

# **PSR regulatory fees 2017/18**

Decision on 2017/18 PSR regulatory fees for the funding of the PSR's FSBRA and IFR functions

In this policy statement we respond to the submissions received to the consultation paper CP17/9, *PSR regulatory fees 2017/18* (March 2017), set out our final policy decision on how our functions and activities for the year 2017/18 will be funded, and publish the final rules.

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You can download this policy statement from our websites:  
[www.psr.org.uk/psr-publications/policy-statements/PS-17-17-PSR-fees-2017-18](http://www.psr.org.uk/psr-publications/policy-statements/PS-17-17-PSR-fees-2017-18)

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# 1. Overview

## Introduction

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- 1.1** This policy statement sets out our final decision on the rates for the Payment Systems Regulator's (PSR's) regulatory fees for the financial year 2017/18. We consulted on our proposals for these rates in our March 2017 consultation paper CP17/9<sup>1</sup>, where we also set out our decision and consequent fees rules for the PSR's fees for 2017/18. These fees fund the PSR's functions and activities under the Financial Services (Banking Reform) Act 2013 (FSBRA) and the EU Interchange Fee Regulation 2015 (IFR).
- 1.2** Having considered all the submissions to our March consultation (CP17/9) we have decided to apply the fee rates as consulted on. The individual operator fee rates can be found in Annex 1.
- 1.3** In this policy statement we also:
- answer a number of questions about how the PSR's FSBRA and IFR fees will be allocated, calculated and collected
  - summarise the responses we received to CP17/9 and our feedback on them
- 1.4** For convenience, when this document refers to 'we', this means the Financial Conduct Authority (FCA) and PSR jointly, although the final decision and fees rules are made by the FCA.

## Background

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- 1.5** 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.
- 1.6** The PSR is an independent subsidiary of the FCA. It regulates payment systems operating in the UK designated by the Treasury. The PSR has a range of regulatory powers under FSBRA, as well as concurrent competition powers under the Competition Act 1998 and Enterprise Act 2002. The PSR has statutory objectives under FSBRA to promote competition, innovation and the interests of service-users.
- 1.7** The PSR also has functions under the IFR pursuant to The Payment Card Interchange Fee Regulations 2015<sup>2</sup> (the 2015 Interchange Regulations).
- 1.8** The PSR is funded entirely by the fees paid by the participants in the payment systems it regulates under FSBRA and card systems under the IFR; it doesn't receive subsidies from other sources. For the year 2017/18, the PSR has an annual funding requirement (AFR) of £12 million to cover its ongoing regulatory activities. Of this, £11.4 million is budgeted for FSBRA functions and activities, and £0.6 million for the IFR.
- 1.9** The financial year 2017/18 is the annual financial year beginning 1 April 2017 and ending 31 March 2018.
- 1.10** In Chapter 3 of CP17/9 we set out our decisions on the PSR's FSBRA and IFR annual funding requirement (AFR) allocation methodology and on the methodologies relevant parties should use to calculate and collect fees. Finally, we set out our decision on amendments we proposed to the fees rules in our November 2016 consultation (CP16/35<sup>3</sup>) and provided answers to general clarification questions.
- 1.11** In Chapter 4 of CP17/9 we consulted on fees rates for the PSR's FSBRA and IFR functions, so that those who will be liable to pay these fees for the year 2017/18 can calculate their individual liability.

<sup>1</sup> [www.psr.org.uk/sites/default/files/media/PDF/CP-179-PSR-fees-2017-2018.pdf](http://www.psr.org.uk/sites/default/files/media/PDF/CP-179-PSR-fees-2017-2018.pdf)

<sup>2</sup> The Payment Card Interchange Fee Regulations 2015, Statutory Instrument 2015/1911.

<sup>3</sup> [www.psr.org.uk/psr-publications/consultations/cp-1635-fees-2017-2018](http://www.psr.org.uk/psr-publications/consultations/cp-1635-fees-2017-2018)

## Summary of responses and feedback

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- 1.12** We received five responses to CP17/9: four from operators of regulated payment systems and card systems, and one from a payment service provider (PSP).

