

Access and governance report on payment systems: update on progress and areas for ongoing focus

March 2017

Contents

1	Executive Summary	3
2	Introduction	5
	The purpose of this paper	5
	Context	6
	Structure	7
3	Background	8
	Getting access to payment systems	8
	Our work to date on access	10
4	Improvements in the provision of access	13
	Choice	13
	Time	17
	Value	21
	Quality	22
	Engagement	24
	Conclusion	26
5	Areas where we think more work needs to done to unlock benefits for service-users	27
	Work for operators	27
	Work for IAPs	29
	Work we will do	30
	Glossary	32

1. Executive Summary

- 1.1** The Payment Systems Regulator (PSR) was established to promote effective competition and innovation in payment systems. Ensuring open access to participants and potential participants is a key component of this. Our open access programme has been a cornerstone of our work and it is now delivering meaningful results for service-users.
- 1.2** Over the last year we've seen evidence that the payments industry's work to open up access has benefitted service-users, although more can still be done. This report explains what has changed. It also sets out further work we expect to happen during 2017.
- 1.3** Access to payment systems is, and will remain, a priority for us. This is because open access to payment systems is vital for the provision of competitive and innovative payment services. It can also facilitate more competition in retail banking, and payment service provision more widely.
- 1.4** Since we published our last access and governance report in December 2015, we've seen the following improvements in the provision of access:
- **Choice:** There has been a significant improvement in the choice of access options available to payment service providers (PSPs). The payment system operators have been working to make it easier for PSPs to become direct participants in payment systems. Direct participation in the interbank payment systems increased in 2016 and looks set to increase considerably throughout 2017. We also expect the entry of three new firms providing indirect access to payment systems this year – ClearBank, BFC Bank and Raphaels Bank. This will give PSPs that choose indirect access a greater choice of indirect access provider (IAP).
 - **Time:** The operators have improved their processes for new PSPs joining as direct participants, reducing the time and complexity of joining. For example, recent joiners, such as Metro Bank, have reported a very positive experience of the process for joining Faster Payments (FPS). This is particularly good news given that multiple new PSPs are in the process of joining FPS. We also expect that implementing the recommendations of the Payments Strategy Forum (the Forum) on simplifying access will further reduce the time and complexity of joining payment systems.
 - **Value:** The cost of getting direct access appears to be reducing, or is lower than expected. In December 2015 we reported that evidence gathered from PSPs projected the upfront cost of access could be in the range of £2.5 to £4 million. Recent joiners have indicated that upfront costs for accessing the interbank payment systems are in the region of £1.2 to £2.5 million. We also expect the new IAPs to increase competition in the provision of indirect access, which could lead to lower prices.
 - **Quality:** For PSPs who choose indirect access, there have been improvements in the quality and availability of technical access to FPS. For example, two IAPs – Barclays and HSBC – are now offering 'direct agency' access to FPS. This allows PSPs to connect to the FPS central infrastructure directly, giving their customers the same quality and availability of access as direct participants. We expect a number of the new IAPs to also offer this service later in the year.
 - **Engagement:** The operators and IAPs have taken steps to increase transparency of information and to engage with service-users. For example, the operators have produced a joint guide intended to help organisations consider their access options for the interbank payment systems.

1.5 Although progress has been encouraging, we want the operators and IAPs to build on this success during 2017. We will push for the further improvements that we think are necessary, and want to see progress in a range of work over the next year:

- **Work for operators:** We expect the operators to finish their work in developing access models and solutions that facilitate the development of aggregators by the end of the year. We also expect them to be ready to progress applications for direct access for non-bank PSPs, if the Bank of England amends its settlement account policy and necessary legislative changes are made.
- **Work for IAPs:** We would like the IAPs to reflect on feedback about the visibility and impact of the voluntary Code of Conduct they have developed, and consider what work they can do to improve PSPs' awareness of and confidence in the Code. We also expect the IAPs to address a number of quality-related issues affecting PSPs who choose indirect access.
- **Work for the PSR:** We will continue to closely monitor developments in the provision of access. There will be a number of changes this year, including the implementation of the second EU Payment Services Directive (PSD2) and the potential consolidation of three operators (the operators of Bacs, FPS and Cheque and Credit (C&C)).¹ We plan to review our existing directions later in the year to ensure they properly reflect these changes and remain effective.

¹ Payments Strategy Forum, *A Payments Strategy for the 21st Century* (November 2016): <http://consultation.paymentsforum.uk/final-strategy>

2. Introduction

The purpose of this paper

- 2.1** We have seen that the choice and quality of access to payment systems have improved since the PSR's creation in 2014. However, there remains scope for improvement. Because open access to payment systems is vital for the provision of competitive and innovative payment services to users who participate in the systems, it remains a key priority for us.
- 2.2** Open access to payment systems will support a vibrant, dynamic and diverse payments landscape. This will benefit **service-users** by:
- giving them a greater **choice** in accessing payment systems and the services provided through payment services
 - making it **easier and faster** to get access to payment systems
 - making certain types of payment services **better value for money**
 - improving the **quality** of service provided through payment systems
 - ensuring greater **engagement** and transparency
- 2.3** Since we became operational in 2015, our access programme of work has started to help realise these benefits. We are publishing this report to update stakeholders on the progress of our programme. Although the last 12 months have been encouraging, we expect the operators and IAPs to build on this success in 2017.
- 2.4** This report follows on from our December 2015 access and governance report, and our final report on our indirect access market review in July 2016. We will focus on the progress that has been made in realising five key outcomes: **choice; time; value; quality; and engagement**. We assess this by evaluating the progress operators have made during 2016, and the impact other market developments and initiatives have had on access to payment systems in the UK for service-users and on competition in general.
- 2.5** We will also explain where we consider there could be further improvements on access, and the work we expect to happen during 2017 to keep the momentum going.
- 2.6** This report focuses on the interbank payment systems that are regulated under PSR General Direction 2 – Bacs, C&C, CHAPS and FPS. The operators of the other regulated systems (LINK, Visa and Mastercard) have shown good progress since our report in December 2015 – which is described in our accompanying annex – but access for these systems is regulated according to the requirements set out in the Payment Services Regulations 2009.²

² Financial Services (Banking Reform) Act 2013, section 108(1). The implementation of PSD2 will alter these regulations in due course.

Table 1: The interbank payment systems and their operators

Payment system	Operator
Bacs	Bacs Payment Schemes Ltd (BPSL)
Cheque and Credit (C&C)	Cheque and Credit Clearing Company Ltd (C&CCCL)
CHAPS	CHAPS Clearing Company Limited (CHAPS Co)
Faster Payments (FPS)	Faster Payments Scheme Ltd (FPSL)

Context

2.7 Since we launched our initial policy statement in 2015, we've regularly consulted our stakeholders to see how access to payment systems is working for them, and to evaluate the effectiveness of our directions. Many stakeholders have previously identified barriers that limit choice in accessing payment systems and hence their ability to compete in the payments and banking sectors. This has been a significant concern for us. We have responded in several ways:

- We've taken steps to address concerns about direct access by introducing our directions on direct access to payment systems in March 2015, requiring operators to have objective, risk-based and publically disclosed access requirements. We worked with the operators to implement these and open up access to more participants.
- We introduced our Sponsor Bank Information Direction, which has been in force since June 2015. It requires the four main IAPs (Barclays, HSBC, Lloyds Banking Group and RBS) to publish information about their indirect access services.
- We worked with the industry in its efforts to establish a voluntary Code of Conduct for the provision of indirect access. The Code was published in September 2015 with an updated version published in September 2016.
- In our review of indirect access to payment systems we considered how competitive the market was. We published our findings in July 2016.
- In July 2016, we published draft guidance on the approach we would follow when we receive applications for access to certain regulated payment systems or to vary the terms of existing access, under sections 56 and 57 of the Financial Services (Banking Reform) Act 2013 (FSBRA).
- We've worked with the Bank of England, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) to coordinate our approaches to access issues, where our respective roles and responsibilities overlap.

Structure

2.8 The rest of this paper is structured as follows:

- **Chapter 3** gives some background about access, why it is important for the PSR and what it means for service-users.
- **Chapter 4** describes the improvements we have seen in the provision of access, and developments that should lead to further benefits for service-users.
- **Chapter 5** explains the areas where we consider more work needs to be done to unlock benefits for service-users.

2.9 In the annex, we give an overview of the annual compliance reports that the operators submitted to us, and the work the operators have carried out in response to the focus areas we set out in our December 2015 report. A non-confidential section of each of the operators' compliance reports has been published on the PSR's website alongside this paper.

