

Access and governance report on interbank payment systems

January 2022

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1 Executive summary

- 1.1** In this report, we set out data and information on developments in access to interbank payment systems (Bacs, Faster Payments, CHAPS and the cheque Image Clearing System (ICS)) over 2019 and 2020. Interbank payments are also commonly known as account-to-account payments.
- 1.2** The number of new direct participants in interbank payment systems continued to grow in 2019 and 2020. The rate of new membership slowed compared to 2018. However, the payment system operators' projections for 2022 demonstrate there is continued interest from Payment Service Providers (PSPs) in gaining direct access to interbank payments systems; all the available go-live slots for the year are already booked.
- 1.3** The number of indirect access providers has doubled from four to eight since the PSR was created in 2015. In June 2019, Modulr and LHV Pank became new indirect access providers (IAPs). Together with ClearBank and Starling, this group of new-entrant IAPs now has more PSP customers (combined) than two out of the four established IAPs (Barclays, HSBC, Lloyds and NatWest) have individually.
- 1.4** In 2020, three IAPs slowed down their onboarding of new PSP customers due to the COVID-19 pandemic.
- 1.5** Pay.UK increased its engagement with users in 2019 and 2020. However, as we explained in our proposed Strategy that we published in June 2021, in the future we want to see Pay.UK deliver against a broader role, actively improving the rules governing interbank payments.

2 Introduction

- 2.1** We publish a report annually to update stakeholders on developments in access and governance, including the progress of our work and the related outcomes. This is our fifth access and governance report, following previous reports published in December 2015, March 2017, March 2018 and June 2019. We did not publish a report in 2020 due to resource constraints during the COVID-19 pandemic.
- 2.2** This report covers data from 2019 and 2020. The PSR approach to monitoring impacts and developments in the sector is evolving, given the ongoing development of the strategy, and therefore we are focusing on the factual developments for this iteration of the report. We provide information on developments in 2021 wherever possible.
- 2.3** This report focuses on the operators of, and access to, the interbank (or 'account-to-account') payment systems:
- Bacs, operated by Pay.UK
 - Faster Payments, operated by Pay.UK
 - Image Clearing System (ICS)¹, operated by Pay.UK
 - CHAPS, operated by the Bank of England
- 2.4** This report does not cover the card payment systems, or the LINK system.

Data and information sources

- 2.5** The main source of information for this report is data we received through a formal information request from six sponsor banks (indirect access providers that provide PSPs with both agency and non-agency access to interbank payment systems) (the 'annual indirect access information request')² (we explain the types of access in Annex 1; and focus on indirect access developments in chapter 4). We asked them to provide:
- details of all their indirect access PSP customers
 - full reasons for refusals, withdrawals and voluntary terminations relating to PSPs that requested, or already had, indirect access

1 The ICS went live in 2017, replacing the cheque and credit (C&C) payment system and paper clearing by 2019.

2 Annually, we issue a formal information request, pursuant to section 81 of the Financial Services (Banking Reform) Act 2013 (FSBRA) and regulation 135 of the Payment Services Regulations 2017 (PSRs 2017) to IAPs that offer agency and on-agency access, to help meet our monitoring obligations and to understand trends and changes in indirect access. IAPs are required to provide us with the information.

- volumes and values of payments originating from indirect access, through each of the interbank payment systems

2.6 Due to their recent entry as IAPs, we did not ask Modulr and LHV Pank to provide the annual indirect access information for the 2019 to 2020 reporting period.

2.7 This report is also informed by:

- notifications we received from UK credit institutions, setting out their reasons whenever they refuse or withdraw access to payment accounts services to a PSP that is not a credit institution (these notifications are required under Regulation 105(3) of the PSRs 2017)
- complaints we received from PSPs about potential non-compliance with the access requirements of the PSRs 2017
- discussions and correspondence with indirect access providers and potential indirect access providers
- discussions and correspondence with the Bank of England, the FCA and Pay.UK
- compliance reports submitted to us by the payment system operator regulated under General Direction 2 (Pay.UK)
- the Bank of England's annual summary of payment statistics

The structure of this report

2.8 The structure of the rest of this report is as follows:

- **Chapter 3** focuses on direct access developments
- **Chapter 4** focuses on indirect access developments
- **Chapter 5** focuses on governance developments
- **Annex 1** details different ways PSPs can access payment systems
- **Annex 2** summarises our legal powers in relation to access
- **Annex 3** is our revised General Directions
- **Annex 4** is the glossary

3 Direct access developments

We saw a growth in the total number of direct participants from 2019 to 2021.

We saw a decrease in the *rate* of new PSPs directly joining CHAPS, Bacs and Faster Payments in 2020: 2020 had the lowest level of new direct access joiners since 2016.

Five new participants directly joined Faster Payments, one Bacs and one CHAPS in 2021.

Projections for 2022 suggest there is continued interest from PSPs (both banks and non-banks) seeking direct access.

This chapter sets out these developments in more detail.

Background

- 3.1** A PSP has direct access to an interbank payment system (CHAPS, Bacs, ICS and Faster Payments) if it has a settlement account and its own facility to connect directly to the central system (Annex 1 details different ways PSPs can access interbank payment systems).

- 3.2** Up until 2018, all direct participants in interbank payment systems were banks or building societies. However, after the change to the Bank of England's settlement policy³ in 2018, and advances in direct technical connections, it became possible for non-bank PSPs to apply for direct access. This meant non-bank PSPs could also offer agency access (which is a form of indirect access – see paragraph 4.1).

3 <https://www.bankofengland.co.uk/-/media/boe/files/news/2017/july/boe-extends-direct-access-to-rtgs-accounts-to-non-bank-payment-service-providers.pdf>

The state of direct access

Numbers of direct participants

Table 1: Numbers of direct participants by year

	Bacs	CHAPS	Faster Payments	C&C	ICS	Participants gaining direct access to an interbank payment system for the first time ^{1,2}	Total	Mergers	Leavers
2015	0	1	0	0	0	1	1	–	–
2016	0	2	2	0	0	4	4	–	–
2017	3	2	6	0	17 ⁴	7	28	0	0
2018	4	5	8 ³	–	1	12	18	1	0
2019	2	2	7	–	1	9	12	0	1
2020	1	1	3	–	1	5	6	1	2
2021	1	1	5	–	0	4	7	0	3
2022	4	2	5	–	1	6	12	–	–

1 This removes repeats for PSPs that joined more than one system.

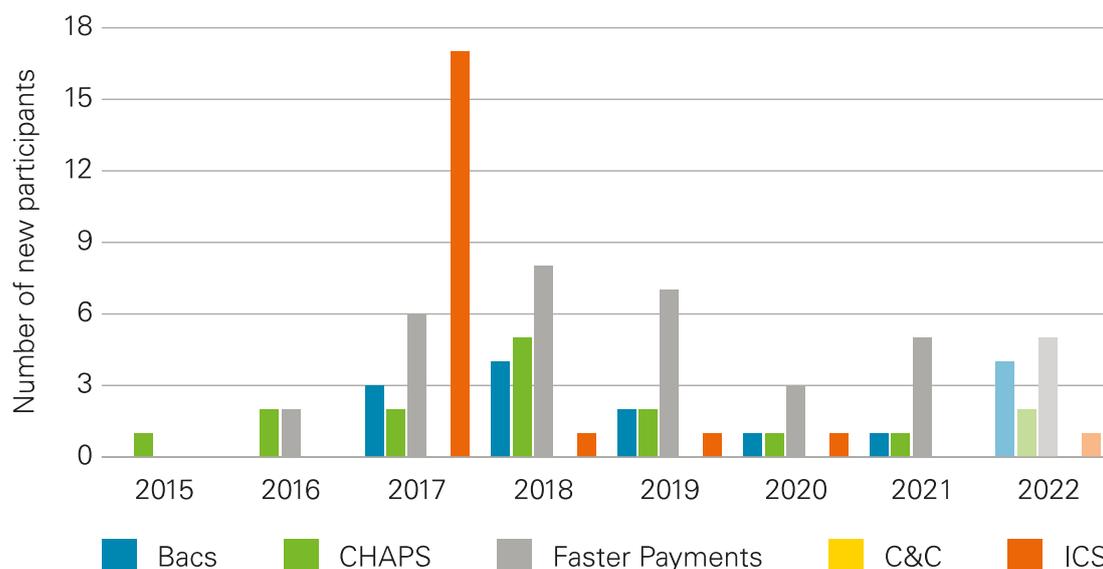
2 Excludes PSPs that migrated from C&C to ICS.

3 While there were nine new participants in Faster Payments, one participant had an agreement with an existing participant to replace its position.

4 In October 2017, as ICS went live, 17 direct participants were migrated from C&C to ICS. ICS and C&C operated concurrently from October 2017 until paper-based clearing ceased in July 2019.

Source: Pay.UK (operator of Bacs, Faster Payments and ICS) and the Bank of England (operator of CHAPS) provided information on joiners, leavers and mergers. The operators provided projections for 2022, which are subject to change. Covering the period 1 January to 31 December. All numbers exclude multiple memberships from ring-fenced banks.

