



FINANCIAL CONDUCT AUTHORITY
**PAYMENT SYSTEMS
REGULATOR**

Market review into the supply
of indirect access to
payment systems

MR15/1.3

Final report

July 2016

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Note: The places in this report where confidential material has been redacted are marked with a [X].

1.

Executive summary

For banks, building societies, and other payment service providers (PSPs) to operate, they need to be able to move money between accounts. To do this they need access to a payment system. Access to payment systems is essential to enabling effective competition and innovation in payments.

Indirectly accessing payment systems – where one PSP relies on upon another PSP to provide access – is an important way of accessing payment systems, especially for smaller PSPs. It is therefore key that this market works well.

We have completed our market review of indirect access to regulated payment systems, which is part of our wider programme of work to promote better access.

After considering the feedback we received on our interim report – which was broadly supportive of our interim findings and proposals – we are confirming our conclusions. We have found that competition in the supply of indirect access appears to be producing some good outcomes. Nevertheless, we have specific concerns about the quality of access, limited choice for some PSPs, and barriers to switching. At this stage, as we are seeing developments that, combined with our work on access, may help address these concerns, we are focusing our efforts on encouraging those rather than intervening directly.

Since the publication of our interim report we have already seen positive progress in several of these developments which will open up choice for PSPs. In particular:

- the Bank of England has announced that it will be extending settlement account access to non-bank PSPs, which means more PSPs will have the option of direct access. Further, four new PSPs are scheduled to become direct PSPs in the Faster Payments Scheme (FPS) by the end of the year, showing that direct access is already becoming an option for a greater number of PSPs
- FPS has announced that five companies have now gained accreditation to provide direct technical access to FPS via the new aggregator model, providing more options for PSPs to have direct technical access
- Raphaels Bank will become a direct participant in FPS later this year and plans to become an active indirect access provider within the next nine months. This will create greater choice in providers of indirect access
- the FCA has published research into the drivers and impacts of de-risking, which helps to inform the debate around the underlying causes and ways of addressing this issue

We remain committed to supporting entry of PSPs by fostering an environment that enables them to choose the access options that best suit their needs.

Alongside our access programme of work, we have powers to handle applications for access to regulated payment system under sections 56 and 57 FSBRA. These powers may help PSPs address concerns surrounding access to specific regulated payment systems.

Our final conclusions

- 1.1** Overall, our conclusion is that competition in the supply of indirect access appears to be producing some good outcomes. We have found that:
- large indirect PSPs (IPSPs) have a **number of options** to access payment systems
 - there is a reasonable level of **overall satisfaction with the quality** of the indirect access offering that IPSPs receive
 - the overall feedback we have received to date does not indicate a widespread level of concern with **price**
 - we are seeing **investment and innovation** in new and improved service offerings, which should improve quality and choice outcomes for all IPSPs
- 1.2** However, we have identified specific concerns that limit competition and innovation in the provision of payment services, and may not be in the interests of the people and businesses that use services provided by payment systems. Our concerns are as follows:
- While large IPSPs tend to have a wider choice of access options, and many are exercising that choice (for example through options such as direct access and aggregators), many small non-agency IPSPs have a **limited choice** of IAPs, including some which have no choice. This limited choice constrains the ability of these smaller non-agency IPSPs to get access, to negotiate on price, or to find an alternative provider if they lose their indirect access, or are not satisfied with the services they receive from their current IAP.
 - IPSPs in all categories are experiencing a number of specific **quality-related issues** with indirect access. Large agency and medium agency IPSPs, particularly banks and building societies, have concerns about the quality and availability of technical access to FPS. Small non-agency IPSPs have raised concerns about notice periods for the termination of indirect access agreements and the relationship management provided by IAPs. These issues limit some IPSPs' ability to compete in related markets, such as retail banking.
 - IPSPs in all categories face **barriers to switching** IAPs, which reduce the competitive pressure on IAPs and prevent IPSPs from securing the best possible price and quality outcomes.
- 1.3** Although these concerns affect all IPSPs, the nature and extent of specific concerns differ among small, medium and large IPSPs.
- 1.4** We consider these concerns are primarily a result of three market characteristics:
- **Industry responses to financial crime regulation:** The perceived risk of compliance failures under financial crime regulation influences the behaviour of IAPs. These responses could be limiting the provision of indirect access for some IPSPs.
 - **Lack of entry of IAPs:** The historic rate of entry and expansion of new suppliers of indirect access has been low, which limits the competitive pressure on IAPs to improve their indirect access proposition and limits the choice available to IPSPs wanting to find an alternative provider.
 - **Increase in demand for real-time payments:** When FPS was launched, IAPs primarily supplied IPSPs with indirect access to FPS using the SWIFT messaging service, since they considered it was the most cost effective and convenient option for IPSPs at that time. The growing demand for real-time services has since brought into question whether the technical solutions provided to IPSPs still meet customer needs.

Identifying good outcomes in the supply of indirect access

- 1.5** If the supply of indirect access was working well, we would expect IAPs to compete to win IPSP's business by developing better indirect access services offered at cheaper prices. We would expect this process to drive innovation in the services offered and increase the choice available to IPSPs. As a result, IPSPs would be able to compete effectively in the provision of payment services to end users, driving improvements in choice, price and quality outcomes for this group.
- 1.6** Some PSPs – or prospective PSPs – may still not be able to secure indirect access on the terms they want, or may not be able to secure indirect access at all. However, PSPs' access would not be impeded or limited any more than necessary to appropriately safeguard against the specific risks (such as settlement, commercial, operational, technical and financial crime risks) that IAPs face when supplying indirect access.
- 1.7** Table 1 sets out specific quality, choice, switching and price outcomes we would expect to see when the supply of indirect access is working well.

Table 1: Quality, choice, switching and price outcomes

<p>Quality</p> <p>IPSPs would have access to a good and reliable level of service from their IAP, in terms of both technical and non-technical characteristics. The technical services available to IPSPs would include services that are broadly equivalent to those available to direct PSPs (contingent upon IPSPs undertaking appropriate levels of investment to access such capabilities).</p>	<p>Choice</p> <p>IPSPs would have a sufficient choice of options for accessing regulated payment systems, and could find options that meet their needs. The choices would include different IAPs and, where appropriate, technical access options and direct access.</p>
<p>Switching</p> <p>There would be no unnecessary barriers or restrictions to IPSPs switching to a different IAP or to direct access. This would be achievable within a reasonable timeframe and would not expose an IPSP to unnecessary business continuity risks.</p>	<p>Price</p> <p>IPSPs would be able to secure indirect access at efficient and competitive prices that enable them to compete effectively with other IPSPs and direct PSPs in the provision of payment services to end users. IPSPs would have a sufficient level of transparency around prices at appropriate stages in negotiations with IAPs to enable them to make informed access decisions.</p>

Our approach to addressing our concerns and realising good outcomes

- 1.8** We have identified a number of recent and current developments that have the potential to address our concerns and lead to the good outcomes we set out above.
- 1.9** Table 2 sets out these specific developments, the time we expect they will take to begin to address our concerns, and the specific concerns we expect each development to help address.

Table 2: Developments and their potential to address our concerns

Development	Expected impact horizon			Potential of development to address concern			
	S	M	L	Limited choice	Quality		Barriers to switching
					Near-real-time 24/7 FPS	Relationship management	
Our programme of work on direct access	•	•		H	H	N	N
Market entry and expansion of IAPs	•	•		H	H	H	N
Improved IAP FPS access offerings	•	•		H	H	N	N
Improved direct technical access	•	•		H	H	N	L
Image Clearing System		•		H	N	N	H
Bank of England's RTGS review	•	•		H	M	N	N
IAP Code of Conduct	•	•		N	N	H	H
Reviews of financial crime regulation		•	•	H	N	N	N
Work of the Payments Strategy Forum		•	•	H	L	N	H
Implementation of PSD2		•		H	N	N	N
Information-related initiatives	•			M	N	N	M
CMA's retail banking switching remedies		•		N	N	N	M
Current Account Switching Service	•			N	N	N	M

Expected impact horizon: S = Short term (0-1 year); M = Medium term (1-3 years); L = Long term (>3 years)

Potential of development to address concern: H = High; M = Medium; L = Low; N = None

- 1.10** We will monitor and support these developments. We set out the specific monitoring and supporting activities we will carry out in Chapter 4.
- 1.11** In our interim report we proposed to monitor the impact of developments over 12 months. Instead, we have decided to incorporate an overview of developments in the indirect access market into our ongoing annual review of access and governance of regulated payment systems (this report previously focused on direct access). We have adopted this approach after receiving feedback on the time many of the developments will take to have a noticeable impact on the supply of indirect access. This approach also reflects the importance of indirect access in advancing our objectives.
- 1.12** We currently expect to publish our next annual access and governance report in early 2017.
- 1.13** Alongside our access programme of work, we have powers to handle applications for access to regulated payment system under sections 56 and 57 FSBRA.¹ In certain circumstances, these powers may help PSPs address concerns surrounding access to specific regulated payment systems.

Feedback on our interim report

- 1.14** We received a total of 27 responses to our interim report, including responses from trade bodies that represent a combined total of over 540 PSPs. Most respondents supported, or broadly supported, both our findings and our proposed approach for monitoring market developments to address the concerns we identified.

¹ See our draft guidance and consultation, published alongside this report: www.psr.org.uk/psr-publications/consultations/CP164-S56-S57-draft-guidance

- 1.15** In the feedback on our interim report, stakeholders generally wanted more clarity about:
- how we will monitor the impact of market developments
 - how we will determine whether developments are addressing our concerns effectively
 - the outcomes we want to ultimately see in the supply of indirect access
- 1.16** Several respondents disagreed with our findings. They felt we had not placed enough emphasis on the problems payment institutions are facing in getting access to bank accounts and, as a result, access to payment systems.
- 1.17** These concerns are wider than just access to payment systems, and are driven by a complex set of factors that includes financial crime regulation supervised by other UK regulators. We do not consider that addressing these concerns through the regulation of payment systems is the most appropriate or effective response. We have identified several ongoing industry developments that should help to address this issue. For example, the entry of new IAPs is likely to provide new options for a number of IPSPs, and the Payment Strategy Forum's work to consider centralised functions aimed at preventing financial crime, could result in IAPs offering access to a greater number of IPSPs. IAPs will also have to consider the requirements of the second EU Payment Service Directive (PSD2) when making decisions on access, when it is implemented in the UK.
- 1.18** Overall, stakeholders and respondents have broadly supported the findings presented in our interim report. As such, we do not propose to amend or add to our findings in this final report.
- 1.19** Indirect access remains a priority area in our ongoing work programme. We will monitor and support the developments we have identified that have the potential to address our concerns. We will report on the outcomes of our monitoring activities as part of our annual report on wider access and governance issues. Where appropriate and necessary, we will consider further action.

2. Introduction

Our approach

2.1 In this chapter we describe how we have approached our review of the supply of indirect access to regulated payment systems. Specifically, we look at:

- the purpose of this final report
- why we reviewed the supply of indirect access to regulated payment systems
- the scope of the market review
- the role of the PSR and other regulators
- the evidence we have gathered

The purpose of this final report

2.2 This report has two purposes:

- To set out stakeholders' feedback on our interim report² and to present our responses to this feedback.
- To present our final findings in this market review, the final approach we have decided to adopt to address our concerns, and the next steps we will take.

Why we have reviewed the supply of indirect access to payment systems

2.3 Access has been a priority area for us since our creation in 2014. We want access to be open and transparent, and for those who use payment systems to be able to choose the form of access that suits them best. We have already taken a number of steps to improve access and indirect access options for users of payment systems. These include the general directions and specific direction we issued in 2015 and our ongoing monitoring and review of compliance with them.³

2.4 PSPs such as banks, building societies, credit unions, payment institutions and electronic money institutions, provide services to their customers (consumers, businesses and charities) that enable the transfer of funds using payment systems. These services include the provision of payment accounts (such as current accounts), the issuing of electronic money, the acquiring of payment transactions,

² PSR MR15/1.2, *Market review into the supply of indirect access to payment systems: Interim report* (March 2016): www.psr.org.uk/psr-publications/market-reviews/MR1512-interim-report-supply-of-indirect-access-payment-systems

³ See the general directions issued by the PSR under section 54 FSBRA, and www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions, and PSR Specific direction 1 (Access: sponsor banks) (2015): www.psr.org.uk/psr-specific-direction-1, as amended from time to time.

and money remittance. To be able to transfer funds for their customers, PSPs need access to interbank regulated payment systems.