2.10 In this paper we have also incorporated evidence and feedback from stakeholders, including the PSR Panel, to reflect the industry's views on access to payment systems and progress to date.

3. Background

Getting access to payment systems

Why is access important?

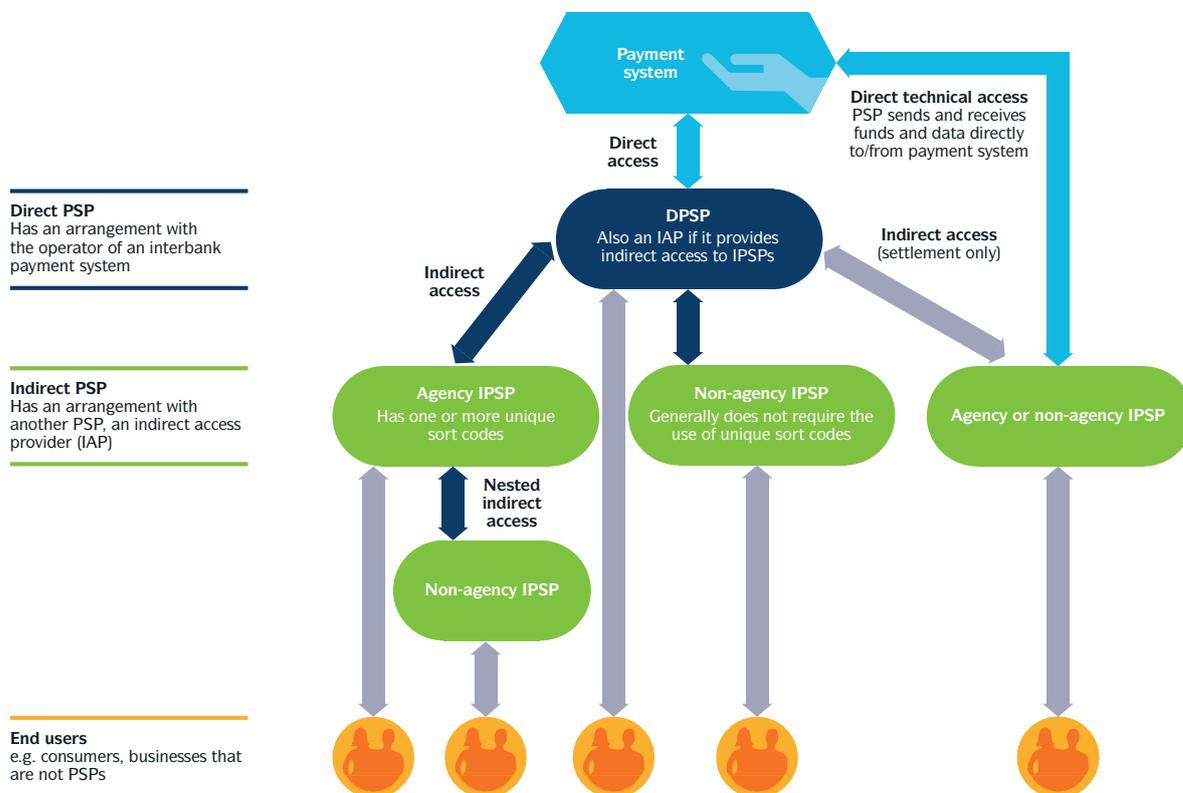
- 3.1** PSPs, such as banks, building societies, credit unions, payment institutions and electronic money institutions, provide services to their customers that enable the transfer of funds using payment systems. These services include the provision of payment accounts (such as current accounts), the issuing of electronic money, processing card payments, and money remittance. To be able to transfer funds for their customers, PSPs need access to payment systems.
- 3.2** Having access is a key enabler of competition and innovation in both the payments and retail banking sectors. We want PSPs who use payment systems to be able to access them on a fair, open and transparent basis and be able to choose the form of access that suits them best. We recognise that different forms of access will suit different PSPs depending on their size, business model, etc. Therefore, we have focused on promoting a range of access options to allow PSPs to choose the form of access that best suits their circumstances.
- 3.3** One example of the importance of access for competition can be seen in retail banking. A number of new challenger banks have entered the market in recent years, such as Starling Bank, Metro Bank and Atom Bank, and each new entrant has required access to payment systems.
- 3.4** Although the presence of new entrants in the market can help promote effective competition, challenger banks also need to offer a certain quality of service to be able to compete with the established market leaders. For example, a challenger bank will usually want to include 24/7 FPS access in its current account service offering to enable near real-time online banking services.

How can PSPs access payment systems?

- 3.5** There are a number of different ways in which PSPs access payment systems. The interbank operators have produced a guide which gives an overview of the different options currently available for each system.³ While models differ across systems, there are generally two ways in which PSPs can get access to the interbank payment systems – directly or indirectly.
- 3.6** PSPs with direct access (DPSPs) have a contractual arrangement with an operator, enabling them to process payments through a direct technical connection to the payment system's central infrastructure or through an aggregation service.
- 3.7** PSPs with indirect access (IPSPs) can be 'agency' or 'non-agency' IPSPs. Agency IPSPs are provided with one or more unique sort codes. Non-agency IPSPs are not provided with a unique sort code and generally provide payment services not related to the provision of payment accounts, such as money remittance and card acquiring. PSPs with indirect access can also choose direct technical access.

³ *An Introduction to the UK's Interbank Payment Schemes* (2016):
www.bacs.co.uk/DocumentLibrary/An_Introduction_to_the_UKs_Interbank_Payment_Schemes.pdf

Figure 1: How different PSPs access payment systems



3.8 Whether a PSP chooses to access payment systems directly or indirectly will depend on a number of factors, including:

- **Volume of transactions:** At lower transaction volumes, direct access can be more costly than indirect access. This is due to the upfront and ongoing costs of complying with payment system requirements for direct access. Research carried out by Accenture on behalf of FPSL indicates that PSPs who process more than 1.4 million transactions per year would generally benefit from direct access to FPS.⁴ However, there are a number of new PSPs and smaller PSPs who have decided to pursue direct access for other reasons.
- **Business model:** The specific services a particular PSP provides, and the complexity and scale of its payment requirements, all have a bearing on what is the most appropriate type of access for them. For example, a payment account provider with a large retail customer base expecting real-time 24/7 payments may find direct access is the right option – but it may not be for a small money remitter that makes infrequent sterling payments as part of facilitating international money transfers.

⁴ *Faster Payments New Access Model* (2015): www.fasterpayments.org.uk/sites/default/files/Faster%20Payments%20Access%20Programme%20Economics%20Report%20-%20Online%20Version.pdf

Our work to date on access

- 3.9** When we started our work on access in 2014, stakeholders were concerned that operators' access requirements were not clear or fair, and may make direct access difficult or impossible for some organisations. For indirect access, stakeholders have raised a number of concerns, including lack of choice in access provider, difficulties accessing and assessing information about different indirect access options, and the risk that providers may discontinue the supply of indirect access.
- 3.10** In response to concerns raised from stakeholders, we've taken a number of steps to investigate direct and indirect access and to remove, or encourage the removal of, barriers to PSPs getting access to payment systems.

Figure 2: Our work to date on access



How open access helps service-users

Open access to payment systems helps create the conditions for PSPs to offer more competitive and innovative services to users. These service-users include consumers and businesses.

Open access has benefits for PSPs and service-users alike:

More choice

Increased choice in the way PSPs access payment systems should improve the quality and range of services that customers can get.

Easier and faster

Reducing the complexity and time involved in getting access to payment systems means PSPs can offer new products and services to their customers sooner.

Better value

Making access better value for money for PSPs should lead to lower prices for certain payment services.

Better quality of service

PSPs that are directly connected to the central infrastructure of payment systems have greater control over payments. This can improve the quality of the service they can give their customers.

Better engagement

Engaging more effectively with PSPs should mean access providers take service-users' interests into account when they make decisions.

4. Improvements in the provision of access

4.1 Since publishing our access and governance report in December 2015 and our final report on our indirect access market review in July 2016, we have been monitoring developments in the provision of access to payment systems. In this chapter we describe:

- the improvements we have seen
- the developments we know about that we expect to lead to further benefits for service-users

4.2 We describe the effect of these changes on the five outcomes of **choice, time, value, quality** and **engagement**. We describe recent changes and evidence we gathered through compliance reports, our survey of indirect PSPs (IPSPs) and our request for information to the four main indirect access providers (IAPs). We have also included various quotes from stakeholders.

