PSR Payment Systems Regulator

Annual plan and budget 2022/23

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PSR Payment Systems Regulator

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Foreword

Chris Hemsley
Managing Director

Payment systems play a vital part in all our lives.

Payment systems play a vital part in all our lives. They help us get paid and pay for the things we need – like our groceries, bills or travel. As the UK's specialist regulator for payment systems, our vision is for payment systems to work well for everybody.

Foreword (continued)

On the whole, the UK's payment systems work well. We've seen how resilient, convenient and essential to everyday life they've been during the COVID-19 pandemic, when many people needed to rapidly change the way they paid for things. However, there are a number of important issues we need to address, be it the prevalence of fraud, risks to fair competition, or the need to upgrade our infrastructure to support the growth of digital payments while preserving access to cash for those who need it.

Looking ahead, we can also expect further challenges as global events feed through into the cost of living. These shifts may affect what people need from payments to support their daily lives. In turn, we may need to flex our plans, so that our work reflects what people and businesses need.

Our work involves every part of the payments ecosystem – the operators of the different payment systems, the technical infrastructure that make payments possible, the firms that provide banking and payment services, and all the people and businesses that use and rely on those services. Our recent work illustrates this.

We've made payment systems safer, by using our powers to make sure that more people and businesses have the added security of the name-checking service Confirmation of Payee. We also identified further measures that will continue to help the fight against fraud.

We continued with our role in making sure the LINK cash machine network meets the needs of people who want and need access to cash; at the same time, we're supporting longer-term reforms to meet the challenges of declining cash use. We intervened to reduce the risks to the delivery of the New Payments Architecture (NPA) programme – the renewal of the infrastructure for account-to-account payments, which will be vital for the future of UK payments.

In January, we launched our Strategy for the next five years. The Strategy is the culmination of analysis and engagement with our stakeholders to gain a deep understanding of where payments are going and what people need from them. We established four key outcomes that we want to see:

- payment systems meet people's needs
- users are protected
- effective competition
- payment systems are efficient and commercially sustainable

We also set out a number of priority areas where we'll focus our work, which will help us achieve these outcomes. Everything in the work programme we set out in this annual plan is designed to support our priorities. In this way we can make sure we use the resources at our disposal in the places where they can have the most positive impact.

Foreword (continued)

Our priorities

Protection

People must be able to make and receive different kinds of payments safely and confidently. This means stopping scams from happening and better protecting people if they do fall victim.

We've made great strides in protecting people from payment fraud in the last few years. We've worked with the industry to introduce Confirmation of Payee (CoP), and a code for reimbursing the victims of authorised push payment (APP) scams.

But fraud like this is still growing, and there's more to do. We're consulting on requiring banks to publish their own APP scams statistics, so customers can see how their bank compares to its competitors – to shine a light on how well each bank is doing, and which ones can do more to reduce the harms caused by these crimes. We're taking steps now to prepare for proposed legislative changes that will allow us to require banks to reimburse victims who haven't done anything wrong. And we'll monitor the transition of CoP to a single technical environment following our direction in February – this should let more banks offer the service to their customers.

Foreword (continued)

Our priorities (continued)

Competition

Competition in payments can improve outcomes for people and businesses by stimulating innovation, improving services and lowering prices. This is one reason we focus on making sure conditions are right for competition – both now and in the future.

Sometimes our action is very direct and focused on a specific problem. For example, in January we fined five companies more than £33 million for cartel behaviour in the prepaid cards market. This demonstrated very clearly that we can and will take action where it's needed. Our action ended the cartel and highlighted the importance we attach to fair competition in payments markets.

Another example here is our work to improve how competition works in the provision of card payment services to merchants. Following our market review of card-acquiring services, we're looking at ways for merchants to easily compare and switch providers – another way we can use competition to improve services, and to lower fees that will often be passed on to consumers.

As part of our market review, evidence was provided which showed that scheme fees had increased significantly between 2014 and 2018. These changes, in combination with recent increases in cross-border interchange fees, raise questions as to whether there are sufficient competitive constraints on card schemes. We'll be examining the basis for these fees and considering the impact of recent changes.

We're also taking steps to support the development of effective competition over the longer-term. We're actively monitoring Pay.UK's programme to deliver the NPA. As Pay.UK takes this work forward, we're focusing on making sure that the NPA encourages competition and innovation in the interests of people and businesses, and that Pay.UK has put sufficient focus on facilitating payment service providers to compete for customers. This should lead to a good choice of payment services for everyone.

This future infrastructure will be important for account-to-account payments and open banking (where customers can give third parties permission to make payments direct from their accounts); in turn, this should open up greater opportunities for competition between different payment systems.

However, getting the infrastructure right is only one part of unlocking the potential of account-to-account payments.

Foreword (continued)

Our priorities (continued)

Unlocking account-to-account payments

A particular focus for us in the next few years will be looking at how account-to-account payments could provide competition for debit and credit card payments in retail. The increasing use of online shopping, and mobile and contactless payments in-store, means that more and more payments are being made through the card payment systems. Account-to-account payments are direct transfers from your account to the retailer's account that don't involve a debit or credit card. Making these payments a realistic alternative for shoppers should put competitive pressure on the card systems, and make sure their fees and services remain fair and suitable for the people using them.

This is a complex and significant challenge, and we expect account-to-account payments to develop over the next few years. However, we need to act now. That's why we're already laying the foundations to encourage this and make sure it leads to the right outcomes. In practice, this means making sure that the infrastructure, rules and incentives to foster innovation and competition are in place.

Foreword (continued)

Our priorities (continued)

Access and choice

It's essential that people and businesses can use the payment services they rely on and have an effective choice of payment options, including both cash and digital payments. We've been working with the Financial Conduct Authority (FCA) to ensure that cash, and the infrastructure that supports it, remains available for those who need it. This joint working reflects the links between our separate roles – the FCA's role in supervising bank branch closures, and our role overseeing the LINK ATM network. There are important changes under way as industry rolls out shared community banking hubs and cashback without purchase, and the government introduces legislation to give the FCA lead responsibility for cash access. These are welcome developments. We'll continue to monitor LINK's work maintaining the UK's free-to-use ATM network, so people can access their cash when they need to.

We're also exploring what might unlock digital payments for more people and businesses. We commissioned the PSR Panel to explore this issue, and will shortly receive its analysis of potential barriers to people using digital payments. We'll then consider what action we'll take to drive the development of digital services that better address people's needs.

We'll also provide input on the regulatory framework for potential new payment systems, such as crypto-based options, that we may regulate in the future. This includes identifying risks and considering how our regulation might improve outcomes. These payment systems have the potential to increase choice and add to competition. However, like the existing payment systems, they bring their own set of risks that we would need to manage. We'll work with other authorities, such as the FCA, the Competition and Markets Authority and the Treasury, to develop the right framework, with each authority having its own role to play.

Foreword (continued)

The importance of engagement

We value the conversations we have with our stakeholders. In addition, we'll continue to organise stakeholder engagement opportunities in the form of workshops, roundtables and webinars to listen to our stakeholders and maintain our strong relationships with them.

We'll also use these opportunities to continue to make new relationships, and strengthen the partnerships we have with other authorities and regulators.

Engaging with those we regulate and those who our work affects is an integral and essential part of what we do – from sharing the latest PSR news and publishing policy documents, to getting out into communities to hear people's real-life experiences and learn about how payments work for them. This year, as the world continues to recover from the pandemic, and new behaviours and technologies emerge, this will be more important than ever.

Building for the future

Of course, we can't do any of this without a motivated team with the right skills and experience. We have a fantastic range of talented people at the PSR. Their ability and insight has been vital to our achievements so far, and will continue to be essential as we progress. It's an exciting time to be working in payments regulation, and with our focus on new areas in the coming year we'll be adding to our workforce to make sure we have the right resources where we need them. We'll continue to support and develop all our people, so we can deliver our Strategy and help shape the future together.

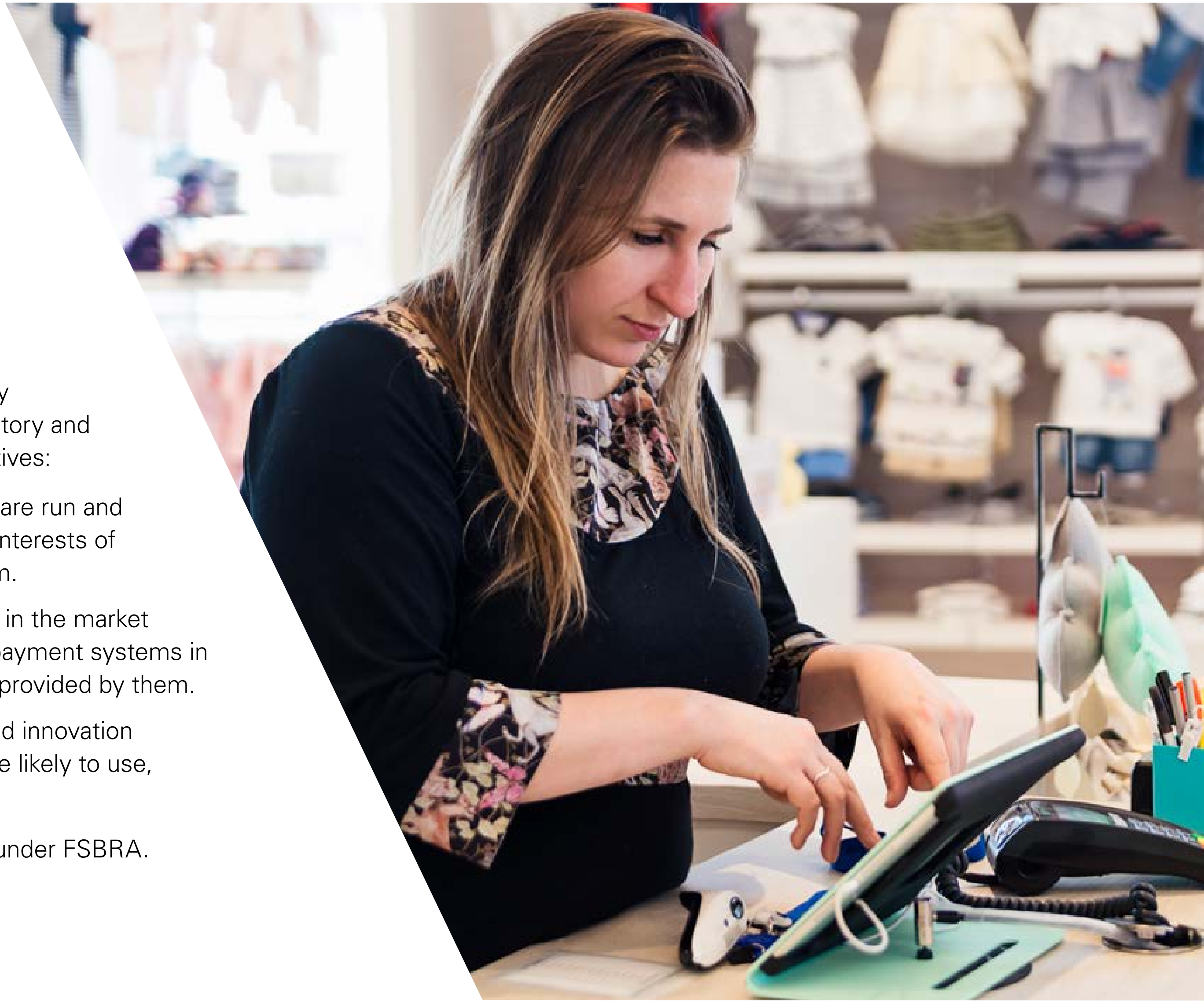
This year's work programme is guided by our Strategy. But payments is an increasingly fast-paced sector with lots of change on the horizon. External factors can also have an impact, including the current economic environment and an unpredictable geo-political landscape. New issues can arise that we need to respond to swiftly; here, our sector intelligence and analysis work will be key. This work develops and deepens our understanding of trends in the payments sector, helping us to get ahead of emerging issues to inform our decision-making and target our interventions.