- 2.5** Access to payment systems is critical to PSPs' ability to compete in the provision of payment services such as retail banking, and is therefore an important driver of competition and innovation in payment services. It supports competition between PSPs, who in turn develop innovative new services to meet users' needs. Well-functioning payment systems underpin economic activity within the economy, and more competition and innovation in this sector can contribute to greater productivity.
- 2.6** If the market for the supply of indirect access was working well, we would expect IAPs to compete to win the business of IPSPs by developing better indirect access services offered at more competitive prices. We would expect this process to drive innovation in the indirect access services offered and to increase the choice available to IPSPs. As a result, IPSPs would be able to compete effectively in the provision of payment services to end users, driving improvements in choice, price and quality outcomes for this group.
- 2.7** As we explained in our terms of reference⁴, this market review was prompted by concerns raised by stakeholders during the Financial Conduct Authority's (FCA's) Call for Inputs⁵ and our own evidence-gathering process, which led to our November 2014 consultation paper, A new regulatory framework for payment systems in the UK.⁶
- 2.8** In our March 2015 policy statement we outlined various initiatives and measures designed to address concerns about indirect access.⁷ We are determined to ensure these developments are successful in improving access and promoting competition.
- 2.9** With this market review, our primary aim was to gather further detailed evidence to develop a deeper understanding of the supply of indirect access to payment systems. This helped us determine how well competition in the supply of indirect access is working for service-users, and whether we need to take any further action to make it more effective.⁸ We considered the four key questions set out in our terms of reference:
1. What prices, service and choice do IPSPs want and receive?
 2. What factors may limit the number of IAPs in the market?
 3. What is the state of competition in the provision of indirect access?
 4. What options are there to improve indirect access to interbank payment systems?

The scope of the market review

- 2.10** This review covers indirect access to the main interbank regulated payment systems in the UK⁹: Bacs, CHAPS, Cheque & Credit (C&C)¹⁰ and Faster Payments Service (FPS).

⁴ PSR MR15/1.1, *Market review into the supply of indirect access to payment systems, Terms of reference* (May 2015): www.psr.org.uk/psr-publications/market-reviews/mr1511-final-terms-reference-indirect-access

⁵ FCA, *Payment Systems Regulation, Call for Inputs* (March 2014): www.fca.org.uk/your-fca/documents/payment-systems-regulation-call-for-inputs

⁶ PSR CP14/1, *A new regulatory framework for payment systems in the UK* (November 2014): www.psr.org.uk/psr-publications/consultations/consultation-paper-141

⁷ PSR PS15/1, *A new regulatory framework for payment systems in the UK* (March 2015): <https://www.psr.org.uk/psr-publications/policy-statements/policy-statement-151>

⁸ In accordance with our general duties under FSBRA.

⁹ See the glossary for a definition and description of the respective payment systems.

¹⁰ Our consideration of the C&C system takes into account the development of the new future clearing model for cheques. We are not including NICC in this review as nobody has raised any concerns with us about it.

- 2.11** Access arrangements for LINK are different to the other systems, so the scope of this review differs for LINK accordingly. It is not possible to have indirect access to LINK. Instead, PSPs must be LINK members and have direct technical access in order to:
- issue cards that can access LINK ATMs
 - operate ATMs that can access the LINK system
- 2.12** However, unlike direct access for other interbank payment systems, these PSPs do not necessarily need their own Bank of England settlement account to become a member of LINK. PSPs without a settlement account must come to an arrangement with a LINK member that has such an account to complete settlement on their behalf.
- 2.13** The scope of this review for LINK is limited to the relationship between PSP members without settlement accounts and the PSP members that provide them with settlement services. However, we have not seen any evidence of concerns about these relationships.
- 2.14** As we said in our terms of reference, stakeholders did not raise significant concerns about indirect access to the regulated card payment systems (MasterCard and Visa Europe (Visa)). Therefore, we have excluded them from the scope of this market review. In April 2016 we published a statement on indirect access and governance requirements for card payment systems, stating that we have decided against applying any new access or governance requirements to them at this time.¹¹
- 2.15** For the remainder of this report, when we refer to ‘payment systems’ we mean the regulated interbank payment systems which are in the scope of this market review, namely Bacs, CHAPS, C&C and FPS. Unless otherwise explicitly stated, the findings and policy proposals set out in this report do not apply to LINK, Northern Ireland Cheque Clearing (NICC), MasterCard or Visa.
- 2.16** As set out above, a PSP has indirect access to a payment system if it has a contractual arrangement with an IAP to enable it to transfer funds on behalf of its customers through that payment system and to provide payment services to those customers. This review does not cover the provision of access to businesses that do not provide payment services, such as utilities and retailers.
- 2.17** In this market review we have considered the services that IAPs provide to IPSPs that are registered with or regulated by the FCA. This includes a number of different types of IPSP, including both banks and non-banks (such as payment institutions and electronic money institutions). Although international correspondent banking provides some PSPs with a form of indirect access, we decided to limit the scope of this market review to PSPs who are registered or regulated to provide payment services in the UK.
- 2.18** The main providers of indirect access services are Barclays, HSBC, Lloyds Banking Group (LBG) and RBS. In this report, we refer to these four banks as ‘the four main IAPs’. Our market review considered the services provided by all IAPs – the four main IAPs and other PSPs that do or could provide indirect access services.
- 2.19** An important aim of this market review is to consider how well the supply of indirect access is working for service-users. For the purposes of this market review, the service-users most directly affected are IPSPs. Through IAPs, IPSPs use the services provided by payment systems to provide payment services to their end users. If the supply of indirect access is working well for service-users, it will lead to better outcomes for IPSPs, and can be expected to lead to better outcomes for end users.

¹¹ PSR Statement on indirect access and governance requirements for card payment systems (April 2016): www.psr.org.uk/psr-publications/news-announcements/statement-on-indirect-access-and-governance-requirements

The role of the PSR and other regulators

- 2.20** Other regulators such as the FCA, Bank of England and Prudential Regulation Authority (PRA) all have an interest in access to payment systems and have powers, roles and responsibilities regarding access to financial services more broadly. The PSR must have regard to financial stability considerations and how our work could impact on the stability of, and confidence in, the UK financial system.
- 2.21** Although we will take a lead on matters relating to access to payment systems for PSPs, we will continue to coordinate with these other authorities, in particular on matters relating to financial crime and access to bank accounts.
- 2.22** In addition, the Competition and Markets Authority (CMA) is currently investigating the supply of personal current accounts and of banking services to small and medium-sized enterprises. We have liaised with the CMA over the course of our market review on issues relevant to both reviews, and will continue to do so. The CMA is due to publish its final report, including a final decision on remedies, in August 2016.

Evidence gathered

- 2.23** We have analysed a wide range of data and information to understand the supply of indirect access to payment systems better. We have met with a wide range of stakeholders including IAPs, IPSPs, operators, potential entrants and trade associations. We have also received data from the four main IAPs, carried out case studies, conducted a survey of IPSPs and held roundtable discussions with IPSPs.
- 2.24** In our interim report we set out in detail the specific evidence we had gathered. Since the publication of the interim report, we have collected some additional evidence.

Interim review consultation

- 2.25** We received 27 responses to our interim report. We summarise these, and our responses to the issues raised, in Chapter 3.

Meetings with IAPs and IPSPs

- 2.26** Since we published our interim report, we have met a number of IAPs and IPSPs to discuss the evidence we had gathered and our interim report.

IPSP roundtable

- 2.27** On 25 May 2016, we held a second IPSP roundtable, attended by representatives of about 20 IPSPs. Its purpose was to gather views on our interim report, the market outcomes that IPSPs view as being most important, and the developments most likely to help address concerns.

3. Summary of interim report responses

We received 27 responses to our interim report. These were from a broad range of stakeholders, including nine IPSPs and each of the four main IAPs. We also received responses from trade bodies representing a combined total of 540 PSPs.

Overall, stakeholders were broadly supportive of our findings and our proposed regulatory approach to addressing the concerns we identified. However, a number of specific issues were raised.

In this chapter, we summarise the feedback received and present our position on specific issues raised.

Introduction

- 3.1** In total we received 27 written responses to our interim report. Table 3 shows the number of responses broken down by type of organisation. We note that the PSP trade bodies that responded represent a combined total of more than 540 PSPs.¹²

Table 3: Responses by organisation type

Organisation type	Number of responses
IPSPs	9
Four main IAPs (Barclays, HSBC, LBG, RBS)	4
Other DPSPs	3
Payment system operators	4
PSP trade bodies	4
Infrastructure providers	2
Consultancy	1
Total	27

Note: IPSP respondents are respondents with either (i) no direct access to any of the in-scope payment systems or (ii) direct access to only one in-scope payment system and whose response was primarily from the perspective of an IPSP.

- 3.2** We also received feedback through a workshop we held in May 2016 to discuss the interim report. This workshop was attended by about 20 stakeholders, who were primarily IPSPs.

¹² ABCUL – 220, Association of Foreign Banks – 200, AUKPI – 80, Payments UK – 42 full members. Source: Trade body websites.

3.3 The chapter is structured as follows:

- **Our interim findings:** Feedback on our key findings and the concerns we identified about the supply of indirect access.
- **Developments:** Feedback on the developments we identified as having the potential to address our concerns.
- **Our regulatory approach:** Feedback on our proposed decision to monitor these developments and not intervene further at this stage.

3.4 We also received feedback on a range of other issues, including on our analysis of evidence presented in the interim report.

Our interim findings

3.5 Our interim conclusion was that competition in the supply of indirect access is producing some good outcomes, but that we had several specific concerns. In terms of good outcomes:

- large IPSPs have a **number of options** to access payment systems
- there is a reasonable level of **overall satisfaction with the quality** of the indirect access offering that IPSPs receive
- the overall feedback we have received to date does not indicate a widespread level of concern with **price**
- we are **seeing investment and innovation** in new and improved service offerings, which should improve quality and choice outcomes for all IPSPs

3.6 We identified specific concerns that limit competition and innovation in the provision of payment services, and may not be in the interests of the people and businesses that use services provided by payment systems:

- While large IPSPs tend to have a wider choice of IAP, and many are exercising that choice (for example through options such as direct access and aggregators), many small non-agency IPSPs have a limited choice of IAP. This **limited choice** constrains the ability of these smaller non-agency IPSPs to negotiate on price, or to find an alternative provider if they are not satisfied with the services they receive.
- IPSPs in all categories are experiencing a number of specific **quality-related issues** with indirect access. Large agency and medium agency IPSPs, particularly banks and building societies, have concerns about the quality and availability of technical access to FPS. Small non-agency IPSPs have raised concerns about notice periods for the termination of indirect access agreements and IAPs' relationship management. These issues limit some IPSPs' ability to compete in related markets, such as retail banking.
- IPSPs in all categories face **barriers to switching** IAPs, which reduce the competitive pressure on IAPs and prevent IPSPs from securing the best possible price and quality outcomes.

3.7 We argued that the nature and extent of specific concerns differ among small, medium and large IPSPs. We considered these concerns to be primarily a result of three market characteristics:

- **Industry responses to financial crime regulation:** The perceived risk of compliance failures under financial crime regulation influences the behaviour of IAPs. These responses could be limiting the provision of indirect access for some IPSPs.
- **Lack of entry of IAPs:** The historic rate of entry of new suppliers of indirect access has been low, which limits the competitive pressure on IAPs to improve their indirect access proposition and limits the choice available to IPSPs wanting to find an alternative provider.
- **Increase in demand for real-time payments:** When FPS was launched, IAPs primarily supplied IPSPs with indirect access to FPS using the SWIFT messaging service, since they considered it was the most cost-effective and convenient option for IPSPs at that time. The growing demand for real-time services has since brought into question whether the technical solutions provided to IPSPs still meet customer needs.

3.8 We asked for feedback on whether:

- stakeholders agreed with these findings
- we had identified the key concerns with the supply of indirect access

Responses received

Overall findings

3.9 Most respondents either supported or broadly supported our overall findings. For example:

- An IPSP thought we had ‘pin-point[ed] the key areas of focus and balance[d] the relative priorities well’. Another IPSP thought we had ‘identified the key issues for indirect participants and also for direct participants willing to offer indirect access’.
- The main IAPs were variously in ‘broad agreement’ with our findings, agreed with the ‘broad thrust’ of our findings, ‘support[ed] many elements’ of the report and ‘agree[d] with many aspects’ of the report.

