 2015 (SI 2015/1911); and
 - (3) the following powers and related provisions 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 of schedule 1ZA (Fees).
- 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 15 April 2016.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Notes

- F. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Fees (Payment Systems Regulator) Instrument 2016.

By order of the Board
17 March 2016

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>2015 Interchange Regulations</i>	(in <i>FEES 9</i>) The Payment Card Interchange Fee Regulations 2015 (SI 2015/1911).
<i>AmEx</i>	the American Express <i>IFR card payment system</i> .
<i>Diners Club</i>	the Diners Club International <i>IFR card payment system</i> .
<i>IFR</i>	Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.
<i>IFR card payment system</i>	a payment card scheme as defined in the <i>IFR</i> , 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.
<i>JCB</i>	the JCB International <i>IFR card payment system</i> .
<i>regulated person</i>	(in <i>FEES 9</i>) a <i>person</i> on whom the <i>IFR</i> imposes an obligation, restriction or prohibition, including <i>participants</i> in <i>IFR card payment systems</i> .
<i>UPI</i>	the Union Pay International <i>IFR card payment system</i> .

Amend the following definitions as shown.

<i>Bacs</i>	the Bacs regulated payment system <u>regulated payment system</u> designated by HM Treasury under section 43 of <i>FSBRA</i> .
<i>C&C</i>	the Cheque & Credit regulated payment system <u>regulated payment system</u> designated by HM Treasury under section 43 of <i>FSBRA</i> .
<i>CHAPS</i>	the CHAPS regulated payment system <u>regulated payment system</u> designated by HM Treasury under section 43 of <i>FSBRA</i> .
<i>direct access</i>	(a) access to a <u>regulated payment system</u> to enable a <i>payment service provider</i> 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).

- (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*.

[**Note:** section 42(6) of *FSBRA*]

direct payment service provider

- (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* in a *card payment system*, and does not include the Bank of England.

- (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*.

FPS

the Faster Payments Scheme ~~regulated payment system~~ *regulated payment system* designated by HM Treasury under section 43 of *FSBRA*.

LINK

the LINK ~~regulated payment system~~ *regulated payment system* designated by HM Treasury under section 43 of *FSBRA*.

MasterCard

the MasterCard ~~regulated payment system~~ *regulated payment system* designated by HM Treasury under section 43 of *FSBRA*, and the MasterCard *IFR card payment system*.

NICC

the Northern Ireland Cheque Clearing ~~regulated payment system~~ *regulated payment system* designated by HM Treasury under section 43 of *FSBRA*.

operator

...

- (3) (in *FEES 1* and *FEES 9*), 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. [**Note:** section 42(3) of *FSBRA*]

participant

...

- (c) (in *FEES 9*) in relation to an *IFR card payment system*, any *operator* or *payment system provider* in that *IFR card payment system*.

...

payment service provider

...

- (4) (in *FEES 9*) 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*.

payment system (~~in accordance with section 41 of *FSBRA*~~), 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;

[~~Note: see section 42(2) of *FSBRA*~~]

processing entity 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*.

Visa the Visa Europe ~~regulated payment system~~ *regulated payment system* designated by HM Treasury under section 43 of *FSBRA*, and the Visa Europe *IFR card payment system*.

working day ...

(3) (in *FEES 9*) 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*.

Annex B

Amendments to the Fees manual (FEES)

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

9 Payment Systems Regulator funding

9.1 Application and purpose

...

Introduction

...

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

...

(1A) The specified amount or amounts calculated in a specific way in (1) are *PSR fees* which are levied for the funding of the *PSR*'s functions and activities in relation to:

(a) *regulated payment systems on participants in regulated payment systems; and*

(b) *the IFR on regulated persons.*

...

...

9.2 PSR fees

Obligation to pay PSR fees

...

9.2.1-A R If either of the following tests is met by an *acquirer* or *card issuer* in a card payment system in any given *fee year*, the *transaction volumes* attributable to that *acquirer* or *card issuer* are not to be included in the *payment system denominator* for that *card payment system* for that *fee year*, and that *acquirer* or *card issuer* is not required to pay any *PSR fee* in respect of the *PSR*'s functions and activities in relation to regulated payment systems for that *fee year* where:

- (1) the *PSR fee* for that *acquirer* or *card issuer* calculated as set out in *FEES 9 Annex 1R* would be less than £50 for the current *fee year* if *FEES 9.2.1AR* were not applied; or
- (2) ~~for an acquirer, a payment service provider realises in total less than 100,000 transactions by an acquirer operating in the United Kingdom were realised and transactions by a card issuer operating in the United Kingdom in the relevant time period;~~^{or}
- (3) ~~for a card issuer, less than 100,000 transactions by a card issuer operating in the United Kingdom were realised in the relevant time period.~~ [deleted]

- 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 9.2.1DR(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.

