



Market review into the supply of  
indirect access to payment systems PSR MR15/1.1

# Terms of reference

May 2015

**The Payment Systems Regulator (PSR) is the new economic regulator for payment systems in the UK. Payment systems underpin our economic and financial system and last year handled over 22 billion transactions worth around £75 trillion.**

The PSR's role is to promote the interests of users of payment systems and the services they provide - such as consumers, businesses and government - through greater competition and innovation.

The PSR is primarily an economic regulator with regulatory and competition functions. It will work closely with other UK regulators, such as the Financial Conduct Authority, Bank of England and Competition and Markets Authority.

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You can download this terms of reference from our website: [www.psr.org.uk](http://www.psr.org.uk)

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# 1 Introduction

## Background to our market review into indirect access

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- 1.1 This terms of reference details the scope of our market review into indirect access to payment systems in the UK.
- 1.2 Market reviews and market studies are the principal ways in which we investigate how well the market for payment systems, or the markets for services provided by payment systems, is working for those who use, or are likely to use, those services ('service-users'). We may conduct **market reviews** using our information gathering power under section 81 of the Financial Services (Banking Reform) Act 2013 ("FSBRA") or we may conduct **market studies** under our concurrent functions and the provisions of the Enterprise Act 2002 ("EA02"). We are conducting this review using our general powers under FSBRA.<sup>1</sup> We see FSBRA market reviews as one of our tools for advancing our statutory competition, innovation and service-user objectives.
- 1.3 Payment service providers (PSPs), such as banks or credit unions, need to have access to payment systems, so that their customers (including consumers, businesses and charities) can receive and make payments. Access to payment systems is an important driver of competition and innovation in the provision of payment services. Access to these systems supports competition between PSPs, who in turn develop innovative new services to meet users' payments needs.
- 1.4 PSPs can either have direct access or indirect access to payment systems. A PSP has direct access to a payment system if the PSP has arrangements with the operator of that payment system to transfer funds using that payment system.<sup>2</sup> A PSP has indirect access to a payment system if it has a contractual arrangement with another PSP (known as an indirect access provider (IAP)) to enable it to provide payment services (i.e. transfer funds using that payment system) to their own customers.<sup>3</sup> An IAP can facilitate indirect access with or without the provision of a unique sort code.
- 1.5 For a large number of PSPs, or businesses that wish to become a PSP, indirect access provides an important, and in some instances the only, route to accessing payment systems. This review is looking into the supply of indirect access to payment systems and whether competition is working well for service-users.
- 1.6 This terms of reference sets out:
  - why we decided to look into the supply of indirect access to payment systems
  - the proposed scope of the review and what could happen as a result of the review
  - what happens next and contact details.

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<sup>1</sup> Within the PSR's consultation on our Competition Concurrence Guidance (published January 2015), we set out how we carry out market reviews under FSBRA and the remedies that may follow: see PSR CP15/1, PSR Competition Concurrence Guidance, January 2015.

<sup>2</sup> Direct access to the LINK payment system operates in a slightly different way to the other payment systems. See glossary for details.

<sup>3</sup> In response to comments received on the common meaning of 'sponsor bank' we will use the term "indirect access provider" to signify that the review covers all such providers whether or not they provide sort codes to indirect payment service providers. (Commentators had noted that the term 'sponsor bank' is commonly used to refer to indirect access providers who provide sort codes and indirect access to agency banks).