3.10 Three respondents strongly disagreed with our findings:

- A trade body representing payment institutions did not agree with our findings in relation to payment institutions. It argued that:
 - we have not sufficiently considered the impact on payment institutions of IAPs’ closure of their existing bank accounts and their refusal to supply new bank accounts (which prevents these IPSPs from accessing payment systems)
 - we have not intervened effectively to address these issues
 - the developments we identified are not likely to address these issues
- A payment institution respondent, while in broad agreement with most of our findings, disagreed with our findings regarding payment institutions. It argued that ‘all the banks operating in the UK have practically shut the door’ on payment institutions offering money remittance services, with the result that many of these PSPs have been forced to cease trading as independent businesses and instead become agents of larger multinational remittance companies.

- A payments consultancy argued that our work to date has not had any effect on the issue of IAPs not accepting certain IPSPs as customers. It also argued that IAPs' service offerings still do not meet the IPSPs' requirements. They noted that we did not attempt to define an indirect access service offering that should be available to all IPSPs.

3.11 A number of respondents highlighted concerns with specific elements of our findings. We present these under the headings of choice, quality, price, switching, and other issues.

Choice

3.12 Two IAP respondents disagreed with our characterisation of IAPs limiting the supply of indirect access to some IPSPs because of the 'perceived' risks associated with them. Specifically, both respondents expressed concern about the suggestion that their assessments of the risk of IPSPs were in some way unjustified or over-extensive. One respondent further argued that it did not act on perceptions, but on a rigorous and transparent due diligence process. IAP respondents also highlighted the 'existential' risks and 'significant adverse consequences' to them from any breaches of financial crime regulation related to the supply of indirect access.

3.13 Two large IPSP respondents highlighted the limited choice in IAPs available to them. One respondent said only one IAP was able to offer it near real-time 24/7 access to FPS; the other respondent said only two IAPs could offer the access it was looking for.

Quality

3.14 With regard to the ability of IPSPs to offer their customers near real-time 24/7 payments through FPS, one IAP respondent thought that we had not placed enough emphasis on the need for IPSPs to make sufficient investment in their own capabilities to enable them to offer near real-time 24/7 payments through FPS. It highlighted evidence from our survey that suggests a large percentage of IPSPs do not currently have the capability themselves to support near real-time 24/7 payments.

3.15 Another IAP respondent argued we should treat the finding of quality concerns among non-agency IPSPs with caution, given that it is based upon survey results from a small sample of respondents and there is therefore a risk of self-selection bias in favour of dissatisfied customers.

Price

3.16 One respondent thought that we should revisit the issue of indirect access pricing, stating that the wide variety in prices identified in our interim report combined with an arguable lack of price transparency was evidence that the 'price mechanism not operating as it should'. Rather than dealing with this issue with increased competition, this respondent argued for us to consider implementing remedies focused on increasing price transparency.

3.17 One IAP respondent said that, given the amount of information we requested and the detailed analysis we have carried out, we should be more definitive in our findings of a lack of concerns around pricing.

Switching

3.18 Two IAPs disagreed with our finding of barriers to switching, arguing that the low rate of switching we identified among IPSPs is consistent with their relatively high level of satisfaction. One of these respondents thought our focus on switching was unwarranted. The other respondent stated it would support measures to help customers exercise choice and reduce any identified barriers to switching, but did not believe increased switching rates should be an objective in and of itself.

Other issues

- 3.19** One respondent said that our finding that indirect access was provided as part of a wider banking relationship was itself a concern, as IAPs were known to be reluctant to enter into banking relationships with IPSPs. They argued that an access model should be developed where indirect access could be provided on a standalone basis, independently of the provision of a bank account.
- 3.20** One IAP respondent, while agreeing with the broad thrust of our findings, said it was important for us to consider the unique features of the market for the supply of indirect access when considering remedies for the concerns we identified. These unique features included limited barriers to entry and exit, the range of substitutes for indirect access, and the unique risk presented by potential exposure to breaches of financial crime regulation.

Our position

- 3.21** Overall, stakeholders and respondents have broadly supported the findings presented in our interim report. As such, we do not propose to amend or add to our findings in this final report. We note the specific issues raised in relation to our findings, and respond to these below.

Overall findings

- 3.22** Three respondents thought we had not given sufficient attention to the issue of banks not providing bank accounts to certain types of IPSP (primarily payments institutions). For a number of reasons, we do not view it as appropriate at this stage to change our findings or to make the significant interventions that those respondents proposed.
- 3.23** The focus of this market review is specifically on indirect access to Bacs, CHAPS, C&C and FPS. We agree that access to a bank account of some type is generally a prerequisite for an IPSP to access these systems. However, access to a bank account also typically enables access to a wider range of payment-related services that we do not currently regulate – for example, the ability to deposit and withdraw cash in an account through an IAP's branch network and the ability to make international payments through an IAP's international correspondent banking network.
- 3.24** From our perspective, access to a bank account is only relevant for indirect access purposes if that bank account is used to indirectly access interbank payment systems to enable the transfer of funds through those systems on behalf of the PSP's customers. For this reason, the use of some bank accounts may fall outside this scope, particularly accounts that are only used for business purposes (for example, to transfer staff salaries), or those accounts provided to organisations such as utilities or retailers.
- 3.25** We understand that access to bank accounts is an ongoing issue for some IPSPs. As we set out in our interim report, one of the key characteristics of this market is the impact of financial crime regulation on the behaviour of IAPs and financial institutions more broadly. This affects the provision of indirect access for some IPSPs, but also appears to be part of a wider market concern. The FCA¹³ recently published research that found some banks are closing accounts for money transmission services, pawnbrokers, fintech companies and charities operating in geographical areas perceived to present greater money laundering and terrorist financing risks. This process, referred to as de-risking¹⁴, was also found to affect small businesses more than large ones. However, the research concluded that the termination of relationships relates to a range of factors in addition to AML and CTF considerations, including the overall profitability of the customer relationship and broader business considerations driven by strategic business decisions, increased capital requirements, or overall compliance costs.
- 3.26** In summary, the concerns about access to bank accounts are wider than just access to payment systems, and this is driven by a complex set of factors that includes financial crime regulation

¹³ FCA, *Research into the issue of de-risking* (2016): www.fca.org.uk/news/fca-research-into-the-issue-of-derisking.

¹⁴ De-risking is the phenomenon of banks withdrawing or failing to offer banking facilities to customers because of concerns about the money laundering and terrorist financing risks posed by certain types of customer.

supervised by other UK regulators. Therefore, addressing these concerns through the regulation of payment systems may not be the most appropriate or effective response.

3.27 We also believe the potential interventions suggested by these respondents (see paragraphs 3.73 to 3.74) would not be proportionate at this point in time.

3.28 However, several of the ongoing developments we have identified should help to address this issue, specifically:

- the entry and expansion of new IAPs
- the multiple reviews of financial crime regulation currently underway
- the work of the Payments Strategy Forum (the Forum) on managing financial crime risk
- IAPs will also have to consider the requirements of the second EU Payment Service Directive (PSD2)¹⁵ when making decisions on access, when it is implemented in the UK

3.29 Alongside this final report we are publishing draft guidance on how we will handle applications for access to regulated payment system under sections 56 and 57 FSBRA.¹⁶ In certain circumstances (which are detailed in the draft guidance), these powers may help PSPs address concerns surrounding access to specific regulated payment systems. We are consulting on this guidance and expect to publish our final guidance before the end of the 2016/17 financial year.

Choice

3.30 We note the concern raised by two IAP respondents with regard to our characterisation of the 'perceived' risk posed by IPSPs to IAPs. For clarification, the use of the expression 'perceived' is simply meant to reflect the fact that we have not made any assessment of the level of risk presented by any individual, or category of, IPSP, and an individual IAP's view of a risk is based on its own assessment. IAPs base their views on the risk posed by IPSPs on a number of factors, including their own internal commercial strategies and risk tolerances.

3.31 In light of the feedback received, we want to emphasise that those IPSPs looking to provide near real-time 24/7 payments to their customers must ensure they have made the appropriate investments in their own systems and processes. There are an increasing number of options for PSPs looking for near real-time 24/7 access to FPS, but IPSPs must have the right technology and resources to be able to take advantage of these options.

Price

3.32 In relation to the call for us to reconsider pricing issues, the responses to the interim report did not change our view that there are not currently widespread concerns about pricing. Given this, we do not consider it would be proportionate to intervene on pricing at this point. We will continue to monitor concerns with pricing as part of our programme of work on access.

3.33 An IAP asked us to make a more definitive statement about indirect access pricing. At this stage, we do not think this would be appropriate. As we set out in our interim report, we faced various obstacles in analysing the four main IAPs' pricing data, and they couldn't give us the comparable cost data we would need to be able to reach a more definitive conclusion on pricing. And as the feedback on our interim report showed, some stakeholders are still concerned about the price of indirect access, even though this concern was not widespread.

¹⁵ The Second EU Payment Services Directive - Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, published in the Official Journal of the EU on 23 December 2015.

¹⁶ www.psr.org.uk/psr-publications/consultations/CP164-S56-S57-draft-guidance

Switching

3.34 We agree with the feedback that high switching rates are not an end in and of themselves. However, our concerns are focused on the barriers to switching we identified, rather than low switching rates – for example, agency IPSPs' current inability to change IAP for C&C. Reducing or eliminating these barriers is an important part of increasing choice for IPSPs and, by increasing the credibility of switching, increasing competition between IAPs. In Chapter 4, we set out our views on how current developments could address these barriers.

Developments

3.35 In our interim report, we set out our view that a number of current and anticipated developments have the potential to address the concerns with indirect access that we identified, which are described in further detail in paragraphs 4.32 to 4.77. These developments are:

- our programme of work on direct access
- new IAP market entry and expansion
- improved IAP FPS access offerings
- improved direct technical access options for IPSPs
- the development of the Image Clearing System for cheques
- the Bank of England's strategic review of its real-time gross settlement (RTGS) infrastructure
- the publication of the IAP Code of Conduct
- information-related initiatives, such as our Sponsor Bank Information Direction
- reviews of financial crime regulation
- the work of the Forum
- the CMA's proposed measures to improve switching as part of its Retail Banking Market Investigation
- the Current Account Switch Service (CASS)

3.36 We asked for feedback on whether:

- these developments are likely to address the concerns with the supply of indirect access that we identified
- we should take any additional steps to promote or support these developments
- there were any additional developments we had not identified that were likely to affect the supply of indirect access

Responses received

The impact of the developments we identified on the supply of indirect access

- 3.37** A majority of respondents agreed that these developments have the potential to improve the supply of indirect access and to go some way to address the concerns we identified. Specific examples of supportive feedback include:
- An IPSP agreed that there are now new entrants planning to become IAPs, and that the IAP Code of Conduct had had a positive impact.
 - An operator expected that the developments we outlined would help address the concerns identified.
 - An IPSP referred to the introduction of indirect technical access as a 'great step forward in allowing a high-quality and cost-efficient access to FPS for indirect participants'.
- 3.38** While supportive of the developments we identified, several respondents noted that many of the developments were still in their early stages and were not specific, and we would need to monitor them carefully to ensure that they had a positive impact on the supply of indirect access.
- 3.39** Two respondents argued that the potential move to common messaging standards could affect the supply of indirect access. Both noted the costs involved, with one PSP highlighting the fact that costs to smaller PSPs would be likely to be disproportionately high and any transition would need to be carefully managed. This PSP was, however, supportive of a move to common messaging standards due to the benefits it would deliver over the longer term.
- 3.40** One PSP respondent agreed that the entry of new IAPs should help address the issues we identified. However, it cautioned that these new IAPs were likely to face pressures on their processing capability and liquidity positions as the volume of payments they processed increased in line with their growing customer base.
- 3.41** There were, however, three respondents – a money remittance company, a trade body representing payments institutions (including money remittance companies), and a payments consultancy – that strongly believed the identified developments would not improve the supply of indirect access. These respondents suggested we should instead undertake a range of market interventions (which we discuss in paragraphs 3.73 to 3.74).

