

# Infrastructure market review: Remedies consultation

No.16/8

**In July 2016 we published the findings of our market review into the provision of infrastructure for the Bacs, Faster Payments Service (FPS) and LINK payment systems. We found that there is no effective competition in central infrastructure.**

For the people and organisations that use payment systems this could lead to:

- higher prices
- less innovative services
- less pressure for infrastructure to be provided efficiently
- a lower quality of service

To address these problems and improve outcomes for users, we set out **three** potential remedies in our [final report](#). This consultation is on the detailed design of **two** of the remedies we propose to implement:

- 1. Mandating competitive procurement exercises for Bacs, FPS and LINK when the operators of these systems purchase central infrastructure services**
- 2. Introducing ISO 20022 messaging standards in future procurement exercises for Bacs and FPS**

We think these remedies, together with the sale of the current infrastructure provider, Vocalink, will remove barriers and create a competitive procurement process – opening up the provision of infrastructure to competition.

## Better payment services for users

We believe this package of measures will enable new infrastructure providers with different technology to enter the market and drive new and innovative products and services. This can benefit all users of payment systems, from large payment service providers to consumers. This should help give users a better choice of tailored payment services.



This market review is part of our wider work to encourage effective competition and innovation across the payments industry. This includes our recent [indirect access market review](#), other work we've been doing to open up access for challenger banks, fintechs and other innovative new players, and the work of the [Payments Strategy Forum](#) (the Forum), which we set up in the summer of 2015.

## Our proposed remedies

### 1. Mandating competitive procurement exercises for Bacs, FPS and LINK when the operators of these systems purchase central infrastructure services

We provisionally conclude that mandating competitive procurement for the central infrastructure services for Bacs, FPS and LINK would be an effective remedy. This requirement would apply to the next contract renewal – and then at least every ten years.

A competitive procurement process will ensure that the operators of Bacs, FPS and LINK will approach a wider range of infrastructure and technology providers than just the incumbent. It will also mean the operators will have to work with their service users to understand their requirements.

We have paid particular attention to how this remedy might interact with the Forum's work. It includes a provision that allows the operators to apply for a full or partial temporary exemption in the event that this would make the Forum's work more effective.

### 2. Introducing ISO 2022 messaging standards in future procurement exercises for Bacs and FPS

The bespoke messaging standards used by Bacs and FPS represent a barrier to entry for alternative providers of central infrastructure services. To remedy this, we propose that ISO 2022 is introduced for both systems. Our evidence shows that ISO 2022 is the international messaging standard of choice in the payments industry.

Our proposed approach requires the operators of Bacs and FPS to make mapping documentation available, to allow users to convert between their bespoke standards and ISO 2022. We also propose that future procurement of central infrastructure services is based on ISO 2022.

We do not believe that this type of messaging standard remedy is appropriate for LINK because it would not help competition from alternative providers.

### VocaLink's ownership

Given MasterCard's proposed acquisition of VocaLink, which currently supplies the central infrastructure for all three systems, we're not, at this stage, consulting on the third remedy set out in our [final report](#) – the divestment of the four largest shareholders' interests in VocaLink. The acquisition is subject to merger approval by the CMA. If it is not completed, we intend to consult separately on a divestment remedy.

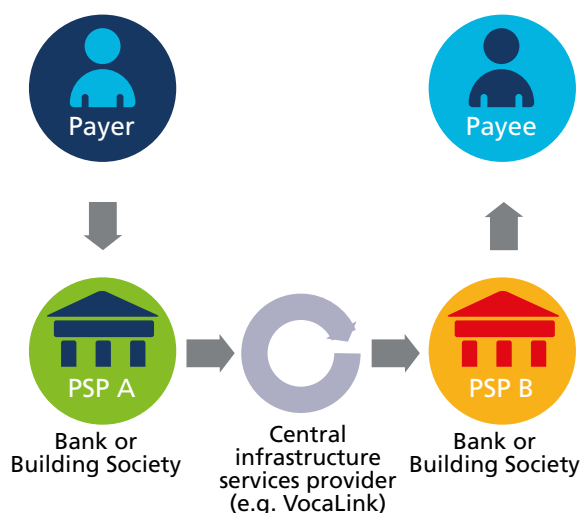
## Background

Payment systems are a vital part of the UK's financial system. They make payments possible, whether you're paying for lunch using a contactless card, paying a bill by direct debit, paying the deposit for your new house or making large payments between businesses. Last year, interbank payment systems processed over £74 trillion worth of payments, or the equivalent of 42,000 payments per minute.

### What is central payment systems infrastructure?

The payment systems infrastructure is the hardware, software, secure telecommunications network and operating environments that support the clearing and settlement of payments. It's important that infrastructure services are reliable and efficient so that consumers and businesses can make and receive payments safely and reliably.

The diagram shows the role of payment systems infrastructure when we make or receive a payment.



### Your feedback and next steps

We welcome your feedback on the detailed design of the two remedies we have proposed, and on our assessment that they will be effective and proportionate. If you would like to provide comments, please email these to us by 1 February 2017 at [infrastructure@psr.org.uk](mailto:infrastructure@psr.org.uk).

We will consider your comments when finalising our remedies decision, which we will publish in spring 2017.

### More about the PSR

The Payment Systems Regulator is the economic regulator for the UK's main payment systems. Our purpose is to make sure the UK's payment systems work well for the people and organisations that use them. We want payment systems that are accessible, easy to use, reliable and secure, and provide value for money.

Find out more  
about us at

[www.psr.org.uk](http://www.psr.org.uk)