Figure 1: History and projection of new participants in the interbank payment systems from 2015 to 2022



Source: Pay.UK (operator of Bacs, Faster Payments and ICS) and the Bank of England (operator of CHAPS). Note: 2022 data is the projected number of joiners and so is subject to change.

3.3 The number of new direct participants that joined one or more of the interbank payment systems in 2019 was 12, and six joined in 2020. The number of direct participants was greater in 2018, which saw 18 new joiners. Since 2018, the number of new joiners has included non-bank PSPs, comprised of electronic money institutions and authorised payment institutions.

3.4 The number of new direct participants that joined one or more of the interbank payment systems in 2021 was seven. The operators’ projections for 2022 suggest that there is continued interest from PSPs seeking direct access. There are 12 new participants projected to join in 2022.

Joiners

3.5 There were five banks that joined one or more of Faster Payments, CHAPS and Bacs in 2019, and four joined in 2020:

In 2019:

- Bo*
- N26*
- Euroclear
- LHV Pank
- TSB

In 2020:

- Lloyds Group (Intelligent Finance) (in Faster Payments)
- Metro Bank
- Standard Chartered Bank
- Tandem Bank

* Bo and N26 relinquished their direct access in 2020.

3.6 There were four non-bank PSPs that joined one or more of Faster Payments, CHAPS and Bacs directly in 2019 and one joined in 2020:

In 2019:

- PayrNet
- Modulr
- Spectrum Payment Services
- Revolut (as a DCNSP in Faster Payments)

In 2020:

- Square

3.7 There was one participant that joined Faster Payments under the directly connected non-settling participant (DCNSP) model in 2019 (Revolut), and another joined in 2020 (Lloyds Group). The DCNSP model allows PSPs to connect to the Faster Payments central infrastructure directly, either through their own bespoke connection or an aggregator service. The settlement process is carried out by a sponsor PSP that settles on their behalf.

3.8 There were two banks that joined ICS over the reporting period: Starling in 2019 and ClearBank in 2020. This followed the launch of ICS in 2017 and cessation of paper-based clearing in July 2019.

Leavers

3.9 In 2019, Ipagoo, one of the first non-bank PSPs to join⁴ CHAPS and Bacs, had its regulated activities suspended and entered administration.

3.10 In April 2020, N26 announced its intention to exit the UK payments industry, citing the timing and framework of the Brexit withdrawal agreement. In 2020, Bo also exited and there was one merger (Virgin Money with Clydesdale).

3.11 In 2021, Tandem relinquished its membership to Faster Payments (having become a direct participant in 2020).

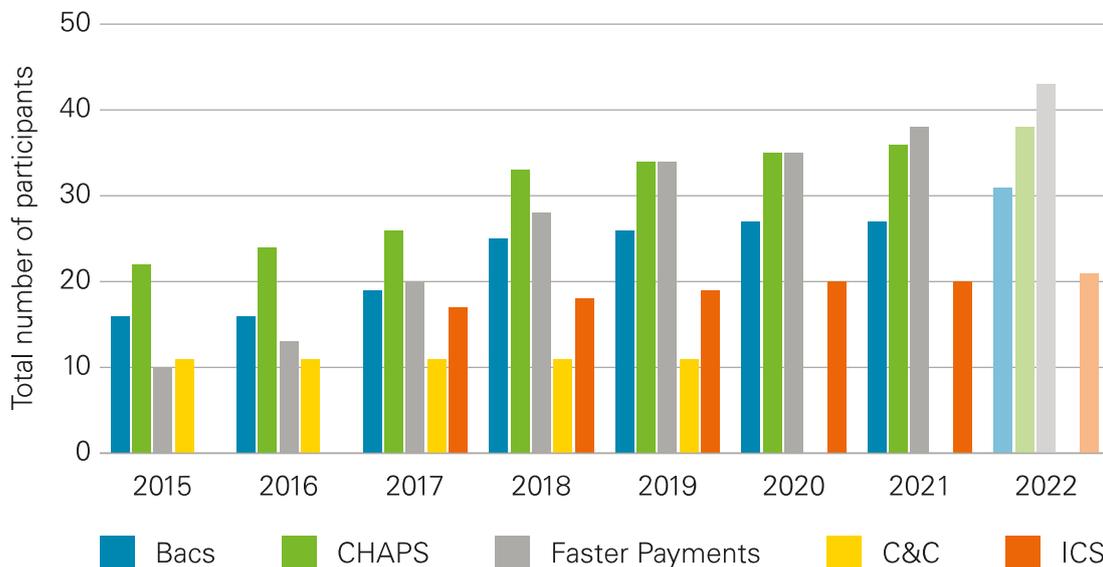
3.12 In 2021, Intelligent Finance and Lloyds DCNSP (both part of the Lloyds Group) relinquished their memberships⁵ to Faster Payments.

4 In 2018, the first five non-bank PSPs participants to join one or more of Faster Payments, CHAPS and Bacs were: TransferWise, Ipagoo, Ebury (as a DCNSP in Faster Payments), Prepay Solutions (as a DCNSP in Faster Payments), and CreDec.

5 Intelligent Finance became a direct participant in 2020 and Lloyds DCNSP became a participant in 2021.

Longer term trends

Figure 2: Total number of participants in the interbank payment systems from 2015 to 2022



Source: Compliance reports submitted to us by Pay.UK under General Direction 2, and the Bank of England’s annual summary of payment statistics, from 2016 to 2021. Note: 2015 data is based on the PSR Access and Governance Report (2015).⁶ 2022 data is the projected number of joiners, so is subject to change.

3.13 Figure 2 shows growth in the number of direct participants over 2015 to 2022. During this time, there have been significant improvements in the choice of access options for PSPs (including new models for direct participation (see Annex 1)) and changes to settlement policy. Bacs’ simplified access model gives a new way to connect to that system, and Faster Payments’ DCNSP model allows participants to get the same technical proposition while using a sponsor bank for settlement services. Additionally, the Bank of England’s settlement policy has allowed non-bank PSPs, such as Modulr, to obtain settlement accounts since 2018.

Looking forward

3.14 The operators expect 12 go-live slots to be available in 2022, all of which are currently booked.

3.15 The Bank of England determines the number of slots and communicates this number to Pay.UK, which in turn formally allocates slots for individual participants, and assists with onboarding participants, across Bacs, ICS and Faster Payments. The go-live slots for 2022 were consolidated for new direct participants wishing to join more than one interbank payment system.

⁶ <https://www.psr.org.uk/media/lavnrh0p/access-and-governance-report-18dec2015.pdf>

- 3.16** The Real-Time Gross Settlement (RTGS) renewal could limit the number of new joiners over 2022 to 2023, because it will limit the availability of slots in 2023. The impending delivery of the New Payments Architecture (NPA), which is intended to replace Faster Payments and Bacs, may also discourage some PSPs from joining Faster Payments directly in the coming years; they may only be able to use it for a short time before needing to migrate to the new NPA system. According to Pay.UK's baseline NPA programme plan, the NPA is due to go live in mid-2024, with a formal migration of Faster Payments transactions to the NPA lasting up to 18 months.
- 3.17** We are working closely with Pay.UK and the Bank of England to identify and manage potential risks associated with the RTGS renewal programme, to ensure seamless delivery for current and prospective participants of these services. We are also monitoring Pay.UK's work to deliver the NPA – and use our powers, where appropriate – to assure an outcome that supports our statutory objectives to promote competition, innovation and the interests of service-users. We are also collaborating closely with the Bank of England on its supervision of Bacs and Faster Payments.

Transactional limits for Faster Payments

- 3.18** Pay.UK plans to increase the transaction limit for Faster Payments from £250,000 to £1 million in the first quarter of 2022. Participants requiring transactions above the cap must use CHAPS or Bacs, depending on how quickly they need to make the payment. Each PSP has its own transactional limit, depending on the customer segment and the channel used to make the payment. Increasing the Faster Payments transaction limit could offer participants the option of joining a single interbank payment system and reduce the need for them to incur additional fees and complexity.

4 Indirect access developments

The number of indirect access providers doubled from four to eight since the PSR was created in 2015. Since our 2019 report, two new direct PSPs – LHV Pank and Modulr – entered the payments industry as new indirect access providers (IAPs).

In 2020, the COVID-19 pandemic affected some IAPs as reprioritisation and resource impacts led to some delays in onboarding.

Historically, established IAPs have limited risk appetites for providing services⁷ to non-bank PSPs, with smaller payment institutions affected most (especially money service businesses (MSBs)). Some IAPs are not currently onboarding any PSPs that they perceive as high-risk (including MSBs).

Established IAPs still supply around 90% of indirect PSPs, but newer players have continued to gain share since they started providing indirect access services in 2017.

This chapter summarises information on indirect access in 2019 and 2020.

The state of indirect access

Background

- 4.1** An IAP is a direct participant in the interbank payment systems that can provide access to other PSPs ('indirect PSPs'). This gives the indirect PSPs the ability to send and receive payments through the direct participant. There are two main forms of indirect access: agency or non-agency. Agency access means an indirect PSP has its own sort code provided by its IAP. Non-agency access means it uses a sort code shared with other indirect PSPs (see Annex 1).