Further proposed action to support the identified developments

- 3.42** Three respondents explicitly stated that we should not take any further action at present to support the identified developments. One PSP argued that we should, however, take an active leadership role in implementing the Forum's strategy once it is finalised later this year.
- 3.43** Three respondents emphasised the importance of us engaging with the relevant regulatory authorities to provide clear guidance about compliance and liability issues related to financial crime regulation.
- 3.44** Three more respondents gave us specific feedback about the IAP Code of Conduct:
- An IPSP recommended that the PSR or Payments UK undertake a review of subscribers' adherence to the Code to determine whether a consistent approach is being taken by subscribers, and to assist with its development.
 - An IAP that subscribes to the Code suggested that improved IPSP outcomes could be realised by us continuing to engage with the Code's development, by formally approving it and publicly encouraging other IAPs to support it.

- A payments consultancy described the Code as 'all process', and argued that the Code should set out minimum services for IAPs to offer.

3.45 Stakeholders expressed a range of views about making it easier to switch IAP:

- Several PSPs highlighted the importance of the cheque imaging project in enabling IPSPs to transfer their existing sort codes between IAPs. Two of these PSPs expressed concern about the risk that delays in the overall cheque imaging project posed to sort code portability.
- An infrastructure provider argued that the fact that IPSPs needed to obtain sort codes from their IAPs, rather than an independent entity, made switching more complex.
- One IAP encouraged us to work with IAPs to investigate whether some of the principles within the CASS guarantee should be extended to a wider group of IPSPs.¹⁷
- An IPSP suggested that having common technical messaging standards between IAPs would make switching easier.

3.46 Two PSP respondents suggested improvements in the process for becoming a direct participant in interbank payment systems:

- One IPSP argued that limited capacity for testing at VocaLink (the infrastructure provider for Bacs, FPS and LINK) was likely to slow the number of new IAPs gaining accreditation over the next 12 to 24 months. They recommended that we engage with relevant parties to ensure this process is not slowed down.
- One IPSP currently going through the process of joining FPS as a direct participant using an aggregator said the process is complex, time-consuming, and that the aggregator model had not been sufficiently considered by payment system operators. This respondent also called for a simpler governance model across all interbank payment systems, noting that the Forum's work on simplifying access had the potential to achieve this.

Other developments that respondents said were likely to affect the supply of indirect access

3.47 Respondents identified a number of additional developments that could affect the supply of indirect access, including PSD2, ring-fencing and technological change.

3.48 Six respondents indicated that the introduction of PSD2 was likely to have a significant impact on the supply of indirect access. Views on the nature of this impact varied between respondents:

- One PSP thought that PSD2 would result in increased demand for indirect access from new types of market players, but that indirect access may not be suitable for these entrants 'due to the risk involved'.
- One PSP said there was uncertainty about how PSD2 would affect the relationship between payment initiation service providers and an IPSP's IAP.
- An IAP said PSD2 would have a significant overall impact, saying that IAPs will face additional regulatory requirements and the entry of third-party providers will have an impact on the market.

¹⁷ This IAP was not, however, in favour of a standardised switching service for IPSPs.

3.49 Four respondents identified ring-fencing as having the potential to complicate the supply of indirect access. The specific impacts highlighted were:

- One payment system operator said the relevant regulatory authorities should clarify the interpretation of restrictions on how ring-fenced banks may both secure and provide access to payment systems.
- An IAP pointed out ring-fencing is likely to prompt IPSPs to consider switching IAPs before it comes into effect, and may force some IPSPs to become direct PSPs.
- A trade body told us that the introduction of ring-fencing may be further limiting the appetite of IAPs for supplying bank accounts to payment institutions.

3.50 One respondent noted the current high pace of technological change in the payments sector, particularly in distributed ledgers, and the potential this has to make existing access models redundant.

Our position

The impact of developments we identified on the supply of indirect access

3.51 Overall, the feedback we received supports our view that the developments we identified have the potential to address our concerns with the supply of indirect access.

Further proposed action to support identified developments

3.52 In terms of regulatory engagement on the impact of financial crime regulation, we have responded to HM Treasury's Call For Information: Anti-Money Laundering Supervisory Regime (April 2016).¹⁸ We highlighted the adverse impact that financial crime regulation is having on the supply of indirect access. We also said we would support measures to encourage IAPs to take a proportionate, risk-based approach in their relationships with IPSPs. We encouraged relevant authorities to provide clear guidance about the allocation of liabilities in the provision of indirect access. This response forms part of our ongoing engagement with other bodies on financial crime and payment systems.

3.53 As we noted in our access and governance report¹⁹, there are barriers to becoming direct members of interbank payment systems, but changes made by operators appear to have led to a growing demand for direct access. PSPs have made more expressions of interest and sent more letters of intent. We continue to monitor the impact of this work as part of our programme of work on access and governance.

3.54 We welcome the interim IAP Code of Conduct. We expect it will help address a number of our concerns, including business continuity concerns associated with switching. We are monitoring industry progress towards issuing a final Code and in considering the future governance model for the Code. We discuss this in more detail in Chapter 4.

Other regulatory developments

3.55 We acknowledge the further developments respondents identified that are likely to impact indirect access, particularly the intended implementation of PSD2, and will include these in our monitoring framework (see Chapter 4 for detail of this framework).

¹⁸ www.gov.uk/government/consultations/call-for-information-anti-money-laundering-supervisory-regime

¹⁹ *Access and governance of payment systems* (December 2015), page 32:
www.psr.org.uk/sites/default/files/media/PDF/Access-and-governance-report-18Dec2015.pdf

3.56 With regard to ring-fencing²⁰, the PRA is required to make policies to implement the ring-fencing of core UK financial services and activities.²¹ In this capacity, the PRA published a policy statement on 7 July 2016.²² Structural reform legislation²³ requires ring-fenced banks to be direct participants in interbank payment systems they use except in certain limited circumstances. One of the conditions refers to where the PRA has, following an application from a ring-fenced bank, granted permission for it to access the services provided by an interbank payment system through an intermediary proposed by the ring-fenced body. The PRA may grant such permission in exceptional circumstances, for example where a ring-fenced bank has low or infrequent payment activity relating to a particular system. We will monitor feedback from PSPs on any wider impact the implementation of ring-fencing is having on indirect access.

Our regulatory approach

3.57 In our interim report we stated that over the next 12 months, we would monitor the impact of the developments we identified as having the potential to address our concerns. We said that we would consider taking further regulatory action either as part of this review, or later if our concerns were not sufficiently addressed over the next 12 months.

3.58 We set out in our interim report a number of potential remedies that we could introduce if the developments did not address our concerns enough and sufficiently improve indirect access. These remedies included:

- requiring all direct PSPs to act as IAPs
- specifying minimum quality standards
- setting the price for indirect access
- introducing measures to make switching easier (such as a standardising the switching process)

3.59 We asked for specific feedback on:

- what action, if any, we should consider taking if developments do not sufficiently address the concerns we identified over the next 12 months
- any action we should consider taking immediately

3.60 In this section we also present feedback received on the possible remedies that we said we would consider if developments did not sufficiently address our concerns.²⁴

Responses received

Our proposal to monitor developments over the next 12 months

3.61 A majority of respondents supported our proposed approach of monitoring the identified developments over the next 12 months. An example of supportive feedback included a direct PSP agreeing that we should not take actions at this time, and that ‘these concerns should be considered again in 12 months’ time when a rounded view of the issues and causes can be reviewed’.

²⁰ Ring-fencing refers to the requirement on specific firms to legally and operationally separate their retail and small-business banking operations from higher-risk activities, such as derivatives trading, bond and equity underwriting and securities trading. For an overview of ring-fencing, see PRA *Structural Reform* (2016): <http://www.bankofengland.co.uk/pras/Pages/supervision/structuralreform/default.aspx>

²¹ Under the Financial Services and Markets Act 2000, as amended by FSBRA.

²² PRA, *The implementation of ring-fencing* (2016): <http://www.bankofengland.co.uk/pras/Pages/publications/ps/2016/ps2016.aspx>

²³ In particular Article 13 of SI 2014/2080 The Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 (the Order).

²⁴ See paragraphs 8.14 to 8.31 of the interim report.

- 3.62** However, a number of respondents raised potential concerns about our proposed approach. These focused on defining effective measures of success, and on whether 12 months was long enough for the developments to have a positive impact on the market.
- 3.63** Five respondents argued that we needed to set out how we will measure whether the developments have addressed our concerns effectively. They called on us to define specific success criteria or the principles that will guide our assessment.
- 3.64** Three respondents expressed concern that 12 months would not be long enough for many of the identified developments to have a beneficial impact on the market. One argued that we should instead monitor the progress of the developments over the 12 month period without specifying the impact they should have, while another thought that we should wait at least three years before considering additional remedies.
- 3.65** Two respondents welcomed our proposal of non-intervention in the context of what they saw as a very busy period of wider regulatory change. They cited developments such as ring-fencing, the Bank of England's RTGS review, PSD2, and the Payment Accounts Directive.²⁵
- 3.66** Two respondents emphasised the importance of us considering the sequencing and interaction of any action with our wider policy programme and industry developments, such as any solutions emerging from the Forum's work on simplifying access to payment systems.
- 3.67** One IAP respondent explicitly disagreed with our proposal. It questioned the need for what it characterised as a 12-month 'extension' to the market review, as it saw a lack of significant evidence of concerns with indirect access. It also called for us to clarify the types of evidence that would prompt us to intervene at a later stage.
- 3.68** As we mentioned in paragraph 3.10, three respondents disagreed with our findings and our proposal to monitor developments, and instead called for a programme of immediate intervention.

Interventions to make after 12 months if our concerns are not addressed

- 3.69** Respondents generally did not provide any views as to what interventions would be appropriate for us to consider in 12 months. Two respondents thought that it was too early to speculate on what may be appropriate, given the current fast pace of industry change and the difficulty in identifying which developments may or may not be effective. Several respondents encouraged us to continue monitoring industry developments and to reconsider after 12 months whether any intervention was appropriate.
- 3.70** Several respondents highlighted the importance of us consulting further before implementing any remedies, and in particular presenting views on the costs and benefits of any proposed intervention and considering potential unintended consequences.

Interventions to make now

- 3.71** One PSP trade body argued we should revisit the issue of indirect access pricing and consider implementing remedies to improve price transparency.
- 3.72** Another PSP thought that we should more closely consider the cheque imaging project. They argued we should ensure that access to cheque clearing remains open and fair, and that the goal of sort code portability is achieved.
- 3.73** A trade body representing payment institutions said we should implement a programme of immediate intervention, due to the difficulties payment institutions have in accessing bank accounts.

²⁵ The EU Payment Accounts Directive – Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, published in the Official Journal of the EU on 28 August 2014. This is implemented in the UK by The Payment Accounts Regulations 2015 (SI 2015/2038), as amended from time to time.

Its proposed programme included, among other measures, a requirement for the main IAPs to suspend the closing of authorised PSPs' accounts, and the development of a model limiting IAPs' exposure to settlement risk only (and not financial crime risk).

- 3.74** A payments consultancy proposed the introduction of a minimum service offering for payment system operators and for IAPs, including access to sort codes and the use of interoperable messaging standards – specifically the ISO 20022 standard where possible.

Possible remedies presented in our interim report

- 3.75** In our interim report, we set out our early thinking on a number of potential remedies that we could consider further if the developments we have identified do not effectively address our concerns. These potential remedies received little support from respondents at this time.
- 3.76** **Requiring certain types of PSP to provide indirect access:** An IPSP warned that this requirement, whilst potentially increasing the number of IAPs, would be likely to lead to significant costs and potentially unsustainable business models for small and medium PSPs captured by the requirement. IAP respondents thought such a remedy would be disproportionate, could require an IAP to take on relationships that were loss-making or were in breach of financial crime regulation, and was ultimately unlikely to be effective in addressing our concerns.
- 3.77** **Setting the price of indirect access:** Three IAP respondents thought that any kind of price control remedy would be disproportionate, given our finding that concerns with indirect access pricing were not widespread. Two of these respondents further argued that setting the price for indirect access would be very difficult in practice, given differences in the risks, costs and other factors between IPSPs.
- 3.78** **Mandating minimum service standards:** One IAP respondent thought mandating a level of IPSP access equivalent to the IAP's own would potentially be unworkable due to limitations in the IPSPs' own systems. Two IAP respondents thought that, by standardising offerings, such a remedy would discourage innovation by IAPs. An IAP respondent also thought that implementing such a remedy would be expensive and would require frequent updating to prevent standards becoming obsolete.
- 3.79** **Introducing measures to support switching:** Two IAP respondents thought that extending a CASS-like solution to larger PSPs would be disproportionate, costly, and complex, given that relationships between IAPs and larger IPSPs are typically highly bespoke.
- 3.80** A PSP respondent thought that the potential remedies could have the unintended consequences of limiting competition and innovation, and of undermining industry progress on addressing the concerns we identified.