By bringing together the specialist knowledge of our teams, and better use of data and analysis, we will be well placed to remain focused on getting the best outcomes for everybody using payment systems.

Our role and powers

Our vision

Our vision is for payment systems that are accessible, reliable and secure, and represent value for money. All our work is designed to support this.



Our role

Economic regulation

We're an economic regulator, created by the Financial Services (Banking Reform) Act 2013 (FSBRA). This sets out our statutory duties, the regulatory principles we must follow, and our regulatory and enforcement powers. It also sets out our three statutory objectives:

- **Our service-user objective:** Ensure that payment systems are run and developed in a way that takes account of and promotes the interests of those that use, or are likely to use, services provided by them.
- **Our competition objective:** Promote effective competition in the market for payment systems and markets for services provided by payment systems in the interests of those who use, or are likely to use, services provided by them.
- **Our innovation objective:** Promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by them.

These objectives are the basis of everything we do in our role under FSBRA.

Our role (continued)

Under FSBRA, the Treasury has designated seven payment systems for our regulation:

Bacs: Used for Direct Debits, commonly used to pay regular bills. Bacs Direct Credits are used by businesses to pay salaries and wages.

CHAPS: Used for high-value transactions, like buying a house. For UK and international financial institutions this includes lending and trading activity.

Faster Payments: Almost-instant payments, including standing orders. Most internet and telephone banking payments below £100,000 are now processed in this way.

LINK: The network of cash machines that gives you access to your bank account from almost anywhere in the UK.

Cheque and Credit[1]**:** Used for processing cheques and other paper payments in the UK.

Mastercard and **Visa:** Connect issuers of credit and debit cards with acquirers and merchants/retailers that accept card payments in the UK.

We regulate the following participants in relation to those systems:

System operators (such as Pay.UK (which operates Bacs, Faster Payments, and Cheque and Credit Clearing including the Image Clearing System), Visa, Mastercard and LINK)

Payment service providers (PSPs) (such as banks, building societies, merchant acquirers and payment institutions)

Infrastructure providers for the systems (such as Vocalink, which provides the infrastructure for LINK, Bacs and Faster Payments)

1 As amended. The designated payment systems originally also included The Belfast Bankers' Clearing Company (Northern Ireland Cheque Clearing), which no longer oversees cheque and paper credit clearing.

Our role (continued)

Competition, access and other oversight

We're a **competition authority** with functions in relation to participation in payment systems concurrent with specified functions of the Competition & Markets Authority (CMA). We also have powers which allow us to advance our competition objective.

We're the lead competent authority for the **Interchange Fee Regulation (IFR)**. The IFR mainly imposes requirements on payment card schemes and issuing and acquiring PSPs.

We regulate operators of designated alternative **switching schemes** under the Payment Accounts Regulations 2015 (PARs) – this presently includes the Current Account Switch Service (CASS).

We're a competent authority in relation to certain provisions of the **Payment Services Regulations 2017 (PSRs 2017)**. These provisions concern access to payment systems[2], access to certain payment account services, and information on ATM withdrawal charges.

Our powers

We have a range of powers under FSBRA, in particular in relation to regulated payment systems. These include:

- **providing directions**, both generally and specifically in relation to participants
- changing or establishing **rules** regarding the operation of payment systems
- **granting access** to certain regulated payment systems
- **varying agreements** relating to payment systems
- **requiring the disposal of interests** in an operator of a regulated payment system or an infrastructure provider in relation to such a system

We have powers to review, investigate, enforce and direct in connection with our monitoring and enforcement roles under the IFR and the PSRs 2017.

We have powers under the **Competition Act 1998 (CA98)** in relation to participation in any payment system, including systems which aren't designated as regulated payment systems under FSBRA.

We can conduct market studies and make market investigation references under Part 4 of the Enterprise Act 2002 in relation to participation in any payment system.

In many cases, clear communication with the industry, about what we want to see achieved, leads to improved outcomes without us needing to use our powers (for example, requirements or directions) – but we do use these powers when appropriate, and we oversee compliance.

Our enforcement approach also plays an important role in advancing our statutory objectives, whether involving enforcement of directions (specific or general) made under FSBRA, our concurrent competition powers, or monitoring and enforcing the IFR, the PSRs 2017 or the PARs.

We decide whether to pursue enforcement action and review our approach to ongoing investigations on a case-by-case basis, having regard to our statutory objectives and our Administrative Priority Framework. In determining whether enforcement action is appropriate, we'll consider all matters that appear to us to be relevant in each specific case.

2 Access to payment systems is governed by provisions under both the PSRs 2017 and FSBRA. Which legislation applies in relation to accessing a particular payment system will depend on whether the payment system is a regulated payment system, and whether it has been designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

Taking action

A recent example of us using our CA98 powers is our investigation into cartel behaviour in the prepaid cards market. This concluded in January, when we imposed combined penalties of £33 million on the parties.

However, our work is not done yet. In 2022/23, we'll join forces with the CMA to engage with local authorities and central government procurement teams. We'll draw attention to lessons learned in this investigation and other recent cartel enforcement cases that have affected public bodies, and what public bodies can do to protect themselves from cartel conduct.

We'll also reach out to other interested stakeholders (such as financial services firms and the legal profession) to share insights about our cartel enforcement case.

Our remit

As an economic regulator we can only apply our FSBRA powers to payment systems that the Treasury has designated to us. If new payment systems become established in the UK or offer services to UK users, the Treasury will need to designate them to us before we can act to ensure fair access, oversee the interests of users, or act against any market abuses that may take place. However, some of our powers apply more broadly – for example, our competition powers apply to all payment systems, not just those designated by the Treasury.

Similarly, there are aspects of the payments landscape that are the responsibility of other regulators. Each regulator can only operate within its individual remit. For example, the Financial Conduct Authority will oversee the regulatory framework that ensures people can get access to cash, while we regulate the UK's largest ATM network, LINK. You can see more information about how we work with other authorities on page 51.

The payments landscape is diverse, and not everything falls directly within our remit. For example, cryptoassets currently sit outside of our regulatory perimeter. But it's important that we stay fully informed on emerging trends and risks across the whole payments landscape.

This helps us understand the effect other regulators' developments or actions could have on our stakeholders and our work. It can also help us determine where we should step in and play an active role. And, importantly, it will also inform our decisions about what to prioritise and how to make best use of our finite resources.

When we choose our priorities, there will naturally be some issues we choose not to focus on. In our Strategy we said we would keep three areas under review – data, cross-border payments and environmental sustainability. If evidence leads us to see a detrimental impact to competition in payment systems or to our strategic outcomes, we'll consider whether we need to divert some of our resources to these areas.

Our approach

When we decide whether and how to act on issues within our remit, we consider our Strategy, our organisational priorities and the factors set out in our Administrative Priority Framework. We consider how the action would advance one or more of our statutory objectives, functions and duties; we're unlikely to take an action which doesn't clearly do this. We also have to consider the impact, risk and strategic importance of taking action. We will also have regard to the regulatory principles in section 53 of FSBRA.[3] This includes the need to act efficiently and proportionately.

An example of this is our work on CoP. Due to the harm consumers were experiencing from APP scam fraud and misdirected payments, we used our regulatory powers to issue a Specific Direction requiring the UK's six largest banking groups to implement CoP by the end of March 2020. However, we recognised the pressure on businesses due to COVID-19 and gave banks additional time. This meant they were able to implement the new service successfully, giving greater protection to consumers.

We need to maintain a robust understanding of what's happening, so that we can influence in the right ways and react promptly to new developments. We have a flexible approach, using the full suite of tools available to us and putting in place shorter-term measures to protect people and businesses while we work towards longer-term solutions.

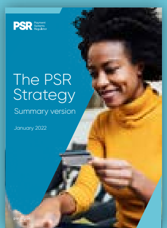
We have a range of formal regulatory tools, including issuing directions and enforcing compliance. We also have concurrent powers (with the CMA) to enforce competition law in relation to participation in payment systems. We also know that informal tools such as stakeholder engagement and influencing can have a big impact, and will often be the most effective way to achieve positive change.

We'll continue to work closely with our stakeholders to understand issues and perspectives, and to help encourage the right developments across the payments industry.

3 www.legislation.gov.uk/ukpga/2013/33/section/53

Our Strategy for the next five years

In January, we announced our Strategy for the next five years. We set out the priority areas that we'll focus on to achieve the outcomes we want to see in payments. The Strategy reflects a mix of areas where payments markets and systems are supporting good and improving outcomes that promote the interests of all that use them – which we want to maintain – and areas where more work is needed in the short to medium term.



Click to download the PSR Strategy

What we want to see: the outcomes we're aiming for

Our Strategy sets out four outcomes that we want to see. These are our focus when we design our policies and make decisions – we will ask how our actions will contribute to these outcomes, whether in the short or long term:

- Everyone can make and receive payments in ways that suit them.
- People and businesses are protected when they make payments.
- Effective competition in payments leads to better services for everyone.
- Payment systems are efficient and commercially sustainable.