⁷ Including indirect access. Credit institutions need to provide appropriately designated safeguarding accounts.

The impact of COVID-19

4.2 From our discussions with PSPs, IAPs, Pay.UK, and responses received to our annual indirect access information request⁸, we understand that the COVID-19 pandemic affected the way payment system operators, IAPs, PSPs and end users conducted their business in 2020 (in terms of costs and fees, processes, and service constraints). In particular:

- Three IAPs told us they had postponed some applications during the onboarding process in 2020, in order to limit financial risks and reprioritise resources onto other activities in response to the COVID-19 pandemic. This caused some delays to new PSPs joining the interbank payment systems indirectly.
- A potential new IAP told us that it had delayed its plans to provide indirect access, as the pandemic meant it had to reprioritise its resources and activities. It will revisit its plans in the future.
- An IAP reported that a significant fall in transaction volumes led to increases in some of Pay.UK's per transaction fees (for example, Image Clearing transactions). The IAP sought not to transfer interbank payment system-related cost increases that were incurred over 2020 to clients, given the impact of the pandemic on PSPs.

How indirect access is evolving

Table 2: IAPs providing indirect access to interbank payment systems between 2015 and 2020

	Year					
	2015	2016	2017	2018	2019	2020
Established IAPs⁹	Barclays, HSBC, Lloyds & RBS ¹⁰	Barclays, HSBC, Lloyds & RBS	Barclays, HSBC, Lloyds & RBS	Barclays, HSBC, Lloyds & RBS	Barclays, HSBC, Lloyds & RBS	Barclays, HSBC, Lloyds & NatWest ¹¹
New entrants			ClearBank & Starling	ClearBank, Starling & BFC	ClearBank, Starling, BFC, LHV Bank & Modulr	ClearBank, Starling, LHV Bank & Modulr

Source: Our annual indirect access information requests and discussions with IAPs.

8 In 2020, we received responses from six IAPs: NatWest, HSBC, Lloyds, Barclays, ClearBank and Starling. In 2019, we received responses from the aforementioned IAPs and BFC.

9 The UK's largest banks were required to separate core retail banking services from their investment services by 1 January 2019, due to the financial crises that started in 2007. The four established IAPs – RBS Group, HSBC Group, Barclays Plc and Lloyds Banking Group – each split into multiple entities. This has, in some cases, affected which entity within the IAP group provides indirect access services.

10 RBS Group Plc changed its brand name to NatWest Group Plc in 2020.

11 See footnote 10.

- 4.3** The established IAPs (Barclays, HSBC, Lloyds and NatWest) have a broader range of financial products, including corporate and retail banking and other financial services. The IAPs that entered in the last few years (ClearBank, Starling, LHV Pank and Modulr) have broken away from traditional banking models by offering retail and corporate services that are entirely cloud-based.

New entrants and potential IAPs

- 4.4** ClearBank and Starling launched their indirect access offerings in 2017.
- 4.5** BFC entered in 2018, offering non-agency¹² access to Faster Payments. Its focus was on providing indirect access (and safeguarding accounts) to money remitters and e-money institutions that were unable to get banking services elsewhere. BFC withdrew indirect access from its existing PSPs and stopped onboarding any new PSPs in 2020, citing its business strategy and pressures of the pandemic in its reasoning.
- 4.6** There were two PSPs that started offering indirect access services to PSPs in 2019: Modulr and LHV Pank.
- 4.7** A non-bank PSP is planning to offer agency and non-agency indirect access in the future.
- 4.8** A credit institution told us that its plans to provide indirect access were postponed due to the pandemic and will be revisited in the future.

New entrant IAPs

- 4.9** Modulr has been providing payment services since 2016, and started offering agency indirect access after it became a direct participant in 2019. Modulr is an electronic money issuer (EMI) offering a ready-made payments solution, focused on instant payments to over 200 PSPs in the UK and EEA. It provides indirect access services to non-bank PSPs, including start-ups. After finding the process of gaining indirect access to UK interbank payment systems difficult, Modulr saw an opportunity to offer those services to other PSPs.
- 4.10** LHV Pank is an Estonian Bank, which opened a branch in the UK in 2018 and became a direct participant in Faster Payments in 2019. It joined Bacs in 2021. LHV Pank currently provides indirect access services (both agency and non-agency) to PSPs – mostly to EMIs, but also payment institutions and some banks.

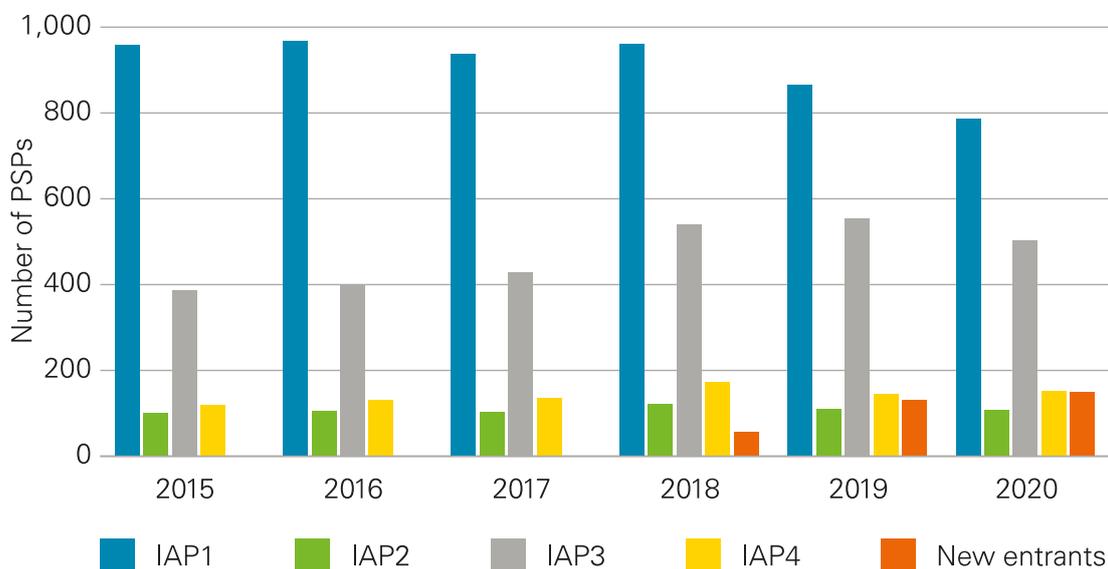
12 As non-agency indirect PSPs do not need their IAP to give them a unique sort code, access can also be supplied as part of a 'nested' supply arrangement. This is where an indirect PSP itself also acts as an IAP. As such, any provider of payment accounts to business customers can potentially provide a PSP with indirect access. We did not cover the provision of these nested accounts in our Section 81 (FSBRA 2013) and regulation 135 (PSRs 2017) information requests.

Indirect access provided by IAPs

4.11 In response to our annual indirect access information requests, we received information that covered 1,917 banking relationships between IAPs and PSPs over 2019, and 1,797 over 2020. These numbers suggest a drop of around 100 PSPs with banking relationships with an IAP between the end of 2019 and the end of 2020. There were 1,609 and 1,513 unique PSPs (some of which had more than one IAP provider) in 2019 and 2020, respectively, indicating that around 200 PSPs¹³ had banking relationships with more than one IAP.

4.12 Figure 3 shows the number of indirect PSPs by IAP, per year. We have combined the new entrants into one group in our charts to prevent individual identification. This shows the cumulative effect of the new entry to date.

Figure 3: Number of indirect PSPs by IAP between 2015 to 2020¹⁴



Source: Our annual indirect access information requests.

Note: New entrants are ClearBank and Starling in 2020; and ClearBank, Starling and BFC in 2019 and 2018. We have removed duplicates and inactive PSPs (i.e. PSPs that did not have any ingoing or outgoing payments).

- Three of the established IAPs had fewer indirect access customers in 2020 than in 2019.
- One IAP has been the largest provider of indirect access services (by number of PSP customers), but by 2020 it had 173 fewer PSP customers (18%) than in 2015.
- One IAP did not onboard any new PSPs in 2019 and 2020.