## Who does this policy statement affect?

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- 1.13** This policy statement will affect participants in payment systems regulated under FSBRA, IFR regulated persons, and PSPs that operate in the UK. Those required to pay PSR fees in line with this policy statement include<sup>4</sup>:
- PSPs that are direct members of one or more of the following payment systems regulated under FSBRA: Bacs, CHAPS, Cheque and Credit (C&C), Faster Payments Scheme (FPS), LINK and Northern Ireland Cheque Clearing (NICC)
  - acquiring or card-issuing PSPs operating in the UK that are members of Mastercard or Visa
  - acquiring or card-issuing PSPs operating in the UK that are members of card payment systems subject to the IFR, and in some cases the operators of these card payment systems
- 1.14** This policy statement does not include anything 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?

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- 1.15** We set out below what each of the following groups need to do:
- operators of regulated payment systems under FSBRA
  - PSPs which are direct members of Bacs, C&C, CHAPS, FPS, LINK or NICC
  - acquiring and card-issuing PSPs operating in the UK that are members of Mastercard or Visa
  - the operators of American Express and Diners Club

We also describe how credit will be given to 2016/17 PSR fee payers against 2017/18 PSR fees, as a result of the PSR's underspend for 2016/17.

- a. Operators** must issue invoices for the 2017/18 PSR regulatory fees to their direct members, acquirers and card issuers operating in the UK, in accordance with the calculation methodology and instructions set out in the fees rules. They must issue invoices in time to allow fee payers to pay their 2017/18 PSR regulatory fees to the respective payment systems operators no later than **15 September 2017**.
- b. Operators** must also provide the PSR with their fee calculations for individual invoices and the underlying transaction volumes data. They must do this before, or at the same time as, they issue their invoices.
- c. Individual direct PSP members, acquirers and card issuers** operating in the UK should arrange to pay their 2017/18 PSR regulatory fees for each invoice they receive no later than **15 September 2017**.
- d. Operators who pay their fees themselves** must invoice themselves in time to pay their fees to us no later than 15 September 2017, and must pay their fees to us by this date.

<sup>4</sup> The fees rules refer to 'direct payment service providers', which under our proposals includes acquirers, card issuers (for Mastercard and Visa and all of the IFR card systems) and direct payment service providers in the Bacs, CHAPS, C&C, FPS, LINK and NICC payment systems. The fees rules are being modified to refer to operators of card payment systems (where they are liable to pay fees themselves).

- e. **Operators** must tell the PSR on **17 September 2017** if any payment is late. The FCA will then, on behalf of the PSR, contact the individual late payer. The PSR fees rules set out in FEES 9 allow the FCA to levy an administrative charge of £250 plus interest on any fee payer that is late in paying its fee. We will impose this charge in appropriate circumstances.
- f. **Operators** must pay us all the monies they have collected from PSPs no later than **1 October 2017**.

#### **Fee year 2016/17 underspend**

- 1.16** The PSR had an underspend for 2016/17 and has decided that it is appropriate to refund £4.2 million to fee payers for that year.
- 1.17** Fee payers who paid PSR fees in 2016/17 and are liable to pay 2017/18 PSR FSBRA and IFR fees in respect of the same payment system are automatically eligible for a refund. This will be done by reducing each of these fee payers' individual 2017/18 payments by the relevant amount<sup>5</sup>, which will be set out in the invoices from the operators. Any 2016/17 fee payer who is no longer liable to pay fees in 2017/18 can apply to the PSR for a refund under the fees rules.
- 1.18** If fee-paying PSPs have any questions about their invoice or their 2017/18 PSR regulatory fees, they should first contact their operator. Questions can also be sent to us at [PSRfees@psr.org.uk](mailto:PSRfees@psr.org.uk).

<sup>5</sup> See paragraph 2.5 of CP17/9.