What we'll do: our priority action areas

We've set four strategic priorities. These are the areas where we can make best use of the resources we have to support the outcomes we want. All of our work in 2022/23 will be linked to one or more of these priorities.

Access and choice

Ensure users can use the payment services they rely on and have effective payment options.

Protection

Ensure people and businesses are sufficiently protected when using the UK's payment systems.

Competition

Promote competition between and within payment systems, and in payment services.

Unlocking account-to-account payments

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition.

Throughout this annual plan, we'll explain how our work programme will contribute to these priorities.

How our work programme fits with our priorities

Access and choice | **Protection** | **Competition** | **Unlocking account-to-account payments**

Account-to-account and card fees

Authorised push payment (APP) scams

Confirmation of Payee

New Payments Architecture

The future of cash

Card-acquiring market review (CAMR)

Cryptoassets, stablecoins and central bank digital currencies

Sector intelligence and analysis

Treasury-led reviews

How our Strategy supports our statutory objectives

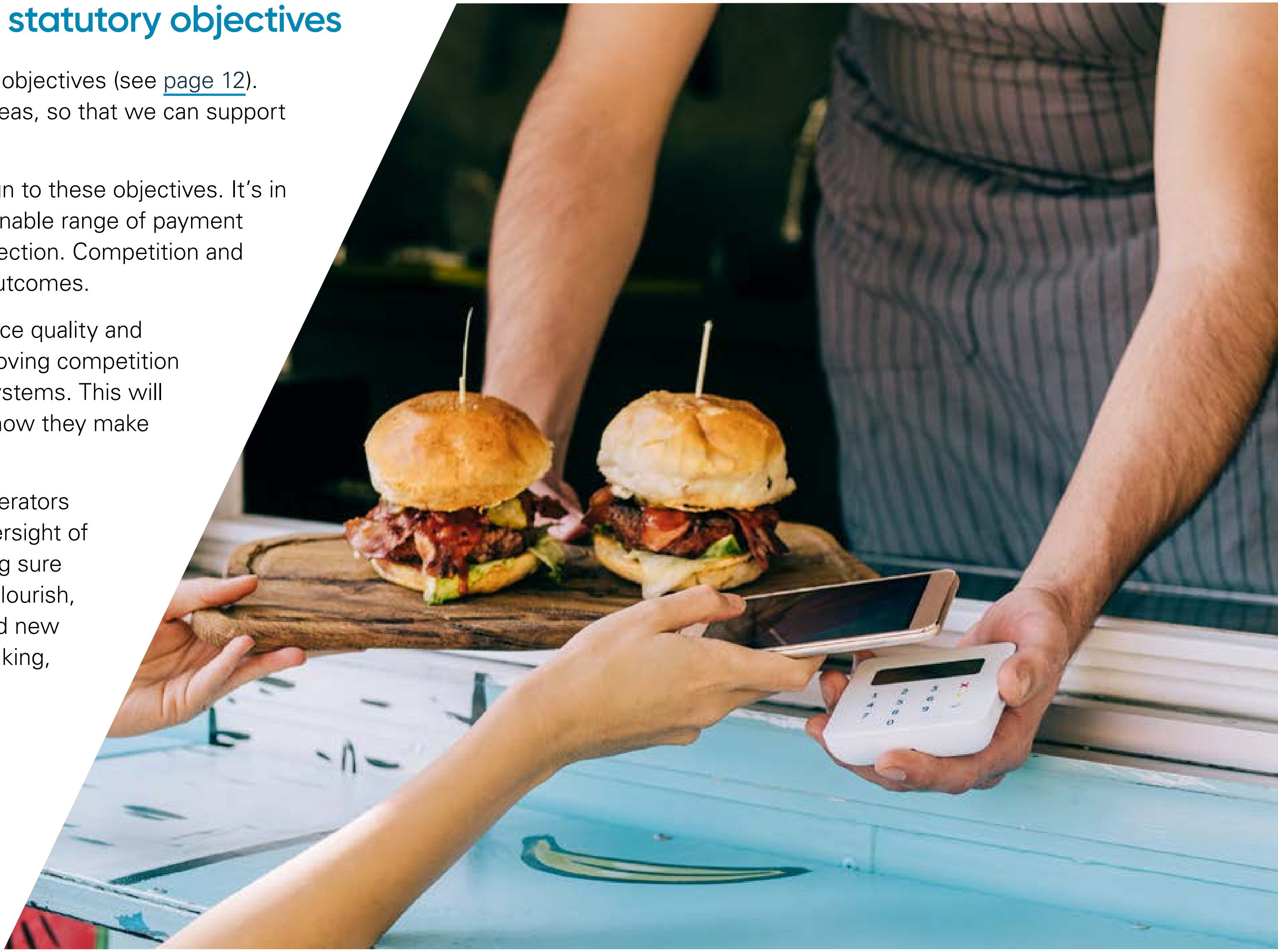
All our work under FSBRA supports our statutory objectives (see page 12). Our Strategy focuses our resources in the right areas, so that we can support our objectives in the most effective way.

The outcomes we want to see in our Strategy align to these objectives. It's in service users' interests to have access to a sustainable range of payment systems that meet their needs, with suitable protection. Competition and innovation can play a part in improving all these outcomes.

Competition can lead to lower prices, higher service quality and more innovation. In particular, we'll focus on improving competition between account-to-account systems and card systems. This will give people and businesses more choices about how they make and receive payments.

We'll also work to make sure payment system operators have effective governance arrangements. The oversight of payment systems and rules is a key part of making sure the systems allow competition and innovation to flourish, and take service users' interests into account. And new organisations, such as those overseeing open banking, need appropriate governance frameworks and regulatory oversight.

It may take time to unlock the potential for competition to improve outcomes. In the meantime, we'll consider the range of tools we can use to protect people and businesses where there's a more immediate need.



Our work programme for 2022/23

Key projects at a glance

Project	Outcomes we're working towards	What we'll do in 2022/23
Account-to-account retail payments and card fees Page 25	Account-to-account payments become a realistic alternative to credit and debit cards. This should mean more competition between systems, giving people more choice and improved services. Any potential harm arising from card fees is identified and addressed as appropriate.	Assess and start to address any barriers to the widespread take up of account-to-account retail payments. Work with the Treasury, the CMA and the FCA on the future regulation of open banking. Examine the impact of card fees. If we find any issues causing harm, we will consider what action we might take, including any shorter-term action if appropriate.
Authorised push payment (APP) scams Page 28	APP scams are reduced, victims are protected, and financial fraud is tackled by coordinating efforts and sharing information.	Consider the responses to our consultation on further measures to fight APP scams and protect victims. Depending on the outcome, we propose to: • require directed PSPs to publish their APP scam data • work to drive industry to develop an intelligence-sharing arrangement for all PSPs to strengthen efforts to prevent APP scams • consult on mandatory reimbursement requirements for APP scam victims, once the government legislates We'll also look at the balance of liability between sending and receiving PSPs; consider how the Lending Standards Board (LSB) can enhance industry's reimbursement code; and coordinate anti-scam actions with Pay.UK, PSPs and other regulators.

Key projects at a glance (continued)

Project		Outcomes we're working towards	What we'll do in 2022/23
	Confirmation of Payee (CoP) Page 31	As many people as possible are able to use the CoP name-checking service, to reduce money lost through fraud and accidentally misdirected payments.	Examine if we need to take further action to direct more institutions to implement CoP; consider whether to require PSPs to have Secondary Reference Data (SRD) capability.
	The New Payments Architecture (NPA) Page 33	The NPA provides a resilient way of making account-to-account payments, and encourages competition and innovation in the interests of merchants and consumers.	Engage with Pay.UK and potential infrastructure providers to understand how they intend to comply with our regulatory framework, and make our expectations clear. Seek assurance from Pay.UK about certain aspects of the NPA before it signs the CIS contract. Monitor Pay.UK's compliance with our revised Specific Direction 3.
	The future of cash Page 35	People are able to get access to cash so that everybody has ways of making payments which meet their needs.	Work with the government as it develops the regulatory framework for cash, and consider our long-term approach to the elements in our remit. Work with the FCA to identify new or emerging gaps in access to cash coverage, and how to address them. Support and monitor industry innovations in cash access, including the initiatives announced by the Cash Action Group. Publish our response to the Digital Payments Initiative, which will set out how we intend to support the digital payments transition.

Key projects at a glance (continued)

Project	Outcomes we're working towards	What we'll do in 2022/23
Card-acquiring market review Page 38	A market for card-acquiring services that works well – so merchants and, ultimately, consumers get a better deal.	Develop a final set of remedies to improve merchants' ability to compare and switch between card-acquirers. Monitor compliance with our remedies and take any corrective action where appropriate.
Cryptoassets, stablecoins and central bank digital currencies (CBDCs) Page 41	Any cryptoasset or stablecoin that acts as a payment system is developed in the interests of those using it.	Contribute to the development of the UK's approach to cryptoassets and stablecoins. Work alongside the Bank of England and FCA to monitor developments in the cryptoassets market. Contribute to the CBDC Taskforce's work as needed. Develop guidance on how we might regulate new payment systems.

Account-to-account retail payments and card fees

We're looking at how to make direct account-to-account payments a realistic alternative to credit and debit cards in shops and for online purchases.

As people use cash less, digital payments have grown significantly. And new ways of making digital payments are becoming available to more people – such as Apple Pay and Google Pay.

However, the bulk of these payments still go through the existing card systems (usually Visa or Mastercard) rather than customers being able to pay retailers directly from their bank account. Meanwhile, some of the fees that merchants pay for card transactions have risen significantly. This raises important questions about whether there is enough competitive pressure on card schemes.

Some banks have started to offer account-to-account payments for some online stores. We think unlocking the potential of account-to-account payments could introduce more competition in the long term which should help ensure prices and services are fair and efficient. We'll also look at short-term measures to address any issues we might identify in our work on card fees.

The story so far

We highlighted our concerns around card fees last year[4], in our market review of the supply of card-acquiring services in the UK (see page 38). This included our analysis showing that scheme fees – fees paid to Mastercard and Visa for the services they provide – have risen significantly in recent years. We've started work to examine card fees by sending initial information requests about the factors affecting the level and structure of card fees and reasons behind any changes.[5] Once we've assessed this information, we can identify where we should direct our attention and set out what our programme of work will look like.