Time of payment

- 9.2.2 R If the *PSR fee* paid by a *direct payment service provider* for the previous *fee year* for a particular *regulated payment system* was at least £20,000, that *direct payment service provider* must pay to the operator of that particular regulated payment system:
- (1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 15 ~~April in the current~~ March at the end of the previous fee year; and
 - (2) the balance of the *PSR fee* due by 15 August in the current *fee year*.
- 9.2.2A R The *operator* of each *regulated payment system* must pay the amounts collected (as collection agent for the *FCA*) under *FEES 9.2.2R* to the *FCA* by the following dates:
- (1) ~~30~~ 1 April in the current *fee year*;
 - (2) 1 September in the current *fee year*.
- 9.2.3 R If the *PSR fee* paid by a *direct payment service provider* for a particular *regulated payment system* for the previous *fee year* was less than £20,000, the *direct payment service provider* must pay its *PSR fee* in full to the operator of that regulated payment system:
- (1) by 15 August in the current *fee year*; or
 - (2) if later, within 30 days of the date of the invoice.

...

[**Note:** Transitional provisions apply to *FEES* 9.2.2R to *FEES* 9.2.3AR 9.2.2BR inclusive: see *FEES* TP 12.4]

...

9.2.4D R ...

- (2) The *operator* of a *regulated payment system* must:
- (a) provide the information in (1) ~~no later than the date it issues to the PSR as soon as possible once *FEES* 9 Annex 1R is updated for a *fee year*; and~~
 - (b) obtain the PSR's agreement to the individual PSR fees on a sufficiently timely basis to be able to issue invoices to *direct payment service providers* in accordance with *FEES* 9.2.4CR.
- (3) The *operator* of each *regulated payment system* must provide to the PSR an updated version of the information set out in *FEES* 9.2.4DR(1) by no later than two *working days* after the dates set out in *FEES* 9.2.2R and *FEES* 9.2.3R, indicating which *direct payment service providers* have not paid, or not paid in full, their *PSR fees*.

...

Amend the following as shown.

9 Annex 1R PSR fees for the period 1 April ~~2015~~ 2016 to 31 March ~~2016~~ 2017

The ~~table~~ Table A below shows the *PSR fee* applicable to the *direct payment system providers, acquirers and card issuers* of each *regulated payment system*.

Table A in FEES 9 Annex 1R is deleted in its entirety and the deleted text is not shown. Insert the following new Table A in FEES 9 Annex 1R. The text is not underlined.

Table A

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
<i>Bacs</i>	£1.96 million	The <i>PSR fee</i> is calculated for each individual <i>direct payment service provider</i> proportionally to the relevant <i>transaction volumes</i> processed, issued or acquired on behalf of that <i>direct payment service provider</i> through the <i>regulated payment system</i> in question during the <i>relevant time period</i> .	1 January to 31 December 2015	All transactions processed through the <i>Bacs regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receiving of transferred funds.	[To follow]
<i>C&C</i>	£1.90 million		1 July to 31 December 2015	All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>C&C regulated payment system</i> .	[To follow]
<i>CHAPS</i>	£1.96 million		1 January to 31 December 2015	All MT103 and MT202 transactions processed through the <i>CHAPS regulated payment system</i> . Transactions	[To follow]

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
		The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's relevant transaction volumes</i> divided by <i>payment system denominator</i> .		include both the initiation of the transfer of funds, and the receiving of transferred funds.	
FPS	£1.96 million		1 January to 31 December 2015	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receiving of transferred funds.	[To follow]
LINK	£1.96 million		1 January to 31 December 2015	All transactions issued and acquired under the <i>LINK regulated payment system</i> , including GBP cash 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.	[To follow]
MasterCard	£1.96 million	The <i>PSR fee</i> is calculated for each individual <i>acquirer</i> and <i>card issuer</i> (or the <i>operator</i> of that <i>regulated card payment system</i> acting as such an <i>acquirer</i> or <i>card issuer</i>) proportionally to the relevant <i>transaction volumes</i> under the <i>regulated card payment system</i> in question during the <i>relevant time period</i> .	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom and card issuers operating in the United Kingdom</i> under the <i>MasterCard regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>MasterCard-branded transactions</i> are included irrespective of the <i>processing entity (MasterCard itself, a third party processing entity or 'on us' transactions)</i> . Both issuing and acquiring transactions are taken into account.	[To follow] (prior to any adjustment resulting from the application of <i>FEES 9.2.1AR</i>)

