

A new regulatory framework for UK payment systems

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Our **Policy Statement** sets out how we will regulate the payment systems industry to deliver better results for everyone who uses payment systems.

Background

Payment systems form a vital part of the UK's financial system. They enable funds to be transferred between people and businesses; allowing you to pay bills via direct debit, receive your salary or pension into your account and transfer money to friends and family using your smartphone. Last year the UK's payment systems processed some 21 billion transactions worth around £75 trillion.

PSR Objectives

The PSR was set up by the Government and will become fully operational on 1 April 2015. Our aim is to make payment systems work well for those that use them; our vision is to have payment systems that are accessible, reliable, secure and value for money.

The PSR has three statutory objectives:

- to promote effective **competition** in the markets for payment systems and payment services in the interests of service-users
- to promote the development of **innovation** in payment systems and payment services in the interests of service-users
- to ensure that payment systems are operated and developed in a way that considers and promotes the **interests of service-users**

The PSR has been given strong competition and regulatory powers to achieve these objectives.

Who we regulate?

Six interbank payment systems and two card payment systems have been designated by HM Treasury for regulation. All 'participants' in the designated payment systems will fall under our remit. These include the operators managing those systems, the payment service providers using those systems, and the infrastructure providers for those payment systems.

Bacs Processes payments through the two electronic payment systems of Direct Credit and Direct Debit.

Cheque and Credit The interbank payment system that processes cheques and other paper instruments in England, Scotland and Wales.

CHAPS The UK's real-time, high-value sterling interbank payment system. CHAPS processes both wholesale (e.g. payments between financial institutions) and retail (e.g. house purchases) payments.

Faster Payments Service Provides near real-time payments (e.g. mobile and online banking) as well as Standing Orders.

LINK Enables consumers to take cash out of their bank accounts.

Northern Ireland Cheque Clearing The interbank payment system that processes cheques and other paper instruments in Northern Ireland.

MasterCard The card payment system in the UK operated by MasterCard Inc.

Visa Europe The card payment system in the UK operated collectively by Visa Europe and Visa UK.

Factsheet

What our Policy Statement covers

- Our regulatory approach
- Our final directions
- Draft Terms of Reference for our market reviews into ownership and competition of payments infrastructure and into the supply of indirect access to payment systems
- Details of our forthcoming policy work programme

Our policy decisions are aimed at ensuring:

- Where beneficial outcomes for users of payment systems can be delivered by the industry working together, there is an improved **strategy development and setting process**. We will control the setup of, and drive, this process.
- The voice of all those who use payment systems can be heard and can influence decision making. We aim to achieve this through improving **governance of payment systems**.
- Those businesses and people who need **access to payment systems** to provide competitive and innovative services to their customers can get the access they need without unnecessary barriers or burdens.

PSR Policy Work Programme

We have also announced an extensive work programme that will enable us to start addressing our objectives and working towards creating the world class payment systems UK consumers and businesses deserve.

Strategy setting projects which together aim to improve the overall process for developing strategy for the UK payments sector:

- Payments Strategy Forum
- World Class Payments
- Ring-fencing
- Current Account Switch Service (CASS) and Account Number Portability (ANP)
- Cheque imaging project

Payment markets projects which are aimed at improving markets and promoting competition:

- Implementation of our access and governance directions
- Market review into the supply of indirect access to payment systems
- Market review into the ownership and competitiveness of infrastructure provision
- Card payment systems programme of work

Pipeline projects where we will carry out an initial review of the issues and decide whether to initiate more work:

- ATM Interchange Fees
- Consumer redress

For further information
please visit our website

www.psr.org.uk