## Why we are conducting this review

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- 1.7 This review has been prompted by concerns raised by stakeholders during the Financial Conduct Authority's (FCA) Call for Inputs<sup>4</sup> and the Payment Systems Regulator's (PSR's) evidence gathering process that led to our November 2014 consultation, 'A new regulatory framework for payment systems in the UK' (consultation paper CP 14/1).<sup>5</sup> These concerns fell into nine broad categories:
- limited choice in IAPs
  - difficulties accessing and assessing information about indirect access options
  - reliance on downstream competitors for the provision of access to payment systems
  - fees charged in relation to indirect access
  - communication of important information
  - the risk that providers may discontinue the supply of indirect access
  - contractual arrangements that govern the supply of indirect access
  - the quality and availability of technical access
  - demand for alternative access mechanisms.
- 1.8 The initiatives and measures outlined in our March 2015 policy statement (policy statement PS 15/1)<sup>6</sup> are intended to help to address a number of the concerns raised with regard to indirect access:
- The direction in our policy statement PS 15/1 requiring the four main sponsor banks (Barclays, HSBC, Lloyds and RBS – these are IAPs which provide indirect access to PSPs including through the provision of sort codes) to publish access-related information will enhance transparency and improve indirect PSPs' ability to make informed choices about their indirect access services.
  - As we announced in our policy statement PS 15/1, industry is developing a code of conduct to help address certain concerns regarding the continuity and security of supply, contractual arrangements, reliance on downstream competitors, and the communication of information to PSPs relying on indirect access to payment systems.
  - We anticipate that technical access solutions will be developed as commercial propositions funded by those that use the service. The industry is already making progress and we will continue to engage with participants and actively monitor and evaluate the ongoing development of alternative access mechanisms.
- 1.9 As we announced in our consultation paper CP 14/1, our review is primarily aimed at gathering further detailed evidence to develop a deeper understanding of the supply of indirect access. During this review we will further explore the extent of the concerns raised about indirect access, and in particular the concerns in relation to the limited choice in IAPs and the fees charged for indirect access. We will also evaluate the initial impact of the initiatives and measures outlined above.
- 1.10 The review is also likely to inform decisions under our Administrative Priority Framework if we receive applications for new access, or the variation of existing access agreements and fees, under section 56 or 57 FSBRA.<sup>7</sup>

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<sup>4</sup> FCA, Payment Systems Regulation, Call for Inputs, March 2014.

<sup>5</sup> PSR CP14/1, A new regulatory framework for payment systems in the UK, November 2014.

<sup>6</sup> PSR PS 15/1: A new regulatory framework for payment systems in the UK, March 2015.

- 1.11 Paragraph 2.10 below sets out more detail on the key questions the review will focus on.

### **Stakeholder input to this terms of reference**

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- 1.12 The draft terms of reference was informed by responses we received to our consultation paper CP 14/1, meetings with stakeholders and other evidence we have gathered to date. We published the draft terms of reference for consultation on 25 March 2015 and received 12 submissions. Appendix 2 sets out more detail on these submissions and our response. The submissions were generally supportive of the proposed scope for the market review. We have taken these submissions into account in producing this final terms of reference.
- 1.13 Alongside the final terms of reference, we are publishing an indicative timetable for the market review (see Appendix 1) as well as non-confidential versions of all responses.

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<sup>7</sup> PSR, *Administrative Priority Framework*, March 2015

## 2 Scope of the review

### **The review covers indirect access to the main interbank payment systems in the UK**

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#### **Payment systems in and out of scope**

- 2.1 We are including indirect access to the following regulated payment systems within the scope of the review:
- Bacs
  - CHAPS
  - Cheque & Credit (C&C)
  - Faster Payments Scheme (FPS)
  - LINK
- 2.2 Our consideration of the Cheque & Credit system will take into account the development of the new future clearing model for cheques. Although all PSPs participating in the LINK payment system have direct access, some PSPs without access to a Bank of England settlement account still require indirect access for settlement purposes. So we are including LINK within the scope of this review.
- 2.3 We are excluding card payment systems (e.g. MasterCard and Visa Europe (Visa)) from this market review as stakeholders did not identify significant concerns regarding indirect access to card payment systems. However, MasterCard and Visa are part of the wider competitive landscape and this review will take into account any relevant information arising from the PSR's wider programme of work.
- 2.4 We anticipate that we will become the competent authority for the purposes of the EU Interchange Fee Regulation.<sup>8</sup> In our policy statement PS 15/1 we explain that we will start a programme of work on card payment systems. We will seek to understand if there are any further access-related concerns regarding card systems as part of this cards programme of work.