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
Visa	£1.96 million	The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer or card issuer's</i> (or those of the <i>operator</i> of that <i>regulated card payment system</i> acting as such an <i>acquirer or card issuer</i>) relevant <i>transaction volumes</i> divided by <i>payment system denominator</i> .	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom and card issuers operating in the United Kingdom</i> under the <i>Visa regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>Visa-branded transactions</i> 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> ' <i>transactions</i>). Both issuing and acquiring transactions are taken into account.	[To follow] (prior to any adjustment resulting from the application of <i>FEES 9.2.1AR</i>)
NICC	£60,000	The <i>PSR fee</i> is calculated for each <i>direct payment service provider</i> proportionally to its <i>shareholding</i> in the <i>operator</i> of the <i>NICC regulated payment system</i> during the <i>relevant time period</i> . The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's</i> shareholding in the capital of the Belfast Bankers' Clearing Company Ltd (expressed as a percentage).	31 December 2015	All shareholdings held in Belfast Bankers' Clearing Company Ltd, the <i>operator</i> of the <i>NICC regulated payment system</i> .	Not applicable

Amend the following as shown.

TP 12 Transitional provisions relating to direct payment service providers

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
12.1	<i>FEES</i> 9.2.2R and <i>FEES</i> 9.2.3R	R	Replace the current <i>FEES</i> 9.2.2R and <i>FEES</i> 9.2.3R with the following: “A direct payment service provider, acquirer or card issuer must pay its <i>PSR fee</i> in full to the operator (acting as collection agent for the <i>FCA</i>) of the regulated payment system to which the <i>PSR fee</i> relates by no later than 10 December 2015. [expired]	From 1 April until 31 March 2016	27 October 2015
12.2	<i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.3AR	R	Replace the current <i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.3AR with the following: “The operator of each regulated payment system must pay the amounts collected in respect of <i>PSR fees</i> (acting as collection agent for the <i>FCA</i>) pursuant to <i>FEES</i> 9.2.4AR to the <i>FCA</i> by no later than 21 December 2015.”	From 1 April 2015 until 31 March 2016	27 October 2015

			[expired]		
12.3	FEES 9.2.2R	R	<p>Replace the current <i>FEES 9.2.2R</i> with the following:</p> <p>“If the <i>PSR fee</i> paid by a <i>direct payment service provider, acquirer, or card issuer</i> for the previous <i>fee year</i> for a particular <i>regulated payment system</i> was at least £20,000, that <i>direct payment service provider, acquirer or card issuer</i> must pay:</p>	From 1 April 2016 until 31 March 2016	27 October 2015
			(1) an amount equal to 30% of the <i>PSR fee</i> payable for the 2015/16 <i>fee year</i> , by 15 April 2016; and		
			(2) the balance of the <i>PSR fee</i> due to 2016/17 by 15 August 2016.” [expired]		
<u>12.4</u>	<u>FEES 9.2.2R, FEES 9.2.2AR and FEES 9.2.2BR</u>	<u>R</u>	<p>Replace <u>FEES 9.2.2R, FEES 9.2.2AR and FEES 9.2.2BR</u> with the following:</p> <p>“If the <i>PSR fee</i> paid by a <i>direct payment service provider</i> for the previous <i>fee year</i> for a particular <i>regulated payment system</i> was at least £20,000, that <i>direct payment service provider</i> must pay:</p>	From 15 April 2016 until 29 February 2017	<u>1 March 2017</u>
			(1) <u>an amount equal to 50% of the <i>PSR fee</i> payable for the previous <i>fee year</i>, by 15 April in the current <i>fee year</i>; and</u>		

		<p>(2) <u>the balance of the <i>PSR fee</i> due by 15 August in the current <i>fee year</i>.</u></p> <p><u>The <i>operator</i> of each <i>regulated payment system</i> must pay the amounts collected (as collection agent for the <i>FCA</i>) under <i>FEES 9.2.2R</i> to the <i>FCA</i> by the following dates:</u></p> <p>(a) <u>30 April in the current <i>fee year</i>; and</u></p> <p>(b) <u>1 September in the current <i>fee year</i>.”</u></p>		
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Annex 2

Draft fees instrument with proposed amendments to the PSR fees rules (*FEES 1 and 9, FEES TP12, and FEES 9 Annex 1 R*)

Explanatory note:

This draft fees instrument contains proposed amendments to the PSR fees rules (in relation to the funding of our IFR activities and functions) which have already been consulted on in CP15/44, but which haven't yet been made.