Choice

4.3 Service-users will benefit from increased competition if PSPs have more choice in the way they access payment systems. We have identified several factors that would enhance their choices, including:

- direct access requirements that don't create any undue barriers
- a range of access options that reflect PSPs' diverse needs
- a greater choice of IAPs for PSPs that want indirect access to payment systems
- direct access to payment systems for non-bank PSPs

4.4 Based on the following evidence, we think that there has been a significant improvement in the choice available to PSPs.

Direct participation in interbank payment systems is increasing

4.5 Many PSPs who previously considered indirect access to be their only viable choice are now considering joining interbank payment systems as direct participants. Since we published our access and governance report in December 2015, Raphaels Bank, Metro Bank, Starling Bank, ClearBank and Monzo have gained direct access to FPS – the first new entrants since FPS was launched in 2008. In addition, Société Générale and Northern Trust have joined CHAPS as direct participants.

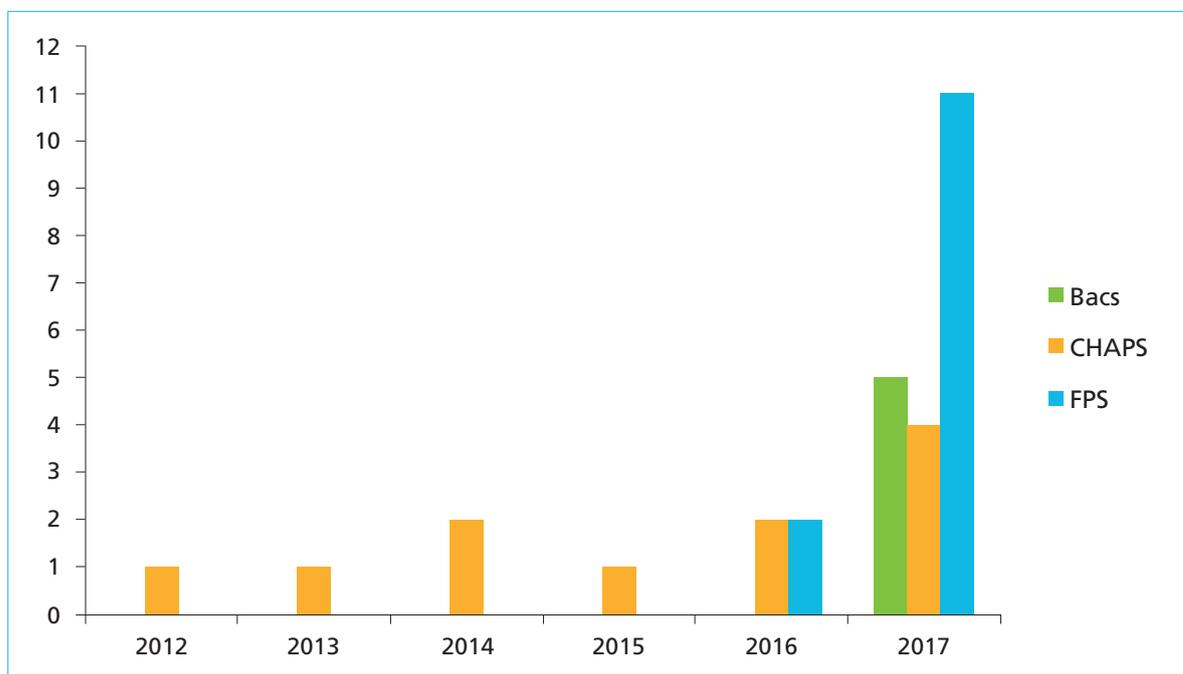
4.6 In addition, we have identified that there is a strong pipeline of potential new direct participants across the interbank payment systems over the rest of 2017.⁵

⁵ Our figures for 2017 are based on the operators' view of anticipated new joiners and are subject to change.

Table 2: Number of new joiners to the interbank payment systems⁶

	Joiners 2016	Expected joiners 2017
Bacs	0	5 (including 2 ring-fenced banks ⁷)
CHAPS	2	4 (including 2 ring-fenced banks)
FPS	2	11 (including 2 ring-fenced banks)

Figure 3: History and projection of new joiners to the interbank payment systems



Case study:

Metro Bank joining FPS

At the end of 2016 Metro Bank became the first high street bank to join FPS since its launch. We asked Metro Bank for some feedback on its experience.

Overall, Metro Bank was extremely satisfied with the information surrounding the onboarding process that FPS made available. The process of joining the system took around 17 months, but during that time, Metro Bank received satisfactory ongoing support from a designated onboarding manager.

We also asked Metro Bank for the top issues that it struggled to overcome when looking to join. These were: the assurance process and the overall complexity of processes and requirements.

The move to direct access has helped Metro Bank to strengthen its customer proposition and allowed it to compete on a level playing field with other high street banks.

⁶ There were no new joiners to C&C in 2016. However, C&CCCL has received over 20 expressions of interest to participate in the new Image Clearing System (ICS).

⁷ Under Part 1 of the Financial Services (Banking Reform) Act 2013, certain banking groups are required to ring-fence certain specified activities.

4.7 This access pipeline reflects the significant work that has been undertaken by the operators to assist new access seekers. FPSL’s access programme has been particularly effective in encouraging new joiners, where demand for direct access is particularly high. However, all of the interbank operators have taken steps to open up direct access. It is interesting to note that for the first time, new entrant retail banks like Starling Bank and Monzo are choosing to join the systems directly, rather than indirectly.

Table 3: Overview of work undertaken by operators to open up direct access

BPSL	In February 2016, BPSL issued a consultation about work it was planning or considering on access, aimed at offering more choice to PSPs to enable improved access to Bacs products. BPSL has since created a roadmap for change to access, aimed at simplifying the access journey and offering more choice to PSPs.
C&CCCL	C&CCCL has assessed its access requirements for the new Image Clearing System (ICS). It anticipates that only directly settling participants in ICS will be required to hold a settlement account at the Bank of England. This should allow a wider range of PSPs to connect directly into the central infrastructure.
CHAPS Co	CHAPS Co has integrated its Participant Categorisation Model (PCM) into the new CHAPS reference manual allowing participants to be categorised based on the level of risk they bring to the payment system. This should simplify the process of joining CHAPS for PSPs who pose less risk.
FPSL	Since 2014, FPSL has been developing its New Access Model to provide access to those PSPs who want to offer real time payments. As part of this model, FPSL has facilitated the introduction of aggregators which can lower the cost of technical access for some PSPs.

Additional detail on the work of the operators in opening up access can be found in the annex to this report.

PSPs have greater choice of IAPs

4.8 In our indirect access market review we identified that many IPSPs have a limited choice of IAPs. This constrains their ability to negotiate on price or switch providers. But we also explained that we had identified at least four potential new entrants planning to become new IAPs in the next few years. Since then, we can provide the following update:

- **Raphaels Bank** became a direct participant in FPS in August 2016, becoming the first new participant since Faster Payments was launched in 2008. Raphaels Bank joined using the direct technical access model, in order to act as a sponsor to other PSPs. One of the first businesses Raphaels Bank worked with to deliver the benefits of this new initiative was TransferWise, enabling it to provide its customers with real-time transactions. Raphaels Bank is currently undergoing further certification with FPSL that will allow it to provide other PSPs with ‘direct agency’ access. This is scheduled to be complete, with the first direct agency PSPs live, by autumn 2017.
- **BFC Bank** has announced that it will provide banking services to other PSPs, particularly medium and larger non-agency IPSPs, some of whom may have had a limited choice of IAP in the past. BFC also plans to offer indirect access services to non-bank PSPs who wish to access FPS through the direct technical access model.

In October 2016, BFC Bank was authorised by the PRA to become a credit institution. BFC Bank is currently in its mobilisation phase and expects to be fully operational this year.

- **ClearBank** announced its intention to become an IAP in February 2017. It will provide indirect access to a range of PSPs, focusing particularly on agency indirect access to banks and building societies. In December 2016, the PRA authorised ClearBank to become a credit institution. ClearBank is currently in its mobilisation phase and expects to be fully operational in Q3 2017.

4.9 We welcome these developments, which represent a significant increase in the choice of IAPs and can potentially lead to a significant improvement in competition in the provision of indirect access.