#### **Services in and out of scope**

- 2.5 As set out above, a PSP has indirect access to a payment system if it has a contractual arrangement with an IAP to enable it to provide payment services to its customers.
- 2.6 This definition distinguishes indirect PSPs from corporate customers on the basis of their business activity. In other words, indirect PSPs are the entities that transfer funds on behalf of their

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<sup>8</sup> Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, published in the Official Journal on 19 May 2015.

customers. The provision of access by PSPs to corporate customers such as utilities and retailers is not in the scope of the review.

- 2.7 The scope of this review includes services provided to all types of indirect PSP that are registered with the FCA or an equivalent regulator within the EU. This includes a number of different types of indirect PSP, including both banks and non-banks such as Payment Institutions (PIs) and Electronic Money Institutions (EMIs). We may, however, consider broader participation if and where necessary.
- 2.8 Some IAPs make and receive payments using regulated payment systems as part of international correspondent banking relationships (i.e. relationships with PSPs that are not authorised or registered with the FCA or an equivalent regulator within the EU to provide payment services in the UK). Although international correspondent banking provides such PSPs with some form of indirect access, we have not considered the nature of these relationships and the extent of any concerns stakeholders may have. We therefore do not intend to consider these international correspondent banking relationships as part of the market review at this stage. This will not however prevent us from exploring any concerns regarding these relationships in the future.
- 2.9 We will consider the provision of indirect access services by all IAPs as part of this market review. IAPs can provide indirect access services with or without the provision of unique sort codes. As set out in our policy statement PS 15/1, we currently understand that Barclays, HSBC, Lloyds and RBS are the primary providers of indirect access services that include the provision of unique sort codes. These IAPs are also known as sponsor banks. This review will consider the services provided by the four main sponsor banks, but will also include other IAPs such as direct PSPs, and some indirect PSPs, that do or may provide indirect access services.

## The key questions we will explore during this review

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- 2.10 As set out above, as part of our consultation paper CP 14/1, stakeholders identified a number of concerns regarding indirect access. Our policy statement PS 15/1 set out our directions and policies aimed at addressing these. However, we still wish to explore further the extent of these concerns about indirect access, and in particular understand further the concerns about a limited choice in IAPs and fees charged for indirect access.
- 2.11 The four key questions we therefore propose to focus on in this market review are as follows.

### I. What prices, service and choice do indirect PSPs want and receive?

As noted above, some stakeholders raised concerns about the fees charged by IAPs in relation to the provision of indirect access. We intend to assess the outcomes observed by indirect PSPs – e.g. the prices charged, the quality of services and the choice available. We will consider whether the quality of services and fees indirect PSPs face are consistent with a competitive market. During the review we also want to develop a deeper understanding of the choice some indirect PSPs face when trying to secure access to payment systems, which will include comparing indirect access with alternatives such as direct access and technical access.

### II. What factors may limit the number of IAPs in the market?

Following concerns that some stakeholders raised about the limited choice in IAPs, we would like to understand any barriers to entry and expansion which may be preventing more PSPs from becoming IAPs. This will include considering the initial and ongoing elements involved in providing indirect access, current and prospective regulation, as well as risks associated with providing services across different types of indirect PSPs.

### III. What is the state of competition in the provision of indirect access?

In addition to the two issues set out above, we will look at the economic characteristics of indirect access to develop a framework for assessing the nature of competition in the provision of indirect

access services. This will inform the basis for our regulatory approach to assessing indirect access going forward. For example, it is likely to inform decisions under our Administrative Priority Framework if we receive applications for access or the variation of existing access agreements or fees under section 56 or 57 FSBRA.<sup>9</sup>

#### **IV. What options are there to improve indirect access to interbank payment systems?**

We are not starting our market review with any presumption that the concerns that stakeholders raised are material. The review will gather evidence which will help us determine if indirect access is working well for users or not; as we begin the review we do not know if we will need to take action to make the market work better. Only once we have gathered evidence, analysed it and sought the views of interested parties can we form a view of what the outcome of the review should be.

