

Specific direction 1 given by the Payment Systems Regulator

This document includes the following direction and general guidance:

- Specific direction on access to *regulated payment systems*
 - **Specific direction 1 (Access: sponsor banks)**

Specific direction 1 on access to regulated payment systems

Powers exercised

The *Payment Systems Regulator* makes this specific direction in accordance with the following sections of the Financial Services (Banking Reform) Act 2013 (*'the Act'*):

- sections 49 to 53 (General duties of regulator)
- section 54 (Regulatory and competition functions – directions)
- section 62(2)(a) (Duty to consider exercise of powers under Competition Act 1998)
- section 96 (Guidance)

Application

This specific direction applies to *Barclays, HSBC, Lloyds* and *RBS*.

Commencement

This specific direction comes into force on 30 June 2015.

Citation

This specific direction may be cited as Specific Direction 1 (Access: sponsor banks).

By order of the Board of the Payment Systems Regulator

18 March 2015

Interpretations and definitions used within this specific direction on access to *regulated payment systems*

Specific Definitions

General Provision GP5 (Definitions) is incorporated into this specific direction and is to be read as directions under section 54 of the *Act* or as guidance under section 96 of the *Act*, as appropriate.

Words or expressions will have the meaning assigned to them in these specific definitions and in General Provision GP5 and, except where the context otherwise requires, other expressions have the meanings attributed to them in Part 5 and Schedules 4 and 5 of the *Act*.

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| <i>Barclays</i> | Barclays PLC, and all companies and business owned or controlled by Barclays PLC to the extent that they participate in a <i>regulated payment system</i> and provide <i>sponsor bank services</i> , including but not limited to Barclays Bank PLC and Barclays Bank |
| <i>HSBC</i> | HSBC Holdings PLC, and all companies and business owned or controlled by HSBC Holdings PLC to the extent that they participate in a <i>regulated payment system</i> and provide <i>sponsor bank services</i> , including but not limited to HSBC Bank PLC |
| <i>Lloyds</i> | Lloyds Banking Group PLC, and all companies and business owned or controlled by Lloyds Banking Group PLC to the extent that they participate in a <i>regulated payment system</i> and provide <i>sponsor bank services</i> , including but not limited to Lloyds Bank PLC, HBOS, Bank of Scotland PLC and Halifax |
| <i>major office</i> | a <i>sponsor bank's</i> registered office or head office |
| <i>RBS</i> | The Royal Bank of Scotland Group PLC, and all companies and business owned or controlled by The Royal Bank of Scotland Group PLC to the extent that they participate in a <i>regulated payment system</i> and provide <i>sponsor bank services</i> , including but not limited to The Royal Bank of Scotland, NatWest, National Westminster Bank and Coutts & Co |
| <i>sponsor bank</i> | a <i>payment service provider</i> that has <i>direct access</i> to a <i>regulated payment system</i> and provides <i>indirect access</i> to that system to other <i>payment service providers</i> for the purpose of enabling the transfer of funds within the United Kingdom |
| <i>sponsor bank eligibility criteria</i> | the criteria that a <i>payment service provider</i> must meet to be eligible for the supply of <i>sponsor bank services</i> |
| <i>sponsor bank services</i> | services provided to a <i>payment service provider</i> or potential <i>payment service provider</i> who is not a <i>participant</i> in a particular <i>regulated payment system</i> to enable them to become and continue to be an <i>indirect payment service provider</i> using that <i>regulated payment system</i> |

Interpretation

For the purpose of interpreting this specific direction:

- General Provisions GP1, GP2, GP3 and GP4 are incorporated into this specific direction and are to be read as directions under section 54 of the *Act* or as guidance under section 96 of the *Act*, as appropriate
- headings and titles shall be disregarded, and
- the Interpretation Act 1978 shall apply as if these directions were an Act of Parliament.

Guidance:

Specific directions are made under section 54 of the Financial Services (Banking Reform) Act 2013 (the *Act*) and guidance under section 96 of the *Act*.

Guidance, including in this section, appears in a separate box.

Breaching a specific direction is a compliance failure, which makes a *participant* liable for regulatory sanctions. Guidance, on the other hand, does not give rise to a binding obligation. Guidance may be used, among other things, to explain the implications of other provisions (such as specific directions), to indicate a possible means of compliance and to recommend a particular course of action. Guidance is generally used to throw light on a particular aspect of a regulatory requirement, not to be an exhaustive description of a *participant's* obligations. Guidance provides clarification about what is required under a specific direction, and sets out what the *Payment Systems Regulator* expects in terms of behaviours when complying with a specific direction.

A *participant* cannot be liable for a compliance failure merely because it has not followed guidance. Nor is there any presumption that departing from guidance is indicative of a breach of the relevant direction. However, if a *participant* acts in accordance with guidance in the circumstances contemplated by that guidance, then the *Payment Systems Regulator* will proceed as if that *participant* has complied with the aspects of the direction to which the guidance relates.

Specific direction 1 (Access): sponsor banks

1.1 This specific direction 1 requires each of *Barclays*, *HSBC*, *Lloyds* and *RBS* to take the specific actions set out below.