Alternative technical access options are emerging

4.10 The choice for PSPs has been enhanced by some alternative direct technical access options for interbank payment systems that have emerged since publishing our previous report in December 2015. These are:

- The introduction of aggregator arrangements for FPS and its associated accreditation programme for these aggregators. Five aggregators have gained accreditation from FPSL to support PSPs with direct technical access to the system.
- In February 2016, BPSL published its white paper *Widening Access and Choice*. In this paper it asked for views on widening the range of options for connection to Bacs and providing more flexibility and choice to PSPs. Following this consultation BPSL published its 'access road map', describing a range of projects it is working on to widen PSPs' access options. In January 2017 BPSL launched its accredited aggregator service. Under this service firms can apply to become a 'Bacs Accredited Aggregator', which enables them to provide their PSP customers with technical access to all Bacs services.⁸
- The Forum published its final strategy in November 2016, in which it identified the role of aggregators in simplifying access for PSPs. The strategy encourages the development of aggregators that can provide services across all interbank systems. It also proposes that the individual operators should identify actions that they can take to allow a simple connection for aggregator services, both for direct and indirect access participants.⁹
- As part of the Bank of England's consultation on its Real Time Gross Settlement service (RTGS) in September 2016, it considered enabling aggregators to provide technical connectivity services to institutions wanting to make CHAPS payments. It asked its stakeholders if this could help lower the barriers to direct access.¹⁰

⁸ *Bacs Accredited Aggregator Service* (January 2017): www.bacs.co.uk/documentlibrary/bacsaggregatorproposition.pdf

⁹ Payments Strategy Forum, *A Payments Strategy for the 21st Century* (November 2016): <http://consultation.paymentsforum.uk/final-strategy>

¹⁰ Bank of England, *A new RTGS service for the United Kingdom: safeguarding stability, enabling innovation* (September 2016): www.bankofengland.co.uk/markets/Documents/paymentsystem/cp160916.pdf

Aggregators

Aggregators are typically financial technology vendors, who combine demand from one or more PSPs with connectivity to the central infrastructure of a payment system. This 'technical access' enables those PSPs with insufficient volumes of their own to gain a direct access connection.

Aggregators can be used by PSPs to send and receive payments directly with the payment systems' central infrastructure. These participants can then either settle directly via accounts at the Bank of England (Direct Participant) or settle through a sponsoring direct participant (Direct Agency). In this way the use of an aggregator provides a PSP with an enhanced technical connection without the significant costs it might incur by providing its own direct connectivity.

Aggregators are accredited by the relevant payment system operator, and must pass a number of technical and assurance tests in order to gain accreditation. PSPs can therefore choose an aggregator knowing that they have a proven connection into the main infrastructure.

Direct access to payment systems for non-banks

- 4.11** In our previous work we had identified that the interbank operators required PSPs to hold a settlement account at the Bank of England before they give them direct access. Currently only PSPs that are credit institutions (banks and building societies) are eligible for a settlement account at the Bank.¹¹ This is currently limiting choice for non-bank PSPs, such as e-money institutions, and may create a competitive disadvantage for them.
- 4.12** However, as part of its work developing a blueprint to modernise the RTGS, the UK's sterling settlement infrastructure, the Bank has recommended changes to make non-bank PSPs eligible for settlement accounts, subject to the establishment of appropriate safeguards.¹²
- 4.13** As we explain in Chapter 5, we expect the operators to be ready to progress applications from non-bank PSPs if the Bank amends its settlement account policy and the necessary legislation is passed by Parliament.

Time

- 4.14** We have previously found that, in order for service-users to benefit from competitive and innovative payment services, gaining access to a payment system should be as quick and simple as possible for PSPs.

We have identified several factors that could make it easier and faster to get direct access to payment systems, including:

- improvements in the operators' joining processes
- the Forum's work on simplifying access

- 4.15** We have also identified that the introduction of the Image Clearing System (ICS), enabling sort code portability for cheques, could reduce the complexity of switching for indirect access.

¹¹ Broker-dealers, central counterparties and other systemically important financial market infrastructures are also eligible for settlement accounts.

¹² Bank of England, *Enabling the FinTech transformation: Revolution, Restoration, or Reformation?* (Speech by Mark Carney, June 2016): www.bankofengland.co.uk/publications/Documents/speeches/2016/speech914.pdf

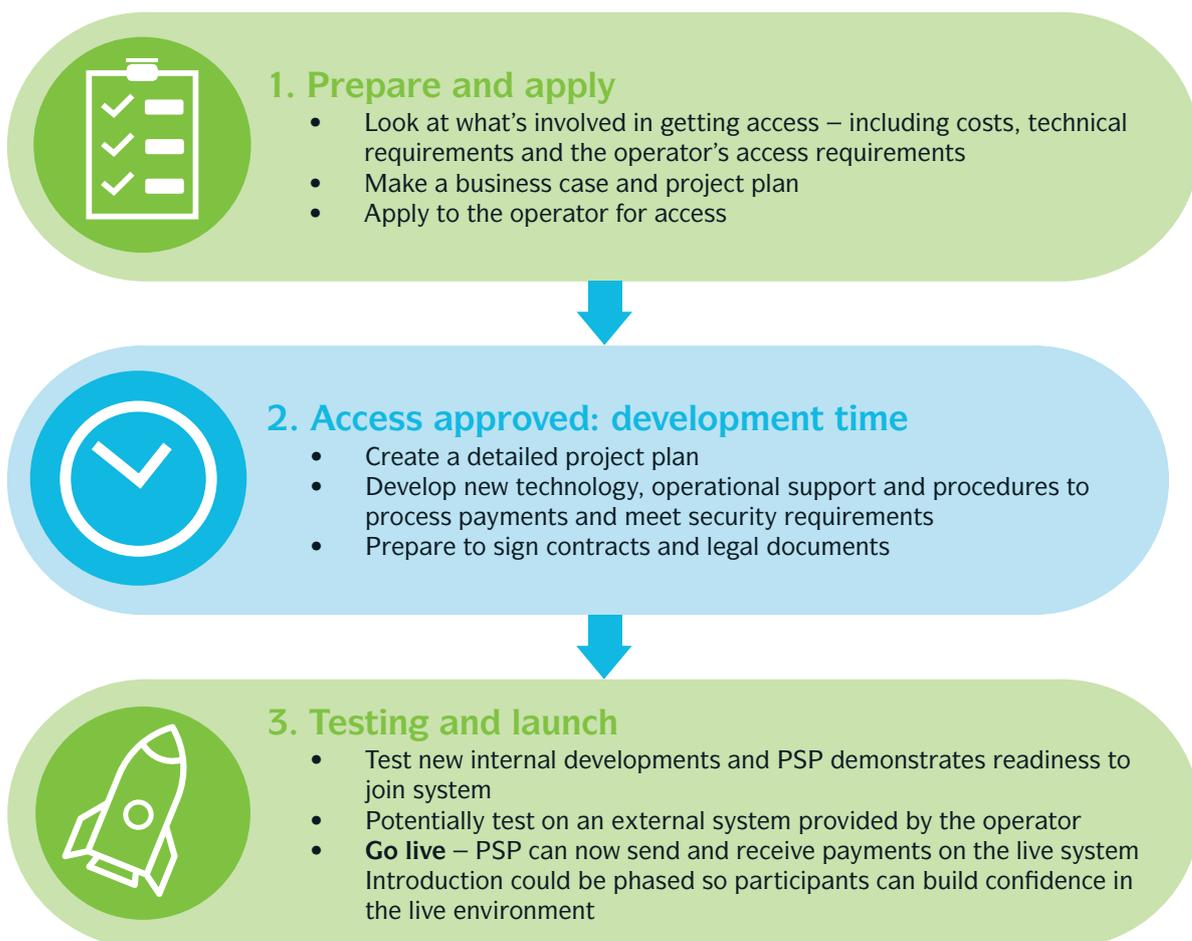
Onboarding

In most cases, to be considered for access to a payment system a PSP must write a letter of intent to the operator saying they want to join, and explain how they meet the access requirements for that system. The operator will consider whether the PSP should be given access. If access is approved, the PSP must go through a joining process known as ‘onboarding’ in order to become a direct participant. This can vary in time and complexity, depending on the operator’s access requirements and the PSP’s capabilities.

There can be several stages to onboarding. Some are common across operators, but a payment system may also have its own processes and approach (for example, CHAPS Co allocates a ‘shepherd bank’ to a joining PSP, which is used as a test partner and gives the joiner guidance on operational processes and procedures).

Figure 4 gives a very high-level overview of a typical onboarding process. There are a number of significant and interdependent tasks. If the procedures are not clear and well managed by operators and PSPs, they can be time-consuming and costly – making direct access difficult to achieve for some potential participants.

Figure 4: Overview of onboarding process



Improvements in the operators’ joining processes

- 4.16** In our last access and governance report, we said that it took 12 to 18 months on average to become a direct participant in a payment system. We noted that the time and costs vary significantly depending on factors such as whether the PSP is an existing indirect participant, and the number of institutions joining at the same time.
- 4.17** Since publishing our report, the operators have done more work to make their joining processes easier and faster.

