

Specific Direction 3 on competitive procurement of central infrastructure (FPS)

June 2017

Varied December 2021 (by SD3a)
and [xx] 2025 (by SD3b)

[Consolidated version](#)

This is a consolidated version of Specific Direction 3 as varied by SD3a and [draft] SD3b (with changes made by SD3b in green and underlined and ~~deleted text is red and shown struck through~~).

Specific Direction 3 (Procurement: FPS)

1 Recitals

Whereas:

Original recitals

- 1.1** The operator of Faster Payments Scheme (FPS) has been operating the FPS payment system with the use of central infrastructure services provided under the existing central infrastructure contract. It is noted that the existing central infrastructure contract expires automatically on 30 June 2020.
- 1.2** For the reasons set out in its infrastructure market review final report¹ and remedies decision², the Payment Systems Regulator has concluded that any future contract for central infrastructure services must be competitively procured. The Payment Systems Regulator also concluded that such a procurement should take place at least every ten years.
- 1.3** In order to ensure that any competitive procurement is undertaken in the absence of barriers to competition created by the use of bespoke messaging standards, the Payment Systems Regulator has further concluded that the central infrastructure services provided under the first central infrastructure contract competitively procured in accordance with this specific direction should be capable of receiving and sending all relevant messages (used in the payment system) in the ISO 20022 messaging standard. This would not apply to contracts following the first competitively procured contract.
- 1.4** The Payment Systems Regulator has concluded that in order for the benefits of competition to arise as soon as possible, central infrastructure services should be supplied in accordance with a contract selected following a competitive procurement at the earliest opportunity. In accordance with the existing central infrastructure contract this is after it expires automatically on 30 June 2020.
- 1.5** Significant changes are taking place in the payments industry, in particular in relation to the Forum's proposed implementation of the anticipated New Payments Architecture. The dates for implementation are not yet confirmed. Therefore, this direction makes provision to amend the date for compliance for transitional arrangements in relation to the New Payments Architecture.

1 PSR MR15/2.3, Market review into the ownership and competitiveness of infrastructure provision: final report (July 2016).

2 PSR MR15/2.5, Market review into the ownership and competitiveness of infrastructure provision: remedies decision (June 2017).

- 1.6** The Payment Systems Regulator will consider whether to amend the date for compliance by reference to whether, in its opinion, it would not be efficient to run a competitive procurement in accordance with this specific direction for the central infrastructure contract from 1 July 2020, because that contract is expected to be of short duration due to the implementation of the New Payments Architecture. The Payment Systems Regulator may impose conditions requiring the operator to ensure that any contract in place from 1 July 2020 until the date specified is in the interest of service users and provides value for money, for example, where appropriate, by requiring a more limited procurement to take place, as provided for by paragraph 4.7.
- 1.7** The operator of FPS would need to make arrangements to allow all system participants to have migrated, by the date the existing central infrastructure contract will terminate, to either:
- a. the implementation of the New Payments Architecture, or
 - b. a competitively procured central infrastructure, which may, where applicable, be provided under a transitional contract in anticipation of the implementation of the New Payments Architecture in due course.
- 1.8** The Payment Systems Regulator recognises that there may be exceptional circumstances where it would be appropriate to grant an exemption from the duty to comply with one or more of the obligations set out in this direction. Section 5 therefore envisages the possibility of such an exemption being granted. This may be an exemption from some of the obligations set out in this direction, such that a more limited procurement exercise is undertaken, or it may be an exemption from all obligations set out in this direction. The latter would delay the requirement to undertake a competitive procurement to such date as is specified by the Payment Systems Regulator in its exemption decision, rather than requiring this to occur in accordance with the timeline envisaged in paragraph 4.7.

Recitals as introduced by SD3a

- 1.8a** In May 2018, the operator applied under Section 4 for a later date than 1 July 2020 to be specified for the purposes of paragraph 2.1. The Payment Systems Regulator subsequently specified 30 June 2023.
- 1.8b** In December 2021 the Payment Systems Regulator gave Specific Direction 3a to vary this specific direction. This implemented its decisions on lowering risks to successful delivery of the New Payments Architecture³. In particular, Specific Direction 3a varies Specific Direction 3 as described in paragraphs 1.8c to 1.8e.
- 1.8c** The operator must only procure the functionality needed to process single push payments unless the Payment Systems Regulator has not objected to the inclusion of other functionality in the contract.