4 www.psr.org.uk/news-updates/latest-news/news/psr-statement-on-card-scheme-fees/
5 www.psr.org.uk/news-updates/latest-news/news/the-psr-s-work-on-card-fees/

Account-to-account retail payments and card fees (continued)

The story so far (continued)

Open banking has opened up new ways of moving and managing money for customers, directly from their bank account. This has driven the emergence of new services. A key part of our Strategy is unlocking the potential of account-to-account payments to become a realistic alternative to card payments for both businesses and consumers. This should encourage more competition between the card schemes and other payment systems, which in turn could lead to lower prices, more innovation and better services for merchants and shoppers.

This transition will take time. We'll complement our longer-term work to unlock the potential of account-to-account payments by examining whether potentially more immediate harms might result from recent changes to card fees. Our previous analysis indicated that card schemes had increased the fees they charge acquirers in the past[6], and we're aware that cross-border interchange fees have also risen significantly since the UK left the EU. These card fees are paid for by merchants, through the fees they pay to their acquirer for accepting card payments, and ultimately the cost of card payments could lead to higher prices for consumers. If there is evidence of harm to merchants or consumers, we'll consider what action we could take to protect users, including through short-term measures.

What we'll do in 2022/23

- Take steps to address any barriers to the widespread take up of account-to-account retail payments that we find through our assessment. We'll also consider whether the current commercial incentives for banks, intermediaries and merchants support greater use of these payments, and the wider impact of any reforms. This will allow us to assess how much these factors might be blocking people from using account-to-account payments. This will be the foundation for us to design the most effective future regulatory approach to increase competition between account-to-account and card payments.
- Work with the Competition and Markets Authority, the Financial Conduct Authority and the Treasury on the future regulation of open banking, which plays a critical role in account-to-account retail payments.
- Examine the basis for card fees and consider the impact of recent changes. If we identify issues, we'll consider what action we might take to address any harm to merchants and consumers. This could include, if appropriate, introducing shorter-term measures while we complete our longer-term work to promote competition – for example, in the form of price caps on scheme fees or cross-border interchange fees.

Why this matters

With cash use declining and an increasing amount of payments being made by card, there is an emerging risk to competition in retail payments. This could affect the price people and businesses pay for goods and services and the payment services we all use.

Our work aims to address these concerns by facilitating account-to-account retail payments, so they provide a viable alternative to credit and debit cards for more consumers and businesses. It will take time for competition in this area to take effect. While we develop and implement any longer-term measures to promote competition between payment systems, we'll also consider whether any changes in card fees could potentially cause more immediate harm to merchants and, ultimately, to consumers. If so, we'll consider whether shorter-term measures to protect users of payment services might be available and appropriate to address any issues we identify.

6 www.psr.org.uk/publications/market-reviews/mr18-1-8-card-acquiring-report-final/

Account-to-account retail payments and card fees (continued)

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

This work will support the development of account-to-account payments as a viable option for retail payments. Through the development of new services, innovation in account-to-account payments can also help people who currently rely on cash to use digital payments.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Effective rules, standards and incentives will ensure people and businesses are sufficiently protected when they make account-to-account retail payments. This includes ensuring that consumer protection is proportionate and tailored to the risks involved in a payment.

Promote competition between and within payment systems, and in payment services

This work aims to increase competition between account-to-account payments and credit and debit cards, by supporting the development of account-to-account payments as a viable retail payment option.

Our card fees work will consider the impact of card fees (including any recent changes) and, if we need to act, the range of tools available to us to protect users. This might include shorter-term measures, if appropriate – for example, price caps for scheme fees or cross-border interchange fees – until we develop and implement any longer-term measures to promote competition.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

This work will assess if there are any gaps in the rules, standards and incentives in account-to-account retail payments that could prevent people using them. This will support the development of account-to-account payments as a viable competitor to credit and debit cards.

Authorised push payment (APP) scams

We're looking at more ways to protect people from APP scams, including consulting on measures to improve scam prevention and victim protection.

Authorised push payment (APP) scams are a major and growing problem in the UK. Every year thousands of people are tricked into sending money to fraudsters, with many losing life-changing amounts of money. In 2020, reported APP scam losses totalled £479 million, with the actual figure likely to be higher.

As the regulator responsible for protecting people and businesses when they use payment systems, we want to see more action from financial institutions and those across the digital ecosystem to prevent APP scams, and to protect people who fall victim to them. We've already been instrumental in the industry's implementation of the Contingent Reimbursement Model (CRM) code to prevent scams and improve outcomes for victims. This year, depending on the outcome of our consultation, we'll improve transparency by requiring payment service providers (PSPs) to publish their APP scam performance, drive the industry to develop intelligence sharing on APP scams, and consult on how best to impose mandatory reimbursement for APP scam victims.

The story so far

Since our work on APP scams began in 2015, there have been considerable improvements. We set up the working group that led to the industry's CRM Code. The Code has been a key tool in preventing APP scams, and has led to better reimbursement rates for victims since it was introduced in May 2019: the average reimbursement paid by banks signed up to the Code rose from 19% to just under 50% by value in 2020. Reimbursement levels have continued to increase, but more needs to be done. While voluntary industry measures have helped some consumers, we believe that PSPs can do more to prevent APP scams and help the victims.

In 2020, we also directed the UK's six largest banking groups to implement Confirmation of Payee (CoP), the name-checking service that helps people see when payee details aren't correct. We've been working with Pay.UK and the industry on rolling out the service to more financial institutions (see page 31). There is evidence that CoP has helped prevent some types of APP scams.

Authorised push payment scams (continued)

The story so far (continued)

In November 2021, we consulted on three measures we believe could take the fight against APP scams further:

Measure 1: Requiring 14 of the largest PSPs in the UK to publish a balanced six-monthly scorecard of data. Each PSP would have to set out its APP scam rates, its rates of reimbursing victims, and data on the PSPs that received APP scam payments through it.

Measure 2: Tasking industry with improving intelligence-sharing between PSPs about the riskiness of payments, to help prevent scams.

Measure 3: Requiring PSPs to reimburse APP scam victims; we sought views on this in preparation for proposed legislative changes which will give us the necessary powers.

7 Of course, consumers need to exercise caution, but we recognise that increased consumer awareness through better education by PSPs may be needed in light of the increased sophistication of scams, including a rise in social engineering.

8 Our consultation proposals related primarily to Faster Payments, through which the majority of APP scams occur.

What we'll do in 2022/23

- Our consultation closed in January, and we're analysing the responses. Depending on the outcome of this, we propose to follow up on our three measures:
  - We'll require directed PSPs to publish their APP scam data, to provide greater transparency and more incentives to prevent scams.
  - We'll continue our work to drive industry to develop an intelligence-sharing arrangement for all PSPs, to improve scam prevention.
  - Once the law is changed to allow it, we'll consult on requiring reimbursement for APP scam victims[7], to improve reimbursement protections.[8] The Economic Secretary to the Treasury announced recently that the government will legislate to address any barriers to regulatory action in this area at the earliest opportunity.
- In addition to the three measures we consulted on, we will:
  - Look into the appropriate balance of liability between sending PSPs and receiving PSPs – for example, looking at Faster Payments scheme rules to understand how they compare to payment systems such as card schemes.
  - Consider how the Lending Standards Board (LSB) can enhance the CRM Code to further improve reimbursement outcomes.
  - At the same time, we're looking at how to best coordinate voluntary action by Pay.UK and PSPs – for example, further investment in preventing APP scams, or implementing rules within the parameters of existing legislation.
  - Work with other regulators to coordinate actions tackling APP fraud.

Tackling APP scams requires coordinated action by a range of different parties, including financial institutions, regulators, Pay.UK, the LSB and the Financial Ombudsman Service. We need better protection for customers, ideally by stopping them becoming victims in the first place. We also need more action on where the money is being sent. All platforms where criminals recruit their victims also need to play their part – notably, large social media firms.

Authorised push payment scams (continued)

Why this matters

People are losing life-changing sums of money to APP scams. Although there have been significant steps taken in the fight against APP scams, more must be done. Levels of reimbursement vary significantly across PSPs and, as participation in the CRM Code is voluntary, many customers fall outside its protections. The scale of current APP fraud – and the fact that scams are continuing to increase by total volume and total value – indicates that further work is needed to make it harder to commit these crimes. Our work on our proposed measures will significantly reduce the number of APP scams – and if people do fall victim despite exercising sufficient caution, they'll be better protected.

How this work supports the priorities in our Strategy

Ensure people and businesses are sufficiently protected when using the UK's payment systems

People and businesses are losing significant sums of money to APP scams. Our work in this area aims to help prevent APP scams and protect victims.

Promote competition between and within payment systems and in payment services

If people are worried about losing money to fraud when using certain payment services, it will damage their confidence in using those services. The majority of APP scams occur over interbank payment systems. If people aren't confident in using those systems, it's unlikely they'll be able to compete effectively with card payment systems.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

Payment system operators have a key role to play in the development, coordination and implementation of infrastructure, rules and incentives that help prevent APP scams and protect victims.

Confirmation of Payee (CoP)

We're making sure more people can use this important tool to protect them from scams and make sure their money goes where they want it to.

The Confirmation of Payee (CoP) service is now a familiar part of many people's online banking, helping to stop fraud and accidentally misdirected payments. It checks whether the name you enter when setting up a payment matches the other account details.

We've already directed banks to introduce CoP, with positive results. For example, we saw a 25% fall in the value of misdirected payments as CoP adoption increased during 2020.[9] This year, we want to see greater expansion of the CoP service. We'll explore further measures to ensure that more financial institutions are able to offer the CoP service and protect a greater number of payment system users.

The story so far

In August 2019, we directed the six major banking groups to implement Phase 1 of CoP, which covered the vast majority of the UK's domestic payments.

The next step in CoP is known as Phase 2. It will allow more financial institutions to offer CoP, and expand the number of consumers that will be able to use CoP when they set up a new payment. In December 2021, we consulted on supporting the transition from Phase 1 to Phase 2 and ending the dual running of those phases.

In February 2022, we issued a direction to require the end of the dual running of Phases 1 and 2. This gives new joiners to the CoP service confidence to progress their plans for CoP in 2022, and ensures that a greater number of institutions are able to offer the service.