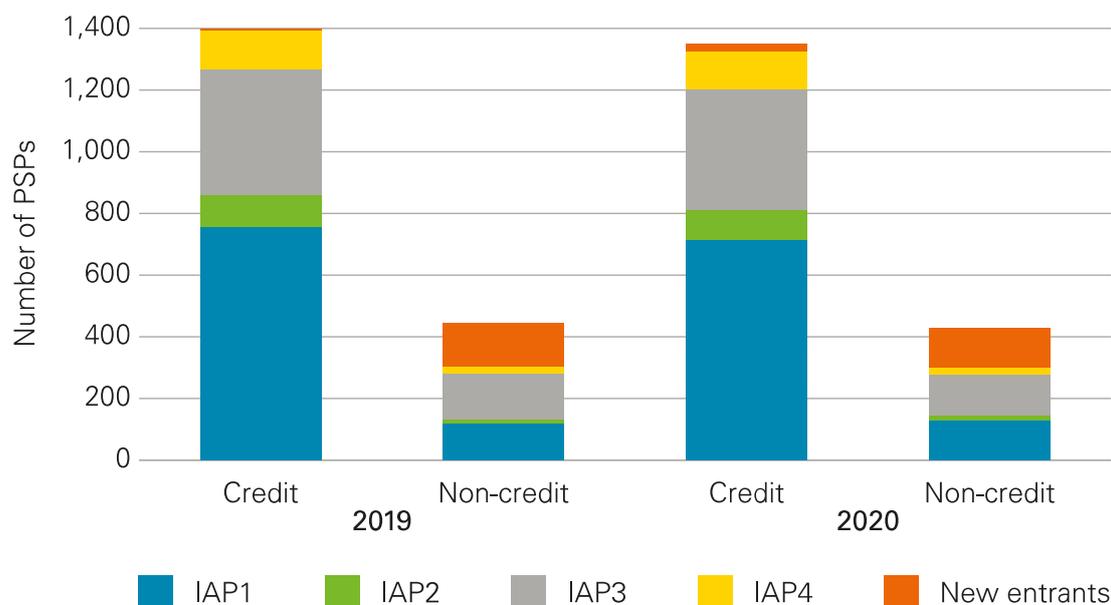
¹³ This is the difference in the number of unique PSPs and the number of PSPs that had only one IAP provider, of which there were 1,420 in 2019 and 1,354 in 2020.

¹⁴ Based on PSP numbers per IAP on 31 December each year.

- Another established IAP has been closed to new MSB customers following an internal review in 2017, and it withdrew access from several MSB customers. The same IAP paused onboarding all PSPs it perceived as high-risk in 2020.
- The new-entrant IAPs continued to take on many customers, including smaller PSPs and small money remitters, which historically had the most difficulty gaining access. ClearBank and Starling increased their PSP customer base in 2020: it was up by 109 PSP customers (73%) compared with 2018, and up by 67 PSP customers (45%) compared with 2019. ClearBank and Starling’s combined share is now higher than one established IAP, and close to that of another. Modulr and LHV Pank are not included in this data, but they have told us they have significant and growing numbers of PSPs.

4.13 Figure 4 shows that the majority of PSPs that are supplied by new entrants are non-credit institutions (i.e. not banks or building societies).

Figure 4: Number of PSPs (credit institution or non-credit institution) for each IAP in 2019 and 2020



Source: Our annual indirect access information requests.

Note: New entrants are ClearBank and Starling in 2020; and ClearBank, Starling and BFC in 2019.

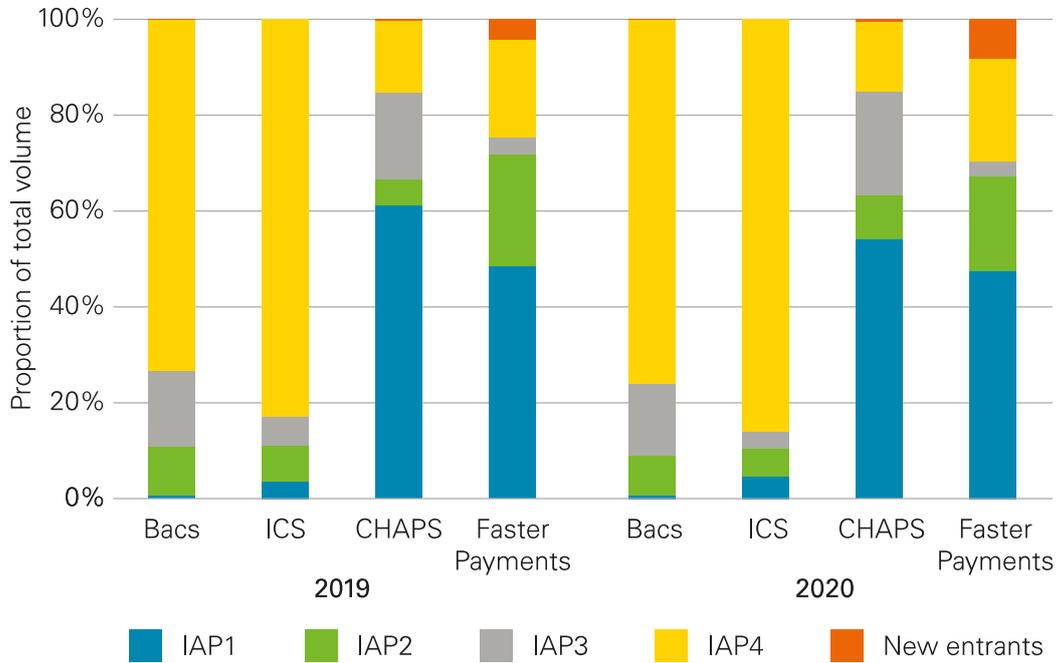
Access by interbank payment system

4.14 In 2019, ClearBank and Starling provided access to Faster Payments. In 2020, both offered access to Bacs and Faster Payments (ClearBank also offered access to CHAPS). Starling started providing agency and non-agency access to ICS in 2019, and ClearBank followed in 2020.

4.15 ClearBank and Starling and all the established IAPs continued to offer existing PSPs both agency and non-agency access to all interbank payment systems in 2019 and 2020.

4.16 Figure 5 shows the volume of payments for each IAP by interbank payment system in 2019 and 2020. Figure 6 shows the value of payments for each IAP by interbank payment system.

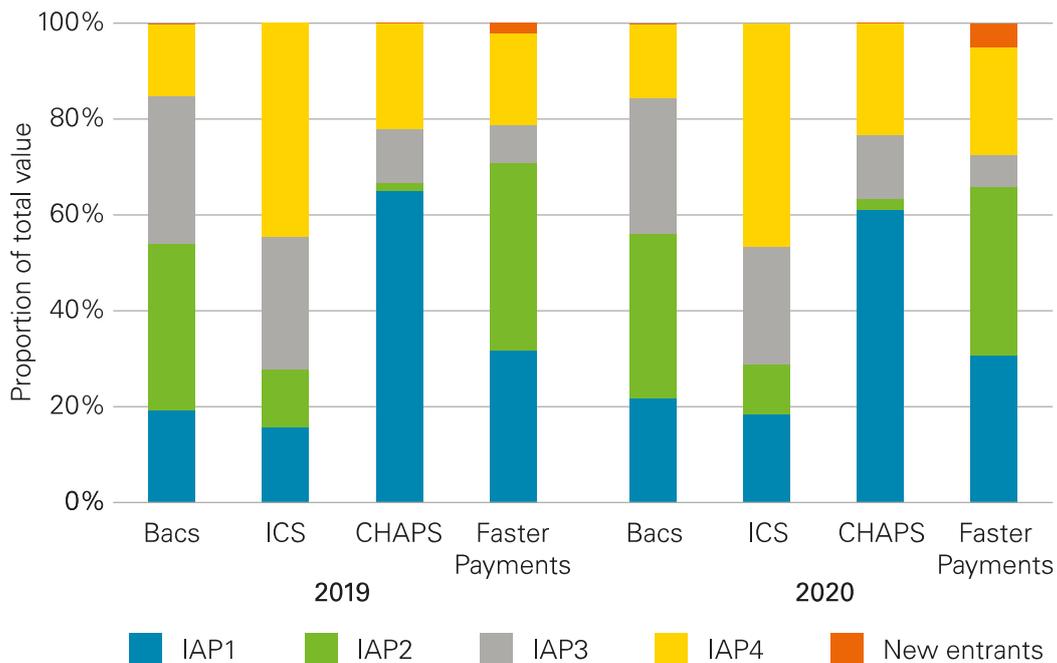
Figure 5: Volumes of payments for each IAP by interbank payment system in 2019 and 2020



Source: Our annual indirect access information requests.

Note: New entrants are ClearBank and Starling in 2020; and ClearBank, Starling and BFC in 2019

Figure 6: Values of payments for each IAP by interbank payment system in 2019 and 2020



Source: Our annual indirect access information requests.

Note: New entrants are ClearBank and Starling in 2020; and ClearBank, Starling and BFC in 2019.

- 4.17** By value, most interbank payment systems had one to two IAPs accounting for most of the payments originating from indirect access, except for CHAPS where a single IAP made most of the payments in both 2019 and 2020. In 2018, two to three IAPs accounted for most of the payments originating from indirect access in each interbank payment system.
- 4.18** By volume of all payments originating from indirect access, one IAP accounted for most of the payments in Bacs and ICS in 2019 and 2020. In CHAPS and Faster Payments, one to two IAPs accounted for most of the payments originating from indirect access.

Withdrawals and refusals of access to payment account services in 2019 and 2020

- 4.19** Under Regulation 105(3) of the PSRs 2017, if a credit institution refuses a request from a PSP that is not a credit institution for access to payment account services, or withdraws such access, it must notify the FCA. Each notification is automatically forwarded to the PSR. We, with the FCA, review all notifications that we receive for potential issues and/or emerging themes.
- 4.20** The number of withdrawals and refusals have changed as follows in recent years:
- We received 121 notifications from credit institutions concerning **withdrawal** of access to payment account services in 2019, and 198 notifications in 2020, compared with 44 in 2018.
 - Of the 198 withdrawal notifications we received in 2020, 111 were due to the closure of BFC's indirect access offering.
 - We received 236 notifications concerning **refusals** to grant access to payment account services to a PSP in 2019, and 261 in 2020, compared with 189¹⁵ in 2018.
- 4.21** Over 2020, three credit institutions paused onboarding new PSPs they considered high-risk, including new MSB customers. Two of these credit institutions are conducting sector-wide reviews of their client base.