## 2. The PSR's and FCA's roles, the late payment of fees and the 2017/18 PSR fees timeline

This chapter describes:

- the respective roles of the PSR and FCA in relation to PSR fees
- the fees timeline
- the approach that the PSR will take to the late payment of fees

### 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. The FCA may make rules requiring participants in regulated payment systems (in relation to FSBRA functions) and regulated persons (in relation to IFR functions) to pay specified amounts (i.e. fees), or amounts calculated in a specified way, to fund the PSR.
- 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 2017/18 is shown in Table 1.

**Table 1: The PSR's budget for its 2017/18 AFR**

Annual funding requirement 2017/18	£ million
<i>FSBRA</i> 2017/18 budget	11.4
<i>IFR</i> 2017/18 budget	0.6
Total PSR AFR 2017/18 (initial budget)	12

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

### On-account fees and treatment of late payers

- 2.5** To ensure the PSR has appropriate cash-flow throughout a fee year, we have included payment of on-account fees in our fees rules. This is modelled on the FCA's approach to fees. On-account fees for the fee year 2017/18 were due to be paid by PSPs to their operator by 15 March 2017, and the collected monies were to be transferred to us by the operators by 1 April.
- 2.6** The PSR's fees rules<sup>6</sup> allow the FCA to levy an administrative charge of £250 plus interest on a fee payer that is late in paying its fee. The late payment provision only applies to the fee payer paying the fee (including an operator liable to pay a fee by virtue of its activity as a PSP). It does not apply to an operator acting only as our collection agent.
- 2.7** We may impose this charge for the late payment of fees in accordance with the PSR's fees rules.

<sup>6</sup> FEES 9.2.7R.

## Fees timeline

**2.8** The FCA's usual fees cycle begins with a consultation paper published each November. For the PSR's fees for the year 2017/18, our first consultation was issued in November 2016.

**2.9** Our timeline for this year's fees process is provided below:

<b>November 2016</b>	<b>Consultation paper:</b> How 2017/18 PSR regulatory fees will be allocated, how we propose to calculate and collect PSR fees, and changes to the fees rules that we propose to introduce.
<b>January 2017</b>	<b>Consultation closes.</b>
<b>January to March 2017</b>	<b>Fee data collection:</b> Participants in regulated payment systems and regulated persons are asked to provide data that is not already available to the PSR.
<b>15 March 2017</b>	<b>Payment date for on-account invoices:</b> Fee-payers whose 2016/17 PSR fees were £20,000 or more for their participation in any individual regulated payment system are required to make an advance payment of 50% of their 2016/17 PSR fees to each of the relevant operators.
<b>As soon as practicable after 19 March 2017</b>	<b>Operators to submit information to the PSR on late payers of 2017/18 on-account payments.</b> This information must be submitted on a spreadsheet showing 2016 transaction volumes and 2017/18 on-account fees broken down by PSP, updated to show late/partial payers (and their contact details). Operators have until 30 March to submit this information.
<b>31 March</b>	<b>Consultation paper on proposed fee rates</b> for individual fee-payers for the coming year, together with our response to submissions to the November 2016 consultation and the making of any rules which need to come into effect from April 2017.
<b>1 April 2017</b>	<b>Payment date</b> for operators to transfer collected on-account payment monies to us.
<b>4 May 2017</b>	<b>Operators to submit their 2017/18 fees spreadsheet to the PSR</b> , with 2016/17 transaction volumes and 2017/18 fees broken down by PSP.
<b>12 May 2017</b>	<b>Deadline to respond to March fees consultation.</b>
<b>July 2017</b>	<b>Policy statement finalising the periodic fee rates rules</b> for 2017/18 and making any other rules (this document).
<b>July 2017</b>	From July, the <b>operators</b> of regulated payment systems and IFR card systems <b>invoice fee-payers</b> (including the operators of IFR card systems where they are liable for the payment of PSR fees themselves).
<b>15 September 2017</b>	<b>2017/18 PSR fees are due to be paid to the operators</b> (after deducting any on-account payments made on 15 March 2017). Where the operators are liable for the fee themselves, their 2017/18 fees are due to be paid to the FCA on this date.
<b>17 September 2017</b>	<b>Operators to submit information on late payers</b> of 2017/18 fees (on a spreadsheet showing 2016 transaction volumes and 2017/18 fees broken down by PSP) to the PSR, updated to show late/partial payers and to provide their contact details.
<b>1 October 2017</b>	<b>Operators pay 2017/18 PSR fees they have collected to the FCA.</b>



