

Access and governance report 2018

No. 18/2

We have published our third report on access to payment systems, and the governance of those systems.

What is access and why is it important?

Effective access and well governed payment systems are critical to promoting competition and innovation in payments, and also promoting more competition in retail banking.

Payment service providers (PSPs) – like banks and building societies – need access to payment systems to be able to transfer funds for their customers. We want PSPs to be able to get access on a fair, open and transparent basis, and to be able to choose the form of access that suits them best. Opening up access to more PSPs can lead to improvements in the quality and range of services that consumers receive.

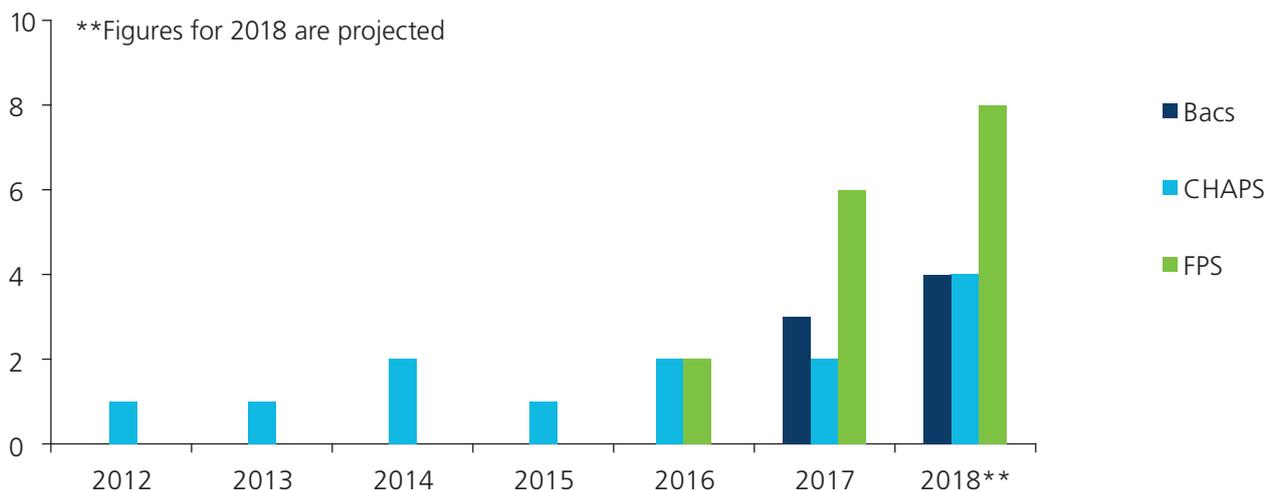
Our **access programme** of work has realised significant benefits for PSPs and all service-users (people, businesses, charities and others) in recent years. The last 12 months have been very encouraging, and that progress is set to continue in 2018.



Our findings: a record year

- There are an increasing number of options for PSPs to access the interbank payment systems, alongside increasing competition in provision of indirect access. PSPs can find options that suit their business requirements.
- **2017 was a record year** for new participants in interbank payment systems: CHAPS, Faster Payments and Bacs. **Seven PSPs** have joined one or more of the systems.
- **New indirect access providers (IAPs)** began operation in 2017, giving PSPs more access options. ClearBank has launched a service providing indirect access to all the UK payment systems, and Starling Bank is an indirect access provider in Faster Payments and Bacs.
- As of July 2017, **non-bank PSPs can now apply to hold settlement accounts at the Bank of England**. This means that some non-bank PSPs – such as authorised e-money and payment institutions – can now choose to be direct participants in the interbank payment systems.
- The **operators have completed work on their aggregator models**. Faster Payments has seen PSPs join using technical aggregators (providers of direct technical access to payment systems). Meanwhile, Bacs has had more interest from PSPs wanting to use its new simplified access model. These new models have helped PSPs become direct participants faster and at a lower cost.
- We expect the payment system operators and access providers to continue to look for ways to enhance their service offerings.

History and projection of new participants in the interbank payment systems*



	New participants 2016*	New participants 2017*	Expected new participants 2018**
Bacs	0	3	4
CHAPS	2	2	4
FPS	2	6	8
Total	4	11	16
Of which 'unique' users	4	7	11

*Excludes ring-fenced participants gaining a second participation in that system

Developments in 2018

There are some exciting developments in payments in the year ahead. In 2018 we expect operators to continue to progress work that will result in the first non-bank PSP becoming a direct participant in at least one of the payment systems. We expect operators, and in the future the New Payment System Operator (NPSO), to continue to evolve models that lower complexity and cost for direct access.

In addition, the payment systems landscape is changing:

- Bacs, Faster Payments and the new Image Clearing System for cheques will consolidate under the NPSO during the first half of 2018.
- The second EU Payment Services Directive (PSD2) came into effect on 13 January 2018, and has given us an even greater compliance focus in relation to ensuring access rules and conditions are objective, non-discriminatory and proportionate.
- The CHAPS system was acquired by the Bank of England in November 2017. The Bank now directly delivers CHAPS and provides the infrastructure. This has changed how we regulate CHAPS: we now only regulate direct participants in the CHAPS system.

Directions review and consultation

The PSR is committed to building on the progress made so far and making sure that our regulatory arrangements remain appropriate. As we noted in the 2017 report, we are currently reviewing the Directions we put in place in 2015. We have published a separate consultation on potential changes at the same time as this report. Our consultation addresses the areas where the directions could be made more appropriate and effective.

Find out more
about us at

www.psr.org.uk