¹⁵ We included the total number of refusal and withdrawal notifications received each year, which includes credit institutions. Regulation 105 does not require credit institutions to inform us of refusals and withdrawals relating to any credit institution (bank, building society or credit union).

Complaints received

4.22 We are the relevant authority for monitoring and enforcing compliance with regulation 104 of the PSRs 2017 and, alongside the FCA, for regulation 105. This includes

- complaints from PSPs about access refusals or withdrawals
- notifications from credit institutions that refuse or withdraw access to payment accounts services

See Annex 2 for further information on our legal powers.

4.23 If we believe there may be a compliance failure, we will decide whether to open an enforcement case. We will make an assessment having regard to our published Administrative Priority Framework¹⁶ and regulation 106(3) of PSRs 2017.

4.24 We received seven complaints in 2019 concerning potential non-compliance with the requirements of regulation 105, and no complaints in 2019 about potential non-compliance with the requirements of regulation 104 of the PSRs 2017.

4.25 We received one complaint in 2020 concerning potential non-compliance with the requirements of regulation 105, and no complaints in 2020 about potential non-compliance with the requirements of regulation 104 of the PSRs 2017.

4.26 In 2020, we opened our first enforcement investigation into potential non-compliance with Regulation 105. This followed a complaint from a small PSP that a credit institution's decision to terminate the PSP's access did not comply with the requirements for access to be granted on an objective, non-discriminatory and proportionate basis.

¹⁶ <https://www.psr.org.uk/publications/general/administrative-priority-framework/>

5 Governance

Pay.UK continued to engage with users on aspects of its existing services and plans for new offerings, including through new stakeholder engagement advisory groups.

Pay.UK also continued to engage with stakeholders on the design and delivery of the NPA.

As we explained in our proposed Strategy that we published in June 2021, in the future we want to see Pay.UK deliver against a broader role, actively improving the rules governing interbank payments. We reviewed and updated our 'day one' General and Specific Directions, mainly relating to access and governance of interbank payment systems.

Background

- 5.1** We launched our 'day one' Directions when we became fully operational in 2015. These comprised six General Directions and one Specific Direction under FSBRA. In 2019, we reviewed these Directions to ensure they remain relevant and proportionate. Annex 2 contains a summary of all the relevant changes, which have been in effect from April 2020.¹⁷
- 5.2** **General Direction 2** requires the operator of Bacs, Faster Payments, and Cheque and Credit to have access requirements that are 'POND' (proportionate, objective and non-discriminatory), publish these access requirements, notify us of any changes, and provide us with an annual report containing access information.
- 5.3** **General Directions 4 and 5** relate to governance of payment systems:
- **General Direction 4** on service-user interests (interbank payment systems) requires the operators of Bacs, Faster Payments, Cheque and Credit, and LINK to make transparent decisions, consider service-users' interests in their decision-making processes, and publish forward-looking annual reports on stakeholder engagement activities.
 - **General Direction 5** on conflicts of interests requires the operators of Bacs, Faster Payments, Cheque and Credit, and LINK to take all reasonable steps to avoid conflicts of interest between operators of payment systems and providers of central infrastructure to those systems.

¹⁷ Specific Direction 1 came into effect in May 2020.

Updates to Pay.UK's governance

- 5.4** Following scheme consolidation in 2018, Pay.UK has a governance structure which is comprised of an executive team, advisory councils, board of directors, and guarantors. The board comprises nine directors, five of which are independent non-executive directors. Over 40 guarantors – participants and end users – represent various parts of the payments ecosystem. The guarantors hold the Pay.UK board to account for fulfilling Pay.UK's purpose and strategic objectives. The advisory councils and non-executive directors on the Board ensure that the interests of service users are appropriately represented.
- 5.5** Pay.UK established its two independent advisory councils in 2019: the End User Advisory Council and the Participant Advisory Council. These work on behalf of end users and participant communities in the UK. Both councils provide advice, challenge and recommendations on Pay.UK's work, to ensure the views of end users and participants are fully understood and addressed. They each publish annual reports covering their area of focus over a 12-month period.

Pay.UK's stakeholder engagement

- 5.6** Pay.UK used several engagement channels in 2019 to get stakeholders' input into its decision-making, including:
- A regional roundtable programme to improve regional engagement across the UK, with the aim of broadening participation and getting a more balanced representation of views.
 - Quarterly meetings with end users, including fintech, agency PSP and intermediaries, to allow users to feed into decision making.
 - An end-user community, which Pay.UK founded in August 2019 to ensure it took the views of service users, including individuals and businesses, into account.
 - Senior-level bilateral meetings with participant organisations, to ensure engagement across key areas covering strategy, operations and NPA.
- 5.7** Pay.UK also ran consultations on facilities management and the Contingent Reimbursement Model (CRM)¹⁸ Fee (call for information on funding for the no-blame pot). It also consulted in December 2019 with existing and prospective Bacs and Faster Payments participants on the high-level scope and ambition of the NPA programme.
- 5.8** Pay.UK also established working groups consisting of various stakeholders to provide input to the NPA programme.

¹⁸ The CRM code aims to reduce both the occurrence and impact of APP scams, and is designed to give people the confidence that, if they fall victim to an APP scam and have acted appropriately, they will be reimbursed.

5.9 Other developments included Request to Pay¹⁹ and Confirmation of Payee (CoP)²⁰, where service-user engagement through advisory meetings and roundtables supported the technical development of solutions and the independent testing and validation of new proposals.

5.10 Pay.UK also invested in a customer relationship management system to support its decision-making processes. The system, which it implemented in 2019, centralises and records service users' views and interests across the payment schemes.

PSR Strategy

5.11 In June 2021, we published our proposed five-year strategy.²¹ We set out four outcomes we want to see in payments and our four strategic priorities to help achieve them.

5.12 One of our priorities, and a significant strand of our proposed strategy, is to ensure the renewal and future governance of the UK's interbank payment systems supports innovation and competition in payments. As part of that, we want to see Pay.UK deliver against a broader role, actively improving the rules governing interbank payments.

5.13 Actions we will take to help achieve that will include:

- Ensuring funding is adequate to enable Pay.UK to fulfil its objectives, and that funds are allocated in a way which supports and promotes innovation and competition in overlay services.
- Supporting developments to Pay.UK's governance of the interbank rules, so it has greater ability to enforce compliance with its rules and changes in those rules that improve outcomes.
- Supporting and promoting coordination between payment system participants where we think it is needed but not happening.
- Developing governance of the interbank rules, with a view to giving Pay.UK a stronger role to lead the development of protections (and other conduct rules), coordinating its participants where necessary.

19 Request to Pay is a messaging service that has been created to complement existing payments infrastructure and gives billers the ability to request payment for a bill, rather than simply sending an invoice.

20 Pay.UK launched CoP in 2020. CoP is the checking service for UK-based payments, which has been successfully implemented by a number of UK banks, building societies and other payment service providers. The service aims to reduce certain types of fraud, as well as misdirected payments.

21 We plan to publish the final Strategy in January 2022.

Annex 1

Forms of access

This annex sets out the different ways PSPs can get access to the interbank payment systems both directly and indirectly.

Background

Getting access to interbank payment systems

- 1.1** There are two main forms of access to interbank payment systems – direct and indirect. PSPs are responsible for providing services to their customers which involve the transfer of funds using interbank payment systems. These services include providing payment account services, issuing electronic money, and money remittance. PSPs include banks, building societies, credit unions, payment institutions and electronic money institutions.

What is direct and indirect access?

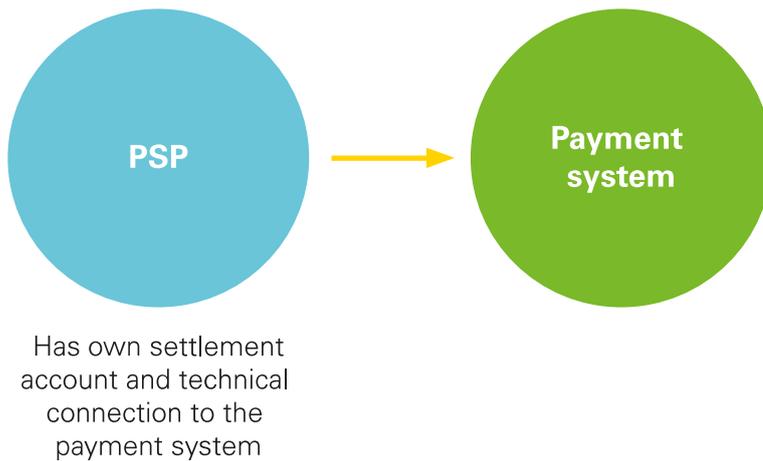
- 1.2** PSPs with direct access to a payment system are called direct participants. They settle payments through their own settlement account at the Bank of England, and process payments through a technical connection to the payment system's central infrastructure. This can be a bespoke connection, an aggregation service or a standardised messaging and network service. Aggregators are firms that provide an accredited product or managed service that gives PSPs the option to connect to the interbank payment system's central infrastructure through a shared gateway (and share the cost of access with other PSPs). This makes it commercially viable for some participants, such as non-bank PSPs with lower volumes, to join directly. It also improves choice and lowers barriers to entry.
- 1.3** A direct participant that allows an authorised or registered PSP that is not a participant in the system to pass transfer orders through the system is known as an indirect access provider (IAP).