## 3. Consultation responses and policy decision on FSBRA and IFR regulatory fee rates

In this chapter we give feedback on the responses we received to the March consultation CP17/9 and set out our final decision on the PSR's FSBRA and IFR fee rates. We also give feedback and set our final decision on our handling of the PSR's anticipated 2016/17 budget underspend.

Having considered the feedback received, we have made the decision to make the fee rate rules as consulted on.

### Our consultation question in CP17/9

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3.1 We asked the following consultation question:

**Q1: Do you have any comments on the proposed fee rates for funding the PSR's FSBRA and IFR functions and activities for 2017/18, pursuant to the fees rules set out in Annex 2 (draft fees rules, in particular Tables A, B and C of FEES 9 Annex 1R used for the calculation of fees rates)?**

### The process so far

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3.2 In November 2016 we consulted on a number of changes to the rules around the calculation and collection of PSR regulatory fees for 2017/18. Our consultation paper was published on 24 November and the consultation lasted for six weeks. In March 2017, we confirmed our decision to continue with the same budget allocation methodology as for 2016/17, and made a minor change to our fees rules (we have amended the timing of regulatory fees payment for operators that also act as PSPs and pay the entire fee for their scheme themselves). We also provided guidance on a number of clarification questions and consulted on the proposed fee rates. The consultation closed on 12 May; this document confirms the fee rates for 2017/18. More information on our timeline can be found in Chapter 2 of this document.

### Summary of responses

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#### Funding the PSR's FSBRA and IFR functions and activities for 2017/18

- 3.3 Most respondents to our March 2017 consultation were either supportive or did not comment on the proposed fee rates for FSBRA and IFR fees for 2017/18. No respondent objected to our proposed fee rates.
- 3.4 One stakeholder agreed that the current fees methodology would need to be reviewed to take account of the introduction of the proposed new payment system operator (NPSO). The same operator was content with our current approach as it was deemed fair and proportionate.

### Additional comments submitted through CP17/9

- 3.5** One operator commented on paragraph 3.24 of CP17/9, where we said the PSR may revisit its fees calculation methodology in light of the NPSO. The operator said it would object strongly to a change that would give it the same liability as the NPSO.
- 3.6** One respondent noted that we had not implemented our proposed rule change to require PSPs to provide operators with sufficient information to be able to assess, or estimate, relevant transaction volumes more accurately (including for 'on us' and third party processor transactions). The respondent felt we had not been clear about:

- how the PSR would address the issue of operators not being able to see some IFR transaction volumes
- what the PSR would expect from operators

We proposed the new rule, FEES 9.2.4DR(4), in our November 2016 consultation. We received no suggestions as to the type of information that we could require to allow operators to calculate these transaction volumes. Some operators said that they did not have any problems with estimating the individual PSP fee liability. In light of the responses received, we decided not to adopt that proposal.

- 3.7** One respondent repeated calls to make the PSR fees calculation methodology simpler. The respondent suggested we consider introducing a different basis for fee calculations. This respondent made a number of suggestions and referred to Ofcom's methodology for calculating its fees.<sup>7</sup>

### Clarification questions

- 3.8** We received a clarification question around the fee calculation for a specific operator which we have clarified directly with the operator. As the issue has now been clarified and the question does not apply to any other operators, we do not provide any further details on this in this decision.
- 3.9** Another respondent asked for guidance on the PSR's position regarding PSPs leaving a scheme during the financial year. It also asked for clarification on the treatment of the total AFR to be collected by operators in light of the £50 threshold – particularly whether the liability of PSPs who fall below the £50 threshold would be excluded from the total sum to be collected by operators.

