

Payment Systems Regulator Annual report

No.16/4

We've published our annual report for 2015/16. This covers our first operational year and shows how we're starting to make a positive difference to the users of payment systems in the UK.

Payment systems are all around us

Payment systems are a vital part of the UK's financial system. They make payments possible, whether you're paying for lunch using a contactless card, paying a bill by direct debit, paying a friend using online banking, paying the deposit for your new house or making large payments between businesses.



Regulating the UK payments industry

The Payment Systems Regulator (PSR) is the economic regulator for the UK's main payment systems. Our purpose is to make sure payment systems work well for the people and organisations that use them. We want payment systems that are accessible, easy to use, reliable and secure, and provide value for money.

Our main regulatory powers extend to regulated payment systems, whilst our competition powers cover payment systems in the UK, including those not designated by the Treasury.

At the end of 2015 we became the lead UK regulator for monitoring and enforcing the Interchange Fee Regulation (IFR), the new European regulation covering payment cards. We have also been appointed as a competent authority for aspects of the Payment Accounts Regulations 2015, which come into force in September 2016.

What we've delivered in our first year

Bringing about change

We've been bold and have instigated change where it has been necessary. We've focused on improving collaboration, competition and innovation across the payments industry.

Infrastructure market review

As part of our infrastructure market review, we've consulted on our interim findings that competition in the provision of payments infrastructure for the three main interbank payment systems (Bacs, Faster Payments and LINK) is not effective and a package of potential remedies to make this market work better. We propose to publish a final report this summer and consult on any remedies we may propose later this year.

Access to payment systems

Through our access directions we've introduced requirements for the interbank payment system



A record **£1.7 billion** was withdrawn from cash machines across the May Day bank holiday weekend in 2015.²

operators, aimed at reducing barriers to getting access to payment systems. These are making it easier for new banks and other providers to offer payment services to their customers.

In our indirect access market review our interim findings were that we had specific concerns about choice, service quality and the ability of indirect payment service providers (PSPs) to switch providers. However, alongside our regulatory actions the industry is making changes that we expect will address these issues. We've proposed to support these developments rather than take immediate regulatory action, at this stage.

A strategy for the UK payments industry

We've established the Payments Strategy Forum and the Payments Community. The Forum has been set up to improve representation of users in industry strategy setting. This is the first time the industry has come together with users in this way to explore areas where innovation can best be generated through collaboration across the industry, rather than through competition or regulatory intervention.

The Forum will publish its draft strategy for the UK payments industry on 13 July and will be publishing a final strategy in the autumn.

For more information visit www.paymentsforum.uk

¹ <http://www.paymentsuk.org.uk/sites/default/files/Monthly%20Payment%20Statistics%20Dec%202015.pdf>

² <http://www.link.co.uk/media/news-releases/record-may-day-for-atm-withdrawals/>

A photograph of a young woman with long brown hair, wearing a blue shirt and a dark apron, smiling while holding a handheld payment terminal. She is in a cafe setting with various items visible in the background.

Last year, interbank payment systems processed over **£74 trillion** worth of payments, or the equivalent of 42,000 payments per minute.¹

Changing mindsets

We're working to change the mindset of the payments industry by encouraging a culture which always takes users' interests into account.

Considering user needs

We've issued directions requiring the interbank payment system operators to make their governance arrangements more inclusive and transparent. Operators have made changes in response, with a visible impact on the market, including better representation of users' interests in their decision making.



Contactless payments grew threefold in 2015, with more than a billion transactions over the past year.³

Looking to the future

We're building for the future by encouraging innovation, competition, and standards that will help the UK industry continue to develop as a world leader in payments innovation.

Working with other regulators

We work closely with other financial regulators – including the Bank of England, Financial Conduct Authority and Prudential Regulation Authority – on issues connected to the payments industry.

We also engage regularly with the Competition and Markets Authority (CMA) as a concurrent competition authority.

We work closely with various European authorities, including the European Commission, on various regulatory issues. As the UK competent authority, we've published guidance on how we will monitor and enforce Phase 1 of the EU Interchange Fee Regulation for payment cards; we have consulted on Phase 2. We've also published our final guidance on compliance with the aspects of the Payment Accounts Regulations 2015 for which we are the competent authority.

We also sit on the Organisation of Economic Co-operation and Development's (OECD's) network of Economic Regulators.

Building our organisation

We are still a new organisation and are creating a structure and approach to suit our role. Our perceptions survey told us that the industry views the PSR as a professional, engaging and transparent organisation.

While we're pleased to receive this feedback, there is still much work to be done. We continue to recruit the best talent available from around the world, as well as refining our structure and operating processes so that we can continue to develop as the world's leading regulator of payment systems.

³ <http://www.theukcardsassociation.org.uk/news/CESMarch2016.asp>

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PSR work and activities

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