What we'll do in 2022/23

During the course of 2022, we'll examine if we need to take further action to direct more institutions to implement CoP. We'll also consider whether to require payment service providers (PSPs) to have Secondary Reference Data (SRD) capability. This is the ability to send and respond to CoP messages that relate to accounts identified using SRD.[10] This will expand the number and type of financial institutions that can offer CoP, making electronic bank transfers safer for a wide range of consumers.

9 www.psr.org.uk/publications/consultations/cp21-6-confirmation-of-payee-phase-2-call-for-views/

10 Some customer accounts are not uniquely addressable by a sort code and account number, but instead rely on their PSP to credit their account via SRD – that is, using the reference field in the payment with a further unique identifier. These typically include accounts in PSPs operating a collection account with a sponsor bank, and building societies that use roll numbers. They can also include accounts for credit cards, mortgages, savings and loans.

Confirmation of Payee (continued)

Why this matters

Every year, thousands of people and businesses fall victim to authorised push payment (APP) scams – where they're tricked into sending money to an account controlled by a fraudster (see page 28). In the first half of 2021, £355 million was lost to APP scams, overtaking card fraud losses.[11] On top of this, there are a significant number of accidentally misdirected payments that aren't recovered. We want to make sure users are protected when using payment systems, and CoP is one tool to help achieve this.

Our analysis has shown that Phase 1 of CoP has:

- curtailed the increase in APP scams
- reduced the levels of fraudulent funds received by payment service providers (PSPs) that have implemented CoP
- reduced the number of accidentally misdirected payments

We want to broaden participation so that more customers and more payments benefit from the protection of CoP.

How this work supports the priorities in our Strategy

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Our work in this area aims to improve protections so that fewer payments are sent to fraudsters or accidentally misdirected.

Promote competition between and within payment systems, and in payment services

Alongside our work on APP scams, CoP acts to give to people and businesses confidence to make and receive payments, including over interbank systems.

11 UK Finance, *2021 Half Year Fraud Report* (September 2021): www.ukfinance.org.uk/policy-and-guidance/reports-publications/2021-half-year-fraud-report

The New Payments Architecture

We'll oversee Pay.UK's programme for developing this new payments infrastructure closely, making sure it will support competition and innovation.

The New Payments Architecture (NPA) programme is developing a technical infrastructure that should future-proof payment services in the UK, and allow payment service providers (PSPs) to offer new services to businesses and consumers. It should also allow account-to-account payments to meet a broader range of needs, by providing a robust and sustainable infrastructure where innovation and competition can thrive. We'll continue to actively monitor and engage with Pay.UK's work to deliver the NPA, and we'll take action where needed to ensure the NPA delivers good outcomes for people and businesses.

The story so far

The NPA is one of the biggest changes happening in UK payments. It's the payments industry's proposed new way of organising the clearing and settlement of most UK account-to-account payments (payments that are made from one bank account to another without using a credit or debit card). This includes payments currently made through Faster Payments. Pay.UK is responsible for delivering the NPA, including procuring the central infrastructure services (CIS) that the NPA will need to operate.

We monitor Pay.UK's work and analyse information it provides. Last year, we reached the view that there were unacceptably high risks that the NPA programme wouldn't provide value for money and could delay or prevent the benefits of the NPA. We consulted on ways to reduce these risks and announced our decision in July.

We required Pay.UK to narrow the scope of the CIS contract to reduce the risks to the NPA programme, by mandating that it:

- must, as a minimum, buy services needed to support single push payments
- may buy additional services and system functionality (beyond that required to support single push payments) if we don't object to their inclusion in the CIS contract

We also decided that the obligation on Pay.UK to carry out a competitive procurement would remain. Our decisions provided an effective way forward, including by helping to lower risks to successful delivery by simplifying the NPA programme.

In December 2021, we implemented these decisions by making changes to Specific Directions 2 and 3, which require Pay.UK, as the operator of Bacs and Faster Payments, to have competitive CIS procurement processes.

The New Payments Architecture (continued)

The story so far (continued)

In the same month, we also published our regulatory framework for NPA CIS, setting out requirements for both Pay.UK and any CIS provider. This addresses risks a CIS provider's behaviour could pose to competition and innovation in the NPA ecosystem.

What we'll do in 2022/23

- Engage with Pay.UK and bidders to understand how they intend to comply with our regulatory framework, and to make our expectations clear.
- Seek assurance from Pay.UK about certain aspects of the NPA before it signs the CIS contract.
- Monitor Pay.UK's compliance with our revised Specific Direction 3, and decide if we object to any additional functionality Pay.UK proposes to include in the CIS contract.

These actions will help support Pay.UK's NPA programme to result in an NPA that will strengthen competition and innovation, producing a good choice of secure payment services for the people and businesses using it.

Why this matters

Every day, millions of us rely on account-to-account payments made over interbank systems – whether we're receiving wages or benefits via Bacs, paying bills using Direct Debit, or transferring money to a friend using internet or mobile banking via Faster Payments. Payment systems like these are a key part of everyday life for consumers and businesses alike, and are essential to the smooth functioning of the UK's economy.

Delivered well, the NPA could help realise the outcomes we want to bring about in payments. By strengthening competition and innovation in payment services and between payment systems, the NPA can help provide better value and effective choice of payment options for people and businesses. It can improve resilience in payments. And it can help reduce fraud, by allowing more data to be included in payment messages.

We're monitoring Pay.UK's work to deliver the NPA, to assure an outcome that supports our statutory objectives to promote competition, innovation and the interests of service users.

How this work supports the priorities in our Strategy

Promote competition between and within payment systems, and in payment services

The NPA presents an opportunity to strengthen competition in payment services and between payment systems, including by introducing features that make account-to-account payments more suitable for paying for shopping in-store and online.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

The design of the NPA can help remedy technical issues that affect the efficiency of the UK's existing interbank payment systems. Our regulatory framework will also address risks that a successful bidder for the NPA CIS could act in ways that distort competition to the detriment of people and businesses. This should give market participants confidence that there's a level playing field, and that the CIS underpinning the NPA support competition and innovation.

The future of cash

We'll work with industry and other authorities to make sure people continue to have access to cash across the UK.

People are using cash less as many take up digital payments. Its long-term decline is expected to continue. However, using cash is still critical for many people. It remains important that people and business have good access to cash across the UK. We'll continue to support the cash access needs of both consumers and small businesses, through our regulation of LINK and our support for the wider cash system.

The story so far

In recent years, we've worked closely with a range of stakeholders to address short and long-term issues around access to cash. This includes work with:

- other public bodies through the Joint Authorities Cash Strategy (JACS) Group (involving the Financial Conduct Authority (FCA), the Treasury and the Bank of England)
- industry and wider stakeholders such as academic, consumer and small-and-medium-enterprise groups

Over the past few years, we and the FCA have published a map of all the cash access points in the UK, to help us work out where there are gaps for people. Our May 2021 assessment showed that access to cash is generally good for most people. 95% can access cash in urban areas within 650 metres, and in rural areas within 3.5km. However, with cash use declining, it's important that we carefully monitor the ability for people to access their cash. We updated the map in February 2022[12], and will continue to do so on a quarterly basis.

Last year, the Treasury consulted on new legislation that will give the FCA a leading role in overseeing the regulatory framework that ensures people can get access to cash across the country. We will retain an important role as the regulator of the UK's largest ATM network, LINK.

12 www.psr.org.uk/our-work/access-to-cash/access-to-cash-coverage-in-the-uk-2021-q3

The future of cash (continued)

The story so far (continued)

In 2021, we proposed a new, time-limited Specific Direction on LINK. This would replace our existing Specific Direction 8, which required LINK to have in place policies which maintained the geographical spread of ATMs in the UK. We issued the new direction – Specific Direction 12 – in March 2022. It will help ensure that the UK's cash system continues to be sustainable and provides access to those who need cash.

We and the FCA also welcomed the recent announcement that LINK will take on the role of assessing the closure of community core cash services and determining whether a new solution, such as shared banking services, should be provided to meet a community's cash access needs.

It's important that cash is available for those that want to use it, but it's also important that, as cash use declines, digital payment solutions work for all of us. In late 2020, the PSR/FCA Access to Cash Working Group recommended further work to enable digital payments. In response, last year we launched the Digital Payments Initiative, where we asked the PSR Panel to advise us on potential barriers to the take-up of digital payments – and potential solutions.

The Panel's recommendations, combined with our work on open banking and enabling account-to-account retail transactions, will form the foundation of our work to support the digital payments transition.

The future of cash (continued)

What we'll do in 2022/23

- Publish our response to the Digital Payments Initiative, which will set out how we intend to support the digital payments transition.
- Make sure our role in cash access remains aligned with our Strategy by working with the government as it develops its legislation.
- Consider our long-term approach to regulating the elements of cash in our remit.
- Work with the FCA to identify new or emerging gaps in access to cash coverage, through our data-led monitoring framework for access to cash; and to identify how to address gaps as soon as possible.
- Continue to engage with industry to support and monitor industry innovations in cash access, including the initiatives announced by the Cash Action Group.

All these actions will ensure we can continue to protect people's access to cash, so they continue to have a choice of payment options that work for them.

Why this matters

Despite falling use, cash remains an important payment method for many, for a wide range of reasons. For example, some people can't shop for themselves and need cash to reimburse friends and family. Digital payments aren't yet suitable for every need or circumstance. Supporting access to cash is an important part of making sure people have a way of making payments which meet their needs, which are changing over time.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

We will continue to protect access to cash for those that rely on it.

Card-acquiring market review

We're looking at ways to help merchants compare card-acquiring services – an essential part of accepting card payments. This could help them make savings which they can pass on to consumers.

Card payments are a crucial part of the UK economy and enable consumers and businesses to pay for goods and services. There are around 157 million cards in issue in the UK, and there were 20 billion card transactions in 2020. To accept card payments, merchants need to buy card-acquiring services from third-party providers. We've been examining the supply of these services in our market review.

The story so far

We launched our market review in 2019, to examine concerns that card-acquiring services may not offer value for money for merchants. This means that they could be paying more than they need to for these services – and at least some of these costs will ultimately be passed on to consumers. We published our final report In November 2021. We found that three features restrict merchants' willingness and ability to search and switch card-acquiring services:

- **Acquirers and independent sales organisations (ISOs) don't typically publish their prices,** and their pricing structures and approaches to headline rates vary significantly. This makes it difficult for merchants to compare prices for ISOs, acquirers and payment facilitators.
- **The indefinite duration of acquirer and payment facilitator contracts for card-acquiring services** don't provide a clear trigger for merchants to think about searching for another provider and switching.
- **Point-of-sale (POS) terminals and POS terminal contracts can prevent or discourage merchants from searching and switching** their card-acquiring service provider. A merchant may need to buy a new POS terminal if it switches provider, and it could incur a significant early termination fee cancelling its existing POS terminal contract.