### Feedback on the responses received

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- 3.10** We agree with the stakeholder suggestion that we need to review the current fees methodology in light of the proposed consolidation of certain regulated payment system operators. As we set out in paragraph 3.29 of CP17/9, we will consider whether we need to change our approach in response to this and the other issues raised by respondents. As set out in CP 17/9, we will consult on any proposed changes to our approach.
- 3.11** Regarding the rule that we proposed in November to deal with operators' ability to see IFR transaction volumes, our reasoning for not introducing the rule was set out in CP17/9 (paragraph 3.56). We continue to believe that no further rule changes are required as the operator's visibility of IFR transactions issue was only relevant to one operator.
- 3.12** In response to the suggestions made by the operator regarding our fee allocation approach, we will consider it in setting our allocation methodology in the future.

<sup>7</sup> [www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0029/99614/Tariff-Tables-2017-18-.pdf](http://www.ofcom.org.uk/__data/assets/pdf_file/0029/99614/Tariff-Tables-2017-18-.pdf)

### Responses to clarification questions

- 3.13** With regards to paragraph 3.9, PSPs that have left a payment scheme during a financial year, we provided further guidelines in our April 2016 consultation paper (CP16/11). We said that 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. 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, which is used to calculate the 2017/18 fees for that system.
- 3.14** Regarding the fees of PSPs that fall below the minimum threshold, these fees will be re-allocated to the remaining PSP members. The total portion of the PSR AFR allocated to each payment system will not be reduced as a result of PSPs falling below the minimum transaction threshold.

### Our allocation methodology – FSBRA

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- 3.15** As we set out in Chapter 3 of CP17/9, for the year 2017/18 we decided to continue with the approach we adopted for 2016/17 for the allocation, calculation and collection of PSR fees to fund its FSBRA functions and activities. This means we have allocated the PSR's AFR equally across all the pan-UK payment systems the PSR regulates under FSBRA: Bacs, CHAPS, C&C/NICC, FPS, LINK, Mastercard, and Visa Europe. We are 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.
- 3.16** The liability for paying the PSR's FSBRA AFR for each payment system falls on its direct PSP members, based on their relative individual transaction volumes (or shareholdings in the case of NICC).
- 3.17** The payment deadlines for FSBRA related fees will be 15 September (for PSPs to pay their fees to operators) and 1 October (for operators to transfer their fees to the PSR).

### Our allocation methodology – IFR

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- 3.18** As we set out in Chapter 3 of CP17/9, we will continue with the same IFR allocation, calculation and collection methodology that we used for the 2016/17 fees cycle. We will allocate the IFR AFR across all the card payment systems which operate in the UK and which are subject to the IFR (with two exceptions to take account of the very limited presence in the UK of two specific IFR card payment systems).
- 3.19** The PSR's IFR AFR will be allocated across the relevant IFR card payment systems using a three-tier methodology. Under this approach:
- IFR card payment systems with more than 10 million UK transactions (American Express, Mastercard and Visa) are allocated an equal share of our IFR AFR. This amounts to 33.2% of our IFR AFR, or approximately £199,000 each, in 2017/18.
  - IFR card systems with more than 100,000 and less than 10 million UK transactions (Diners Club International (Diners Club)) are allocated a flat fee amounting to 0.5% of the overall IFR AFR, or £3,000, in 2017/18.
  - IFR card systems with less than 100,000 UK transactions (Union Pay International (UPI) and JCB) have no payment system allocation, and therefore pay no PSR fees in 2017/18.

- 3.20** We will continue to levy IFR PSR fees on acquiring and/or card-issuing PSPs operating in the UK which are direct PSP members or licensees of IFR card payment systems. Where an operator also acts as an issuer and/or acquirer, the entire fee allocation for a system will be levied on the operator itself. No other PSP within that system is liable for paying fees towards that system's PSR fee allocation (for that year).
- 3.21** The payment deadlines for IFR related fees will be 15 September (for PSPs to pay their fees to operators and for operators who pay their system's fee to pay their fee to us) and 1 October (for operators to transfer the fees collected from PSPs to the PSR).