The review will consider whether the PSR should take, or recommend, any actions to improve outcomes for the users of payment systems and the services they provide.

### **There are a range of possible outcomes of the review**

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2.12 The key reason we are undertaking this review is to develop a deeper understanding of the supply of, and demand for, indirect access. The market review will consider the appropriateness of the use of any of our wider regulatory and/or competition powers to address any concerns we identify. Possible outcomes of our review include any combination of the following:

- continuing to monitor the directions put in place on access to regulated payment systems (for example the specific direction on sponsor banks to publish access related information, and the general directions on operators' access requirements)<sup>10</sup>
- making new directions or modifying existing directions (for example, subject to its findings, this market review could result in broadening the specific direction on sponsor banks to publish access related information and/or the scope of the code of conduct for indirect access to UK payment systems)<sup>11</sup>
- making directions on specific participants or categories of participants
- requiring direct or indirect access to be granted to a regulated payment system
- making recommendations for further industry initiatives or enhanced industry self-regulation
- making proposals to the Bank of England, FCA or Prudential Regulation Authority as appropriate
- publishing guidance
- asking the Competition and Markets Authority to consider investigating the market(s)
- taking no further action at this time.

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<sup>9</sup> PSR, Administrative Priority Framework, March 2015

<sup>10</sup> Specific Direction 1 (Access: Sponsor Banks), PSR, March 2015; General direction 2 (Access), PSR, March 2015; General direction 3 (Access), PSR, March 2015

<sup>11</sup> Specific Direction 1 (Access: Sponsor Banks), PSR, March 2015

## 3 Next steps

### **We will now begin gathering further evidence**

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- 3.1 Following publication of this final terms of reference, we will initiate the information gathering phase of the review to collect further evidence and information from key stakeholders.
- 3.2 As well as examining existing research and analysing information that we already hold, we plan to collect additional information from market participants. We will engage with operators, infrastructure providers, PSPs and service-users over the coming months. We expect to gather evidence through the use of specific surveys and requests for detailed information from some participants.
- 3.3 Where it is helpful for stakeholder engagement or to provide transparency on the progress of the review, we may publish more details on the key questions set out in paragraph 2.11 above.

### **We welcome input to this review**

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- 3.4 We welcome views and evidence which will help to inform our assessment of the key questions outlined in this terms of reference. Please send your comments to [iamr@psr.org.uk](mailto:iamr@psr.org.uk). Or in writing to:

Indirect access market review team  
Payment Systems Regulator (15th floor)  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

### **Disclosure of information**

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- 3.5 Generally we will seek to publish views or submissions in full or in part. This reflects our duty to have regard to our regulatory principles, which include those in relation to:
- publication in appropriate cases, and
  - exercising our functions as transparently as possible.
- 3.6 As such, we would ask respondents to minimise those elements of their submission which they wish to be treated as confidential – we will assume consent for us to publish material which is not marked as confidential. If respondents include extensive tracts of confidential information in their submissions, we would ask that they submit non-confidential versions which they consent for us to publish. We will also not accept blanket claims of confidentiality, and will require respondents to identify specific information over which confidentiality is claimed, and to explain the basis on which confidentiality is sought.