Table 4: Improvements in the operators’ joining processes

BPSL	BPSL reviewed its onboarding processes as part of its 2016 work programme, using live experiences with a number of new applicants to assist with this exercise. As a result of the review BPSL has completed a draft new onboarding process. It has also created a small team to support PSPs who are considering becoming Bacs participants and has set up a dedicated access mailbox for enquiries.
C&CCCL	C&CCCL is progressing work to develop proportionate onboarding processes for the new Image Clearing System. C&CCCL is also working on defining a proportionate assurance process for new participants. This work will assess the risk brought to the system by each type of participant.
CHAPS Co	In 2016, CHAPS Co recruited a new head of onboarding and an onboarding project manager. CHAPS Co also introduced a new onboarding handbook in 2016, with the aim of covering all onboarding participants.
FPSL	In 2016, FPSL expanded its onboarding team from one to three onboarding managers. FPSL has also started developing its new assurance model which takes a more focused and risk-based approach to its participants and aggregators.

Case Study:
ClearBank joins interbank payment systems
 One new PSP, ClearBank, is joining CHAPS, Bacs, C&C and FPS as a direct participant. Overall, Clearbank has been satisfied with the level of support and engagement it has received from the operators of these systems during onboarding. In particular, ClearBank found the weekly face-to-face meetings with the operators useful. However, it did note that there was a lack of current and accurate documentation around the onboarding process. That said, ClearBank found that operators have recognised and started to address this issue.

- 4.18** Onboarding times will vary depending on the type of organisation that gains direct access. For example, as stated above, we expect the operators to be ready to progress applications from non-bank PSPs if the Bank of England amends its settlement account policy and necessary legislative changes are made. This will include considering their onboarding processes for these organisations.

The Forum's proposals on simplifying access

4.19 The Forum's final strategy contains a number of proposals that are intended to simplify access to payment systems. These include:

1. Common operator participation models and rules

This is a proposal to introduce a common participation model across CHAPS, Bacs, FPS, C&C and LINK. The common participation model will cover areas such as:

- terminology
- eligibility criteria and baseline regulatory requirements
- categorisation of participants and products offered by operators
- onboarding processes and migration to common connectivity models
- simplification in assurance

CHAPS Co, BPSL, FPSL, C&CCCL and Link Scheme will be responsible for implementing this model via the Interbank System Operators Coordination Committee (ISOCC).

We believe this proposal has the potential to significantly reduce the time it takes to join multiple payment systems, as PSPs will be able to follow more streamlined processes across the different systems. ISOCC will report progress to the PSR, and the Forum will continue to monitor the work throughout 2017.

2. Operator consolidation

The Forum's final strategy also proposes the consolidation of BPSL, C&CCCL and FPSL into one new payment system operator. We believe consolidation could result in access to payment systems becoming easier and quicker.

Sort code portability for C&C

4.20 Our indirect access market review found that IPSPs in all categories face barriers to switching IAPs. This reduces the competitive pressure on IAPs and prevents IPSPs from securing the best possible price and quality outcomes.

4.21 For IPSPs who provide their customers with cheques, one of the main barriers to them switching IAPs is that they currently need to change sort codes if they switch to a different IAP for the processing and settlement of cheques. This can significantly increase the cost and complexity of switching because it will usually require a customer communication exercise, destruction of obsolete cheque books, issuing replacements and dealing with misdirected payments. As we explained in our indirect access market review, we are expecting that the introduction of the ICS for cheques will remove this constraint in respect of C&C by allowing sort code portability.

4.22 As set out in the annex, C&CCCL is currently working with its supplier on implementing ICS. It expects that participants will have greater flexibility to switch between participation options after the launch of ICS, including the ability for IPSPs to keep sort codes when switching IAP.

Value

- 4.23** Better value for money should benefit service-users by leading to more efficient and competitive prices for certain types of payment services.

Direct access

- 4.24** In our December 2015 access and governance report, we reported that we were told it could cost a PSP in the order of £2.5 million to £4 million to get direct access to an interbank payment system.

- 4.25** Since publishing our report, we have been collecting further information about the cost of direct access. Recent onboarders have indicated that upfront costs for accessing the interbank payment systems are in the region of £1.2 million to £2.5 million.

Indirect access

- 4.26** In our indirect access market review we did not find widespread concerns about the price of indirect access. Nevertheless, the new entry we've identified in this report should lead to more competition in the provision of indirect access, which could lead to lower prices. Raphaels Bank, a new IAP entering the market, told us that there is anecdotal evidence that pricing of indirect access services has become more competitive for some PSPs over the last nine months.

- 4.27** We also note that the Forum's final strategy contains a number of proposals aimed at preventing financial crime and reducing the costs of compliance for IAPs. This is relevant as our indirect access market review found that financial crime compliance costs can have an effect on the price of indirect access and the level of choice for IPSPs.

The Forum's proposals include:

- improving guidelines for managing identity verification and authentication
- establishing a capability for analysing payment transactions between PSPs, to better identify fraudulent and criminal activity
- sharing more financial crime intelligence data between PSPs
- establishing a shared utility for 'know your customer' (KYC) background checks for business customers
- establishing a multi-stakeholder group to address the perceived lack of clarity about the liabilities of supplying indirect access

- 4.28** We will continue to monitor the progress of these proposals and their impact on the cost of supplying indirect access.

Quality

- 4.29** In order for IPSPs, such as challenger banks, to be able to compete with the established market leaders, they need to have access to a good and reliable level of service from their IAP. However, in our indirect access market review, we found that many IPSPs were experiencing concerns about the quality and availability of technical access to FPS, including not being able to send and receive payments 24/7.
- 4.30** Our view was that these issues were limiting some IPSPs' ability to compete in related markets, such as the payment services provided through retail banking.
- 4.31** As described above, more PSPs are now choosing to become direct participants in the interbank payment systems and many are considering using aggregators for their technical connection to the systems. For PSPs who have issues with the quality of their indirect access, direct access is becoming an increasingly viable option.
- 4.32** For those PSPs who choose indirect access, we think there have been a number of improvements in the provision of indirect access for FPS.
- 4.33** Both HSBC and Barclays now provide services that support 'direct agency' access to FPS.¹³ This allows a PSP to connect directly into the FPS central infrastructure using a technical access solution. We expect a number of the new IAPs to also offer this service later in the year.
- 4.34** PSPs who have a direct technical connection into the FPS central infrastructure receive the same quality and availability of access as direct participants. For PSPs who can adopt this solution, this resolves the concerns raised to us about the quality of access, including being able to send and receive payments 24/7. We expect this to become viable for an increasing number of PSPs over time, as more IAPs offer 'direct agency' access and the benefits of using aggregators grow.
- 4.35** Our indirect access market review also found that some IPSPs were experiencing a number of non-technical quality issues including:
- short notice periods for the termination of indirect access agreements
 - poor relationship management provided by IAPs
- 4.36** Our view was that the indirect access Code of Conduct could help address concerns around relationship management and short notice periods as it contains commitments for IAPs to:
- communicate to their IPSP customers all important information relevant to the provision of indirect access¹⁴
 - put appropriate migration plans in place when an IAP terminates an IPSP's access services¹⁵

Code of Conduct on indirect access

In September 2015, Payments UK published a voluntary Code of Conduct covering indirect access to UK payment systems for PSPs. The principal aim of the Code is to improve the experience of IPSPs by clearly setting out the responsibilities of IAPs that have subscribed to the Code. An updated version of the Code was published in September 2016. The current IAPs that subscribe to the Code are Barclays, Lloyds Banking Group, HSBC and RBS.