### Calculation of fee rates for funding our FSBRA activities and functions

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- 3.22** The calculation methodologies for each regulated payment system for 2017/18 were set out in paragraphs 4.1 to 4.3 of CP17/9. The payment system allocations and payment system denominators for each regulated payment system for 2017/18 are set out in Table A of FEES 9 Annex 1R, included as Annex 1 to this policy statement. Direct PSP members can calculate their 2017/18 PSR fee rates for the funding of our FSBRA functions using their transaction volumes (or, for NICC, shareholdings in the operator), as set out at paragraph 4.3 of CP17/9 and Table A of FEES 9 Annex 1R.

### Calculation of fee rates for funding our IFR activities and functions

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- 3.23** For allocating our IFR AFR we use a three-tier methodology that starts with the principle of equal allocation, but recognises the significant differences in scale of the different systems' current UK presence. The tier allocated to each operator depends on the transaction volumes processed through their system.
- 3.24** The payment system allocations for each IFR card payment system for 2017/18 are set out in Table C of FEES 9 Annex 1R, included as Annex 1 to this decision. We describe below the methodology we have used to calculate the fees payable by individual direct acquiring and card-issuing PSP members and operators for each IFR card payment system, which is also set out in the amendments to FEES 9 (included in Annex 1).
- 3.25** Operators are liable to pay fees when there are no PSPs within their card payment system whose volumes are above the minimum volume threshold, and/or where the operator also acts as a PSP.
- 3.26** Direct acquiring and/or card-issuing PSP members can approximate their 2017/18 PSR fee rates for the funding of our IFR functions by using their transaction volumes and the methodologies, as set out below.
- 3.27** The methodologies for each IFR card payment system 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 2016. Therefore, operators and the PSPs in these systems are exempted from paying any PSR fee to fund our IFR activities for 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 2016. The payment system allocation for Diners Club is 0.5% of the IFR AFR, amounting to £3,000 in 2017/18. As the Diners Club operator also acts as an acquiring and/or card-issuing PSP, the Diners Club operator is liable for the entire payment system allocation of £3,000.
  - c. American Express, 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 2017/18 for each of American Express, Mastercard and Visa.

## Underspend

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- 3.28** The PSR has not used some of their fees paid for 2016/17. We have decided, as set out in CP17/9, to give those PSPs who contributed to the PSR's 2016/17 FSBRA and/or IFR AFR a 'refund'.
- 3.29** The amount to be refunded is £4.2 million. We will provide this refund in the form of a credit, reducing correspondingly the payment due for the fee year 2017/18. This will be set out in the invoices operators will issue in accordance with the timeline set out in paragraph 2.9.
- 3.30** The credits per payment scheme will be calculated by allocating the total of £4.2 million equally across the seven pan-UK regulated payment systems (treating C&C and NICC as one for this purpose). This amounts to £540,000 per FSBRA regulated system and £140,000 per first-fee-tier IFR regulated system. The credit due to each eligible fee payer within any one system is then calculated in proportion to its share of the total PSR fees paid under that system for the year 2016/17.<sup>8</sup>
- 3.31** As the operators issue the invoices for our fees on our behalf, they are best placed to incorporate the refund in the 2017/18 PSR fees invoices for eligible PSPs. Any 2016/17 refund will be automatically 'netted off' against 2017/18 FSBRA and/or IFR fees due from an individual PSP to a specific operator. Any 2016/17 fee payer who is not liable to pay fees in 2017/18 can apply to the PSR for a refund under the fees rules. Operators that have members that have left the scheme should disregard the rebate that was due to these members. By this we mean that if an operator is due to return a rebate pot of £540,000, but some of the members that were due a rebate have left the scheme and their total allocated rebate is £40,000 then the operator should only return £500,000 to its members and not £540,000.
- 3.32** Further information on how the fees of PSPs that fall under the £50 minimum threshold will be allocated, after taking the underspend due to them into account, can be found in paragraph 3.14.