1.2 *Barclays*, *HSBC*, *Lloyds* and *RBS* must each publish clear and up-to-date information on its *sponsor bank services* in respect of access to, and use of, any *non-card regulated payment system* which is not *Northern Ireland Cheque Clearing* by an *indirect payment service provider*, in accordance with Specific Directions 1.3 and 1.4.

Guidance:

Barclays, HSBC, Lloyds and RBS, in their capacity as sponsor banks, make and receive payments using regulated payment systems as part of international correspondent banking relationships. For the purposes of this specific direction, the Payment Systems Regulator does not consider such relationships as falling within the definition of sponsor bank services.

The definition of indirect access includes services provided by sponsor banks to payment service providers, for the purposes of enabling those payment service providers to transfer funds on behalf of 'persons'. The reference to 'persons' refers to both individuals and business customers.

For the purpose of this specific direction, the definition of indirect payment service providers is a broad one which includes among others credit institutions, credit unions, payment institutions, electronic money institutions, regardless of whether they have a unique sort code or not.

For the purpose of this specific direction, the definition of sponsor bank services excludes services provided to payment service providers which are only for the purpose of transferring funds on their own behalf. Examples of such excluded services are:

- Services to firms such as utilities or retailers, which are used purely for corporate transactions such as receiving payments from customers and paying staff and suppliers.
- Services to *payment service providers* that have a corporate relationship with a bank solely for transactions such as paying staff and suppliers (i.e. services on their own behalf), and not for the purpose of transferring funds of behalf of other end customers.

Conversely, services provided to *payment service providers* by a *sponsor bank* for multiple purposes, which include services for the purpose of enabling the transfer of funds using a *regulated payment system* to persons who are not *participants* in the system, are **within** the scope of the definition of *sponsor bank services*.

Specific Direction 1.2 requires the provision of information on *sponsor bank services* in respect of access to, and use of, any *non-card regulated payment system* which is not *Northern Ireland Cheque Clearing*. For the avoidance of doubt, this means information on *indirect access* to the *Bacs*, *CHAPS*, *C&C*, *Faster Payments* and *LINK regulated payment systems* designated by HM Treasury.

1.3 The information published must include at least the following, in a clear, comprehensive and easily accessible form, for each of *Barclays*, *HSBC*, *Lloyds* and *RBS*:

a. its corporate name, *major office* address and contact details of an appropriate named contact person in relation to its *sponsor bank services*

b. a description of the *sponsor bank services* offered, including the relevant *regulated payment system(s)* in relation to which the *sponsor bank services* are offered, and

c. details regarding any *sponsor bank eligibility criteria* an *indirect payment service provider* may be required to satisfy to obtain *sponsor bank services*.

1.4 Publication of the information means by providing at least the following:

a. a copy of such information in a prominent, easily accessible position on any relevant website operated or controlled by each of *Barclays, HSBC, Lloyds* and *RBS*

b. the *Payment Systems Regulator* with a link to the relevant website referred to in Specific Direction 1.4(a), and

c. a copy of such information to the *Payment Systems Regulator*.

1.5 This direction comes into effect on 30 June 2015.

Guidance:

Which information about sponsor bank services?

The sponsor bank services on which information must be provided include, but are not limited to, the following:

- a description of the terms and conditions for the provision of a bank account to be used to settle payments sent and received on behalf of the *indirect payment service providers'* customers
- a list and description of the *regulated payment systems* to which the *sponsor bank* offers *indirect access* and the services of each *regulated payment system* that *indirect payment service providers* can access, including a description of the connectivity options available to *indirect payment service providers* for sending and receiving payment instructions
- a description of the services offered for the provision of sort codes to *indirect payment service providers*, including in relation to unique sort codes and the transfer of unique sort codes between *sponsor banks* and in relation to which specific *regulated payment systems* such transfer is possible
- a description of any other services the *sponsor bank* views as being part of its wider *sponsor bank service* offering (e.g. access to branch network, payment message transformation services)
- a high level description of the types of transaction fees and other charges an *indirect payment service provider* can expect to pay for services provided, and the key elements of those fees and charges.

Specific Direction 1.2 does not require a *sponsor bank* to disclose specific price points or price ranges that it charges customers or other information which it reasonably considers to be commercially sensitive.

Which information about sponsor bank eligibility criteria?

The sponsor bank eligibility criteria on which information must be provided include, but are not limited to, the following:

- types of factors the *sponsor bank* takes into consideration in deciding whether to accept an *indirect payment service provider* as a customer (e.g. assessment of creditworthiness, strategic risk, expected volume)
- criteria an *indirect payment service provider* must satisfy to qualify for a unique sort code (e.g. regulatory status, compliance with payment system rules)
- criteria an *indirect payment service provider* must satisfy to obtain certain *sponsor bank services* (e.g. for host-to-host connections, systems testing and security standards that must be met).

Specific Direction 1.2 does not require a *sponsor bank* to disclose information which it reasonably considers to be commercially sensitive.