

The PSR's market review into card-acquiring services

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Overview

- **Background:** About the PSR
- **Draft Terms of Reference (ToR) for a market review into card-acquiring services**
- **Next steps:** Final ToR and getting involved

About the PSR

- The economic regulator of the UK payments industry
- **Our vision**
Payment systems that are accessible, reliable and secure, and represent value for money
- **Our objectives**
Promote competition
Promote innovation
Promote the interests of the people and organisations that rely on payment systems

About the PSR

- We regulate payment systems designated by the Treasury, including Visa and Mastercard
- We have powers under FSBRA and PSD2
- We are also a concurrent competition authority
- We are the lead competent authority for the Interchange Fee Regulation in the UK

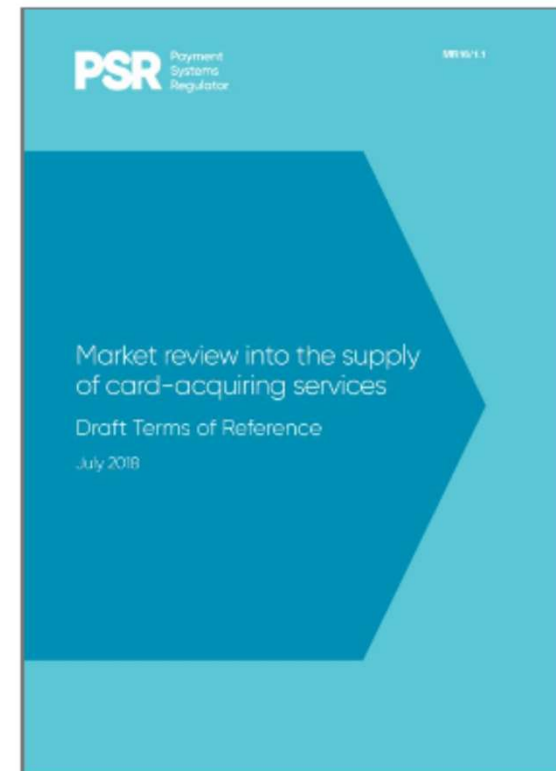
Card-acquiring services

Card-acquiring services are services to accept and process card payments on behalf of a merchant resulting in a transfer of funds to the merchant

- Merchants need to buy these services to accept card payments
- Can be bought from acquirers or payment facilitators
- Merchants may also buy other services to accept card payments

Our draft Terms of Reference

- Draft ToR for the market review published in July 2018
- Major project for the PSR in 2018/19 and 2019/2020
- Final ToR will take account of submissions on the draft ToR



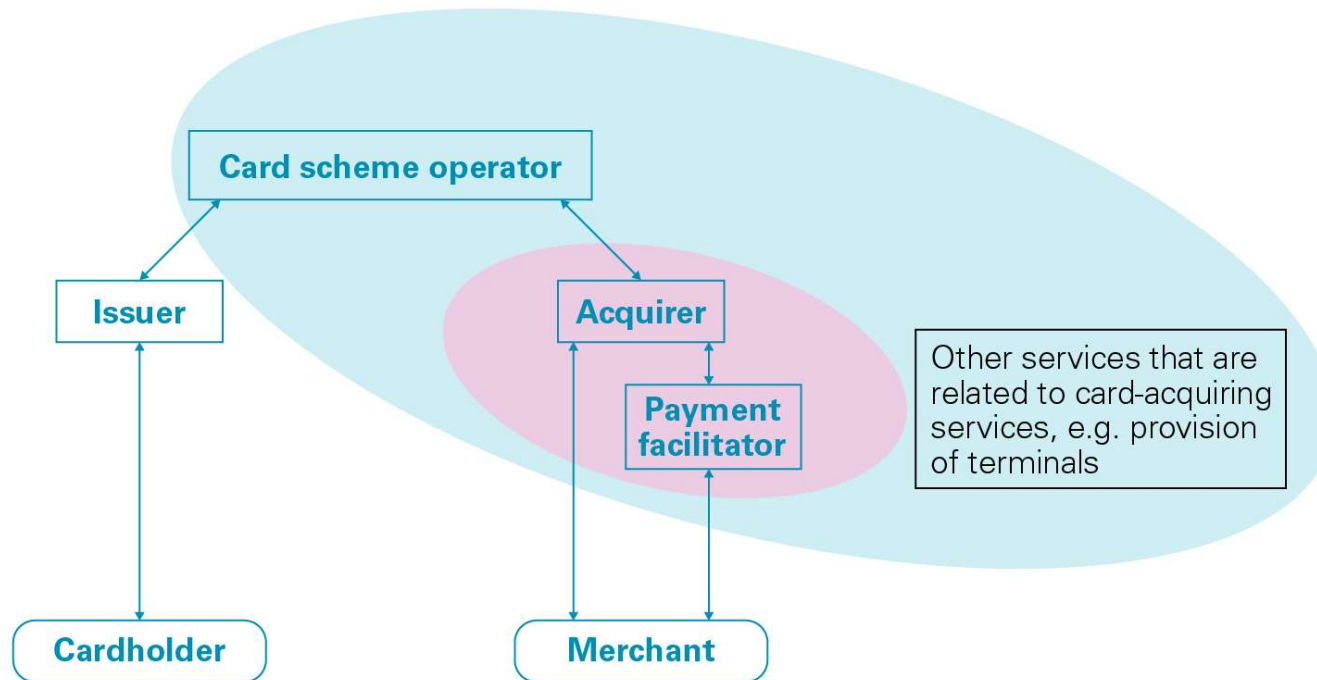
What prompted the market review?

Concerns raised with us indicate that the supply of card-acquiring services may not be working well for merchants and ultimately consumers

This includes concerns about:

- Passing on of savings from the IFR interchange fee caps to smaller merchants
- Transparency around fees merchants pay
- Barriers to switching
- Barriers to comparison services
- Scheme fees and scheme rules favouring larger acquirers
- Scheme fee portion of merchants' fees increasing significantly

Our proposed scope



↔ Contractual link ■ In scope ■ In scope if affect supply of card-acquiring services

Diagram shows a simplified representation of a four-party card payment system

Our proposed approach

We want to understand whether the supply of card-acquiring services is working well for UK merchants and ultimately consumers

Specific issues of interest:

- Barriers to entry and expansion in card-acquiring services
- Barriers to switching or searching that merchants face
- Availability of services that facilitate merchant decision-making

Final Terms of Reference and getting involved

- Our next step is to publish the final ToR
- We'll publish an interim report for consultation and then a final report
- We welcome input – email cards@psr.org.uk

- Our market review is prompted by concerns that indicate the supply of card-acquiring services may not be working well for merchants and, ultimately, consumers
- The draft ToR sets out our proposed scope and approach to the market review
- We want to engage with a wide range of stakeholders

Thank you