- 1.4** PSPs with indirect access make and receive payments (on behalf of their customers) through an IAP. PSPs with indirect access can be ‘agency’ or ‘non-agency’ participants:
- **Agency indirect PSPs** are provided with one or more unique sort codes by their IAP. An indirect PSP needs to have one or more of its own unique sort codes to provide directly addressable payment accounts. By having a unique sort code, the indirect PSP can issue account numbers against that sort code for each of its payment account customers. Each sort code and account number combination creates a unique identifier usable in the interbank payment systems. Only IAPs which are direct participants in a payment system can provide agency indirect access to that system.
 - **Non-agency indirect PSPs** are not provided with a unique sort code and generally provide payment services using the same account number and sort code. For example, a non-agency building society may use roll numbers to differentiate between its customers, and therefore use the same sort code and account number for transactions on behalf of multiple customers.
- 1.5** Non-agency indirect access can be supplied by an IAP that has direct access to the system, or as part of a ‘nested’ supply arrangement, where an indirect PSP also acts as an IAP.
- 1.6** Whether a PSP chooses to access interbank payment systems directly or indirectly will depend on several factors, including the volume of transactions it expects to have, and its business model.
- 1.7** A settlement account at the Bank of England is required for a PSP to become a direct settling participant in Bacs, Faster Payments, CHAPS and ICS. Before 2018, the ability to get a settlement account was limited to credit institutions (banks and building societies). Previously, non-bank PSPs, such as e-money institutions and payment institutions, needed a relationship with an IAP to make payments as they could not get access to a Bank settlement account. In July 2017, the Bank of England changed its settlement account policy to allow certain FCA-authorized non-bank PSPs to apply for settlement accounts at the Bank of England so they could gain direct access to the interbank payment systems. In 2019, the first non-bank PSPs started providing indirect access.
- 1.8** A PSP that connects to the payment system through an IAP is not required to hold/use a settlement account held at the Bank of England (although the PSP may already have one that is used for purposes not linked to participation). IAPs provide different services and methods of connectivity to their PSP clients, such as technical portals to connect either using Application Programming Interfaces (APIs) or other non-API portals (for example, Swift or internet channels). Some IAPs also allow PSPs to make and receive payments through a dedicated Head-Office Collection Account (HoCA) framework.

The different ways that PSPs can access interbank payment systems

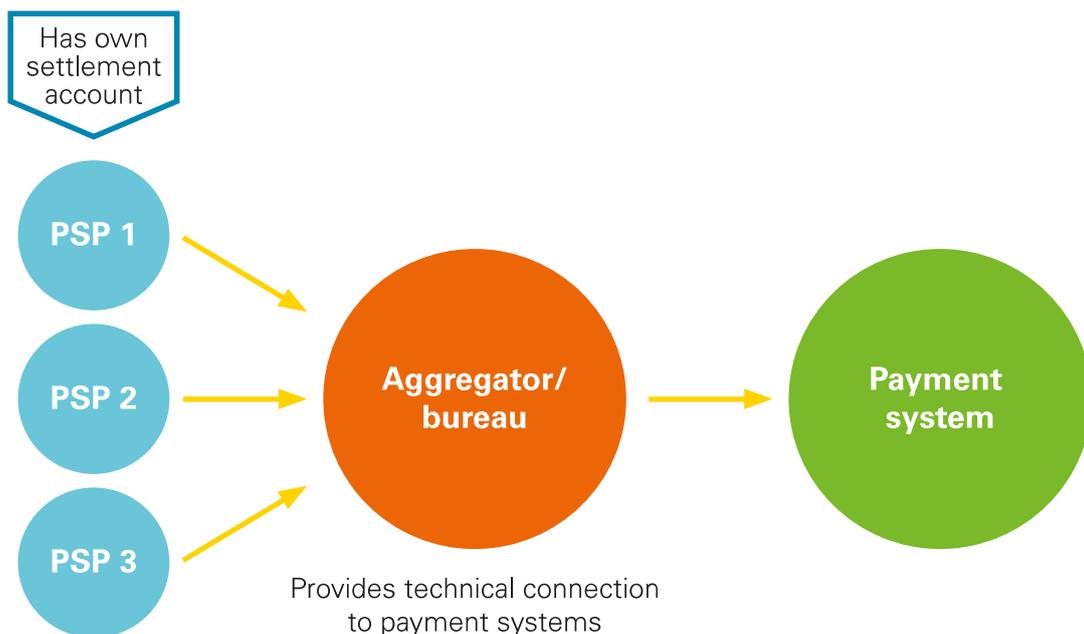
Direct access

- 1.9** A PSP has a settlement account and its own facility to connect directly to the interbank payment system.



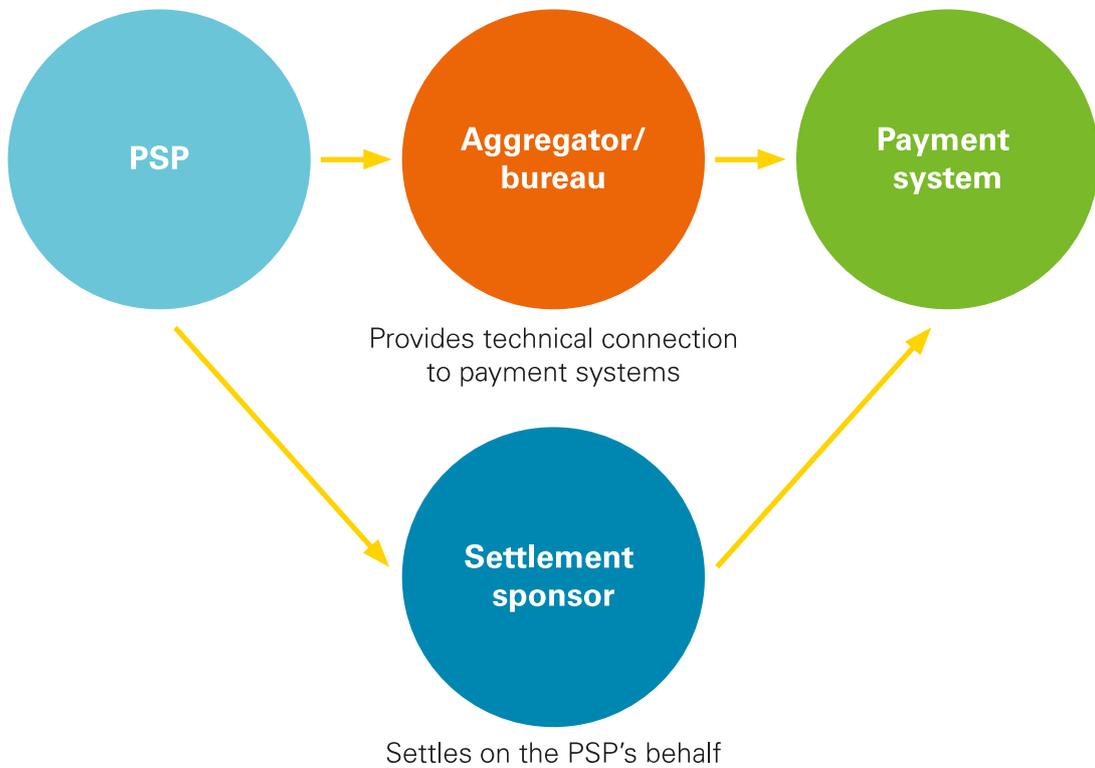
Direct technical access – directly connected settling participants (DCSPs)

- 1.10** A PSP has a settlement account and connects directly to the interbank payment system through an aggregator or bureau.