This draft fees instrument also contains additional proposed amendments to the PSR fees rules which are the object of the present consultation. To assist the reader, these additional proposed amendments to the fees rules (compared to the existing fees rules in FEES 9 and TP 12 and the proposed amendments already consulted on in CP15/44) have been **yellow highlighted** in Annex 2.

FEES (PAYMENT SYSTEMS REGULATOR) INSTRUMENT (No 2) 2016

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the powers in paragraph 9 (Funding) of Schedule 4 (The Payment Systems Regulator) of the Financial Services (Banking Reform) Act 2013 (“FSBRA”);
 - (2) the powers in Regulation 15 of The Payment Card Interchange Fee Regulations 2015 (SI 2015/1911); and
 - (3) the following powers and related provisions 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 of schedule 1ZA (Fees).
- 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 **[1 July]** 2016.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

Notes

- F. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the **Fees (Payment Systems Regulator) Instrument (No 2) 2016**.

By order of the Board
[date 2016]

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

IFR transactions by acquirers operating in the United Kingdom all transactions subject to the *IFR* acquired by:

- (a) *UK-based acquirers* (or an *operator* acting as such an *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 such an *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 such an *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 all transactions subject to the *IFR* on cards issued by *UK-based card issuers* (or an *operator* acting as such an *card issuer*), where the *acquirer* is located in the *EEA*.

Amend the following definitions as shown.

PSR fee the fee payable by a *direct payment service provider* or an operator of an *IFR card payment system* under *FEES* 9.2.1R.

payment system allocation (a) for each *regulated payment system* listed in column 1 of Table A of *FEES* 9 Annex 1R, the annual allocation of *PSR fees* specified for that *regulated payment system* in column 2 of Table A of *FEES* 9 Annex 1R; and

(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.

payment system denominator (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*.

- (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 such *acquirers* or *card issuers* in the *relevant time period*, prior to any adjustment resulting from the application of *FEES 9.2.1CR*.

relevant time period

- (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.
- (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*.

transaction volumes

- (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*.
- (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 1 R* undertaken in the *relevant time period* by:
- (i) an *acquirer*; or
- (ii) a *card issuer*; or
- (iii) an *operator* of an *IFR card payment system* acting as such an *acquirer* or *card issuer*.

transactions by acquirers operating in the United Kingdom

- all transactions acquired by:
- (a) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the *United Kingdom*;
- (b) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located outside the *United Kingdom*; and
- (c) non-*UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the

United Kingdom.

*transactions by
card issuers
operating in the
United Kingdom*

all transactions on cards issued by *UK-based card issuers*, irrespective of where the cardholder is located or the payment is initiated (or an operator acting as such a card issuer).

Annex B

Amendments to the Fees manual (FEES)

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

1 Fees Manual

1.1 Application and Purpose

...

Application

...

1.1.2A R *FEES* 1 and *FEES* 9 apply to:

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

...

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
- (3) direct payment service providers.

Purpose

9.1.2 G This chapter sets out the fee payable by a *direct payment service provider* or an operator of an IFR card payment system to establish and fund the *PSR*.

...

9.2 PSR fees

Obligation to pay PSR fees

9.2.1 R *A direct payment service provider, acquirer, ~~or~~ card issuer or operator of an IFR card payment system must pay the PSR fees applicable to it and calculated as set out in FEES 9 Annex 1R:*

- (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;*
- (c) *FEES 9.2.1DR; and*
- (d) *FEES 9.2.1ER.*

...

9.2.1A R If either of the following tests is met by an *acquirer* or *card issuer* in a *card payment system* in any given *fee year*, the *transaction volumes* attributable to that *acquirer* or *card issuer* are not to be included in the *payment system denominator* for that *card payment system* for that *fee year*, and that *acquirer* or *card issuer* is not required to pay any *PSR fee* in respect of the *PSR's functions and activities in relation to regulated payment systems payment system allocation to that card payment system* for that *fee year* where:

- (1) the *PSR fee* for that *acquirer* or *card issuer* calculated as set out in *FEES 9 Annex 1R* would be less than £50 for the current *fee year* *for that card payment system* if *FEES 9.2.1AR* were not applied; or
- (2) a *direct payment service provider* *in that card payment system* realises in total less than 100,000 *transactions by an acquirer operating in the United Kingdom and plus transactions by a card issuer operating in the United Kingdom* in the *relevant time period*.

...

...