- 3.7 Respondents should note that we will not disclose confidential information that relates to the business or affairs of any person, which we receive for the purposes of our functions under FSBRA, unless:<sup>12</sup>
- the information is already lawfully publicly available
  - we have the consent of the person who provided the information and, if different, the person to whom it relates
  - the information is published in such a way that it is not possible to ascertain from it information relating to a particular person (for example, if it is anonymised or aggregated), or
  - there is a 'gateway' permitting this disclosure. Among the gateways is the 'self-help' gateway whereby the PSR will be able to disclose confidential information to third parties to enable or help it to perform its public functions. Those receiving information disclosed under the gateway are still bound by the confidentiality regime.
- 3.8 Respondents should note that we have statutory powers under FSBRA to require a person to provide information or documents which we require in connection with our functions.<sup>13</sup> In such circumstances, respondents should note that there are serious consequences for them if they then provide false or misleading information or fail to comply with a requirement:
- a. Section 90(6) FSBRA states: *"It is a criminal offence, when, in response to a written requirement to provide information under section 81(1) FSBRA, a person either provides information which he or she knows is false or misleading in a material particular or recklessly provides information which is false or misleading in a material particular."*
  - b. Sections 90(1) and (2) FSBRA state: *"A person who fails to comply with a requirement imposed, without reasonable excuse, including a requirement to provide information, may be dealt with as if he or she were in contempt of court, which may result in imprisonment or a fine."*

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<sup>12</sup> The Gateways are set out in the Financial Services (Banking Reform) Act 2013 (Disclosure of Confidential Information) Regulations 2014, S.I. 2014/882

<sup>13</sup> Section 81(1) FSBRA

# Appendix 1 – Indicative timetable for the market review

**Table 1.1 Proposed timeline for the market review**

The table below represents our currently proposed timetable for the market review. In the event that we have cause to alter the timetable, a revised timetable will be made available on the PSR website.

Phase	Month	External engagement
Pre-Launch	November 2014 – March 2015	November 2014 consultation
Launch	March 2015 – April 2015	Consultation on draft terms of reference
	May 2015	Publish final terms of reference
Information gathering	June 2015 – July 2015	Request for information to current and potential indirect access providers
	July/August 2015	Survey of indirect payment service providers
	August 2015	Receipt of responses to request for information and follow-up discussions
Analysis	August 2015 – September 2015	Publish further details on the questions and issues being considered during the review Bilateral stakeholder meetings, roundtables or workshops
	August 2015 – November 2015	Ongoing analysis of evidence and information gathered during information gathering phase
Interim report consultation	December 2015/January 2016	Publish interim report for consultation
	February/March 2016	Close of consultation
Final report	April/May 2016	Publish final report
Remedies/actions	May 2016 – September 2016	Formulation of and consultation on any proposed remedies/actions
	October 2016	Publish notification of decision on remedies/actions

## Appendix 2 – Main points raised in submissions to the consultation

- 2.1 A number of responses suggested that the scope of the review should also consider direct access and technical access, for example to look at why PSPs choose direct over indirect access. Our assessment will include comparisons of indirect access with alternatives such as direct access and technical access. The initiatives that we have already launched on direct access and the quality and availability of technical access will feed into the findings of the review.
- 2.2 Stakeholders requested clarity around the meaning and definition of 'sponsor bank', noting that it has a specific meaning in the provision of indirect access (i.e. those providing sort codes and indirect access to agency banks). This review is intended to cover a wider range of providers than those that provide sort codes to agency banks. To avoid confusion, we are now distinguishing sponsor banks from 'indirect access providers' in the terms of reference and related material. We have included a glossary in the terms of reference to clarify these terms.
- 2.3 Some respondents stated that we need to consider the impact of current/future regulation (e.g. anti-money laundering (AML) and EU Payment Service Directive 2 (PSD2)), as well as other ongoing investigations (currently being undertaken by the FCA or CMA), on the ability to provide indirect access and in particular when considering remedies. We will take into account the effect of other regulations during the review; and in particular whether they pose any barriers to entry or impact the ability of current IAPs to provide this service. We will also take account of the likely impact of any future or proposed regulations in designing any remedies. We also have a Memorandum of Understanding with FCA and expect to have one with the CMA. We are in close contact with the relevant FCA and CMA review teams, and will co-ordinate wherever possible.
- 2.4 Respondents asked that we clarify which indirect PSPs are included within the scope of the review, and suggested the scope should cover all indirect PSPs registered with the FCA. This would also align it with the scope of the code of conduct for indirect access to UK payment systems (code of conduct). We agree that this may provide a helpful starting point in identifying indirect PSPs, and have clarified that the review covers any PSP registered with the FCA, or an equivalent EU regulator. We may however consider broader participation if and where necessary.
- 2.5 Most respondents agreed that international correspondent banking should be out of scope and that we carefully need to consider the definition of international correspondent banking. Our intention is not to review services provided to international correspondent banks as part of this market review at this stage. During the review we will further consider the scope of indirect access services provided to indirect PSPs and the extent to which it overlaps or interacts with international correspondent banking. We have provided more clarity in this final terms of reference on what we mean by international correspondent banking.
- 2.6 Respondents also queried whether service-users (as referred to in key question I – an assessment of the prices, service and choice that service-users receive) include all types of PSP and end customers. Ultimately the review needs to consider and take into account the outcomes for end users. This is consistent with the PSR's duties and objectives. We have clarified that key question I refers to the outcomes experienced by indirect PSPs with the view to considering how these outcomes affect their ability to compete in the provision of services to end-customers.
- 2.7 A few respondents also noted that it will be difficult to conduct a full profitability analysis and apportion infrastructure costs across different products and services. As part of our assessment, we will consider the best approach to understanding the level and structure of charges indirect