¹³ www.fasterpayments.org.uk/access-payments/sponsor-bank-contacts

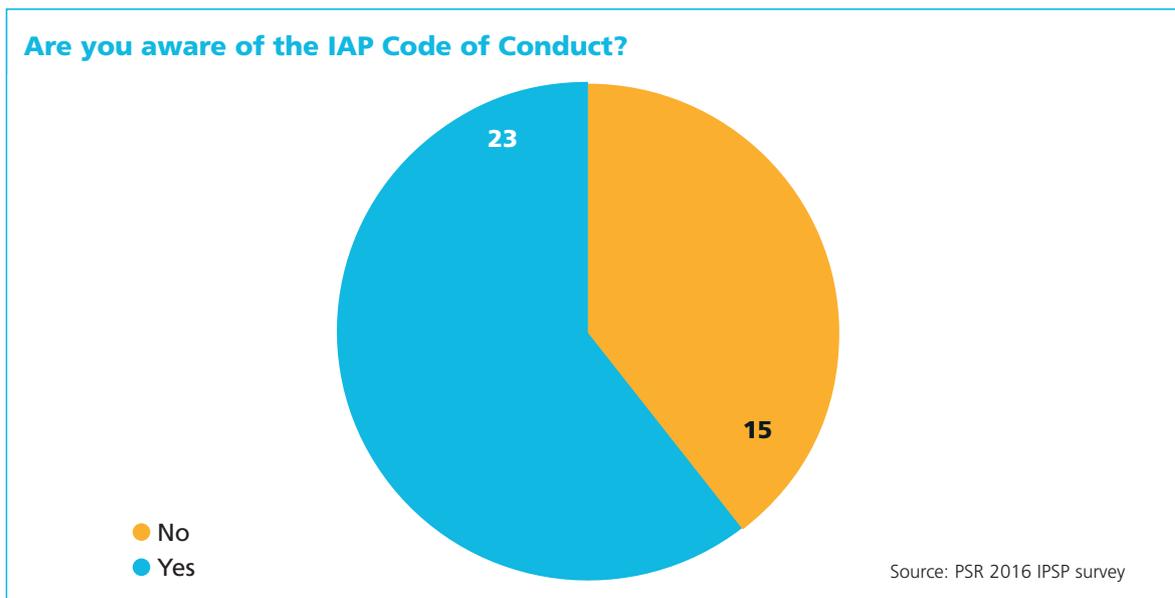
¹⁴ Commitment 2: www.accesstopaymentssystem.co.uk/sites/default/files/Code%20of%20Conduct%20for%20Indirect%20Access%20Providers%20Sept%2016%20-%20Version%201.0%20Final.pdf

¹⁵ Commitment 3: www.accesstopaymentssystem.co.uk/sites/default/files/Code%20of%20Conduct%20for%20Indirect%20Access%20Providers%20Sept%2016%20-%20Version%201.0%20Final.pdf

4.37 We have seen some evidence that the Code is starting to have a positive impact on relationships between some IAPs and IPSPs. For example, we know that for some IPSPs, the Code is beginning to feature in conversations with their IAPs.

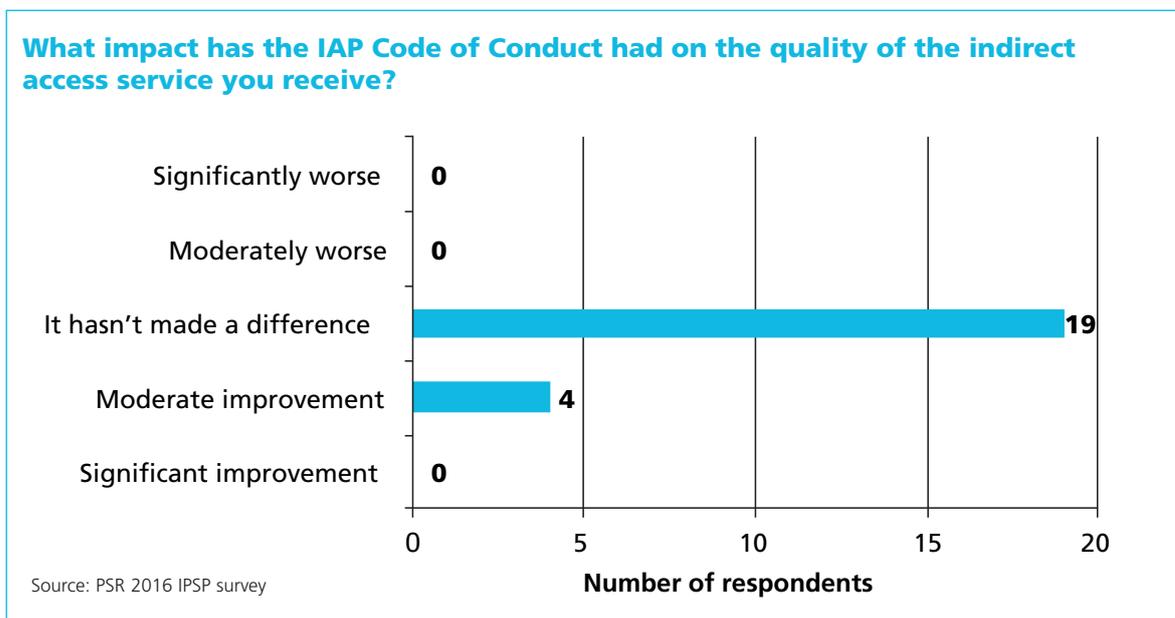
4.38 However, evidence from our IPSP survey suggests that not all IPSPs are aware of the Code. Despite an interim Code being published in September 2015, and then the final Code being published in September 2016, 38% of IPSP respondents to our IPSP survey were not aware of it.

Figure 5: IPSP awareness of the IAP Code of Conduct



4.39 Of the respondents that were aware of the Code, 83% (19 of 23 respondents) felt that it made no difference at all, and the remainder felt that there was only a moderate improvement.

Figure 6: IPSPs’ views on the impact of the Code



- 4.40** We are also still hearing about issues with notice periods. Since we were launched in April 2015, we have been approached by five IPSPs who have faced issues with notice periods. Some of these wanted to gain direct access to payment systems, but existing notice periods were too short for them to transition to those alternative access arrangements.
- 4.41** In February 2017 we announced that we have received our first application under section 57 FSBRA.¹⁶ In its application, a PSP has asked us to use our powers to vary the agreement it has with an IAP. The IAP has decided to terminate its access agreement with the PSP. The PSP has subsequently asked us to extend the deadline for termination of its indirect access to payment systems while it transitions to alternative access arrangements. We have taken a decision to proceed to a detailed assessment of the application and we expect to make a final decision by the end of June 2017.
- 4.42** We set out our expectations for further work on these indirect access issues in Chapter 5.

Engagement

- 4.43** For PSPs to be able to assess the range of access options available to them they need to be able to:
- access the appropriate information
 - engage effectively with IAPs and operators
- 4.44** We think there have been some improvements in engagement and transparency of information, based on the evidence below.

Operator provision of information

- 4.45** Operators have taken steps to ensure that PSPs can get the right information to be able to assess their access options properly. In particular, we note the following developments:

Table 5: Overview of work undertaken by operators to publish information

BPSL	BPSL will be revising its public disclosure policy regarding its access requirements to reflect the outcomes of its open access project. BPSL considers this will help it make more information available to prospective members about the options they have whilst limiting the use of non-disclosure agreements (NDAs).
C&CCCL	C&CCCL is working on defining proportionate onboarding processes, which it will publish on its website. Its aim is to provide transparent onboarding processes that are proportionate for different types of participant.
CHAPS Co	CHAPS Co has published a final version of its reference manual on its website, increasing the amount of information in the public domain relating to direct and indirect CHAPS participation.
FPSL	In January 2016, FPSL published detailed information on its fees and tariffs.

¹⁶ www.psr.org.uk/psr-publications/news-announcements/psr-receives-first-application-section-57-fsbra

4.46 In addition, a number of the operators have worked together to produce a joint guide intended to help organisations consider their access options for the interbank payment systems.¹⁷

Operator service-user engagement

4.47 Some operators are engaging with service-users more, in light of our service-user direction (General Direction 4). This direction requires the operators of certain payment systems¹⁸ to ensure that there is appropriate service-user representation in the decision-making of their governing bodies. In particular, FPSL has created a comprehensive service-user engagement plan and is implementing measures to ensure it considers all service-users in its decision-making (you can read more about this work in the annex to this paper).

4.48 However, while all the operators have developed processes aimed at increasing the collection of service-user views, we have yet to see strong evidence of the impact that work is having. As such we will be monitoring this area closely and considering whether our service-user direction has been effective in delivering improved outcomes for service-users.

IAP provision of information

4.49 Our Sponsor Bank Information Direction has been in force since June 2015. It requires the four main IAPs (Barclays, HSBC, Lloyds Banking Group and RBS) to publish information about their indirect access services. The direction requires the IAPs to give enough detail to allow an IPSP to assess whether it wants to use a particular service.

4.50 Under the direction, we require the four main IAPs to publish three broad categories of information about their indirect access services:

- contact details
- description of services
- high-level descriptions of eligibility criteria

4.51 In November 2016 we requested information from the four main IAPs about their compliance with the direction.

4.52 All of the IAPs confirmed to us they have processes in place to deal with requests relating to their indirect access services. Since September 2015, all of the IAPs had received enquiries related to their access information, ranging from 8 to 20 enquiries per IAP.

