

Specific Direction 1

Access (sponsor banks) (2020)

March 2020

Specific Direction 1: Access (sponsor banks) (2020)

1 Recitals

Whereas:

- 1.1 The PSR gave Specific Direction 1 under the Financial Services (Banking Reform) Act 2013 (FSBRA). It came into force on 30 June 2015.
- 1.2 The PSR has reviewed Specific Direction 1 and, following consultation, has decided that:
 - it should also apply to all indirect access providers offering sponsor bank services
 - all sponsor bank service providers must publish certain information relating to access offerings and applications for access
 - all sponsor bank service providers must provide certain information to applicants
 - it should include a sunset clause of three years
- 1.3 The PSR has decided to give a new Specific Direction 1, replacing the Specific Direction 1 we gave in 2015.

2 Powers exercised and purpose

- 2.1 The PSR gives this Specific Direction in accordance with sections 54(1) and (3) of FSBRA.
- 2.2 The PSR has had regard in particular to sections 49 to 53 of FSBRA (General duties of the Regulator).

Direction

NOW the PSR gives the following Specific Direction:

3 Access direction on sponsor banks and sponsor bank services

- 3.1 A sponsor bank must publish clear and up-to-date information about its sponsor bank services, where it allows PSPs to access and use any regulated interbank payment system.

- 3.2** The information must include at least the following, in a clear, comprehensive and easily accessible form:
- a. the sponsor bank's corporate name, its registered office address, and contact details of an appropriate named person for its sponsor bank services
 - b. a description of the sponsor bank services offered, including the regulated payment systems they relate to
 - c. details of any eligibility criteria that a PSP may have to meet to obtain sponsor bank services
- 3.3** The sponsor bank must, at the least, publish this information in a prominent, easily accessible position on any relevant website that it operates or controls.
- 3.4** A sponsor bank must, as soon as possible after having received an application for access, confirm receipt of the application.
- 3.5** 'Receipt of an application' means that the sponsor bank has received written communication from an access seeker requesting access to services which meet the definition of sponsor bank services. The applicant must have made a reasonable attempt to address the sponsor bank's access requirements as far it can, acting in good faith.
- 3.6** Where the sponsor bank is in receipt of an application, it will:
1. tell the applicant about any issues with the application as soon as possible, and take reasonable steps to help the applicant remedy the issues
 2. as soon as possible, give the applicant a written indicative timeline for the application process to be completed
- 3.7** The timeline must explain:
- the key stages in the application process
 - the number of weeks each stage is expected to take
 - any dependencies that could affect the progress of the application
 - the information that will be required from the applicant
 - which stage information will be considered at
 - which decision committees or nominated persons will consider the application
- 3.8** The sponsor bank must update the timeline throughout the application process. It must give the updated version of the timeline to the applicant as soon as possible following any changes.

4 Application

This specific direction applies to sponsor banks providing sponsor bank services.

5 Revocation of 'day one' Specific Direction 1

Our original Specific Direction 1, which we gave in 2015, is revoked.

6 Commencement and duration

This specific direction comes into force on 5 May 2020 and will expire on 4 May 2023.

7 Citation

This specific direction may be cited as Specific Direction 1: Access (sponsor banks) (2020).

8 Interpretation

- 8.1** The headings and titles used in the specific direction are for convenience and have no legal effect.
- 8.2** The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.
- 8.3** References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.
- 8.4** In this specific direction, the word 'including' shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word, and the word 'include' and its derivatives shall be construed accordingly.
- 8.5** In this specific direction, the following definitions and abbreviations apply:

agency indirect access	a subset of indirect access where an indirect PSP utilises their own unique sort code in making and receiving transactions
non-agency indirect access	a subset of indirect access where an indirect PSP does not utilise their own unique sort code in making and receiving payments. This includes all accounts that a PSP uses to make transactions on behalf of their customers.
PSP	payment service provider as defined in section 42(5) of FSBRA
PSR	the Payment Systems Regulator, the body corporate established under Part 5 of FSBRA references to 'we', 'us' and 'our' mean the Payment Systems Regulator

regulated interbank payment system	an interbank payment system designated by the Treasury under section 43 of FSBRA
sponsor bank	either: <ul style="list-style-type: none">• a PSP which provides agency indirect access, or• the controlling entity of a banking group, where at least one PSP within that group provides agency indirect access
sponsor bank services	provision of all indirect access services, including agency indirect access and, where provided, non-agency indirect access

Made on 5 March 2020

Chris Hemsley
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Explanatory notes

1. The definition of sponsor bank services includes services provided to PSPs by a sponsor bank for multiple purposes. This includes services enabling the transfer of funds using a regulated interbank payment system to persons who are not participants in the system – for example, a bank account provided to a PSP which it uses to transfer money on behalf of its clients.
2. This direction applies to all indirect access services provided by banks that provide sponsor bank services. For example, if agency indirect access is provided via one entity within a banking group and non-agency indirect access via another entity in the same group, both types of indirect access are caught within the definition of sponsor bank services.
3. In addition, the parent entity of the banking group will be regarded as the sponsor bank. The obligation to report under SD1 falls on this entity.
4. For clarification, indirect access excludes services provided to PSPs that are only for the purpose of transferring funds on their own behalf.
5. Examples of such excluded services are:
 - services to firms such as utilities or retailers that are used purely for corporate transactions, such as receiving payments from customers and paying staff and suppliers
 - services to PSPs that have a corporate relationship with a bank solely for transactions such as paying staff and suppliers (that is, services on their own behalf), and not for the purpose of transferring funds on behalf of customers
6. Paragraph 3.2(b) of this direction requires the provision of information about sponsor bank services in respect of access to, and use of, any regulated interbank payment system. The required information includes, but is 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 PSP's customers.
 - A list and description of the regulated payment systems that the sponsor bank offers indirect access to, and the services of each system that PSPs can access. This includes a description of the connectivity options for sending and receiving payment instructions.
 - A description of the services offered. This includes services for unique sort codes and the transfer of unique sort codes between sponsor banks, and a list of the specific regulated payment systems this applies to.
 - A description of any other services the sponsor bank views as being part of its wider sponsor bank service offering (for example, access to a branch network, or payment message transformation services).
 - A high-level description of the types of transaction fees and other charges a PSP can expect to pay, and the key elements of those fees and charges.

7. This direction 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. The eligibility criteria that the sponsor bank must provide information about under paragraph 3.2(c) include, but are not limited to, the following:
- factors the sponsor bank takes into consideration in deciding whether to accept a PSP as a customer (for example, assessment of creditworthiness, strategic risk or expected volume)
 - criteria a PSP must satisfy to qualify for agency indirect access or non-agency indirect access (for example, anti-money laundering procedures, regulatory status or compliance with payment system rules, or for host-to-host connections, the systems testing and security standards that must be met)
 - any timeline provided pursuant to 3.6(2) may take account of the process set out in 3.6(1) where relevant, and any uncertainties that may give rise to

Status of Directions and explanatory notes

Directions give rise to binding obligations. Breaching a direction is a compliance failure which makes a party liable to regulatory sanction.

Explanatory notes may be used, among other things, to explain provisions and requirements (such as General Directions) and/or to indicate how to approach compliance.

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