PSPs face and the costs of indirect access provision. We note the concerns raised and will be mindful of these during our review.

- 2.8 Some responses also requested the PSR to consider the costs to PSPs of switching their IAP as part of this review. We agree with this view. An assessment of the costs of, and barriers to, indirect PSPs switching IAPs will be an important part of the review.
- 2.9 Respondents asked that the PSR be clear on which concerns, as set out in our consultation paper CP 14/1, this review is seeking to address. The code of conduct and information direction are intended to address some of these concerns and need to be given time to take effect. This review aims to gain a deeper understanding of the supply of indirect access, and will consider the key issues set out in the terms of reference. These key issues were derived from the information and evidence we considered in our consultation paper CP 14/1 and subsequent discussions and submissions received from the industry. During the review we will monitor the impact of ongoing initiatives such as the code of conduct, in particular when designing and considering further remedies.
- 2.10 One respondent noted that C&C should not be in scope given the development of the future clearing model and that an analysis of the current model will not be useful. We have clarified that our consideration of C&C will include looking at the future clearing model, especially in designing any remedies.
- 2.11 It was also noted that the review should consider services not currently provided but that indirect PSPs would like. As part of our assessment of key question I, we will look at the outcomes and services sought by indirect PSPs; not just those currently provided.
- 2.12 One respondent noted that we also need to consider the possible on-selling of indirect access by indirect PSPs. The provision of indirect access by indirect PSPs will be considered during this review. We have amended the terms of reference to reflect this point.
- 2.13 One respondent stated that no responsibilities to monitor the indirect access market should be placed on operators, as the providers of indirect access are independent entities. We will take this into account when we consider what remedies, if any, are required.
- 2.14 One respondent suggested the PSR should consider establishing formal regular communication channels with the market regarding indirect access, and asked whether the review will be static or dynamic. We have published a timetable for the review with the final terms of reference, and aim to conclude our review within this timeframe. However, the PSR will consider the impact of its directions and policies, and any outcomes that may result from this market review, for their effectiveness going forward.