Card-acquiring market review (continued)

The story so far (continued)

To address the harms that we identified in the final report, we launched a consultation at the end of January to consider the following remedies:

- Providing merchants with a **summary box of key facts**. This will help them compare card-acquiring services using simple, meaningful information that smaller merchants can easily understand.
- **Stimulating commercially-based digital comparison tools**, like the ones people often use when they buy insurance or broadband – which may be more challenging to achieve in retail business markets than it is in consumer markets.
- **Prompts** towards the end of a card-acquiring contract, reminding merchants that they can shop around for a better deal.
- **Removing barriers in POS terminal contracts** that discourage merchants from switching provider, by focusing on portability. We want to reduce the hassle and prevent the interruption to service merchants experience when they switch card acquirers by allowing them to use existing kit. This is like mobile phone customers keeping their phones when they switch between rival mobile network operators.

These remedies should help merchants get better deals and make it easier to switch between different card-acquiring services. This should help them get better prices and services, and pass on savings to consumers. However, we're also open to considering variations or alternative remedies suggested by stakeholders, if they would be more effective in achieving these outcomes.

What we'll do in 2022/23

- We'll develop a final set of remedies and a cost benefit analysis once our consultation closes, having analysed stakeholder feedback on our proposals.
- Consult on our provisional decision on the remedies based on the evidence we've gathered and analysed at that point.
- Publish our final decision on the remedies, ready for relevant parties in the card payments industry to implement our decision. We aim to do this by the end of 2022.
- Once the remedies are implemented, monitor compliance and take any corrective action where appropriate.

These actions should improve the choice, quality and price of card-acquiring services for merchants. This could, in turn, lead to savings they pass on to consumers.

Card-acquiring market review (continued)

Why this matters

Card payments are vital to the UK economy, and many small and medium-sized businesses rely on receiving card payments from their customers. We want to make it easier for merchants of all sizes to search and switch so they can get better deals for card-acquiring services. By providing transparency for the services on offer and their prices, our proposed actions are designed to help merchants compare the prices of different card services – and may also help them compare prices for new non-card payment methods. Above all, we want to help make it easier for merchants to make choices when it comes to payment services. This competition will encourage more efficient, innovative and cost-effective services.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

By providing information to merchants about the quality and price of card-acquiring services, and encouraging them to shop around, our aim is to empower them to make a real choice in the card-acquiring market.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Our remedies are designed to address the harms we identified in our final report. Reducing these harms means merchants using the UK's card payment systems are better protected.

Promote competition between and within payment systems, and in payment services

Improving merchants' ability to search and switch between card-acquiring service providers should strengthen competition between providers.

Cryptoassets, stablecoins and central bank digital currencies

Digital currencies and cryptoassets are still very new – and the vast majority are unregulated. We're working with other regulators to build on the existing legislative framework that will protect consumers using them for payments.

'Cryptoassets' is a broad term and can encompass many forms, ranging from Bitcoin to Ripple. Each has its own specific use case, including as a payment method or a store of value. Research by the Financial Conduct Authority (FCA) estimates that in the UK, 2.3 million consumers now hold some form of cryptoasset.

We continue to contribute to the development of a UK regulatory framework for cryptoassets. This specifically includes cryptoassets that are used for payments, such as stablecoins. We've been identifying the risks and opportunities associated with different forms of cryptoassets. This will inform our work with other authorities, such as the FCA, the Competition and Markets Authority, and the Treasury, to develop the right framework, with each authority having its own role to play. This could include the PSR regulating crypto-based payment systems.

The story so far

Established in March 2018, the Cryptoassets Taskforce (CATF) aims to assess the potential impact of cryptoassets and distributed ledger technology in the UK. The CATF comprises the Treasury, the PSR, the FCA and the Bank of England (the Bank), who work together to consider appropriate policy responses. As a key member, we have fed into the Treasury's consultation paper *UK regulatory approach to cryptoassets and stablecoins*.[13] Our work also involves monitoring developments in the market and proactively engaging with market participants.

In parallel, we're working closely with the Central Bank Digital Currency (CBDC) Taskforce, which is led by the Treasury and the Bank. The Taskforce's aim is to coordinate the exploration of a potential CBDC, and its next step is to launch a consultation which will set out an assessment of the case for a UK CBDC. It will evaluate the main issues at hand, consider the high-level design features, possible benefits and implications for users and businesses, and considerations for further work.

What we'll do in 2022/23

- Contribute to the development of the UK's approach to cryptoassets and stablecoins as part of the CATF.
- Work alongside the Bank and the FCA to monitor developments in the cryptoassets market, both domestically and internationally, to understand the implications for the UK.
- Continue proactively contributing to the CBDC Taskforce as needed. This will help inform the Taskforce's next steps which includes publishing a consultation paper as announced by the Economic Secretary to the Treasury.
- Develop guidance on how we might regulate new payment systems in accordance with our objectives.

13 www.gov.uk/government/consultations/uk-regulatory-approach-to-cryptoassets-and-stablecoins-consultation-and-call-for-evidence

Cryptoassets, stablecoins and central bank digital currencies (continued)

Why this matters

The adoption of cryptoassets and stablecoins continues to increase both in the UK and internationally. Jurisdictions including the United States and European Union continue to assess the opportunities and risks posed. Furthermore, we have observed increasing interactions between digital markets and financial services. Technology providers and existing financial services providers are becoming increasingly active within the cryptoassets space.

This is an innovative and fast-moving sector of the payments landscape. We'll continue to review whether there are effective protections for consumers and businesses (to the extent this is within our powers). We also want to ensure any new crypto-based payment systems have appropriate access provisions and support a competitive ecosystem.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

Crypto-based payment systems could provide additional choice for consumers and businesses. They would also provide an opportunity for firms to develop new services that meet the people's needs. We need to ensure that appropriate and robust regulation is applied to any newly designated payment systems. This takes into account the 'same risk, same regulation' principle. We will develop guidance on how we would regulate new payment systems.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

There are risks associated with consumers and businesses using cryptoassets for either investment or payment purposes. For cryptoassets outside of the regulatory perimeter, which is the vast majority, there are no protections such as the Financial Services Compensation Scheme. This means that holders of cryptoassets could lose all their money. We, alongside other regulatory authorities, are developing a regulatory framework.

Promote competition between and within payment systems, and in payment services

The emergence of crypto-based payment systems, if designated, could present alternatives to the existing payment systems, promoting competition within the market.

Treasury-led reviews

We're giving our expert input to help shape the way payments regulation works in the future.

In 2019, the Chancellor of the Exchequer announced the launch of the Payments Landscape Review and Future Regulatory Framework for financial services. These reviews involve all the relevant regulators and aim to make sure the regulatory framework and legislation is fit for the future.

The story so far

We've played an active role in these reviews, alongside the Financial Conduct Authority (FCA) and the Bank of England. We've provided resources, feedback and expertise on a range of payments issues. These reviews have helped the UK authorities identify refinements needed to ensure that regulation keeps pace with the fast-moving payments sector. We will continue to progress this work alongside the Treasury, ahead of any legislative changes being laid before Parliament.

What we'll do in 2022/23

- Continue to engage with the Treasury in its consultations on payments reforms, collaborating closely to ensure we have the right regulatory framework for payments in the UK.
- Contribute to the Regulatory Initiatives Grid (RIG), which presents the timelines for cross-authority pieces of work. It's designed to provide forward guidance for the industry and other stakeholders, and help them all understand the timing of initiatives and the potential impacts. Along with regulators from financial services and other relevant sectors, we'll also continue participating in the Financial Services Regulatory Initiatives Forum to make sure our work is coordinated.

It's likely that there will be ongoing change in the payments sector due to innovation (including in digital assets) and changing consumer trends. Our input will help to ensure the UK has the right regulatory framework to make sure payments work well for everybody as technology and consumer behaviour changes.

Treasury-led reviews (continued)

Why this matters

There have been a considerable number of changes within the sector, including those catalysed by the UK's withdrawal from the European Union and the COVID-19 pandemic. The Payments Landscape Review focuses on making sure that regulation remains fit for purpose.

The Future Regulatory Framework Review reflects on the overall approach to regulation of financial services in the UK, and how this may need to adapt in future. Its objective is to build on the strengths of the UK's existing regulatory framework to achieve an approach to financial services regulation in the UK that meets the specific regulatory needs of UK firms, markets and consumers. There may be implications for some of our functions, mainly those originating in EU law.

Working with the Treasury on the shape of the regulatory framework will help us continue to be a forward-looking and agile regulator, enabling us to improve outcomes for those making and receiving payments. It will also help regulators manage resources and prioritise more effectively, to avoid duplication and reduce regulatory burden in the process.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

Payments based on cryptoassets could provide an additional choice of payment services. The Treasury-led reviews could give us greater tools to enable us to regulate any newly designated payment systems appropriately and robustly.

Sector intelligence and analysis

We gather and analyse data from across the payments industry so we can understand trends and emerging issues. This helps us lay the right foundations to deal with emerging issues, and act quickly when we need to.

This work informs our prioritisation, policy development and policy decisions, and helps us influence developments to make sure payments continue to work well for the people who rely on them.

The payments sector is fast-moving and innovative, and has an impact on consumers and businesses every day. It's affected by factors including changing consumer habits, technological advancements, and market dynamics. Notable recent developments include the emergence of Buy Now Pay Later, Stablecoins and our changing relationship with cash. The COVID-19 pandemic has also significantly altered our spending habits, led to new innovations, and made us, as consumers, rethink how we use payments.

It's important for us to have good quality data, intelligence and analysis about payment systems and the markets they support, so that we can respond to a changing world in the right way. Our sector intelligence and analysis work is the basis of a proactive and data-led approach to regulation. This provides a framework and information to help us monitor our progress, both in terms of the sector and individual projects, and understand the diversity of issues affecting consumers and businesses. We use our insights to build a robust evidence base for our actions, ensuring our priorities and Strategy remain relevant and reflect the payments landscape – so that we can continue to improve outcomes for people using payment systems.