Our position

- 3.81** Given the supportive feedback received for our proposed approach of monitoring developments over the next 12 months, we do not propose to amend it.
- 3.82** We understand calls from respondents to be more explicit in how we will consider whether developments are progressing satisfactorily.
- 3.83** We also understand that 12 months will not be sufficient for many of the identified developments to both be realised and have a positive impact on the market. Our approach is to monitor progress in these developments over the next 12 months. The monitoring process will become part of our ongoing annual access and governance reporting cycle (which has previously focused exclusively on direct access and governance).
- 3.84** We explain our position in more detail in Chapter 4.
- 3.85** We will consult on any future proposals to intervene in this market before implementing any measures.

Other issues raised

- 3.86** Respondents raised various other issues. We summarise this feedback, and our responses, below.
- 3.87** A respondent disagreed with the statement in our interim report that ‘only ten large PSPs have direct access to FPS’.²⁶ It noted that at least one other PSP accesses FPS directly via the direct agency proposition. We agree that an IPSP can have direct technical access, but it would not be classed as a full ‘direct participant’ in FPS. Direct participants have both direct technical access and perform settlement directly with the Bank of England. PSPs with direct technical access but that are not full direct participants rely on an IAP to complete settlement on their behalf.
- 3.88** A respondent disagreed with the statement made in our report that ‘IPSPs may face further potential restrictions on competing in retail markets where they are less able to offer overlay services such as Paym, which rely on [access to FPS]’.²⁷ It correctly indicated that Paym is also accessible through LINK. We do note that this is possible, although we understand that most PSPs choose to access Paym through FPS.
- 3.89** A respondent said our statement that the levels of satisfaction with indirect access ‘are towards the lower end of satisfaction when compared with other essential business services’²⁸ was not consistent with the supporting evidence we presented. Focusing on the satisfaction levels for the non-financial business services²⁹ presented in the interim report indicates that indirect access is indeed towards the bottom of the range. When considering satisfaction levels for both the financial and non-financial services presented, satisfaction with indirect access is in the middle of the range.
- 3.90** In paragraph 4.74 of the interim report, we listed a range of factors that affect the use of revenue-per-transaction data to make inferences about price comparison between IAPs. A respondent argued that two additional factors are also relevant: an IPSP’s choice of channel and the level of human interaction required. We agree that these are appropriate additions.
- 3.91** A respondent called for the following statement made in our interim report to be removed, as it argued it is not supported by any evidence:
- ‘Becoming a direct PSP for one payment system might affect a PSP’s relationship with their IAP for other payment systems, which in extreme cases might lead to those IAPs to terminate their indirect access to other payment systems.’³⁰*
- 3.92** This concern was specifically raised to us by several IPSPs and is based upon their commercial experiences. We therefore consider that statement to be based on appropriate evidence.
- 3.93** A respondent felt that we should clarify the following statement in our interim report, as it was unclear how an IAP faced incremental credit risk in such a situation:
- ‘One agency IPSP told us that its IAP had sometimes restricted which customers the IPSP supplied because the IAP did not want to take on the additional credit risk from those customers.’³¹*
- 3.94** We can clarify that this statement relates to risk more generally, and not specifically to credit risk.
- 3.95** A respondent said our finding that concerns with indirect access pricing were not widespread was not consistent with statements made in a speech by our Managing Director.³² For clarity, we reiterate our current position on pricing: although some IPSPs have expressed concern about prices, the overall feedback we have received to date does not indicate a widespread level of concern with price.

²⁶ Interim report, page 33, paragraph 4.29.

²⁷ Interim report, page 33, paragraph 4.31.

²⁸ Interim report, page 37, paragraph 4.56.

²⁹ Interim report, page 32, Figure 7.

³⁰ Interim report, page 55, paragraph 5.30.

³¹ Interim report, page 59, paragraph 5.58.

³² <https://www.psr.org.uk/psr-publications/speeches/a-tale-of-two-market-reviews>

4. Our final conclusions and approach

Our final conclusions remain unchanged from our interim report: although competition in the supply of indirect access is producing some good outcomes for IPSPs, we have specific concerns about choice, service quality and the ability of IPSPs to switch providers.

Our final approach to addressing these concerns is broadly unchanged from the proposals in our interim report. We have decided to monitor and support the developments we have identified that have the potential to address our concerns. We will report on the outcomes of our indirect access monitoring activities as part of our annual reporting cycle on wider access and governance issues.

Where the market for indirect access is working well, IAPs will compete to win IPSPs' business by developing better indirect access services at more competitive prices. This process will drive innovation in indirect access services and give IPSPs more choice.

To understand if our concerns are being addressed and the market for indirect access is developing in a way that will achieve these outcomes, we will take a holistic, rounded approach to evaluating the developments we have identified.

If we find that the developments we identified are not effectively addressing our concerns, or are not proceeding with appropriate speed, we will consider intervening in the market.

4.1 In this chapter we set out:

- our final conclusions regarding the supply of indirect access
- the final approach we have decided to adopt to address the concerns we have identified
- our view of what a well-functioning market for the supply of indirect access looks like
- the approach we will take to evaluating whether developments are leading us closer to our view of a well-functioning market, and whether they are doing so quickly and effectively enough

Our final conclusions

4.2 After considering the feedback we received on our interim report – which was broadly supportive – our view is that the conclusions presented in our interim report stand substantively unchanged.³³ We present below our final conclusions from this market review.

³³ See our interim report (and its supporting documents) for the evidence and analysis which we based our findings and conclusions on: *Interim report: market review into the supply of indirect access to payment systems* (March 2016): www.psr.org.uk/psr-publications/market-reviews/MR1512-interim-report-supply-of-indirect-access-payment-systems

4.3 Overall, our conclusion is that competition in the supply of indirect access appears to be producing some good outcomes:

- Large IPSPs have a **number of options** to access payment systems.
- There is a reasonable level of **overall satisfaction with the quality** of the indirect access offering that IPSPs receive.
- The overall feedback we have received to date does not indicate a widespread level of concern with **price**.
- We are seeing **investment and innovation** in new and improved service offerings, which should improve quality and choice outcomes for all IPSPs.

4.4 However, we have identified specific concerns that limit competition and innovation in the provision of payment services, and the interests of service-users such as people and businesses that use services provided by payment systems. Our concerns are as follows:

- While large IPSPs tend to have a wider choice of access options, and many are exercising that choice (for example through options such as direct access and aggregators), many small non-agency IPSPs have a **limited choice** of IAPs, including some who have no choice. This limited choice constrains the ability of these smaller non-agency IPSPs to get access, to negotiate on price, or to find an alternative provider if they lose their access, or are not satisfied with the services they receive from their current IAP.
- IPSPs in all categories are experiencing a number of specific **quality-related issues** with indirect access. Large agency and medium agency IPSPs, particularly banks and building societies, have concerns about the quality and availability of technical access to FPS. Small non-agency IPSPs have raised concerns about notice periods for the termination of indirect access agreements and the relationship management provided by IAPs. These issues limit some IPSPs' ability to compete in related markets, such as retail banking.
- IPSPs in all categories face **barriers to switching** IAPs, which reduce the competitive pressure on IAPs and prevent IPSPs from securing the best possible price and quality outcomes.

4.5 Although these concerns affect all IPSPs, the nature and extent of specific concerns differ among small, medium and large IPSPs. These concerns limit competition and innovation in services provided by payment systems, and impact on the interests of service-users such as the people and businesses that use them.

4.6 We consider these concerns are primarily a result of three market characteristics:

- **Industry responses to financial crime regulation:** The perceived risk of compliance failures under financial crime regulation influences the behaviour of IAPs. These responses could be limiting the provision of indirect access for some IPSPs.
- **Lack of entry of IAPs:** The historic rate of entry and expansion of new suppliers of indirect access has been low, which limits the competitive pressure on IAPs to improve their indirect access proposition and limits the choice available to IPSPs wanting to find an alternative provider.
- **Increase in demand for real-time payments:** When FPS was launched, IAPs primarily supplied IPSPs with indirect access to FPS using the SWIFT messaging service, since they considered it was the most cost-effective and convenient option for IPSPs at that time. The growing demand for real-time services has since brought into question whether the technical solutions provided to IPSPs still meet customer needs.

Our approach to addressing our concerns

4.7 In our interim report we set out our view that our wider programme of work and a number of current and anticipated industry developments have the potential to address the concerns we have identified and to improve outcomes for service-users.

4.8 The developments we have identified are:

- our programme of work on direct access
- new IAP market entry and expansion
- improved IAP FPS access offerings
- improved direct technical access options for IPSPs
- the development of the Image Clearing System for cheques
- the Bank's strategic review of its real-time gross settlement (RTGS) infrastructure
- the publication of the IAP Code of Conduct
- information-related initiatives, such as our Sponsor Bank Information Direction
- reviews of financial crime regulation
- the work of the Forum
- the CMA's proposed measures to improve switching as part of its Retail Banking Market Investigation
- CASS

4.9 We said that we will support and monitor the impact of these developments, as we expect them to ultimately improve choice, quality and price outcomes. We also said that we would consider taking further regulatory action if our concerns are not sufficiently addressed over the next 12 months.

4.10 The feedback we received to the interim report was broadly supportive of our proposal to monitor and support developments, rather than intervening at this point. Given this, combined with the lack of any other substantive new evidence, we have decided to adopt our proposed approach.

4.11 However, after considering the feedback we received on our interim report, we have a number of clarifications about the specifics of our approach:

- Firstly, as some respondents noted, many of the identified developments are medium to long-term in nature and will take more than 12 months to be implemented, and longer to have beneficial impacts on the indirect access market. We will be looking for the identified developments to make **sufficient progress** towards addressing our concerns over the next year. For the shorter-term developments we identified, this may mean we look for the development to actually start having beneficial impacts on the market within 12 months. For longer term developments, we will instead be looking for sufficient progress in the evolution or implementation of the development itself. We explain the specific types of progress we will be looking for under each development in paragraphs 4.32 to 4.77.
- Secondly, given the key importance of indirect access to the advancement of our objectives, we have decided to incorporate an overview of developments in indirect access into our annual review of access and governance of payment systems (this report previously focused on direct

access).³⁴ We currently expect to publish the next report in early 2017. In this report, we will provide our first views on the progress the developments are making towards addressing our concerns with the indirect access market. Unless we consider it necessary to consult on any market interventions at that point or during 2017, the next update will follow 12 months later.

- Thirdly, a number of respondents highlighted the potential impact of other regulatory developments on the supply of indirect access. This was primarily with regard to PSD2 but they also highlighted the importance of ring-fencing. We referred to these developments in our interim report, but did not identify them as separate developments. We will monitor their impact on indirect access as part of our overall approach.

4.12 A number of respondents to our interim report argued that, while they were supportive of our overall proposed approach, we needed to set out:

1. our views of what successful outcomes in this market look like
2. how we will evaluate whether developments are sufficiently addressing our concerns and contributing to the realisation of these outcomes quickly and effectively enough

4.13 We will focus on these explanations for the rest of this chapter.

What are good outcomes in the supply of indirect access?

4.14 An important theme that emerged from the feedback on our interim report (and from our wider stakeholder engagement) was that stakeholders felt we should set out our views on the outcomes we want to see in the market for indirect access. In other words, we should describe 'what good looks like'. In response to this feedback, we set out our current thoughts on this below. However, we first present further views we have collected from stakeholders on the outcomes we should look for.

IPSPs' views on market outcomes

4.15 In May we held an IPSP stakeholder workshop to discuss the interim report and to ask stakeholders to identify what good outcomes would look like. We also asked a trade body that represents a number of IPSPs to do a similar exercise.³⁵ Table 4 shows the key outcomes we identified through these exercises.

Table 4: Key outcomes in the supply of indirect access as identified by IPSPs

Outcomes
<ul style="list-style-type: none"> • Ability to choose between access options • Existing and new provider cooperate to facilitate the switch • Greater price transparency • No undue barriers to switching within a reasonable timeframe • Sufficient choice of indirect access providers for IPSPs/new entrants who offer services to small IPSPs • The technical service offered is equivalent to that received by DPSPs

Source: PSR IAMR interim report stakeholder workshop, EPIF

³⁴ Our first annual Access and Governance report was published on 18 December 2015: www.psr.org.uk/psr-publications/news-announcements/access-and-governance-report

³⁵ The European Payment Institutions Federation (EPIF), a trade body representing approximately 250 payments institutions.