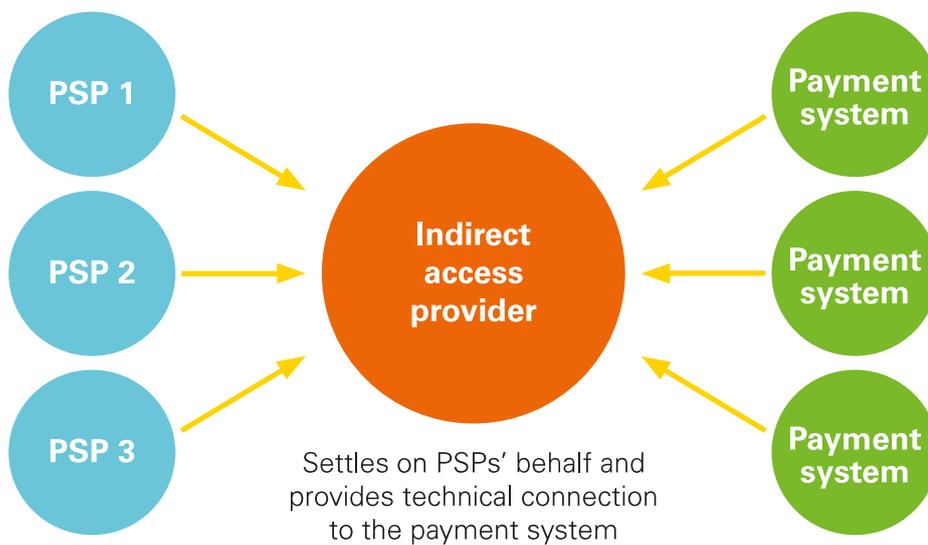
Direct technical access – directly connected non-settling participants (DCNSPs)

- 1.11** A PSP uses a sponsor bank for settlement, and either connects directly to the interbank payment system or connects through an aggregator or bureau.



Indirect access

- 1.12** A PSP uses a sponsor for settlement and indirect access to the interbank payment system.



Aggregators

- 1.13** The technical aggregators (Bottomline, PayPort, ACI, FIS and Form3), in use for several years, have helped to reduce the complexity and overall cost associated with joining interbank payment systems directly. Aggregators are firms that provide an accredited product or managed service that gives PSPs the option to connect to the interbank payment system's central infrastructure through a shared gateway (and share the cost of access with other PSPs). This makes it commercially viable for some participants, such as non-bank PSPs with lower volumes, to join directly. It also improves choice and lowers barriers to entry.
- 1.14** Non-bank PSPs can access interbank payment systems directly, either as a full settlement participant²² (that is, with its own settlement account at the Bank of England) or using an IAP to carry out the settling element of the process if they cannot or do not wish to have a settlement account with the Bank of England. New direct participants can use their own bespoke connection or employ an aggregator to assist and simplify the onboarding process.
- 1.15** Pay.UK has an accreditation process for aggregators seeking to provide direct access to the Faster Payments infrastructure. This involves the completion of technical certification tests to gain full accreditation and ensure proven connection into the main system infrastructure, and is followed by ongoing monitoring. There is no accreditation process for CHAPS at the Bank of England. The direct participant retains responsibility for gaining access to the central infrastructure, but there are established aggregators with proven records of delivering technical access.
- 1.16** Bacs considered launching an aggregator model but, after a review of the service in line with NPA developments and lack of demand, Pay.UK decided against it. Instead, Pay.UK made participants aware of existing access options (such as the pre-existing bureau offering). The bureau model operates in the same way as a technical aggregator in Faster Payments for the submission of payments into the Bacs infrastructure. Bacs participants can also join directly through a bespoke link with the central infrastructure or by using a secure website solution (for example, Bacstel-IP²³).

Indirect gateway/portal API enabled

- 1.17** Some IAPs now provide connectivity through the use of APIs. This allows a PSP to integrate its platform with the IAP's, and to make and receive payments seamlessly. API-enabled products often provide a similar technical experience to the products a PSP would get via direct technical access into Faster Payments through an aggregator, with payments being sent and received in real time. API-based products and services are relatively new compared to existing agency and non-agency access services.

22 Users of a payment system that participate in settlement of obligations across Bank of England RTGS.

23 <https://www.bacs.co.uk/Services/bacsschemes/operatingtheschemesbusinesses/Pages/UsingBacstel-IP.aspx>

Indirect gateway/portal non-API

- 1.18** IAPs also provide dedicated access portals, which can be integrated into the indirect PSP's platform. For example, a large PSP may still integrate its system – sending and receiving a payment with the IAP's portal. However, smaller PSPs may key in the details of a payment by hand to the front end of the portal or upload payment details into a secure area of the portal to make the payment. Receiving payments will depend on the payment system but, for example, Faster Payments may be received in near real time or batched into a number of payments at a particular frequency (every few hours or once a day).

Head Office Collection Account (HOCA) (non-agency access)

- 1.19** Smaller non-agency PSPs that may have a limited amount of technology and a limited number of payments may not find it beneficial to use a dedicated portal to make and receive payments. As such, an IAP will provide a HOCA with a dedicated sort code and account number to make and receive all the PSP's payments. A dedicated front end may be provided to enable payments to be keyed in. Payments in receipt are likely to use a secondary reference such as a roll number to identify the underlying customer of the PSP, and will be received into the HOCA account. The PSP will then use the roll number to credit the end customer in their systems.

Annex 2

Legislative regimes for access

This annex sets out the PSR's legal powers that govern direct and indirect access.

Our legal powers

FSBRA powers (direct and indirect access)

- 2.1** Sections 56 and 57 of the Financial Services (Banking Reform) Act 2013 (FSBRA) provide a mechanism whereby a party (the applicant) that has a commercial dispute with another party (or parties) can ask the PSR to determine the outcome.
- Section 56 FSBRA, upon an application by an applicant, gives us the power to make an order requiring: the operator of a FSBRA regulated payment system to enable the applicant to become a direct PSP in that system (direct access);
 - any PSP with direct access to a FSBRA regulated payment system to enter into an agreement with the applicant to enable the applicant to become a PSP in that system (indirect access).
- 2.2** Section 57 FSBRA, upon an application by the applicant, gives us the power to vary certain types of access and other services agreements. Under section 57 FSBRA, the PSR may vary:
- any agreement made between the operator of a FSBRA regulated payment system and a PSP.²⁴ We may vary any of the fees or charges payable under such an agreement, and/or vary any other terms and conditions relating to the PSP's participation in the FSBRA regulated payment system.²⁵
 - any agreement made between a PSP with direct access to a FSBRA regulated payment system and another person for the purpose of enabling that other person to become a PSP in relation to that system.²⁶ We may vary any of the fees or charges payable under such an agreement, and/or vary any other terms and conditions relating to the PSP's participation in the FSBRA regulated payment system.²⁷

24 Section 57(1)(a).

25 Section 57(2)(a) and (b).

26 Section 57(1)(b).

27 Section 57(2)(a) and (b).

- any agreement concerning fees or charges payable in connection with participation in, or the use of services provided by, a FSBRA regulated payment system.²⁸
We may vary any of the fees or charges payable under such an agreement.²⁹

Interactions between FSBRA and PSRs 2017 (direct and indirect access)

- 2.3** Section 108 FSBRA prevents the PSR from exercising our powers under sections 56 and 57 FSBRA to enable a person to get or maintain access to a FSBRA regulated payment system, if Regulation 103 or 104 of the PSRs 2017 apply to that person's access arrangements. In other words, we may only use our section 56 and 57 powers to grant access to FSBRA regulated systems or vary such an existing agreement, if Regulation 103 or 104 PSRs 2017 does not apply to a person's access arrangements.

PSR 2017 powers

- 2.4** The second EU Payment Services Directive (PSD2) was published in the Official Journal of the European Union on 23 December 2015. PSD2 requirements were transposed into UK Law by the PSRs 2017, and came into force in January 2018. Under the PSRs 2017³⁰, we are the authority responsible for monitoring and enforcing compliance with Regulations 61, 103, 104 and 105 (with the FCA). These regulations relate to the information that independent ATM operators must provide when consumers withdraw cash from ATMs (61), access to payment systems (103 and 104) and access to payment account services (105).
- 2.5** Regulations 104 and 105 are relevant to this report as they relate to indirect access to certain payment systems which have been designated by the Bank of England under the Settlement Finality Regulations 1999³¹ (Regulation 104) and access to payment account services by certain PSPs (Regulation 105).³² We are co-competent with the FCA for Regulation 105.
- 2.6** While, as noted at paragraph 2.4 above, we are also the relevant authority for regulations 61 and 103 PSRs 2017, as these regulations do not relate to access to interbank payment systems, they are not addressed in this report.

28 Section 57(1)(c).

29 Section 57(2)(a).

30 The PSRs 2017 came into force on 13 January 2018, replacing the Payment Services Regulations 2009.

31 In the UK, the following interbank payment systems have been designated under the Settlement Finality Regulations: Bacs, CHAPS, Faster Payments and ICS. Visa is also SFD designated.

32 See 2(1)(a) to (f) of definition of PSP in PSRs 2017.

Regulation 104 (indirect access)

2.7 Regulation 104 applies where a direct participant in a payment system designated by the Bank of England under the SFR allows an authorised or registered PSP that is not a participant in the system to pass transfer orders through the system. Such direct participants are known as indirect access providers or IAPs. Where Regulation 104 applies, it imposes certain requirements and prohibitions on the way in which direct participants in payment systems designated under the SFR³³ treat requests from other authorised or registered PSPs for access to those payment systems (that is, requests for indirect access). Under this regulation, requests for indirect access include new applications and decisions on existing service provision – that is, refusal and withdrawal of access.