Sector intelligence and analysis (continued)

What we'll do in 2022/23

- Continue to improve our identification and analysis of trends in the payment sector and how these affect our policymaking and regulation. This will help us embed our Strategy in our work programme.
- Continue to engage with stakeholders to understand and analyse how trends in payments might affect consumers and businesses.

We published our data collection framework in February 2022.[14] We will continue to refine our approach to collecting data and intelligence, including in collaboration with other regulators such as the Financial Conduct Authority and the Bank of England. There are also opportunities to engage with new bodies, such as the Digital Markets Unit, given the increasing overlaps between digital markets and financial services. Coordinated and collaborative information sharing between regulators to further public functions will ultimately reduce the regulatory burden on the industry. It will also help determine how regulators can work together to address issues within a complex sector.

These actions will help us target our resources most effectively to achieve good outcomes for people and businesses using payments.

Why this matters

Our intelligence and analysis work complements our Strategy and project work. Ultimately, this ensures that we understand potential issues, use our resources effectively, intervene where appropriate in order to deliver outcomes which benefit those making and receiving payments now and in the future.

How this work supports the priorities in our Strategy

We support our Strategy by collecting data, gathering intelligence, and providing high-quality analysis that we will use to support assessment of progress against our outcomes set out in our Strategy and provides an evidence base for establishing how projects are contributing to strategic outcomes. This includes assessing:

- whether users can use payment services they rely on
- what effective payment options users have and how these create benefits
- what payments-related issues people and businesses face
- measures of competition between and within payment systems
- measures of the type and degree of innovation
- the use of account-to-account payments

Together this will help us understand whether payment systems and payment services in the UK are closer to or further away from the outcomes we want to see, and ultimately assess whether our strategic priorities remain the right ones or whether we need to revise or refine them.

14 www.psr.org.uk/our-work/sector-intelligence-and-analysis-sia/

Regulatory enforcement

We have powers to take regulatory enforcement action in relation to:

- our directions and requirements (general or specific) given/imposed under the Financial Services (Banking Reform) Act 2013
- the Interchange Fee Regulation (IFR) and directions (general or specific) we give under the Payment Card Interchange Fee Regulations 2015
- the Second Payment Services Directive (PSD2) and directions (general or specific) we give under the Payment Services Regulations 2017 (PSRs 2017)
- requirements imposed by or under the Payment Accounts Regulations 2015 (PARs)

We have an Administrative Priority Framework (APF), which sets out the things we consider when we decide whether to take a particular action. The APF allows us to set strategic priorities in advance, which affects the likelihood of whether we would choose to take enforcement action in any particular case. We apply the APF and consider the strategic priorities when deciding whether to open individual enforcement cases.

Our regulatory enforcement work so far has focused primarily on the Interchange Fee Regulation (IFR) and issues related to payment service providers (PSPs) gaining access to payment systems.

What we'll do in 2022/23

- We expect the majority of our current regulatory investigations to conclude in 2022/23. We could open further regulatory enforcement investigations if, during the course of our monitoring and compliance work, we identify suspected compliance failures with the IFR, the PSRs 2017, the PARs or measures under FSBRA.

Regulatory enforcement (continued)

Why this matters

Being able to make timely, targeted and effective enforcement action in appropriate cases is an important part of discharging our duties as a regulator. It sends a message to the payments industry that we take compliance and our obligations to monitor and enforce seriously, which is a deterrent to non-compliance. This, in turn, prevents future harm occurring.

Successful outcomes from our enforcement cases contribute to our credibility both as an enforcer and a regulator, leading to better outcomes for consumers.

How this work supports the priorities in our Strategy

Our enforcement work supports our service-user and competition objectives by holding regulated parties to account for non-compliance with their obligations, ensuring the payments sector is working well for people and businesses.

Working with our stakeholders

Our relationships with our stakeholders are a vital part of effective regulation. We work closely with industry and consumer stakeholders, as well as other authorities, to get the insights we need to take the right actions in the right places, and where we can have most impact. Our relationships also help us inform and guide the industry, and bring parties together where collaboration is needed to produce the right outcomes.

We work with our stakeholders in a number of ways, and strive to find new ways of reaching and connecting with people. We adapted to the changes that COVID-19 presented and initiated a digital-first approach to engagements, much of which we will continue this year. This includes hosting virtual events, and using video to explain our work – something we began to do more in the last year, with positive feedback from our audiences.

But the easing of restrictions should also give us more chances to engage in person: attending industry events, delivering speeches, meeting stakeholders and hosting events to help people engage directly with us on important issues.

Our engagement is expanding. Last year we hosted seven digital roundtable events on a range of subjects and for diverse groups of stakeholders. We took part in 35 panel discussions and speech opportunities – more than in previous years. Our annual stakeholder survey showed that our increased levels of engagement and openness have continued to have a positive impact.

Being able to spend time talking with and listening to stakeholders allows us to gather more intelligence which has furthered our knowledge of the diversity of the people and organisations that use payment systems and their needs. Over the coming year, we will continue to engage with stakeholders across the different regions and nations within the UK, both as part of our Strategy engagement plan and on specific issues as they arise. Importantly, we recognise the additional engagements that would be useful to particular groups, including consumer and business representatives. We'll find ways to help them better understand our work and how they can get involved.

Working with other authorities

We work closely with the Bank of England (the Bank) and the Financial Conduct Authority (FCA) to coordinate our regulatory activities. There are a range of different people we're trying to deliver benefit to, so all our organisations have a role to play.

Top-level objectives for payments authorities

	BANK OF ENGLAND	FINANCIAL CONDUCT AUTHORITY	PSR Payment Systems Regulator
Objectives	Ensure financial stability and promote resilience of payment systems.	Protect consumers, protect financial markets and promote competition.	Promote the interests of people and businesses using payment systems; promote competition and innovation.
Activity related to payments	Supervising payment systems, service providers and their users; delivering settlement and trustee functions, operating the RTGS and CHAPS systems, regulating the resolution of firms; issuing notes; regulating the safety and soundness of firms; aiming to ensure critical services are continued in the event of financial failure. The Prudential Regulation Authority, a subsidiary of the Bank, has a secondary competition objective.	Regulating conduct in financial services, including authorising and supervising PSPs, and related enforcement. Regulated firms include payment institutions, such as money remitters and non-bank credit card issuers, and e-money institutions.	Promoting the interests of the people and businesses that make and receive payments, using our economic regulation and competition powers. Key elements are protecting existing competition and identifying ways to enable and create more competition and innovation across the systems we regulate.

Working with other authorities (continued)

To make sure we work effectively with the regulators, we have formal agreements in our Memorandum of Understanding (MoU) with the Bank, the FCA and the Prudential Regulation Authority (PRA). This sets out the high-level framework we use to cooperate with one another in relation to payment systems in the UK, which each body has a different mandate for. We collectively review the MoU annually.

We have a legal duty to coordinate the exercise of certain regulatory activities with the Bank, the PRA and the FCA. This coordination improves our knowledge and approach to financial regulatory issues.

We work closely with the FCA to combat authorised push payment scams (see page 28), and on access to cash (page 35).

In addition, we work closely with the Bank to align our respective approaches and desired outcomes for the NPA programme (page 33).

We're also part of the Authorities Response Framework with the FCA, the Bank and the Treasury, where we engage and communicate with each other to respond to operational disruption in the sector.

Alongside the Bank, the PRA and the FCA, we're supporting the Treasury in its review of the payments landscape and the future regulatory framework for financial services (page 43).

Our concurrent competition powers and our role as lead regulator under the IFR lead to regular engagement with the Competition and Markets Authority (CMA) and other competition authorities. We have an MoU with the CMA setting out the working arrangements between us in relation to our concurrent competition powers. We'll continue to participate in networks, such as the UK Competition Network and the UK Regulators Network, so that we can share experience and best practice on regulatory and competition matters. We'll incorporate this into our regulatory approach.

We support this coordination with secondments between us and other regulators. This helps us share and develop skills and knowledge. We currently have five inward secondees, and expect there to be outward secondment opportunities during the year.

We'll continue to engage with regulators and authorities to share best practice, and look to take a consistent approach, as far as possible, to competition issues and supporting innovation through collaboration.

We'll cooperate to advance our objectives, and coordinate to reduce costs and administrative burden for our regulated communities, where possible.

The PSR Panel

The PSR Panel is an independent group of experts who contribute towards the effective development of our Strategy and policy. The members represent those who make payments, as well as those who provide payments. They're drawn from consumer and business groups, payment system operators, and payment service providers. Maintaining the Panel is one of our statutory requirements, and is an important element of our stakeholder consultation process. The Panel provides advice and input on our general policies and practices, as well as highlighting emerging issues in the wider payments landscape.

The Panel's advice is a key channel for us to understand how our stakeholders may respond to our policies and approach. It also advises us on embedding our five-year Strategy in our work. We'll consult the Panel during the year through regular meetings, and also hold ad hoc workshops with groups of Panel members on specific issues.

Over the past 12 months, the Panel has commented on a variety of projects and initiatives, including our card-acquiring market review. The Panel's contribution greatly supported how we approached our proposed remedies, providing feedback on their impact and effectiveness from different end user groups. The Panel has also supported our work on competition in retail payments, primarily through advice and guidance on account-to-account payments and open banking. We've also consulted the Panel regularly on APP scams and how our policies can contribute to reducing them.

Our horizon scanning is an important part of staying relevant and understanding the future payments landscape. The Panel contributes to this by providing us with relevant themes that we may consider for future policy development.

Ruth Wandhöfer has chaired the Panel since January 2021. There's more information about how the Panel works on its webpage, along with a list of members and their areas of expertise.[15]

15 www.psr.org.uk/about-us/how-the-psr-panel-works/

Our organisation

Our people

Our five-year Strategy sets out how the PSR will help shape the future of UK payments. This is an exciting period for payments and our goal is to ensure that we have a People Strategy that aligns our individual and shared objectives with our learning and development plans, to deliver the outcomes we've set out in our overall Strategy.

We have work under way to ensure that our organisation is fit for the future. We aim to be clear about our purpose and have the right resources to deliver our Strategy, ensuring that our work has a positive impact. This means working efficiently and effectively, and continuing to offer value for money.

To deliver our Strategy, we need to invest: we have some big jobs to do, and we need the right resources to do them. There are some significant factors which are likely to make it challenging to reach our headcount target for the financial year. In particular, the recruitment market, having stalled during two periods of lockdown, is now incredibly buoyant and competitive across all our markets. We're working hard to address this, and to ensure that our employment offer is compelling in order to attract, retain and develop a talented, diverse workforce with the appropriate mix of skills and experience to deliver our entire work programme. We'll also continue to balance permanent and flexible resources to achieve an efficient operating model.