- 4.16** Stakeholders identified outcomes relating to choice, quality, switching and price as the most important. This is broadly consistent with the areas of concern we identified in our interim report. We note that the desire for greater transparency in indirect access prices was echoed by a respondent to our interim report.

Our view on outcomes

- 4.17** If the supply of indirect access was working well, we would expect IAPs to compete to win IPSPs' business by developing better indirect access services at more competitive prices. We would expect this process to drive innovation in the indirect access services offered and lead to more choice for IPSPs. As a result, IPSPs would be able to compete effectively in the provision of payment services to end users, driving improvements in choice, price and quality outcomes.
- 4.18** Some PSPs – or prospective PSPs – may nonetheless not be able to secure indirect access on the terms they want, or may not be able to secure indirect access at all. However, PSPs' access would not be impeded or limited any more than necessary to appropriately safeguard against the specific risks (such as settlement, commercial, operational, technical and financial crime risks) that IAPs face when supplying indirect access.
- 4.19** If the supply of indirect access was working well, we would expect that such a market would demonstrate many of the following quality, choice, switching and price outcomes.

Quality

- 4.20** IPSPs would have access to a good and reliable level of service from their IAP, in terms of both technical and non-technical characteristics. Further, the technical service available to IPSPs would include services broadly equivalent to those available to direct PSPs (contingent upon IPSPs undertaking appropriate levels of investment to access such capabilities).

Choice

- 4.21** IPSPs would have a sufficient degree of choice of options for accessing payment systems available to them and would be able to find options that meet their needs. Choice would be available between different IAPs and, where appropriate, technical access options and direct access.

Switching

- 4.22** There would be no unnecessary barriers or restrictions to IPSPs switching to a different IAP or to direct access. This would be achievable within a reasonable timeframe and would not expose an IPSP to undue business continuity risks.

Price

- 4.23** IPSPs would be able to secure indirect access at efficient and competitive prices that enable them to compete effectively with other IPSPs and with direct PSPs in the provision of payment services to end users. IPSPs would have a sufficient level of transparency around prices at appropriate stages in negotiations with IAPs to enable them to make informed access decisions.

Monitoring and evaluating developments

- 4.24** We will monitor whether the developments we have identified have begun to address our key areas of concern, or are making sufficient progress towards addressing them. Addressing these concerns will contribute to the market outcomes we want to see. For example, we will monitor the effect of

new entry and other developments on the choices available to smaller IPSPs, who currently have limited or no choice of access provider.

- 4.25** In considering whether developments are making sufficient progress towards addressing our concerns, we will adopt a holistic, rounded approach; we will consider the combined impact of developments rather than the standalone impact of any individual developments. For example, slower than expected progress on one development may be outweighed by faster progress in other areas. We will also consider the effect of developments in indirect access on IPSPs and the services they provide to their customers (as far as they relate to regulated payment systems). We will work with the FCA and other regulators as appropriate to inform our views on this.
- 4.26** If we conclude that developments are not progressing in a way that will effectively address our concerns, we will consider intervening. We will first consult on any proposed intervention, and will set out both our case for the intervention and an analysis of the costs and benefits.
- 4.27** In our interim report we set out how we thought the developments we identified could address our concerns. In Table 5 we map the identified developments to our concerns, and indicate our view of the potential each development has to address those concerns. We also set out our view of the timescale over which we anticipate the development to start having a beneficial impact.

Table 5: Developments and their potential to address our concerns

Development	Expected impact horizon			Potential of development to address concern			
	S	M	L	Limited choice	Quality		Barriers to switching
					Near-real-time 24/7 FPS	Relationship management	
Our programme of work on direct access	•	•		H	H	N	N
Market entry and expansion of IAPs	•	•		H	H	H	N
Improved IAP FPS access offerings	•	•		H	H	N	N
Improved direct technical access	•	•		H	H	N	L
Image Clearing System		•		H	N	N	H
Bank of England's RTGS review	•	•		H	M	N	N
IAP Code of Conduct	•	•		N	N	H	H
Reviews of financial crime regulation		•	•	H	N	N	N
Work of the Payments Strategy Forum		•	•	H	L	N	H
Implementation of PSD2		•		H	N	N	N
Information-related initiatives	•			M	N	N	M
CMA's retail banking switching remedies		•		N	N	N	M
Current Account Switching Service	•			N	N	N	M

Expected impact horizon: S = Short term (0-1 year); M = Medium term (1-3 years); L = Long term (>3 years)

Potential of development to address concern: H = High; M = Medium; L = Low; N = None

Note: This table also appears as Table 2 in the Executive Summary of this report.

- 4.28** We anticipate that these developments will begin to have beneficial impacts on the supply of indirect access over varying timescales. For example, some IAPs have already improved their indirect access offerings, while others are planning to invest in improvements to these offerings that will take some time to come to market. As a result, we expect this development to start having a beneficial impact on indirect access over the short to medium term. By comparison, technological development of the blueprint resulting from the Bank's RTGS review will not start until 2017, and any changes stemming from it will probably take some time to implement.

IPSP views on developments

4.29 As part of the IPSP stakeholder workshop we held in May, we also asked stakeholders which developments they thought were most important to improving the supply of indirect access. Again, we also asked a trade body that represents a number of IPSPs to do a similar exercise.³⁶ Table 6 shows the developments they identified.

Table 6: Most important developments with potential to improve indirect access as identified by IPSPs

Developments
<ul style="list-style-type: none"> • Bank of England RTGS review • IAP market entry and expansion • Improved IAP FPS access offerings • Improved direct technical access for IPSPs • PSD2 • Reviews of financial crime regulation

Source: PSR Indirect access market review interim report stakeholder workshop, EPIF

4.30 We broadly agree with the importance IPSPs assigned to these developments. In addition to our own access programme of work, we will pay particular attention to their progress and impact on the supply of indirect access.

4.31 In the remainder of this section, for each identified development we set out:

- how we see it improving the supply of indirect access
- what we are going to do to support it
- how we will review its progress and what we expect to see
- the types of information we will collect as part of our monitoring process

Our programme of work on direct access

4.32 We have an ongoing programme of policy work aimed at achieving more open and proportionate direct access to payment systems. As part of this we introduced two General Directions³⁷ for payment system operators, aimed at improving transparency and making direct access easier. We expect this programme of work to contribute to an increase in the number of direct participants in regulated payment systems.

4.33 Through this work we hope to make direct access a viable option for a greater number of participants, increasing the level of choice available to PSPs. Choice may also increase if new direct participants decide to become IAPs. For example, Raphaels Bank and Starling Bank have announced that they will become direct participants in FPS this year. Raphaels Bank has also announced its intention to become an IAP. Widening direct participation in FPS will also help address our concern around IPSPs' ability to access FPS on a near real-time 24/7 basis.

³⁶ European Payment Institutions Federation (EPIF), a trade body representing approximately 250 payments institutions.

³⁷ PSR *General Direction 2 (Access) – non-PSR 2009 regulated payment system operators* (2015) and *General Direction 3 (Access) – PSR 2009 regulated payment systems* (2015), as amended from time to time:
www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions

- 4.34** In our first access and governance report³⁸, we noted that operators had made positive progress towards improving direct access, and we expected a number of PSPs to become direct participants in regulated interbank payment systems over the following year. We remain confident in this view. Given this progress, we expect our work on direct access to begin having a positive impact in terms of addressing our concerns over the short to medium term.
- 4.35** Our programme of work on direct access is ongoing. As part of this work, we continue to engage regularly with operators to understand the work they have done in complying with our access directions. We will publish our next annual progress update on this work in early 2017.

Market entry and expansion of IAPs

- 4.36** In our interim report we said we had identified at least four businesses planning to become new IAPs in the next few years. Indeed, one of these businesses (Raphaels Bank³⁹) plans to enter the market and become an active IAP within the next nine months. We also learned that two of the four existing main IAPs are planning to expand and improve their indirect access service offering over the next couple of years.
- 4.37** We expect this entry and expansion of IAPs to lead to greater choice for IPSPs, including for small non-agency IPSPs. By driving increased competitive pressure between IAPs, it could also help address our concerns around quality.
- 4.38** We will monitor and support progress in this development in a number of ways. We will continue to have regular conversations with other regulators where appropriate, and will work directly with the new entrants to help them overcome potential barriers to entering the market (for example, challenges in onboarding as new direct PSPs of interbank payment systems).

Improved IAP FPS access offerings

- 4.39** In our interim report we identified two IAPs making investments to provide improved FPS access propositions, including enabling near real-time 24/7 access. Specifically:
- [X] is currently working with a fintech provider to develop a hosted, multi-tenanted aggregated gateway into FPS.
 - [X] is currently undertaking investments to improve the technical functionality of its service, which will address some of the general service-quality concerns that have been raised by some PSPs.
- 4.40** This development could directly address our concern about IPSPs' quality of access to FPS. It should also increase the choice in the marketplace.
- 4.41** We anticipate that some elements of these investments will begin to have a positive impact on the market over the next 12 months. Other elements will take longer, so will only have a potential benefit over the medium to long term.
- 4.42** Over the next year, we will continue to engage with existing IAPs to monitor progress on the expansion plans we identified in the course of the market review. Specifically, we will request regular updates and to be notified of any substantial changes or delays to the planned investments.

³⁸ PSR *Access and governance of payment systems* (2015): <https://www.psr.org.uk/sites/default/files/media/PDF/Access-and-governance-report-18Dec2015.pdf>

³⁹ See Raphaels Bank press release, *Raphaels Bank Champions Open Access to Empower Payments Innovation*, 11 April 2016: www.raphaelsbank.com/raphaels-bank-champions-open-access-to-empower-payments-innovation/

Improved direct technical access

- 4.43** In our interim report we highlighted the emerging alternative direct technical access options for interbank payment systems, including the introduction of aggregator arrangements for FPS (and FPS' associated accreditation programme for these aggregators). We note that five aggregators have already gained accreditation from FPS to support IPSPs with direct technical access to the system. We expect to start seeing the resulting beneficial impacts on the market over the next year.
- 4.44** Further, Bacs published its white paper – 'Widening access and choice' – in February 2016.⁴⁰ This sought views on widening the range of options for connection to Bacs and providing more flexibility and choice to PSPs. Following consultation on the white paper, Bacs currently expect to make proposals for change in the summer of 2016. In addition, access options for C&C are also set to improve as part of the development of the Image Clearing System (we discuss developments specific to the Image Clearing System separately below).
- 4.45** All of these developments have the potential to increase the number of access options available to IPSPs and, in the case of FPS, to address our specific quality concerns around the availability of near real-time 24/7 access to FPS.
- 4.46** We will continue to engage with payment system operators to monitor progress made in these access programmes, in particular to ensure that the needs of IPSPs are incorporated into any future developments. Over the next year, we will look for these programmes to make material progress towards evaluating and, where appropriate, developing alternative access and settlement options. There is also potential for interaction of these reviews with the work the Forum is undertaking on consideration of simplifying access to payment systems (see further discussion on Forum below).

Image Clearing System

- 4.47** By enabling full sort-code portability across all regulated systems, the introduction of the new Image Clearing System will remove the constraint on agency IPSPs switching their IAP for the processing and settlement of cheques. This is one of the key barriers to agency IPSPs switching their IAP. A number of respondents to our interim report emphasised the importance of the Image Clearing System in enabling sort-code portability.⁴¹
- 4.48** We want to see the barrier to switching created by the lack of sort-code portability in cheque clearing and settlement reduced and ultimately eliminated. We expect that the Image Clearing System will achieve this outcome. If it doesn't, we will still expect this barrier to switching to be addressed. In this scenario, we would work with industry to ensure that this outcome is delivered in a timely and efficient manner.

Bank of England RTGS review

- 4.49** As part of a wider review of the RTGS system, the Bank is currently reviewing its settlement account policy in response to changes in payments arising from 'technological innovations' and 'a more dynamic focus on competition and innovation driven by the PSR'.⁴² As part of this review, on 17 June 2016 the Bank announced its intention to extend access to settlement accounts to non-bank PSPs.⁴³

⁴⁰ Bacs *Widening access and choice* (February 2016): www.bacs.co.uk/DocumentLibrary/Bacs_payment_service_provider_access_white_paper.pdf

⁴¹ See paragraph 3.45.