9.2.1C R (1) *If either of the following tests is met by an acquirer or card issuer in an IFR card payment system in any given fee year, the transaction volumes attributable to that acquirer or card issuer are not to be included in the payment system denominator for that IFR card payment system for that fee year, and that acquirer or card issuer is not required to pay any PSR fee in respect of the payment system allocation to that IFR card payment system for that fee year where:*

- (a) *the PSR fee for that acquirer or card issuer calculated as set out in FEES 9 Annex 1R would be less than £50 for the current fee year for that IFR card payment system if FEES 9.2.1CR were not applied; or*

(b) a direct payment service provider in that IFR card payment system realises in total less than 100,000 IFR transactions by an acquirer operating in the United Kingdom plus IFR transactions by a card issuer operating in the United Kingdom in the relevant time period.

(2) If the total number of IFR transactions by an acquirer operating in the United Kingdom and plus IFR transactions by a card issuer operating in the United Kingdom under a given IFR card payment system in the relevant time period amount to less than 100,000, no payment system allocation shall be made to that IFR card payment system for the relevant fee year, and the acquirers, card issuers and operator in that IFR card payment system are not required to pay any PSR fee in respect of that IFR card payment system for that fee year.

9.2.1D R If there is a payment system allocation for a given fee year to an IFR card payment system (as set out in Table C of FEES 9 Annex 1R), and none of the acquirers and card issuers in that IFR card system is required to pay any PSR fee for that fee year as a result of the application of FEES 9.2.1CR(1), then the operator of that IFR card payment system must pay the entire payment system allocation for that IFR card payment system as PSR fees for that fee year.

9.2.1E R (1)

(a) If:

(i) there is a payment system allocation for a given fee year to a card payment system or to an IFR card payment system (in either Table A or Table C of FEES 9 Annex 1R respectively); and

(ii) the operator of that payment system is acting as an acquirer, as a card issuer or as both an acquirer and card issuer in that card payment system or IFR card system;

(b) then that operator must pay the entire payment system allocation for that card payment system or IFR card payment system as PSR fees for that fee year.

R (2) Where FEES 9.2.1ER(1) applies, no other acquirers or card issuers are required to pay any PSR fee for that card payment system or IFR card system in accordance with FEES 9.2.1R.

G (3) Where FEES 9.2.1ER(1) applies, the payment system denominator for that card payment system or IFR card payment system is not included in column 6 of Table A or Table C, as the case may be, of FEES 9 Annex 1R.

Time of payment

9.2.2 R If the PSR fee paid by a direct payment service provider for the previous fee

year for a particular regulated payment system or IFR card payment system was at least £20,000, that direct payment service provider must pay to the operator of that particular regulated payment system or IFR card payment system:

- (1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 15 March at the end of the previous *fee year*; and
- (2) the balance of the *PSR fee* due by 15 ~~August~~ **September** in the current *fee year*.

9.2.2A R The operator of each regulated payment system or IFR card payment system must pay the amounts collected (as collection agent for the FCA) under FEES 9.2.2R to the FCA by the following dates:

- (1) 1 April in the current *fee year*;
- (2) 1 ~~September~~ **October** in the current *fee year*.

9.2.2B R If an operator of an IFR card payment system or card payment system is liable to pay PSR fees itself under FEES 9.2.1DR or FEES 9.2.1ER, and the PSR fee it paid for the previous fee year for its IFR card payment system or card payment system was at least £20,000, that operator must pay to the FCA:

- (1) an amount equal to 50% of the PSR fee payable for the previous fee year, by 15 March at the end of the previous fee year; and
- (2) the balance of the PSR fee due by 15 ~~September~~ **September** in the current fee year.

[Note: Transitional provisions apply to FEES 9.2.2R to FEES 9.2.2BR inclusive: see FEES TP 12.4]

9.2.3 R If the *PSR fee* paid by a *direct payment service provider* for a particular regulated payment system or IFR card payment system for the previous *fee year* was less than £20,000, the *direct payment service provider* must pay its *PSR fee* in full to the operator of that regulated payment system or IFR card payment system:

- (1) by 15 ~~August~~ **September** in the current *fee year*; or
- (2) if later, within 30 days of the date of the invoice.

9.2.3A R The operator of each regulated payment system and IFR card payment system must pay the amounts collected (as collection agent for the FCA) under FEES 9.2.3R to the FCA by the following date:

- (1) ~~30 August~~ **1 October** in the current *fee year*; or
- (2) if later, within 15 days of the date payment of an amount in respect of *PSR fees* is received by the operator from a *direct payment service*

provider.