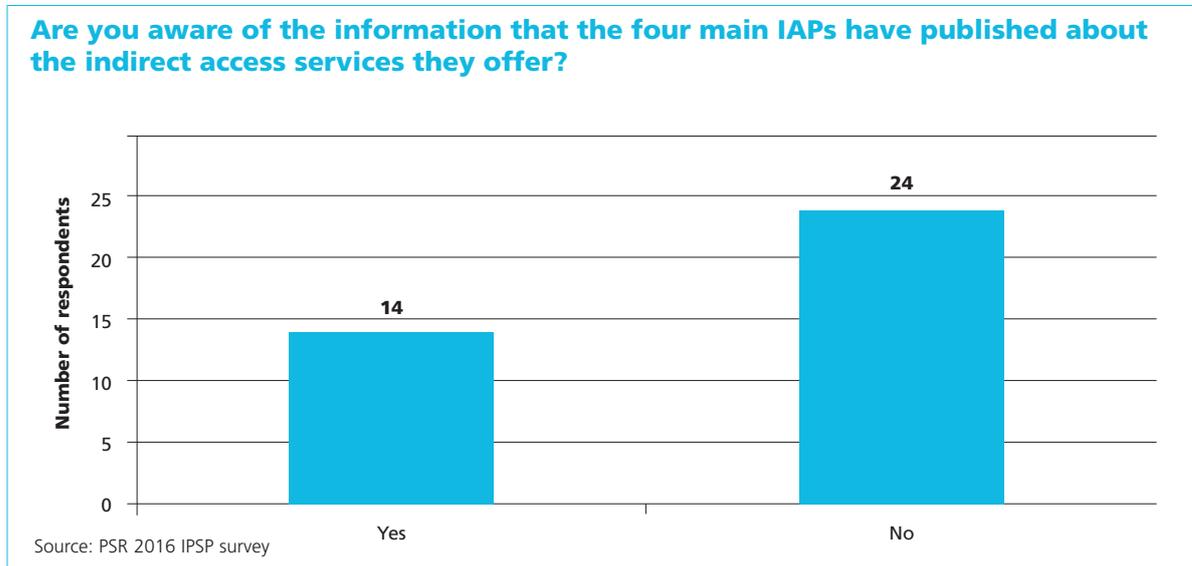
4.53 However, we have received feedback that the information provided by certain IAPs is not enabling prospective IPSPs to assess their options or to reach the correct contacts within IAPs as effectively as they should.

4.54 As part of our IPSP survey, we asked IPSPs whether they were aware of the information that has been published by the four main IAPs about their indirect access offering. Of the 38 respondents, only 14 (37%) were aware of the information published (see Figure 6).

¹⁷ *An introduction to the UK's Interbank Payment Schemes*, (2016): www.bacs.co.uk/DocumentLibrary/An_Introduction_to_the_UKs_Interbank_Payment_Schemes.pdf

¹⁸ General Direction 4 applies to Bacs, CHAPS, C&C, Faster Payments and LINK.

Figure 6: IPSP awareness of IAP access information



4.55 We set out our expectations for further work in this area in Chapter 5.

Conclusion

4.56 Overall, we are encouraged by the progress that has been made across the five outcomes described above. We can see that access to payment systems is changing, allowing PSPs to benefit through enhanced choice, better quality and greater opportunity to innovate.

4.57 In the next chapter, we set out the areas where we think more work needs to be done to unlock benefits for service-users, competition and innovation.

5. Areas where we think more work needs to be done to unlock benefits for service-users

- 5.1** As we describe in the previous chapter, our access programme of work has started to deliver a range of benefits to service-users. However, there are a number of areas where we think the operators and IAPs need to make further progress. There are also areas where we will do further work over the coming year.

Work for operators

- 5.2** Our General Direction 2 requires the operators of Bacs, CHAPS, C&C and FPS to have objective, risk-based and publicly disclosed access requirements that permit fair and open access to the regulated payment systems.
- 5.3** Below we set out further progress we think BPSL, CHAPS Co, C&CCCL and FPSL need to make in respect of their requirements to ensure that access is fair and open.

Access offerings

- 5.4** We have been encouraged by the operators' work in opening up direct access, which has led to the increase in direct participation in the interbank payment systems.
- 5.5** However, we think the operators need to further improve their access offerings to make them fair and open, as required under General Direction 2. They can do this by creating proportionate and risk-based participation models, assurance documentation and onboarding processes that recognise the range of PSPs that use (or will use in the case of the non-banks) their systems.
- 5.6** This should ensure that PSPs who want to join Bacs, CHAPS, C&C or FPS are not subject to unnecessary requirements that may increase their costs or deter them from becoming direct participants.
- 5.7** In addition, the operators should make progress in advancing the elements in the Forum's strategy relating to areas such as establishing common operator participation models and rules. These can then be managed by the new payment system operator, which is expected to be in operation by the end of 2017.

Timing: We expect BPSL, C&CCCL, CHAPS Co and FPSL to have completed this work by the end of 2017.

Aggregator models

- 5.8** As set out above, aggregators can provide PSPs with an enhanced technical connection to payment systems without the significant costs PSPs might incur by obtaining their own direct connection. As such, operators' work on enabling aggregators can help support fair and open access to payment systems.

5.9 FPS’s aggregator arrangements and associated accreditation programme have started to deliver real benefits. However, the other interbank operators have been slower in developing direct technical access and aggregator solutions. We expect to see the following progress to ensure that their access requirements enable open access:

- **Bacs:** Following work undertaken in 2016, BPSL launched its accredited aggregator service in January 2017. Under this arrangement, firms can apply to become a ‘Bacs Accredited Aggregator’, which enables them to provide their PSP customers with technical access to all Bacs services.¹⁹ We support this work and want to see BPSL start accrediting aggregators this year.

Timing: We expect to see BPSL start accrediting aggregators this year.

- **C&C:** As part of the new ICS, C&CCCL is developing a model that will enable aggregators to provide technical access to the system.²⁰ We want C&CCCL to continue its work implementing ICS, and to ensure that direct technical access and the use of aggregators is possible in the new system.

Timing: We expect to see C&CCCL articulate a clear plan for the development of aggregators through its ICS project.

- **CHAPS:** As part of the Bank of England’s consultation on RTGS, it considered enabling aggregators to provide technical connectivity services to institutions wanting to make CHAPS payments. It asked its stakeholders if this could help lower the barriers to direct access.

Since the Bank’s consultation, CHAPS Co has been engaging with aggregators to discuss their models.²¹ We would expect CHAPS Co to make good progress in exploring the feasibility of enabling aggregator options for CHAPS.

Timing: We expect CHAPS Co to have completed this work in line with the conclusions of the Bank’s blueprint for RTGS.

Non-bank access

5.10 We have done significant work with the Bank and the FCA to support the work to open up settlement account access for non-bank PSPs. In addition, the operators have reviewed their access requirements and are preparing themselves to onboard non-bank PSPs.

5.11 To ensure open access under General Direction 2, we want the operators to be ready to progress applications from non-bank PSPs if the Bank amends its settlement account policy and procedures and the necessary legislation is passed by Parliament. We want the operators to make any necessary changes to their rules and processes so they are ready to progress applications from non-bank PSPs without undue delay relative to the other enablers.

Timing: We expect BPSL, C&CCCL, CHAPS Co and FPSL to be ready to have completed this work in line with the conclusions of the Bank’s blueprint for RTGS as well as the timings of the necessary changes to legislation.

¹⁹ *Bacs Accredited Aggregator Service* (January 2017): www.bacs.co.uk/documentlibrary/bacsaggregatorproposition.pdf

²⁰ C&CCCL compliance report, GD2 section A.

²¹ CHAPS Co compliance report, GD2 section D.

- 5.12** These are the focus areas for the operators for 2017 to ensure that access requirements are fair and open. We have previously set out the process for operators to address focus areas as part of complying with our general directions. We will continue to monitor the impact of our directions and maintain our open engagement with the operators on access and governance. If further good progress is not made to deal with the areas set out above, in the timeframes specified, then we will need to consider taking further action.
- 5.13** In developing these focus areas, our approach has been guided by how they advance our payment system objectives. These are to promote:
- effective competition in the market for payment systems and the markets for services provided by payment systems in the interests of service-users
 - the interests of service-users
 - innovation in payment systems in the interests of service-users
- 5.14** We must also have regard to financial stability considerations and how our work could impact on the stability of, and confidence in, the UK financial system. As such, we will continue to work with other regulators such as the FCA, the Bank and the PRA who all have an interest in this area and have powers, roles and responsibilities regarding access to financial services more broadly.
- 5.15** While these focus areas are relevant to the access requirements of the existing interbank payment system operators, we expect they will remain relevant for the new payment system operator, which is planned to be established by the end of 2017.

