Factsheet

FINANCIAL CONDUCT AUTHORITY
PAYMENT SYSTEMS REGULATOR

Market review into the ownership and competitiveness of payment systems infrastructure provision: Remedies decision

No.17/3

In our market review we found there is no effective competition in the provision of the central infrastructure that supports the UK's three main interbank payment systems – Bacs, Faster Payments (FPS) and LINK.

That's why we're requiring industry to implement **two remedies** to help deliver change and improvements for users.

This market review is part of wider work we've been doing over the past two years to encourage competition and innovation across the payments industry.

Our remedies

We're requiring the industry to implement **two remedies** to address the issues we've found:

1. **Competitive procurement** of future central infrastructure contracts for Bacs, FPS and LINK to ensure fair, open and transparent procurement.

   This will increase competition by removing barriers and opening up the industry to new and innovative technology providers.

2. The adoption of a **common international messaging standard (ISO 20022)** for Bacs and FPS.

   This will remove barriers faced by alternative technology providers looking to enter the market.

Background

Our market review

At the time of the launch of the market review, a relatively small number of banks owned the Bacs, FPS and LINK interbank payment systems and the central infrastructure provider for those systems (Vocalink).

While this ownership arrangement resulted in payment systems that are relatively robust and resilient, it also led to ineffective competition for the provision of central infrastructure for these payment systems.

We're now satisfied that Mastercard's acquisition of Vocalink will address the competition issues around ownership that we originally identified, so we are not imposing a divestment remedy.

What does this mean for users?

Improved competition in central payments infrastructure provision has the potential to benefit all those involved in payments – from operators and technology providers to customers making payments every day.

Our remedies should help open up the industry to new technology providers and innovators.

This should help alternative providers create new payment services and improve existing ones for everybody that use payment systems, including consumers, businesses and charities.
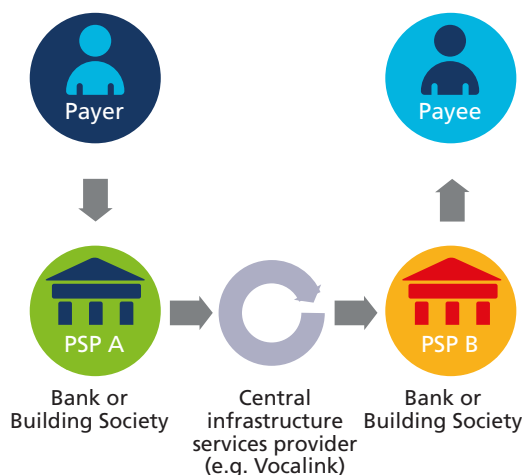
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Payment systems infrastructure

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

Payer

Payee

PSP A

PSP B

Bank or Building Society

Central infrastructure services provider (e.g. Vocalink)

Bank or Building Society

Next stage

Our market review is now complete.

We expect that the industry will now begin preparations for several procurement exercises, including for any central infrastructure requirements, to ensure users of payment systems can see the benefits from 2020. The common international messaging standard has already been completed by FPS and Bacs must complete this remedy by December 2017.

We will monitor the industry's implementation of these remedies.

Our final remedies are aligned with the Payments Strategy Forum's recommendation for a new payments architecture, based on open standards, and consolidation of the operators of Bacs, FPS, and Cheque and Credit Clearing.

What are payment systems?

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. In 2016 payment systems in the UK processed more than 21 billion transactions worth around £75 trillion.

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