<sup>8</sup> For NICC the individual PSP credits will be calculated according to their respective shareholdings in the operator of NICC, namely Belfast Bankers Clearing Company Ltd.

## 4. Compatibility statement

In this chapter we set out our compatibility statement.

### Assessment of compatibility with FCA duties and PSR regulatory principles

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- 4.1** As set out in paragraph 4.36 of our November consultation and paragraph 3.79 of our March 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.
- 4.2** When consulting on new rules, the FCA is required by section 138(2)(d) of 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.
- 4.3** We set out in our November 2016 and March 2017 consultations our view of how the proposed rules are compatible with the FCA's duty to discharge its general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (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. Our views on those matters have not changed since those two consultations.

# **Annex**

## **Fees instrument and amendments to the fees manual**

**FEES (PAYMENT SYSTEMS REGULATOR) INSTRUMENT (No 4) 2017**

**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 and under 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 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purpose of paragraph 9 of schedule 4 to FSBRA and section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 21 July 2017.

**Amendments to the Handbook**

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

**Citation**

- E. This instrument may be cited as the Fees (Payment Systems Regulator) Instrument (No 4) 2017.

By order of the Board  
20 July 2017



## **Annex**

### **Amendments to the Fees manual (FEES)**

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

Amend the following as shown.

**9 Annex 1R PSR fees for the period 1 April ~~2016~~ 2017 to 31 March ~~2017~~ 2018**

...

Tables A, B and C in FEES 9 Annex 1R are deleted in their entirety and the deleted text is not shown. Insert the following new Tables A, B and C in FEES 9 Annex 1R. The text is not underlined.

**Table A**

Regulated payment system (column 1)	Payment system allocation for 2017/18 (£) (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>	£1,628,571	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 2016	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.	12,436,987,000
<i>C&amp;C</i>	£1,579,302		1 July to 31 December 2016	All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>C&amp;C regulated payment system</i> .	354,564,500
<i>CHAPS</i>	£1,628,571		The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's</i> relevant <i>transaction volumes</i> divided by <i>payment system denominator</i> .	1 January to 31 December 2016	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.

Regulated payment system (column 1)	Payment system allocation for 2017/18 (£) (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>FPS</i>	£1,628,571		1 January to 31 December 2016	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.	2,852,185,500
<i>LINK</i>	£1,628,571		1 January to 31 December 2016	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 'on us' transactions. Both issuing and acquiring transactions are taken into account.	6,341,414,500
<i>MasterCard</i>	£1,628,571	<p>General calculation methodology:</p> <p>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> under the <i>card payment system</i> in question during the <i>relevant time period</i>.</p> <p>The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer</i> or <i>card issuer's</i> relevant <i>transaction volumes</i> divided by <i>payment system denominator</i>.</p>	1 January to 31 December 2016	All transactions by acquirers operating in the <i>United Kingdom</i> and transactions by card issuers operating in the <i>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 'on us' transactions). Both issuing and acquiring transactions are taken into account.	5,440,165,500 (prior to any adjustment resulting from the application of <i>FEES 9.2.1AR</i> )
<i>Visa</i>	£1,628,571	Exception pursuant to <i>FEES 9.2.1ER</i> : Where the <i>operator</i> of a <i>card payment</i>	1 January to 31 December 2016	All transactions by acquirers operating in the <i>United Kingdom</i> and transactions by card issuers operating in the <i>United Kingdom</i> under the <i>Visa regulated payment system</i> , including point of sale	27,169,986,000 (prior to any adjustment resulting from the

Regulated payment system (column 1)	Payment system allocation for 2017/18 (£) (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>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>card payment system</i>.</p>		<p>transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>Visa</i>-branded transactions are included irrespective of the <i>processing entity</i> (<i>Visa</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions). Both issuing and acquiring transactions are taken into account.</p>	<p>application of <i>FEES 9.2.1AR</i>)</p>
NICC	£49,269	<p>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>.</p> <p>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).</p>	December 2016	All shareholdings held in Belfast Bankers' Clearing Company Ltd, the <i>operator</i> of the <i>NICC regulated payment system</i> .	Not applicable