³ PSR CP21/8, [Lowering risks to New Payments Architecture delivery](#) (July 2021).

1.8d The deadline for the purposes of paragraph 2.1 is changed from 30 June 2023 to 1 July 2026. This took account of all relevant circumstances, including the operator's plans and included a period for contingency.

1.8e Section 4 is varied so that the Payment Systems Regulator may change the deadline that applies for the purposes of paragraph 2.1 where this is required because of the implementation of the New Payments Architecture. This gives flexibility to the Payment Systems Regulator to change the date, and in doing so recognises that such flexibility is appropriate given the circumstances of the programme to deliver the New Payments Architecture, particularly its size and scale.

Recitals as introduced by SD3b

1.8f In [xx] 2025, the Payment Systems Regulator gave Specific Direction 3b to vary this specific direction.

1.8g The deadline for the purposes of paragraph 2.1 of 1 July 2026 was replaced by an ability for the Payment Systems Regulator to notify the operator of a deadline. The Payment Systems Regulator will not notify the operator of a deadline that is before 1 July 2036.

1.8h The operator cannot extend the existing central infrastructure contract for FPS or replace it with a new contract for the supply of central infrastructure services for FPS, or a successor to FPS, unless the Payment Systems Regulator has:

a. notified it of a deadline for the purposes of paragraph 2.1, or

b. not objected to the operator extending the existing central infrastructure contract or entering into a new contract.

Powers exercised and purpose

1.9 The Payment Systems Regulator makes this specific direction in accordance with section 54(3)(c) (Regulatory and competition functions – directions) of the Financial Services (Banking Reform) Act 2013 (the Act). In accordance with section 54(3)(c), this specific direction applies to persons of a specified description.

1.10 The Payment Systems Regulator has had regard in particular to the following provisions of the Act:

a. sections 49 to 53 (General duties of regulator)

b. section 62(2)(a) (Duty to consider exercise of powers under Competition Act 1998)

1.11 The Payment Systems Regulator makes this direction for the reasons set out in its infrastructure market review final report and remedies decision.

- 1.12** The purpose of this specific direction is to ensure that if the operator of Faster Payments Scheme (FPS) procures any central infrastructure, it is procured competitively in accordance with this specific direction.

Direction

NOW the PSR gives the following specific direction to the operator of FPS:

2 Requirement to procure

2.1 Subject to section 5, the operator of FPS must take such action as is necessary to ensure that any central infrastructure contract in place on or after ~~1 July 2026~~ such date as the Payment Systems Regulator may notify the operator of in writing, or such later date as specified by the Payment Systems Regulator in accordance with section 4 below, has been procured in accordance with paragraph 2.2.

2.1a The Payment Systems Regulator will not notify the operator of a date that is before 1 July 2036.

2.1b The Payment Systems Regulator will publish a copy of the notification on its website⁴ within seven days of giving it.

2.1c In deciding whether to notify the operator of a date, and what that date should be, the Payment Systems Regulator will take account of such matters as it considers relevant which may include the needs of end users, the economic, technological and commercial landscape, and the state of the supplier market.

2.2 The procurement must include the following steps:

- a. development of a strategy for the procurement
- b. consultation with service-users, including PSPs and end users, and taking into account the views of service-users expressed in the context of the Forum's work where relevant
- c. fair and transparent engagement with potential providers
- d. development and execution of a transparent and objective process to shortlist potential providers for the competitive tender
- e. development and execution of a competitive tender that is based on transparent and objectively justifiable criteria, and is likely to attract two or more bids
- f. selection of the central infrastructure provider(s) in accordance with the competitive tender described at e)

2.3 In relation to any central infrastructure contract which is in place on the date set out in, or specified under, paragraph 2.1, the operator of FPS must ensure that the central

⁴ <https://psr.org.uk>

infrastructure services provided under any such contract are capable of receiving and sending all relevant messages (used in the payment system) in the ISO 20022 messaging standard.