⁴² Bank of England *A New Heart for a Changing Payments System – speech by Minouche Shafik* (January 2016): www.bankofengland.co.uk/publications/Pages/speeches/2016/878.aspx

⁴³ Bank of England *Enabling the FinTech transformation: Revolution, Restoration, or Reformation?* – speech by Mark Carney (June 2016): www.bankofengland.co.uk/publications/Pages/speeches/2016/914.aspx

- 4.50** We view this as a significant and important step forward in enabling a wider group of PSPs to have direct access to regulated payment systems. This will increase the choice of access options available to PSPs and, for those that decide to become direct participants in FPS, enable full near real-time 24/7 access.
- 4.51** We will continue to work with the Bank, FCA, PSPs and other stakeholders to implement this important policy change. The specific timing is yet to be determined. However, the Bank currently plans to consult on its draft blueprint for the future of RTGS in the last quarter of 2016, with the aim of publishing a final blueprint in early 2017.

IAP Code of Conduct

- 4.52** On 1 September 2015, Payments UK, working with us and the four main IAPs, published an interim Code of Conduct setting out a range of measures and commitments to improve indirect access to interbank payment systems. These include:
- the ability for IPSPs to request a written contractual agreement from an IAP
 - the communication of important information
 - a commitment from IAPs to support IPSPs during a transitional period when becoming a direct PSP or when switching to another IAP
 - treatment of IPSPs' confidential information
- 4.53** Payments UK then consulted on the interim Code, focusing on its potential effectiveness and suggested enhancements. After reflecting on this feedback, Payments UK and the four main IAPs are revising the interim Code for publication as a final Code. At this point, they also plan to publish proposals regarding the future governance of the Code. We expect them to publish the final Code and these proposals later in 2016.
- 4.54** As we have set out in the past, we think the Code has an important role in addressing a number of IPSPs concerns about the quality of indirect access services.⁴⁴ We also think it has the potential to help address the quality and switching concerns identified as part of this market review. Specifically:
- With regard to quality, we see the Code as helping to address concerns about IAPs management of their relationships with IPSPs.
 - With regard to switching, we see the Code as helping to address concerns about business continuity issues and the notice periods given when an IAP decides to terminate access.
- 4.55** We also see the Code playing an important role in helping to ensure good governance of the relationship between IAPs and IPSPs. It should also contribute to the resolution of disputes before they are escalated to formal complaints or applications to us for access.
- 4.56** Given the interim Code was introduced approximately ten months ago, we expect to see it begin to have beneficial impacts very soon. Indeed, positive feedback received during the course of this review suggests this may already be beginning to happen.⁴⁵
- 4.57** We will continue to engage with Payments UK, the main IAPs, new entrants and other relevant stakeholders in the development and implementation of the Code. We will provide an update on Code-related developments, including progress to the final Code and any revisions to Code

⁴⁴ See, for example, paragraphs 5.66 to 5.97 of PSR PS15/1 *A new regulatory framework for payment systems in the UK*: www.psr.org.uk/sites/default/files/media/PDF/psr-publications-consultations-psr-ps-15.1.pdf

⁴⁵ See, for example, paragraph 3.37.

governance, as part of our access and governance report in early 2017. As part of this process, we will also seek direct feedback from IPSPs on their engagement with IAPs on Code-related issues.

Steps the main IAPs have taken to implement the Code of Conduct

The interim IAP Code of Conduct was introduced in September 2015. Since then, the main IAPs have taken a number of steps to implement the Code and ensure the way they act is consistent with the Code. The specific steps taken vary for each IAP, but we have been told they include:

- communication of the introduction of the Code to IPSPs
- internal communication and training on the Code for relevant staff
- review and update of legal agreements governing the supply of indirect access
- enhanced communication of important payment system information, such as system outages and developments – for one IAP, this included developing a specialised incident notification tool
- strengthening of internal security procedures for ring-fencing of customer data

We support these efforts and look forward to the development and implementation of the final Code over the coming months.

Reviews of financial crime regulation

4.58 We are aware of a number of primarily government-led reviews of financial crime regulation and related issues. These reviews are mainly aimed at improving the transparency, clarity and effectiveness of the UK's anti-money laundering and counter-terrorist financing legal and regulatory framework.

4.59 These reviews include:

- **The UK government's national risk assessment of money laundering and terrorist financing:** This risk assessment, published in October 2015⁴⁶, was the first comprehensive assessment of money laundering and terrorist financing risk in the UK.
- **The UK government's action plan for anti-money laundering and counter-terrorist finance:** Published in April 2016⁴⁷, the plan sets out the government's approach to stopping money laundering and the funding of terrorism.
- **The Treasury's review of the UK's AML Supervisory Regime:** The Treasury has committed to examining options for reform that will address inconsistencies in supervision and build a more effective system. The consultation⁴⁸ associated with this review concluded in June 2016. As part of this review, the Treasury is also considering evidence collected through the November 2015 AML red tape review consultation undertaken by Department for Business, Innovation and Skills (BIS).

⁴⁶ HM Treasury and Home Office *UK national risk assessment of money laundering and terrorist financing* (October 2015): www.gov.uk/government/publications/uk-national-risk-assessment-of-money-laundering-and-terrorist-financing

⁴⁷ HM Treasury and Home Office *Action plan for anti-money laundering and counter-terrorist finance* (April 2016): www.gov.uk/government/publications/action-plan-for-anti-money-laundering-and-counter-terrorist-finance

⁴⁸ HM Treasury *Call for Information: Anti-Money Laundering Supervisory Regime* (April 2016): www.gov.uk/government/consultations/call-for-information-anti-money-laundering-supervisory-regime

- **FCA research into de-risking:** In May 2016 the FCA published research⁴⁹ it had commissioned into the nature and scale of de-risking in the UK.
- **Implementation of EU 4th Anti-Money Laundering directive:** EU Member States need to implement the directive into national legislation by 26 June 2017. The Treasury are likely to consult on the UK's implementation of the directive in 2016.
- **FATF review of UK AML framework:** The Financial Action Task Force (FATF) will carry out a review of the effectiveness of the UK's AML and CTF framework in 2017/18. The last review of the UK was carried out in 2007.

4.60 As set out below, the Forum is also undertaking work that should help address issues around the management of financial crime risks.

4.61 There is an extensive programme of work on financial crime regulation and related issues currently underway. We think this work can clarify the roles, responsibilities and liabilities of participants in payment systems, reducing the associated risk and uncertainty. It may also help IAPs and IPSPs manage financial crime risks more cheaply and effectively. This may result in existing IAPs offering access to a greater number of IPSPs, or prompt new IAPs to enter the market. Both of these outcomes would help to address our concerns around choice.

4.62 We will monitor the output, recommendations and impact of these various reviews as they progress. We will specifically look for developments that are likely to help reduce uncertainty in risk and liability between payment system participants. We will provide an overview of our work in this area in our access and governance report early in 2017.

The Payments Strategy Forum's work

4.63 The Forum is an independent body that we set up in 2015 to guide the industry's strategy for collaborative innovation. The Forum's work has the potential to help address our concerns in several areas:

- One of the Forum's working groups has a remit to 'examine whether and how payment systems can be developed to simplify access'. This working group is considering the introduction of common messaging standards, the simplification of the rules, governance and structure of payment system operators, and the use of aggregators to support access across more than one payment system. All these developments could make it easier to gain access and to switch IAPs, increasing both the choice available to IPSPs and the ability to exercise that choice.
- Another working group is considering centralised functions aimed at preventing financial crime and ways to reduce the costs of compliance. This has the potential to result in existing IAPs offering access to a greater number of IPSPs and to encourage new IAPs to enter the market.

4.64 The Forum published its draft strategy in July 2016 for consultation.⁵⁰ It currently plans to publish a final strategy in autumn 2016, which the industry will then implement. The time it takes for changes to have an impact on the market for indirect access will depend on the specific scale and scope of the strategy.

4.65 We envisage having a role in implementing some aspects of the Forum's strategy. We will set out any relevant work we will do in our access and governance report.

⁴⁹ FCA *Research into the issue of de-risking* (May 2016): www.fca.org.uk/news/fca-research-into-the-issue-of-derisking

⁵⁰ *Payments Strategy Forum Draft Strategy and Consultation* (July 2016): www.paymentsforum.uk/consultation

The implementation of PSD2

- 4.66** PSD2 has the potential to have a material impact on the supply of indirect access. The most relevant provisions within PSD2 are:
- the requirement for banks to give payment institutions access to payment account services on a proportionate, objective and non-discriminatory basis⁵¹
 - the requirement for participants in payment systems designated under the Settlement Finality Directive to provide authorised and registered PSPs with the ability to pass transfer orders through the system in question on an proportionate, objective and non-discriminatory basis (where this service is offered to other authorised or registered PSPs)⁵²
- 4.67** The transposition of PSD2 hasn't yet been completed, which means that some elements of how these provisions will be enforced and interpreted in practice are not yet clear. However, once implemented in the UK, IAPs will need to consider these provisions when making decisions on access.

Information-related initiatives

- 4.68** Our Sponsor Bank Information Direction⁵³, which took effect on 30 June 2015, requires the four main IAPs to publish information relating to their indirect access services. Separately, Payments UK has launched an information hub⁵⁴ to improve the transparency and availability of information for PSPs that want to get access to interbank payment systems. Taken together, we expect these information-related initiatives to:
- raise the awareness of different access options available to PSPs
 - reduce the search costs that PSPs incur when evaluating their access options
 - Together, these benefits should make switching easier.
- 4.69** As part of the publication of our next access and governance report early in 2017, we will review the effectiveness of our Sponsor Bank Information Direction. We have received some preliminary feedback that the information and contact details provided through the direction are not enabling prospective IPSPs to assess their options and reach the correct contacts within IAPs as effectively as they should.
- 4.70** Our review will involve the collection of relevant information from both the main IAPs (for example, any feedback they have received about the information they have published) and from PSPs that have used the information (for example, views on the usefulness of the information and the responsiveness to any queries made).

CMA retail banking remedies

- 4.71** On 17 June 2016, the CMA published its provisional decision on remedies in its retail banking market investigation.⁵⁵ Among the proposed remedies are measures aimed at improving the current account switching process (including strengthening the governance and awareness of CASS) and improving

⁵¹ PSD2, Article 36

⁵² PSD2, Article 35(2)

⁵³ PSR *Specific direction 1 (Access: sponsor banks)* (2015): www.psr.org.uk/psr-specific-direction-1

⁵⁴ www.accesstopaymentssystem.co.uk/

⁵⁵ CMA *Retail banking market investigation: Provisional findings report* (2016):

https://assets.publishing.service.gov.uk/media/563377e8ed915d566d0000f/Retail_banking_market_investigation_-_PFs_V2.pdf

the information available to inform switching decisions (including the development of an open application programming interface (API) banking standard⁵⁶).

- 4.72** Our view is that these remedies could improve and increase switching for smaller IPSPs who receive indirect access primarily through a business bank account with their IAP.
- 4.73** The statutory deadline for the CMA to publish its final report, which will include a final decision on remedies, is 12 August 2016. Any remedies will then need to be implemented before they can be expected to have any beneficial impact on the supply of indirect access.
- 4.74** We will monitor whether our concerns about switching are reducing through our ongoing engagement with IPSPs.

Current Account Switch Service (CASS)

- 4.75** In our interim report we argued that, for smaller non-agency IPSPs⁵⁷, CASS should help address the business continuity concerns associated with switching that we identified.
- 4.76** CASS launched in 2013 and approximately three million⁵⁸ current account switches have now been made using the service. We expect that CASS will begin to help address business continuity concerns associated with switching for small IPSPs immediately.
- 4.77** We will monitor whether these concerns are reducing through our ongoing engagement with IPSPs.

56 As set out in the Treasury's response to their call for evidence on data sharing and open data in banking, '[a]pplication programming interfaces, or APIs, allow two pieces of software to interact with each other. In banking, APIs can be used to enable financial technology (fintech) firms to make use of customers' bank data on their behalf and with their permission in innovative and helpful ways.' For further detail, see the Treasury's *Data sharing and open data in banking: Response to the call for evidence* (2015): www.gov.uk/government/consultations/data-sharing-and-open-data-in-banking-call-for-evidence

57 CASS provides a guarantee to banking customers that they can switch their bank in seven days. CASS is only available for use by businesses with a total annual income and/or balance sheet total of up to £6.5 million, and with fewer than 50 employees.