## Appendix 3 – Glossary

Term or acronym	Description
<b>AML (Anti-Money Laundering)</b>	The package of initiatives and regulations directed at preventing money laundering, including the Money Laundering Regulations 2007.
<b>Bacs</b>	The regulated payment system which processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit. The payment system is operated by Bacs Payment Schemes Limited (BPSL).
<b>C&amp;C (Cheque and Credit)</b>	The regulated payment system in England, Scotland and Wales that processes cheques and other paper instruments. It is operated by Cheque and Credit Clearing Company Limited (C&CCCL).
<b>Card (payment card)</b>	A device or personalised set of procedures agreed between the service-user and the PSP that can be used by its holder to pay for goods and services or to withdraw money.
<b>Card (payment) system</b>	A payment system supporting payments made by cards. The regulated card payment systems that have been designated by the Treasury are MasterCard and Visa.
<b>CHAPS (Clearing House Automated Payment System)</b>	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 CHAPS Co.
<b>CMA</b>	Competition and Markets Authority.
<b>Code of conduct (code of conduct for indirect access to UK payment systems)</b>	A code, announced in our policy statement PS 15/1, to address concerns about the supply of indirect access provided by IAPs, such as the risk that IAPs discontinue the supply of indirect access, concerns around the sharing of commercially sensitive information with IAPs who are also downstream competitors, and some aspects of the contractual arrangements that govern the supply of indirect access. The code is currently being developed by industry. In policy statement PS 15/1, we referred to this as the sponsor bank code of conduct. Due to concerns raised about the use of the term 'sponsor bank' (see footnote 2 above), the Payments Council has amended the name to the 'code of conduct for indirect access to UK payment systems'.
<b>Consultation paper CP 14/1</b>	PSR CP 14/1, A new regulatory framework for payment systems in the UK, November 2014.
<b>Direct access</b>	<p>A PSP has direct access to a regulated payment system if the PSP is able to provide services for the purposes of enabling the transfer of funds using that payment system as a result of arrangements made between the PSP and the operator (see also s.42(6) FSBRA).</p> <p>For the purposes of this terms of reference, 'arrangements' refers to the following:</p> <ul style="list-style-type: none"> <li>in the case of Bacs, C&amp;CC, CHAPS and FPS the arrangements are made between the PSP, the other existing direct PSPs and the operator.</li> </ul>

	<ul style="list-style-type: none"> <li>in the case of LINK (and because of LINK's particular organisation model), we consider that direct access is the result of the arrangements made between the PSP, the other existing direct PSPs and the infrastructure provider to the LINK payment system (VocaLink).</li> </ul>
<b>Direct PSP</b>	A PSP that has direct access to a regulated payment system.
<b>EMI (Electronic Money Institution)</b>	A person that has been granted authorisation under a national legislation implementing title II of the Electronic Money Directive (2009/110/EC) including, for the avoidance of doubt, a person who has been granted a waiver from full authorisation and been registered in accordance with Article 9 Electronic Money Directive (a 'small EMI'). The main business of EMIs is issuing cards which are electronically pre-stored with money, such as travel money cards and some gift cards.
<b>End-user</b>	For the purpose of this review, includes a consumer or business who wishes to make a payment (a payer) or receive a payment (a payee).
<b>FCA</b>	Financial Conduct Authority.
<b>FPS (Faster Payments Scheme)</b>	The regulated payment system that provides near real-time payments as well as Standing Orders. It is operated by Faster Payments Scheme Limited (FPSL).
<b>Future clearing model</b>	A programme to implement a 'cheque imaging' model, which would mean that images of cheques are exchanged between the relevant banks, removing the need for the actual paper cheque to be transported physically around the country.
<b>IAP (Indirect access provider)</b>	A PSP that provides indirect access to a payment system to other PSPs for the purpose of enabling the transfer of funds within the United Kingdom. This is the case whether the IAP does or does not provide the indirect PSP with a unique sort code (i.e. whether or not the indirect PSP is listed as the "owning bank" for a sort code in the Industry Sort Code Directory, with the sponsor bank listed as the "settlement bank").
<b>IFR (Interchange Fee Regulation)</b>	Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, published in the Official Journal on 19 May 2015.
<b>Indirect access</b>	For the purposes of this terms of reference, a PSP has indirect access to a payment system if it has a contractual arrangement with an IAP to enable it to provide payment services (for the purposes of enabling the transfer of funds using that payment system) to its customers.
<b>Indirect PSP</b>	A PSP that has indirect access to a payment system.
<b>Infrastructure provider</b>	As under s.42(4) FSBRA, any person who provides or controls any part of the infrastructure used for the purposes of operating a payment system.
<b>Information Direction</b>	The PSR's Specific Direction on four banks requiring them to publish clear and up-to-date access-related information.

