

Policy statement

Decision to revoke Specific Direction 2 (and SD2a)

August 2025

Decision to revoke SD2 (and SD2a)

This policy statement summarises the responses to our consultation, and how we weighed the evidence and information in reaching our decision.

Background

- 1.1** Specific Direction 2 (SD2) was introduced in 2017 as a result of our market review¹ into the ownership and competitiveness of the infrastructure that supports three major UK interbank payment systems: Bacs, Faster Payments, and LINK. It requires that all central infrastructure for Bacs be competitively procured. As the operator of Bacs, Pay.UK is legally bound by these requirements.
- 1.2** The original deadline for compliance with SD2, which was extended to 2023, was 1 December 2020. However, in July 2021, following consultation and further assessment, we removed the deadline for compliance and replaced it with a power for us to set a new one. This change was implemented through Specific Direction 2a (SD2a).²
- 1.3** Since then, the wider payments and regulatory landscape has evolved significantly. Notably, in November 2024, the National Payments Vision (NPV) was published. It emphasised the importance of innovation, security and competition as key pillars for the payments ecosystem, underpinned by strong foundations – including an effective regulatory framework and resilient infrastructure to support innovation. It also called for ‘a more agile and flexible approach to delivering the UK’s infrastructure needs.’
- 1.4** The NPV also established the Payments Vision Delivery Committee (PVDC), which tasked us and the Bank of England with examining and refreshing the requirements for the UK’s retail infrastructure, and the governance and funding arrangements needed to deliver this.
- 1.5** In line with this, we published our decision to revoke Specific Direction 3 (SD3) in May 2025, following consultation.³ SD3 required that all central infrastructure for Faster Payments in place on or after 1 July 2026 was provided under a contract that was the result of competitive procurement. This decision aimed to provide the necessary space and certainty for work to deliver the NPV, overseen by the PVDC.

1 PSR, [Final Report: Market review into the ownership and competitiveness of infrastructure provision](#) (July 2016)

2 SD2a [PSR Specific Direction 2 \(showing 2a changes\)](#) (December 2021) also implemented the decisions on lowering risks to delivery of the New Payments Architecture (NPA) [RP21/2: Lowering risks to the New Payments Architecture \(NPA\) delivery – final changes to Specific Directions 2 and 3](#) (December 2021)

3 PSR, [PS25/4: Decision to revoke Specific Direction 3 and consultation on revoking Specific Direction 2](#) (May 2025)

- 1.6** During the SD3 consultation, some respondents proposed reviewing, and potentially revoking, SD2. Our initial view was that our reasons for revoking SD3 could also apply to SD2, particularly that doing so could provide the necessary space and certainty for work to deliver the NPV. We therefore consulted on the revocation of SD2 (and SD2a).

SD2 Consultation outcome and decision

- 1.7** We received seven responses to the consultation on the revocation of SD2 (and SD2a). Four responses were from large payment system providers, one from a trade association, one from a technology service provider, and Pay.UK. The non-confidential responses are published alongside this paper.
- 1.8** All responses agreed with our proposal to revoke SD2 and SD2a, in particular that the rationale for revoking SD3 also applies to SD2 (and SD2a). Respondents argued that this would create the environment for delivering the NPV, and allow subsequent regulatory interventions on infrastructure procurement to be prepared afresh in light of the next steps determined by the PVDC, under the NPV.
- 1.9** After analysing all consultation responses, we have decided to revoke SD2 (and SD2a).
- 1.10** The PVDC has now published an update on the approach to the development and delivery of the UK's retail payments infrastructure needs, which includes a new governance model.⁴ The PVDC will publish a strategy for retail payments infrastructure in Autumn 2025, followed by the Payments Forward Plan (a sequenced plan of initiatives) by the end of 2025. In this context, the revocation of SD2 ensures that there is space and flexibility for the NPV outcomes to materialise unencumbered by legal obligations in SD2.

Next steps

- 1.11** We have decided to revoke SD2 and SD2a (which amended SD2). We have given a Specific Direction to Pay.UK to that effect. It comes into force on 27 August 2025. We have published that Specific Direction alongside this paper.
- 1.12** We will continue to monitor Pay.UK's work and adapt our supervisory approach as appropriate. As part of this work, we and the Bank of England will maintain close regulatory oversight of Pay.UK before it extends the current Bacs contract with the incumbent supplier.
- 1.13** The Bank of England will also establish the Retail Payments Infrastructure Board (RPIB) and support the setting up of the industry-led Delivery Company. Alongside the new model announced by PVDC, the authorities will make progress to deliver strong outcomes in the short term. There is ongoing work on short-term infrastructure enhancements, with the authorities, Pay.UK and industry partners working closely to explore options around design and delivery.

4 HMT, [Payments Vision Delivery Committee Update](#) (July 2025)

PUB REF: PS25/7

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