For another year, it seems that the impact of the pandemic is uncertain and will continue to shape how we deliver our work. We'll continue to adapt and be flexible so we can provide a safe working environment where our staff can balance their work and home lives.

Our people (continued)

Ensuring the wellbeing of our staff continues to be a key priority. We provide staff with access to a wide range of health and wellbeing services, including mental health support, and we'll continue to provide access to information on wellbeing topics, events, tools and resources.

And we know that coming together in an office environment offers real benefits, so our goal is to maximise the opportunities to work in the office, as well as from home. Using our learning from the last two years, we'll continue to develop our approach to hybrid working, and will continue to focus on people's needs, to ensure a balance that enables us to successfully deliver our work programme.

As part of the 'fit for the future' programme, we're reviewing our organisational capability framework. This will help us assess the skills we have at our disposal, and identify gaps, so that we can ensure we have the right people in the right places and can adapt to changing priorities.

In particular, we will:

- continue to develop our programme management skills and increase capability around how we engage with our stakeholders, including a continued emphasis on the use of technology
- continue our programme of leadership and management development for our people managers
- maintain our focus on building an inclusive culture, and consider diversity and inclusion in all our processes – guiding how we recruit, allocate work, and help people to progress
- maintain a collaborative, engaging and challenging environment which supports our people's wellbeing and encourages them to continue their growth and development, particularly as we continue to work remotely or with a hybrid approach

We have a diverse and inclusive workplace with respect to gender, race, sexual orientation, disability and everything that contributes to making us who we are. Our employee-led networks continue to find ways to help to raise awareness and build an open and inclusive workplace.

We're a signatory to the Women in Finance Charter, and strive to appreciate and understand our different experiences, interests and values. To ensure that we represent the people and organisations that we serve, we're committed to building and sustaining a diverse and inclusive workplace, where our people can bring their whole selves to work. To achieve this goal, we continuously review our people practices, ensuring that decisions are fully inclusive across all protected characteristics, as well as in relation to diversity of experience, working styles and background. Last year we eradicated our gender pay gap, and our goal is to continue to maintain gender balance. We're also committed to achieving at least 8 to 15% minority ethnic representation across our leadership team by the end of 2025.

Our cross-organisational employee engagement team is committed to finding new ways to bring our staff together. Our initiatives aim to broaden awareness of diversity and inclusion, and create an inclusive culture. We also provide our staff with access to corporate social responsibility opportunities, including charitable engagement and volunteering. This provides people with the opportunity to contribute and give something back to our local communities.

Our budget for 2022/23

We've grown steadily over the last few years as we've set up the organisation and completed some big pieces of work that are already making a difference for everyone using payment systems. Our new Strategy sets an ambitious agenda for us to secure the right outcomes in the future. In an increasingly fast-moving and complex landscape, it's vital that we have the resources to deliver on this, both now and in the longer term. This means further strengthening our resources in the right areas to match the challenge of delivering the Strategy.

Our annual budget for 2022/23 reflects our anticipated operating costs from 1 April 2022 to 31 March 2023. We estimate our current regular costs to be approximately £20 million a year; this will cover work already in progress and the new work we must begin in the immediate future. The budget allows us to increase our headcount as needed to carry out our Strategy, taking us to around 138 full-time staff. To account for the greater staffing levels, in 2022/23 we'll increase our Annual Funding Requirement (AFR) by 2% above inflation, and then rely on our reserves up to a maximum of £2 million, with the latter minimising the burden on fee payers. This will enable us to regulate for a robust payments industry in the future.

Our budget for 2022/23 (continued)

Staff costs and professional fees

Staff costs are our largest operating expense. We continue to run a lean staffing model, using flexible resources and agile working across different projects to achieve our objectives. This year we anticipate staff costs to increase from £13 million to £13.8 million. We also pay professional fees for specialist services to support our work; we expect these costs to increase by 13%, from around £2.6 million to around £2.9 million.

Other operational costs

As an independently accountable subsidiary of the Financial Conduct Authority (FCA), we continue to use its operational support for services such as finance, human resources and information services, where it's effective and efficient to do so. We'll continue to reimburse the FCA on an annual basis for the cost of such services. We expect this and our other operational costs to remain at around £3.3 million in total.

Annual funding requirement

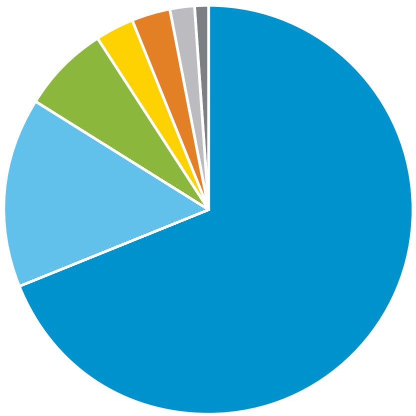
We'll continue to recover our costs through the annual fees paid by participants in relevant payment systems.

These include fees paid by the payment service providers (PSPs) that directly participate in any of the payment systems we regulate, and the operators of alternative arrangements designated under the Payment Accounts Regulations 2015.

Value for money

Our overarching value for money strategy is to have as much impact as possible in delivering our statutory objectives, while minimising costs. Our efforts to further improve our effectiveness, efficiency and economy are ongoing. We also review our internal processes, do benchmarking exercises and ensure flexibility in our workforce. All these measures combine to allow us to continue operating efficiently and effectively. We'll also continue to work closely with other regulators to share expertise, best practice and resources where possible.

Budget costs



Staff costs	£13,790,756	69%
Professional fees	£2,896,820	15%
Accommodation	£1,344,875	7%
Information services	£642,562	3%
FCA recharges	£625,964	3%
Training, events, recruitment	£485,500	2%
Other (subscriptions, memberships)	£254,900	1%
Total	**£20,041,377**	**100%**

Factors influencing our regulatory approach

We will develop policy and follow our five-year Strategy to advance our objectives and support the outcomes we want to see. In all this work, it's important that we take account of the wider context. This includes a range of economic, social and market factors, and short and long-term trends. The wider economic environment remains uncertain, and the factors influencing how we all pay for things have clearly been particularly disruptive since 2020.

Existing and new ways of paying and shopping are evolving, both as a reaction to wider economic events and despite them – for example, developments such as the growth in online shopping. Significant concerns are emerging about the overall cost of living, including its impact across the economy and on specific geographic and social groups. And the geo-political environment is increasingly uncertain. We and other regulators will continue to take this into account in developing policy, to ensure that consumers are suitably protected in this challenging environment. The Treasury is continuing its work reviewing the regulation of payments and related parts of the economy, which we also contribute to (see page 43).

We consider all these factors in our work and planning processes, so we can operate efficiently and effectively. We'll continue to work closely with other regulators and the government as we develop regulation and policy and aim to ensure that we achieve the right outcomes. Ultimately, we want people and businesses to be able to make and receive payments easily and safely.

There are several key issues that have an impact on how we work to achieve our statutory objectives.

Factors influencing our regulatory approach (continued)

Demographics, accessibility, and affordability

People and businesses make and receive payments in different ways, with factors such as age, location, abilities, market size and income levels all playing a part in their choices. The response to COVID-19 prompted some rapid changes which are still having an impact – such as the increased use of contactless payments, and the growing proportion of sales made online. These are leading to lasting changes in how people choose to pay and how businesses accept payments. We'll continue to review this across our work when we consider the needs of those who make and receive payments (which includes a range of businesses – especially small businesses). We'll need to ensure that the market supports varying needs, so that everyone has ways to pay that work for them. We also need to be aware of how regulation across different sectors takes account of different needs of those in vulnerable circumstances, both for individual people and smaller businesses.

We also want to ensure that payment services are available to people regardless of factors such as age, race, disability or gender, and represent good value for money.

Technology and innovation

Technology and innovation can increase competition, enhance efficiency, and transform business models relating to the way we make and receive payments. These changes have the potential to offer major benefits to consumers and businesses. One important example is the NPA (see page 33), where our focus is on ensuring the market continues to work well, and that innovations continue to produce the payment options that users need.

There's a range of other areas where technology and innovation are improving security and quality in payment services. There continue to be important evolutions in how we pay, and in the regulation and public policy approach to this at different stages of the payment chain. Two examples are the development of Buy Now Pay Later products and the discussion about different types of stablecoin (including Central Bank Digital Currency). It will be important for us to continue to monitor these developments and debates, and to take account of them (where appropriate) in how we regulate.

Data access and use

Access to and use of data is key to the rate of innovation, and the ability of the payments sector to deliver new and improved services. We recognise that increased use of data from payment systems brings both opportunities and concerns. As we monitor developments in payments data, we'll pay close attention to the way companies collect and use it. The interaction between payments and other digital platforms is also becoming increasingly important, and we will liaise closely with other regulators (such as the Digital Markets Unit) on these issues.

Factors influencing our regulatory approach (continued)

Safety, security and resilience

It's important that users have confidence in payment systems to ensure they can work effectively. One way we can maintain this confidence is to make sure people feel their payments are safe and secure. We work to enhance safety and security and maintain resilience in the payments landscape. Along with the Bank of England (the Bank), the Prudential Regulation Authority and the Financial Conduct Authority (FCA), we have specific duties and responsibilities in pursuing these aims. We'll continue to work closely with these authorities to ensure that payment systems are operated and developed in a way that promotes the interests of service users. Recent uncertainty and changes prompted by the pandemic have provided opportunities for fraudsters to exploit people's new concerns and behaviour when they make payments. We will continue to work closely with other regulators to monitor and respond to these developments.

Macro-economic developments

The payments sector and the wider financial services industry will need to take account of the impact the last two years have had on the economy. There are concerns around the cost of living, inflation and how the continuing pandemic will affect economic recovery. We'll take account of any effects of the UK's withdrawal from the EU (one recent example here has been the changes to cross border interchange fees) and work to reach the UK's net zero carbon emissions target and other environmental goals. We'll account for this in our regulatory approach. We'll continue to work with the Treasury, the FCA, the Bank and other authorities to manage any risks relating to the payments sector and its participants.

Emerging issues

As with all markets, there are unknown or emerging risks which we may need to address. We're working to enhance our intelligence-gathering processes so that we can identify risks in a timely way and respond to them proactively.

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