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**

<b>Relevant IFR transaction volumes (column 1)</b>	<b>Relevant time period (column 2)</b>	<b>Tier (column 3)</b>	<b>Payment system denominator (rounded to the nearest '000) (column 4)</b>	<b>Allocation methodology for the payment system allocation for 2017/18 for each IFR card payment system (column 5)</b>
<p>All <i>IFR transactions by acquirers operating in the United Kingdom</i> and <i>IFR transactions by card issuers operating in the United Kingdom</i> (or those by the operator of 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.</p> <p>All transactions under the brand of that <i>IFR card payment system</i> are included irrespective of the <i>processing entity</i> (the operator or <i>IFR card payment system</i> itself, a third party <i>processing entity</i> or '<i>on us</i>' transactions).</p> <p>Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i>.</p>	<p>1 January to 31 December 2016</p>	<p>3</p>	<p>Total relevant <i>IFR transaction volumes</i> for the <i>IFR card payment system</i> in question of &lt;100,000 in the <i>relevant time period</i>  (application of <i>FEES</i> 9.2.1DR)</p>	<p>Exemption from <i>PSR fees</i></p>
		<p>2</p>	<p>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 <i>FEES</i> 9.2.1CR)</p>	<p><i>Payment system allocation</i> to each relevant <i>IFR card payment system</i> amounting to 0.5% of the total 2017/18 funding requirement in relation to the <i>PSR's IFR</i> functions and activities</p>
		<p>1</p>	<p>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)</p>	<p>Equal <i>payment system allocation</i> to each relevant <i>IFR card payment system</i> for the remaining total 2017/18 funding requirement in relation to the <i>PSR's IFR</i> functions and activities</p>

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 2017/18 (£) (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)
JCB	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> under the <i>IFR card payment system</i> in question during the <i>relevant time period</i> .	1 January to 31 December 2016	All <i>IFR transactions</i> by <i>acquirers operating in the United Kingdom</i> and <i>IFR transactions</i> by <i>card issuers operating in the United Kingdom</i> (or by the <i>operator</i> of that <i>IFR card payment system</i> acting as such an <i>acquirer</i> or <i>card 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</i> 9.2.1DR
UPI	Nil				Not applicable as a result of the application of <i>FEES</i> 9.2.1DR
Diners Club	£3,000	The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer</i> or <i>card issuer's</i> relevant <i>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</i> 9.2.1GG
American Express	£199,000				Not applicable as a result of the application of <i>FEES</i> 9.2.1GG
MasterCard	£199,000	The figure in column 6 of Table C is the <i>payment system denominator</i> set out in column 6 of Table A, and it must be adjusted for the purposes of Table C by the <i>operator</i> to reflect the total relevant <i>transaction volumes</i> for that <i>IFR card payment system</i> , including <i>IFR transactions</i> by <i>acquirers operating in the United</i>		Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i> .	5,440,165,500 (prior to any adjustment resulting from the application of <i>FEES</i> 9.2.1CR and prior to any adjustments by the <i>operator</i> as set out in column 3 of Table C to reflect the relevant <i>transaction volumes</i> for that <i>IFR card payment system</i> )
Visa	£199,000				27,169,986,000 (prior to any adjustment resulting from the application of <i>FEES</i> 9.2.1CR and prior to any adjustments by the <i>operator</i> as set out in column 3 of Table C to reflect the relevant <i>transaction volumes</i> )

IFR card payment system (column 1)	Payment system allocation for 2017/18 (£) (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)
		<p><i>Kingdom plus IFR transactions by card issuers operating in the United Kingdom, as set out in column 5 of Table C.</i></p> <p>Exception pursuant to <i>FEES</i> 9.2.1DR or <i>FEES</i> 9.2.1ER:</p> <p>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>.</p>			for that <i>IFR card payment system</i> )

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