9.2.3B R If an *operator* of an *IFR card payment system* or *card payment system* is liable to pay *PSR fees* itself under *FEES 9.2.1DR* or *FEES 9.2.1ER*, and the *PSR fee* it paid for the previous *fee year* for its *IFR card payment system* or *card payment system* was less than £20,000, that *operator* must pay its *PSR fee* in full to the *FCA*:

- (1) by 15 **September** in the current *fee year*; or
- (2) if later, within 30 *days* of the date of the invoice.

[**Note:** Transitional provisions apply to *FEES 9.2.2R* to *FEES 9.2.2BR* inclusive: see *FEES TP 12.4*]

...

Method of payment and invoicing

...

9.2.4A R A *direct payment service provider* must pay its *PSR fees* to the *operator* (acting as collection agent for the *FCA*) of the *regulated payment system* or *IFR card payment system* to which the fee relates.

9.2.4B R The *operator* of a *regulated payment system* or an *IFR card payment system*, acting as collection agent for the *FCA*, must pay to the *FCA* the amounts it receives from or on behalf of *direct payment service providers* under *FEES 9.2.4AR*.

9.2.4C R With respect to invoices for **PSR fees** *PSR fees*:

- (1) the *operator* of each *regulated payment system* or *IFR card payment system* must issue invoices to its *direct payment service providers* for the amount of the *PSR fee* relating to each *direct payment service provider* for their participation in that *regulated payment system* or *IFR card payment system*;

...

- (3) invoices must be issued by the *operator* on a sufficiently timely basis to enable the *direct payment service providers* to pay *PSR fees* to the ~~operator~~ *operator* (acting as collection agent for the *FCA*) by the dates specified in *FEES 9.2.2R* and *9.2.3R*; and

- (4) the requirements of *FEES 9.2.4CR*(1), (2) and (3) also apply where the *operator* of a *card payment system* or *IFR card payment system* is liable to pay *PSR fees* itself under *FEES 9.2.1DR* or *FEES 9.2.1ER*.

9.2.4D R (1) The *operator* of a *regulated payment system* or *IFR card payment system* must provide to the *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 copy of:

- (a) its calculations (as specified in column 3 of ~~Table~~ Tables A and C of *FEES* 9 Annex 1R); and
 - (b) the underlying data (as specified in column 5 of ~~Table~~ Tables A and C of *FEES* 9 Annex 1R).
- (2) The *operator* of a *regulated payment system* or IFR card payment system must:
- (a) provide the information in (1) to the *PSR* as soon as possible once *FEES* 9 Annex 1R is updated for a *fee year*, and
 - (b) obtain the *PSR*'s agreement to the individual *PSR fees* on a sufficiently timely basis to be able to issue invoices to *direct payment service providers* in accordance with *FEES* 9.2.4CR.
- (3) The *operator* of each *regulated payment system* and IFR card payment system must provide to the *PSR* an updated version of the information set out in *FEES* 9.2.4DR(1) by no later than two *working days* after the dates set out in *FEES* 9.2.2R and *FEES* 9.2.3R, indicating which *direct payment service providers* have not paid, or not paid in full, their *PSR fees*.

- 9.2.4E G An *operator* of a *regulated payment system* or an IFR card payment system should pay the amounts due to the *FCA* under *FEES* 9.2.2BR, *FEES* 9.2.3BR and *FEES* 9.2.4BR by electronic credit transfer and should notify the *FCA* if it intends to pay in another way.

Ceasing to be designated as a regulated payment system, ~~and~~ 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) ~~if a person~~ *person* ceases to be a *direct payment service provider* of a *regulated payment system* or an *IFR card payment system*, ~~after the start of that fee year.~~
- 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~~ *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 *direct payment service provider* or an operator of an IFR card payment system 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.
- ...
- 9.2.10 G The *FCA* will not consider a claim to refund a *PSR fee* due to a mistake of fact or law by the fee paying *direct payment service provider* or operator of an IFR card payment system if the claim is made more than two years after the beginning of the *fee year* to which the fee relates.
- ...

the following new table. The text is not underlined.

9 Annex 1R PSR fees for the period 1 April 2016 to 31 March 2017

Table A below shows the *PSR fee* applicable to the *direct payment system providers, acquirers and card issuers* of each *regulated payment system*.