Work for IAPs

- 5.16** Below we set out further work we want the IAPs to undertake.

Code of Conduct

- 5.17** In light of concerns raised to us about the visibility and effectiveness of the Code of Conduct, we think Code subscribers could do more to promote IPSP awareness of the Code and to implement further enhancements to the Code to ensure that IPSPs get a good level of relationship management.
- 5.18** In particular, we think Code subscribers should take into account feedback received via the new Code Consultative Group. The first meeting of the group took place in January 2017 with 34 attendees representing 24 organisations.
- 5.19** We will also be encouraging new-entrant IAPs to sign up to the Code.

Notice periods

- 5.20** We expect IAPs to adhere to commitments they have made in the Code to work with IPSPs to put in place appropriate migration plans if they terminate an IPSP's access services.
- 5.21** For IPSPs who decide to move to direct access, we expect IAPs to take into account the time involved in joining a payment system as a direct participant.

Encouraging a market-led solution

- 5.22** We want to encourage a market-led solution to these indirect access issues. However, we will consider taking action if IAPs don't deliver further improvements on notice periods and the Code of Conduct.
- 5.23** We will closely monitor developments on these issues in the coming year and review progress no later than the end of 2017.

Work we will do

- 5.24** As well as the requirements we've already described, we will do the following work:

Continued market monitoring and stakeholder engagement

- 5.25** We will continue to monitor developments relating to access to payment systems. In particular we expect to monitor:
- the work the operators do to comply with our focus areas
 - the developments we set out in the conclusions to our indirect access market review
 - the implementation of the access solutions that the Forum proposed in its final strategy
- 5.26** We will also continue to monitor any effects of the UK's withdrawal from the EU on our access programme of work. The longer-term impacts of Brexit on the overall framework for the regulation of payment systems in the UK will depend, in part, on the relationship that the UK seeks with the EU in the future. We will work closely with the government as it confirms the arrangements for the UK's future relationship with the EU.

Cross-border payments

- 5.27** Following the indirect access market review, we are aware that some PSPs that provide cross-border payments still have a limited choice of access provider. We want to explore these types of payments to understand how they relate to our remit and objectives.

Ring-fencing

- 5.28** The ring-fencing regime will enter into force on 1 January 2019 and will require a number of UK banks to 'ring-fence' or legally separate certain core banking services²² to most individuals and small and medium-sized enterprises from wholesale and investment banking services.²³
- 5.29** Legislation requires ring-fenced banks to have direct access and there could be implications in the provision of indirect access. We will look to identify any access-related issues as they emerge.

²² These are defined in section 142C of the Financial Services and Markets Act 2000 (FSMA) and comprise services that are considered so important that their uninterrupted provision must be protected by the ring fence.

²³ Part 9B of FSMA.

Our directions

5.30 We continually review the effectiveness of our directions through ongoing engagement with stakeholders and through operators' compliance reports. We consider that we may need to review the following directions in 2017: General Directions 2, 3 and 4 and the Sponsor Bank Information Direction. There are diverse reasons for this review:

- The second EU payment services directive (PSD2) is expected to be implemented into UK law in January 2018 by way of the Payment Services Regulations 2017. PSD2 is a maximum harmonisation directive and may require us to amend our directions on access (General Directions 2 and 3).
- Our General Direction 4 requires operators to ensure appropriate representation of service-users' interests in their governing body's decision-making processes. Through our ongoing monitoring of the effectiveness of this requirement, we have identified that we may need to consider whether this direction is working as well as it could. We expect to consult on whether amendment to the direction would better achieve our aim of ensuring service-users are able to influence operators' decision-making that affects them and their needs.
- We expect to revisit our Sponsor Bank Information Direction to ensure it is enabling IPSPs to assess their options and to reach the correct contacts within IAPs.

5.31 In addition to the considerations stated above, we are also considering the future regulation that would need to apply to the new payment system operator resulting from the work of the Forum. We need to consider this in terms of:

- designation of the new payment system operator as a regulated payment system
- application of existing rules to the new payment system operator
- any additional regulatory requirements that may be required in light of the design of the new payment system operator, its ownership and position in the market

5.32 We plan to conduct a review and will consult on any proposed changes later in the year.

Glossary

Expression or abbreviation	Definition
agency IPSP	An indirect PSP which has its own sort code provided by its indirect access provider.
aggregator	An organisation providing technical access to a payment system's central infrastructure through a shared gateway.
Bacs	The regulated payment system which processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit. The payment system is operated by Bacs Payment Schemes Limited (BPSL).
the Bank	The Bank of England.
Bank of England settlement account	A settlement account in central bank money.
C&C (Cheque and Credit)	The regulated payment system in England, Scotland and Wales that processes cheques and other paper instruments. It is operated by Cheque and Credit Clearing Company Limited (C&CCCL).
CHAPS (Clearing House Automated Payment System)	The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's Real-Time Gross Settlement (RTGS) system. It is operated by CHAPS Co.
direct access	A PSP has direct access to a payment system if the PSP is able to provide services for the purposes of enabling the transfer of funds using the payment system as a result of arrangements made between the PSP and the operator.
Direct Debit	The Bacs scheme for collecting pre-authorised debits on the payer's bank account, which are initiated by the payee.
direct technical access	A technical solution that directly connects a PSP (or other authorised user) with the central infrastructure of a payment system.
FCA	Financial Conduct Authority.
FPS (Faster Payments Scheme)	The regulated payment system that provides near real-time payments as well as standing orders. It is operated by Faster Payments Scheme Limited (FPSL).
FSBRA	Financial Services (Banking Reform) Act 2013.

Expression or abbreviation	Definition
General Directions	The general directions issued by the PSR under section 54 FSBRA, and www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions , as amended from time to time.
indirect access	A PSP has indirect access to a payment system if it has a contractual arrangement with an indirect access provider to enable it to provide payment services (for the purposes of enabling the transfer of funds using that payment system) to its customers.
indirect access provider (IAP)	A PSP that provides indirect access to a payment system to other PSPs for the purpose of enabling the transfer of funds within the United Kingdom. This is the case irrespective of whether the IAP provides the indirect PSP with a unique sort code (i.e. whether or not the indirect PSP is listed as the 'owning bank' for a sort code in the Industry Sort Code Directory, with the IAP listed as the 'settlement bank') or not.
indirect payment service provider (IPSP)	A payment service provider that has indirect access.
LINK	The regulated payment system which enables end users to take cash out of their accounts (among other activities) using the network of ATMs in the UK. It is operated by Link Scheme.
FPS New Access Model	FPS's New Access Model, first published in December 2014, sets out proposals to enable technology vendors to offer technical access to PSPs by adding to their existing accounting platform technology, or providing a managed solution to either a single or multiple PSPs.
Mastercard	The regulated payment system supporting payments made by cards and operated by Mastercard Inc.
non-agency IPSP	An indirect PSP which does not have its own unique sort code.
operator (payment system operator)	In relation to a payment system, any person with responsibility under a payment system for managing or operating it; any reference to the operation of a payment system includes a reference to its management.
payment service provider (PSP)	A PSP, in relation to a payment system, means any person who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that payment system. This includes direct PSPs and indirect PSPs.
Payment Services Regulations 2009 (also known as PSRs 2009)	The Payment Services Regulations 2009 (SI 2009/209), which implements the Payment Services Directive (Directive 2007/64/EC) in the UK, as amended from time to time.
PRA	Prudential Regulation Authority.

Expression or abbreviation	Definition
PSD2 (Second EU Payment Services Directive)	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, published in the Official Journal of the EU on 23 December 2015.
Specific Direction 1 (also referred to as the 'Sponsor Bank Information Direction')	'Specific Direction 1 (Access: sponsor Banks)' – a direction published by the PSR on 25 March 2015, in force from 30 June 2015, and accessible at www.psr.org.uk/psr-specific-direction-1 .
service-user	Those who use, or are likely to use, services provided by regulated payment systems.
sort code	A six digit number, usually written as three pairs of two digits, used for the purpose of routing payments in certain UK interbank payment systems.
Visa	The regulated payment systems supporting payments made by cards and operated by Visa Europe.

© Payment Systems Regulator 2017
25 The North Colonnade
Canary Wharf
London
E14 5HS
Telephone: 0300 456 3677
Website: www.psr.org.uk
All rights reserved