<b>Interchange fees</b>	The term used in the payment card industry to describe a fee usually paid between PSPs for the acceptance of card-based transactions. They can be bilateral or multilateral. For example, for credit or debit card transactions, the interchange is a fee paid to the cardholder's PSP (the 'card-issuing PSP') by a merchant's PSP (the 'acquiring PSP') for each transaction made.
<b>LINK</b>	The payment system which enables end-users to take cash out of their accounts (amongst other activities) using the network of ATMs in the UK. It is operated by LINK Scheme.
<b>MoU (Memorandum of Understanding)</b>	The document which sets out the roles of the PSR and other institution party to the MoU and a framework for co-operation. The MoU between the Bank of England, the FCA and the PRA ill have and its relationship with the Bank of England, the Financial Conduct Authority and the Prudential Regulation Authority in relation to payment systems in the UK is available on the PSR's website. An MoU between the PSR and the CMA is proposed.
<b>Operator (payment system operator)</b>	As under s.42(3) FSBRA, in relation to a payment system, operator means any person with responsibility under the system for managing or operating it; and any reference to the operation of a payment system includes a reference to its management.
<b>Participants in payment systems</b>	As under s.42(2) FSBRA, includes operators, PSPs and infrastructure providers.
<b>Payment system</b>	As under s.41 FSBRA, a payment system is a system which is operated by one or more persons in the course of business (for the purpose of enabling persons to make transfers of funds), and includes a system which is designed to facilitate the transfer of funds using another payment system. Limited exclusions are set out in s.41(2) and (3) FSBRA. Only payment systems which are designated by the Treasury are 'regulated payment systems'.
<b>PI (Payment Institution)</b>	A person that has been granted authorisation under a national legislation implementing the PSD or been granted a waiver from full authorisation and been registered in accordance with Article 26 PSD (a 'small PI').
<b>Policy statement PS 15/1</b>	PSR PS 15/1: A new regulatory framework for payment systems in the UK, March 2015
<b>PRA</b>	Prudential Regulation Authority
<b>PSD (Payment Services Directive)</b>	The European Payment Services Directive (2007/64/EC) which has been implemented into UK law by the Payment Services Regulations 2009 SI no.209. The PSD provides the legal foundation for the creation of an EU-wide single payments market.
<b>PSD2</b>	A proposed revision of the PSD.
<b>PSP (payment service provider)</b>	As under s.42(5) FSBRA, a PSP, in relation to a payment system, means any person who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that payment system. For the purposes of this terms of reference, this includes direct PSPs and indirect PSPs.

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<b>PSR</b>	Payment Systems Regulator
<b>Service-user</b>	As under s.68(1) FSBRA, service-user means those who use, or are likely to use, services provided by payment systems.
<b>Settlement</b>	The discharge of obligations in respect of funds owing between two or more participants in a payment system.
<b>Sort code</b>	A six digit number used for the purpose of routing payments in certain payment systems.
<b>Sponsor bank</b>	A PSP that has direct access to a regulated payment system and provides indirect access to that system to other PSPs for the purpose of enabling the transfer of funds within the United Kingdom, including through the provision of sort codes. A sponsor bank is a specific type of IAP. Our Specific Direction 1 applies to Barclays PLC, HSBC Holdings PLC, Lloyds Banking Group PLC and Royal Bank of Scotland Group PLC, who are the primary providers of indirect access services that include the provision of a unique sort code.
<b>Technical access</b>	The manner in which a PSP technically connects with either a payment system infrastructure provider, an operator, an IAP or a third-party service provider in order to enable the transfer of funds. For the purposes of this terms of reference, technical access does not include the settlement of funds.

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