Table A

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
<i>Bacs</i>	£1.96 million	The <i>PSR fee</i> is calculated for each individual <i>direct payment service provider</i> proportionally to the relevant <i>transaction volumes</i> processed, issued or acquired on behalf of that <i>direct payment service provider</i> through the <i>regulated payment system</i> in question during the <i>relevant time period</i> . The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's relevant transaction volumes</i> divided by <i>payment system</i>	1 January to 31 December 2015	All transactions processed through the <i>Bacs regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.	[12,172,334,000]
<i>C&C</i>	£1.90 million		1 July to 31 December 2015	All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>C&C regulated payment system</i> .	[420,930,500]
<i>CHAPS</i>	£1.96 million		1 January to 31 December 2015	All MT103 and MT202 transactions processed through the <i>CHAPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.	[74,947,500]
<i>FPS</i>	£1.96 million		1 January to 31	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the	[2,494,069,000]

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
		<i>denominator.</i>	December 2015	initiation of the transfer of funds, and the receipt of transferred funds.	
LINK	£1.96 million		1 January to 31 December 2015	All transactions issued and acquired under the <i>LINK regulated payment system</i> , including GBP cash 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.	[6,324,217,500]
MasterCard	£1.96 million	<p>General calculation methodology:</p> <p>The <i>PSR fee</i> is calculated for each individual <i>acquirer</i> and <i>card issuer</i> (or the operator of that regulated card payment system acting as such an acquirer or card issuer) proportionally to the relevant <i>transaction volumes</i> under the regulated <i>card payment system</i> in question during the <i>relevant time period</i>.</p>	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom and card issuers operating in the United Kingdom</i> under the <i>MasterCard regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <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.	[5,008,627,000] (prior to any adjustment resulting from the application of <i>FEES 9.2.1AR</i>)
Visa	£1.96 million	<p>The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer or card issuer's</i> (or those of the operator of that regulated card payment system acting as such</p>	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom and card issuers operating in the United Kingdom</i> under the <i>Visa regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but	[24,095,223,000] (prior to any adjustment resulting from the application of

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
		<p><i>an acquirer or card issuer</i>) relevant transaction volumes divided by payment system denominator.</p> <p>Exception pursuant to FEES 9.2.1ER:</p> <p>Where the operator of a card payment system is acting as an acquirer, as a card issuer or as both, the PSR fee is equal to the payment system allocation for that card payment system.</p>		excluding cash-only withdrawals. All Visa-branded transactions are included irrespective of the processing entity (Visa itself, a third party processing entity or 'on us' transactions). Both issuing and acquiring transactions are taken into account.	FEES 9.2.1AR
NICC	£55,400	<p>The PSR fee is calculated for each direct payment service provider proportionally to its shareholding in the operator of the NICC regulated payment system during the relevant time period.</p> <p>The calculation formula is: payment system allocation multiplied by direct payment service provider's shareholding in the capital of the Belfast Bankers' Clearing Company Ltd (expressed as a percentage).</p>	31 December 2015	All shareholdings held in Belfast Bankers' Clearing Company Ltd, the operator of the NICC regulated payment system.	Not applicable

Insert the following new Table B in FEES 9 Annex 1R. The text is not underlined.

Table B below shows the tiers and their levels for determining how the *payment system allocation* is allocated to individual *IFR card payment systems*.

Table B

Relevant IFR transaction volumes (column 1)	Relevant time period (column 2)	Tier (column 3)	Payment system denominator (rounded to the nearest '000) (column 4)	Allocation methodology for the payment system allocation for 2016/17 for each IFR card payment system (column 5)
<p>All IFR transactions by acquirers operating in the United Kingdom and IFR transactions by card issuers operating in the United Kingdom (or those by the operator of that IFR card payment system acting as such an acquirer or card issuer) under that IFR card payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals.</p> <p>All transactions under the brand of that IFR card payment system are included irrespective of the processing entity (the operator or IFR card payment system itself, a third party processing entity or 'on us' transactions).</p> <p>Both issuing and acquiring transactions are taken into</p>	1 January to 31 December 2015	1	Total relevant <i>IFR transaction volumes</i> for the <i>IFR card payment system</i> in question of <100,000 in the <i>relevant time period</i> (application of FEES 9.2.1 DR)	Exemption from <i>PSR fees</i>
		2	Total relevant <i>IFR transaction volumes</i> for the <i>IFR card payment system</i> in question of between 100,000 and 10,000,000 in the <i>relevant time period</i> (prior to any adjustment resulting from the application of FEES 9.2.1 CR)	<i>Payment system allocation</i> to each relevant <i>IFR card payment system</i> amounting to 0.5% of the total 2016/17 funding requirement in relation to the <i>PSR's IFR</i> functions and activities

Relevant IFR transaction volumes (column 1)	Relevant time period (column 2)	Tier (column 3)	Payment system denominator (rounded to the nearest '000) (column 4)	Allocation methodology for the payment system allocation for 2016/17 for each IFR card payment system (column 5)
account for each <i>IFR card payment system</i> .		3	Total <i>IFR transaction volumes</i> for the <i>IFR card payment system</i> in question of greater than 10,000,000 in the <i>relevant time period</i> (prior to any adjustment resulting from the application of <i>FEES</i> 9.2.1CR)	Equal <i>payment system allocation</i> to each relevant <i>IFR card payment system</i> for the remaining total 2016/17 funding requirement in relation to the <i>PSR's IFR</i> functions and activities

Insert the following new Table C in FEES 9 Annex 1R. The text is not underlined.