58 Approximately 3 million current account switches were made using CASS by consumers, businesses and charities between September 2013 and May 2016. Source: Bacs CASS statistics (<https://www.bacs.co.uk/resources/pages/factsandfigures.aspx>).

5. Next steps

- 5.1** In this report, we have set out our final conclusions in our market review of indirect access, and the approach we will adopt in monitoring developments.
- 5.2** Indirect access remains a priority area in our ongoing work programme. We will publish an update on the progress of developments towards addressing our concerns, and our views on how they are addressing our concerns with indirect access, as part of our next access and governance report. We plan to publish this in early 2017.
- 5.3** We welcome any views on this final report. Respondents should send their comments (in electronic Word and PDF versions) to iamr@psr.org.uk, or by post to:
- 5.4** Indirect Access Market Review Team
Payment Systems Regulator (15th floor)
25 The North Colonnade
Canary Wharf
London
E14 5HS
- 5.5** We will reflect on any feedback received and incorporate our responses as part of our next access and governance report.

Annex 1

Glossary

This glossary sets out the terms, expressions and abbreviations used in this final report.

Expression or abbreviation	Definition
agency IPSP	An indirect PSP which has its own sort code provided by its indirect access provider.
aggregator	An organisation providing technical access to one or more payment systems' central infrastructure for multiple PSPs through a shared gateway.
AML (anti-money laundering)	The package of initiatives and regulations directed at preventing money laundering, including the Money Laundering Regulations 2007.
Bacs	The regulated payment system which processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit. The payment system is operated by Bacs Payment Schemes Limited (BPSL).
the Bank	The Bank of England.
Bank of England settlement account	A settlement account in central bank money.
Barclays	Barclays PLC, and all companies and business owned or controlled by Barclays PLC to the extent that they participate in a regulated payment system and provide sponsor bank services, including but not limited to Barclays Bank PLC and Barclays Bank.
C&C (Cheque & Credit)	The regulated payment system in England, Scotland and Wales that processes cheques and other paper instruments. It is operated by Cheque and Credit Clearing Company Limited (C&CCCL).
CHAPS (Clearing House Automated Payment System)	The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's Real time Gross Settlement (RTGS) system. It is operated by CHAPS Co.
CMA	Competition and Markets Authority.
CMA's Retail Banking Market Investigation	CMA's Retail Banking Market Investigation. A market investigation into the supply of retail banking services to personal current account customers and SMEs in the United Kingdom, available at: www.gov.uk/cma-cases/review-of-banking-for-small-and-medium-sized-businesses-smes-in-the-uk .
Code of Conduct ('Code of Conduct for indirect access to UK payment systems', known as 'IAP Code of Conduct')	The voluntary Code of Conduct for indirect access to UK payment systems', known as the IAP Code of Conduct, established by the industry and administered by Payments UK. It can be accessed here: www.accesstopaymentssystem.co.uk/code-of-conduct
Counter Terrorist Financing (CTF)	The package of initiatives and regulations directed at preventing terrorist financing, including the Terrorism Act 2000.
direct access	Access to a regulated payment system to enable a PSP to provide services for the purposes of enabling the transfer of funds using the regulated payment system, as a result of arrangements made between that PSP provider and the operator (and other participants, as applicable). See also s.42(6) FSBRA.
direct technical access	A technical solution that directly connects a PSP (or other authorised user) with the central infrastructure of a payment system.

Expression or abbreviation	Definition
direct payment service provider	A PSP with direct access to a regulated payment system.
electric money institution (EMI)	A legal person that has been granted authorisation in accordance with the requirements in the Electronic Money Directive to issue electronic money. This includes: <ul style="list-style-type: none"> (a) an authorised electronic money institution: <ul style="list-style-type: none"> (i) a person included by the FCA in the register as an authorised electronic money institution pursuant to Regulation 4(1)(a) Electronic Money Regulations 2011 (ii) a person deemed to have been granted authorisation by the FCA by virtue of Regulation 74 Electronic Money Regulations 2011; or (b) a small electronic money institution: a person included by the FCA in the register pursuant to Regulation 4(1)(b) Electronic Money Regulations 2011.
FCA	Financial Conduct Authority.
Financial Action Task Force (FATF)	An inter-governmental body which develops and promotes policies to combat money laundering and terrorist financing. Its website is: http://www.fatf-gafi.org/about/
FPS (Faster Payments Scheme)	The regulated payment system that provides near real-time payments as well as Standing Orders. It is operated by Faster Payments Scheme Limited (FPSL).
FSBRA	Financial Services (Banking Reform) Act 2013.
FSMA	Financial Services and Markets Act 2000.
General Directions	The general directions issued by the PSR under section 54 FSBRA, and www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions , as amended from time to time.
General Direction 2	'General Direction 2 (Access) – non-PSR 2009 regulated payment system operators' – a direction published on 25 March 2015, in force from 30 June 2015 – www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions
General Direction 3	'General Direction 3 (Access) – PSR 2009 regulated payment systems' – a direction published on 25 March 2015, in force from 30 June 2015 – www.psr.org.uk/how-psr-regulates/regulatory-framework-and-approach/general-directions
HSBC	HSBC Holdings PLC, and all companies and business owned or controlled by HSBC Holdings PLC to the extent that they participate in a regulated payment system and provide sponsor bank services, including but not limited to HSBC Bank PLC.
Image clearing system	The programme to implement a cheque imaging model, which would mean that images of cheques are exchanged between the relevant banks, removing the need for the actual paper cheque to be transported physically.
indirect access	Access to a regulated payment system through a contractual arrangement with a direct PSP to enable it to provide services (for the purposes of enabling the transfer of funds using that regulated payment system) to persons who are not participants in the system (i.e. its customers).
Indirect access provider (IAP)	A PSP that provides indirect access to a payment system to other PSPs for the purpose of enabling the transfer of funds within the United Kingdom. This is the case irrespective of whether the IAP provides the indirect PSP with a unique sort code (i.e. whether or not the indirect PSP is listed as the 'owning bank' for a sort code in the Industry Sort Code Directory, with the IAP listed as the 'settlement bank') or not.
indirect payment service provider (IPSP)	A PSP that has indirect access.
Information Hub	This refers to the Information Hub being developed by industry and referred to in our proposals for Indirect Access in Supporting Paper 4: Access to payment systems. It can be accessed here www.accesstopaymentssystem.co.uk

Expression or abbreviation	Definition
infrastructure provider	Any person who provides or controls any part of the infrastructure used for the purposes of operating a payment system (see also s.42(4) FSBRA).
interbank (payment system)	The regulated Bacs, C&C, CHAPS, FPS, LINK and NICC payment systems (i.e. it does not include card payment systems).
LINK	The regulated payment system which enables end users to take cash out of their accounts (amongst other activities) using the network of ATMs in the UK. It is operated by LINK Scheme.
Lloyds	Lloyds Banking Group PLC, and all companies and business owned or controlled by Lloyds Banking Group PLC to the extent that they participate in a regulated payment system and provide sponsor bank services, including but not limited to Lloyds Bank PLC, HBOS, Bank of Scotland PLC and Halifax.
MasterCard	The regulated payment system supporting payments made by cards and operated by MasterCard Inc.
4th EU Money Laundering Directive (MLD4)	Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, published in the Official Journal of the EU on 5 June 2015.
money remittance	A payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee.
Money Service Businesses	Under Regulation 2 of the Money Laundering Regulations 2007, an undertaking which by way of business operates a currency exchange office, transmits money (or any representations of monetary value) by any means or cashes cheques which are made payable to customers.
NICC (Northern Ireland Cheque Clearing)	The regulated payment system in Northern Ireland that processes cheques and other paper instruments. It is operated by Belfast Bankers' Clearing Company Ltd.
non-agency IPSP	An indirect PSP which does not have its own unique sort code.
(our) objectives	The PSR's statutory objectives as set out in ss.50 to 52 FSBRA – these are the competition objective, the innovation objective and the service-user objective.
operator (payment system operator)	In relation to a payment system, any person with responsibility under a payment system for managing or operating it; and any reference to the operation of a payment system includes a reference to its management.
PAD (EU Payment Accounts Directive)	Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, published in the Official Journal of the EU on 28 August 2014.
participant(s)	In relation to a regulated payment system, any operator, payment service provider and infrastructure provider to a regulated payment system. See also s.42(2) FSBRA.
payment initiation service	A service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider.
payment initiation service provider	A PSP pursuing business activities of providing payment initiation services.
payment service provider (PSP)	A PSP, in relation to a payment system, means any person who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that payment system. This includes direct PSPs and indirect PSPs.

Expression or abbreviation	Definition
Payments Strategy Forum (PSF)	The Payments Strategy Forum was announced by the PSR in its Policy Statement published in March 2015. The Forum is leading on a process that identifies, prioritises and develops strategic, collaborative initiatives that promote innovation for the benefit of those who use payment systems. The Forum has a chair independent of industry and 22 members, including consumers, charities, government, businesses and payment service providers. The Forum has also created a number of Working Groups to inform its work and help achieve its goals. More information on the Forum may be found on www.paymentsforum.uk
payment system	A system which is operated by one or more persons in the course of business for the purpose of enabling persons to make transfers of funds, and includes a system which is designed to facilitate the transfer of funds using another payment system. Only payment systems which are designated by the Treasury are 'regulated payment systems'. (See also section 41 of FSBRA).
Payments UK (formerly known as Payments Council)	An industry trade association representing the UK payments industry. Historically, it was a membership organisation set up following the OFT's Payment Systems Task Force, which included a focus on payment systems.
PRA	Prudential Regulation Authority.
PSD2 (Second EU Payment Services Directive)	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, published in the Official Journal of the EU on 23 December 2015.
PSR (Payment Systems Regulator)	The Payment Systems Regulator Limited, the body corporate established by the FCA under section 40(1) of FSBRA.
RBS	The Royal Bank of Scotland Group PLC, and all companies and business owned or controlled by The Royal Bank of Scotland Group PLC to the extent that they participate in a regulated payment system and provide sponsor bank services, including but not limited to The Royal Bank of Scotland, NatWest, National Westminster Bank and Coutts & Co.
sort code	A six digit number, usually written as three pairs of two digits, used for the purpose of routing payments in certain UK interbank payment systems.
regulated payment system	Any payment systems designated by the Treasury in accordance with s.43 FSBRA. As of the date of publication, this included Bacs, C&C, CHAPS, FPS, LINK, NICC, MasterCard and Visa.
ring-fencing	This refers to the requirement on specific firms to legally and operationally separate their retail and small-business banking operations from higher-risk activities, such as derivatives trading, bond and equity underwriting and securities trading.
service-user	Those who use, or are likely to use, services provided by regulated payment systems.
settlement	The completion of a transaction or process to discharge obligations and settle claims and liabilities that arise between participants in a payment system.
SFD (EU Settlement Finality Directive)	Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems published in the Official Journal of the EU on 11 June 1998.
Specific Direction 1 (also known as the 'Sponsor Bank Information Direction')	'Specific Direction 1 (Access: sponsor Banks)' – a direction published on 25 March 2015, in force from 30 June 2015 – www.psr.org.uk/psr-specific-direction-1
SWIFT	Society for Worldwide Interbank Financial Telecommunication, a global provider of secure financial message services.

Expression or abbreviation	Definition
technical access	The manner in which a PSP technically connects with either a payment system infrastructure provider, an operator, a provider of indirect access, or a third-party service provider in order to enable the transfer of funds.
(the) Treasury	Her Majesty's Treasury.
Visa (Visa Europe)	The regulated payment system supporting payments made by cards and operated by Visa Europe and Visa UK Limited.

Annex 2

List of respondents to our interim report

Respondent
Al Rayan Bank
Association of British Credit Unions Limited (ABCUL)
Association of Foreign Banks (AFB)
Association of UK Payment Institutions (AUKPI)
Bacs Payment Schemes Limited
Barclays Bank
CHAPS Co
Cheque & Credit Clearing Company
CUSOP (Payments)
Clydesdale Bank
Fast Encash Money Transfer Services
Faster Payments Scheme Limited
HSBC Bank
JP Morgan Chase Bank, London Branch
Lloyds Banking Group
Lyddon Consulting
MBNA
Metro Bank
Nationwide Building Society
Orwell Group
Payments UK
Raphaels Bank
Royal Bank of Scotland (RBS)
Santander UK
Virgin Money
VocaLink
Worldpay

PUB REF: MR15/1.3

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