2.8 Regulation 104 requires that IAPs:

- Treat requests for access in a proportionate, objective and non-discriminatory (POND) manner.
- Do not prevent, restrict or inhibit access to or participation in the system more than is necessary to safeguard against specific risks or to protect the financial and operational stability of their business or the payment system.
- Do not discriminate, directly or indirectly, between different authorised PSPs or different registered PSPs in relation to their rights, obligations or entitlements in relation to access or participation in the system.
- Do not impose any restrictions on the basis of the institutional status of a PSP.
- Regulation 104 also requires participants to provide full reasons to a PSP if they refuse or withdraw indirect access.

Regulation 105 (access to payments accounts services)

2.9 Under Regulation 105, credit institutions must comply with certain obligations and requirements in respect of the provision of payment accounts services to certain PSPs (specifically, authorised payment institutions, small payment institutions, registered account information service providers, and electronic money institutions³⁴) and applicants for authorisation or registration as such PSPs.

33 Bacs, CHAPS, Faster Payments, ICS and Visa.

34 See Regulation 105(1) and Regulation 2(1) of the PSRs 2017. The following PSPs are specifically excluded from the scope of Regulation 105 PSRs 2017: credit institutions, the Post Office Limited, the Bank of England, the European Central Bank and the national central banks of EEA States other than the United Kingdom, other than when acting in their capacity as a monetary authority or carrying out other functions of a public nature, and government departments and local authorities, other than when carrying out functions of a public nature.

2.10 In line with the Treasury's interpretation (part of its consultation on the implementation of PSD2), we consider 'payment accounts services' provided by credit institutions to include the provision of payment accounts used for the purposes of making payment transactions on behalf of clients, safeguarding accounts and operational accounts (accounts used for payments such as salaries and rent).

2.11 Regulation 105 requires that credit institutions must grant the PSPs listed above access to payment account services on a POND basis. The regulation also requires credit institutions to:

- provide PSPs that enquire about access to payment accounts services with the criteria that the credit institution applies when considering requests for such access.
- maintain arrangements to ensure those criteria are applied in a manner that ensures that access to payment account services is granted on a POND basis.
- ensure access, where provided, is sufficiently extensive to allow the PSP to provide payment services in an unhindered and efficient manner.
- provide duly motivated reasons, in the form of a Regulation 105 notification, to the FCA (which provides them to us) if they refuse or withdraw access to payment account services.

2.12 Our expectations and guidance in relation to regulations 104 and 105 are set out on our website.³⁵

35 <https://www.psr.org.uk/publications/consultations/the-payment-services-regulations-2017-the-psr-s-draft-approach-to-monitoring-and-enforcement/>

Annex 3

Revised General Directions

We recently reviewed our 'day one' directions to ensure they remain fit for purpose, including general and specific directions to help improve access to and governance of payment systems.³⁶

This annex sets out the summary of revised Directions and changes made.

Direction	What it does now	What's changed
General Direction 1	Requires participants and regulated persons to have an open and cooperative relationship with the PSR, and to notify us of anything we would reasonably expect notice of.	Previously applied only to participants under FSBRA. Now also applies to regulated persons under the PCIFRs and the PSRs 2017.
General Direction 2	Requires the operators of Bacs, Faster Payments, and Cheque and Credit to have proportionate, objective and non-discriminatory access requirements; publish these requirements; notify us of changes; and provide us with an annual report containing access information.	The access test used now aligns with requirements set out in the PSRs 2017. No longer applies to CHAPS.
General Direction 3	Requires payment systems regulated under Regulation 103 of the PSRs 2017 to notify us of changes to their access requirements, and to provide us with an annual report containing access information.	Previously covered Visa, Mastercard and LINK; now also applies to JCB, UnionPay, Diners Club and American Express. No longer requires publication of access requirements.

36 https://www.psr.org.uk/media/sykhenz/psr-cp19-3-review-of-directions-decision-and-draft-directions-march-2019_.pdf

Direction	What it does now	What's changed
General Direction 4	Requires the operators of Bacs, Faster Payments, Cheque and Credit, and LINK to make transparent decisions, consider service-users' interests in their decision-making processes, and publish forward-looking annual reports on stakeholder engagement activities.	<p>Consolidates previous General Directions 4 and 6 focusing on service users' interests.</p> <p>Changed focus of the reporting obligation to be public-facing and forward-looking.</p> <p>No longer applies to CHAPS.</p>
General Direction 5	Requires the operators of Bacs, Faster Payments, Cheque and Credit, and LINK to take all reasonable steps to avoid conflicts of interest between operators of payment systems and providers of central infrastructure to those same payment systems.	<p>Clarification that the Direction applies where an infrastructure provider is bidding to supply a regulated payment system, as well as where it is supplying that system.</p> <p>No longer applies to CHAPS.</p>
Specific Direction 1	Requires sponsor banks to publish information on their sponsor bank services and indirect access offerings, and to provide indicative timetables for those seeking indirect access to payment systems.	<p>Previously applied to certain named banks. Now applies to all sponsor banks.</p> <p>Now includes indicative timetable requirement.</p> <p>Will expire after three years unless extended.</p>

Annex 4

Glossary

This annex contains the glossary of terms.

Term or abbreviation	Description
access seeker	A payment service provider (PSP) seeking access (direct or indirect) to a system.
agency indirect PSP	An indirect PSP that has its own sort code provided by its indirect access provider.
Aggregator	An organisation providing technical access to a payment system's central infrastructure through a shared gateway.
API	Authorised payment institution.
Bacs	The regulated payment system that processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit. The payment system is operated by Pay.UK.
Bank of England settlement account	A settlement account in central bank money, used to transfer funds on the Bank's real-time gross settlement (RTGS) system. An account is required in order to be a direct participant in FPS, Bacs, CHAPS and the cheque systems.
C&C (Cheque and Credit)	The regulated payment system processing cheques and other paper instruments. This encompasses the image clearing system and paper-based system. It is operated by Pay.UK.
CHAPS	The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's real-time gross settlement (RTGS) system. It is operated by the Bank of England.
credit institution	Under the PSRs 2017, an undertaking whose business is to take deposits or other repayable funds from the public and to grant credits for its own account.

Term or abbreviation	Description
direct access	A PSP has direct access to a payment system if the PSP is able to provide services for the purposes of enabling the transfer of funds using the payment system as a result of arrangements made between the PSP and the operator.
direct technical access	A technical solution that directly connects a PSP (or other authorised user) with the central infrastructure of a payment system.
Faster Payments (was known as Faster Payments Scheme)	The regulated payment system that provides near real-time payments as well as standing orders. It is operated by Pay.UK.
FCA	Financial Conduct Authority.
FSBRA	Financial Services (Banking Reform) Act 2013.
General Direction (GD)	A Direction we issued under section 54 of FSBRA, section 125 of the PSRs 2017, and regulation 4 of the PCIFRs 2015 as amended from time to time. It applies to all parties of a category specified in the Direction.
indirect access	A PSP has indirect access to a payment system if it has a contractual arrangement with an indirect access provider to enable it to provide payment services (to enable the transfer of funds using that payment system) to its customers.
indirect access provider (IAP)	A PSP that provides indirect access to a payment system to other PSPs for the purpose of enabling the transfer of funds within the UK. This is the case irrespective of whether or not the IAP provides the indirect PSP with a unique sort code (that is, whether or not the indirect PSP is listed as the 'owning bank' for a sort code in the Industry Sort Code Directory, with the IAP listed as the 'settlement bank').
LINK	The regulated payment system that enables end users to take cash out of their accounts (among other activities) using the network of ATMs in the UK. It is operated by LINK Scheme.
non-agency PSP	An indirect PSP that does not have its own unique sort code.
operator (payment system operator)	In relation to a payment system, any person with responsibility under a payment system for managing or operating it. Any reference to the operation of a payment system includes a reference to its management.
Pay.UK	The entity set up to consolidate BPSL (Bacs), FPSL (FPS) and C&CCCL (Cheque and Credit). Formerly the NPSO.

Term or abbreviation	Description
payment service provider (PSP)	A PSP, in relation to a payment system, means any person who provides services to consumers or businesses that are not participants in the system, to enable the transfer of funds using that payment system. This includes direct PSPs and indirect PSPs.
PSD2 (Second EU Payment Services Directive)	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) 1093/2010, and repealing Directive 2007/64/EC, published in the Official Journal of the EU on 23 December 2015. The UK's obligations are transposed into UK legislation in PSRs 2017.
Payment Services Regulations 2009 (PSRs 2009)	The Payment Services Regulations 2009 (SI 2009/209), which implement the Payment Services Directive (Directive 2007/64/EC) in the UK, as amended from time to time.
Payment Services Regulations 2017 (PSRs 2017)	The Payment Services Regulations 2017 (SI 2017/752), as amended from time to time, which implement the Second EU Payment Services Directive (PSD2).
service-user	Those who use, or are likely to use, services provided by regulated payment systems.
sort code	A six-digit number, usually written as three pairs of digits, used for the purpose of routing payments in certain UK interbank payment systems.
Specific Direction (SD)	A Direction issued by the PSR under section 54 of FSBRA and https://www.psr.org.uk/how-we-regulate/regulatory-framework/specific-directions/ , as amended from time to time. It applies only to persons specified in the Direction, or persons of a specified description.

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