Table C below shows the *PSR fee* applicable to the *acquirers, card issuers and operators* of each *IFR card payment system*.

Table C

IFR card payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by acquirers, card issuers and operators of IFR card payment systems (column 3)	Relevant time period (column 4)	Relevant IFR transaction volumes (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
<i>JCB International</i>	Nil	General calculation methodology: The <i>PSR fee</i> is calculated for each individual <i>acquirer</i> and <i>card issuer</i> proportionally to the relevant <i>transaction volumes</i>	1 January to 31 December 2015	All <i>IFR transactions</i> by <i>acquirers</i> operating in the United Kingdom and <i>IFR transactions</i> by <i>card issuers</i> operating in the United Kingdom (or by the operator of	Not applicable as a result of the application of <i>FEES</i> 9.2.1DR
<i>Union Pay International</i>	Nil				Not applicable as a result of the application of <i>FEES</i> 9.2.1DR

IFR card payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by acquirers, card issuers and operators of IFR card payment systems (column 3)	Relevant time period (column 4)	Relevant IFR transaction volumes (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
<i>Diners Club International</i>	£7,500	under the <i>IFR card payment system</i> in question during the <i>relevant time period</i> .		that <i>IFR card payment system</i> acting as such an <i>acquirer</i> or <i>card 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.	Not applicable as a result of the application of <i>FEES 9.2.1ER(3)</i>
<i>American Express</i>	£497,500	The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer</i> or <i>card issuer's relevant transaction volumes</i> divided by <i>payment system denominator</i> .		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).	Not applicable as a result of the application of <i>FEES 9.2.1ER(3)</i>
<i>MasterCard</i>	£497,500	Exception pursuant to <i>FEES 9.2.1DR</i> or <i>FEES 9.2.1ER</i> : Where the <i>operator</i> of an <i>IFR card payment system</i> is acting as an <i>acquirer</i> , as a <i>card issuer</i> or as both, the <i>PSR fee</i> is equal to the <i>payment system allocation</i> for that <i>IFR card payment system</i> .		Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i> .	[5,008,627,000] (prior to any adjustment resulting from the application of <i>FEES 9.2.1CR</i>)
<i>Visa</i>	£497,500				[24,095,223,000] (prior to any adjustment resulting from the application of <i>FEES 9.2.1CR</i>)

Amend the following as shown.

TP 12 Transitional provisions relating to direct payment service providers and operators of IFR card payment systems

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
12.4	<i>FEES</i> 9.2.2R, <i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.2BR	R	<p>Replace <i>FEES</i> 9.2.2R, <i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.2BR with the following:</p> <p>“If the <i>PSR fee</i> paid by a <i>direct payment service provider</i> for the previous <i>fee year</i> for a particular <i>regulated payment system</i> was at least £20,000, that <i>direct payment service provider</i> must pay:</p> <p>(1) an amount equal to 50% of the <i>PSR fee</i> payable for the previous <i>fee year</i>, by 15 April in the current <i>fee year</i>; and</p> <p>(2) the balance of the <i>PSR fee</i> due by 15 August <u>September</u> in the current <i>fee year</i>.</p> <p>The <i>operator</i> of each <i>regulated payment system</i> must pay the amounts collected (as collection agent for the <i>FCA</i>) under <i>FEES</i> 9.2.2R to the <i>FCA</i> by the following dates:</p> <p>(a) 30 April in the current <i>fee year</i>; and</p> <p>(b) 1 September <u>October</u> in the current <i>fee year</i>.”</p>	From 1 April 2016 until 29 February 2017	1 March 2017

Annex 3

List of non-confidential respondents

The following participants in regulated payment systems and IFR regulated persons submitted non-confidential responses to our consultation CP15/44:

- American Express
- Bacs Payment Schemes Ltd
- Belfast Bankers' Clearing Co Ltd
- CHAPS Clearing Company
- Cheque and Credit Clearing Co Ltd
- Clydesdale Bank
- Diners Club International
- Faster Payments Scheme Ltd
- LINK
- MasterCard
- Nationwide
- Your Cash
- Visa Europe

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