2.3a The operator must ensure that any central infrastructure contract in place on the date set out in, or specified under, paragraph 2.1:

- provides for the minimum scope but
- does not provide for services or system functionality beyond the minimum scope (“the additional functionality”) unless:
 - a. it has given notice of its intention to include the additional functionality under the [first](#) non-objection process (see Section 2A) and
 - b. the Payment Systems Regulator has given notice in writing that it does not object.

2.3b The operator must comply with any conditions given under paragraph 2A.6.

2.4 The operator of FPS must ensure that any central infrastructure contract it enters into does not provide for the provision of central infrastructure services for a period exceeding ten years.

2.4a The operator must not enter into a new central infrastructure contract unless:

- a. the Payment Systems Regulator has notified the operator of a date under paragraph 2.1, or specified a later date in accordance with Section 4, and the operator has complied with the requirements of this Section in procuring the contract, or
- b. it has given notice of its intention to enter into the contract under the second non-objection process (see Section 2B), and the Payment Systems Regulator has given notice in writing that it does not object.

2.4b The operator must not extend the existing central infrastructure contract (including by exercising any options to do so in the contract) unless it has given notice of its intention to extend under the second non-objection process (see Section 2B), and the Payment Systems Regulator has given notice in writing that it does not object.

2.4c The operator must comply with any conditions the Payment Systems Regulator sets under paragraph 2B.6

2.5 The operator of FPS must have regard, [to the extent relevant](#), to the work of the Forum in fulfilling its obligations under this Specific Direction 3, including in particular in relation to:

- a. establishing service-user needs for the payment system
- b. the proposal to create the consolidated operator

- c. the proposal to implement a common messaging standard for one or more regulated payment systems, including FPS
- d. the proposal to develop a New Payments Architecture for certain regulated payment systems
- e. the likely timing of the implementation of the proposals referred to in a) to d)

2A The first non-objection process

2A.1 If the operator gives notice under paragraph 2.3a, it must do so in writing.

2A.2 In the notice, the operator must set out:

- a. the additional functionality
- b. why it considers it appropriate to include the additional functionality
- c. details of its consultation in relation to including the additional functionality (including on the implications for competition, innovation, service users and the development of the New Payments Architecture), including the responses and its consideration of them
- d. information not covered by sub-paragraphs (a) to c) that it considers will assist the Payment Systems Regulator, in particular information relevant to the matters set out in paragraph 2A.4

2A.3 The Payment Systems Regulator may:

- a. waive the requirement for the operator to provide any of the material mentioned in paragraph 2A.2 (to any extent)
- b. require further material that it considers appropriate for the non-objection process

2A.4 In deciding whether to object (and whether to attach conditions to not objecting), the Payment Systems Regulator will take into account matters it considers relevant, including:

- a. whether the operator has consulted interested parties adequately, and how it has taken their views into account
- b. the implications for competition and innovation in payment services and related services. This includes:
 - 1. whether the additional functionality is a temporary or long-term measure
 - 2. whether the operator has given sufficient consideration to other ways of achieving similar user outcomes
 - 3. the implications for competition between payment systems

- c. the implications for system resilience and risks, including those relating to any foreseen or planned migration of payments from other payment systems
- d. the implications for service-users including consumers and businesses, including any costs of the additional functionality
- e. the implications for the timetable for the award of the contract and the delivery of the New Payments Architecture
- f. the benefits of the additional functionality being included in the contract that will apply on the date set out in paragraph 2.1
- g. the implications for the operator's ability to comply with all its obligations under this Specific Direction 3

2A.5 The Payment Systems Regulator will notify the operator in writing whether or not it objects.

2A.6 The Payment Systems Regulator may attach conditions to a notification that it is not objecting (for example, that only certain additional functionality may be included in the contract).

2B The second non-objection process

2B.1 If the operator wishes to give notice under paragraph 2.4a(b) or 2.4b, it must do so in writing.

2B.2 In the notice, the operator must set out:

- a. the date on which it proposes to enter into the contract or extension (or, if not known, the best estimate available)
- b. the purpose of entering into, or extending, the contract
- c. details of its consultation on the new contract or extension (including on the implications for competition, innovation, service users and the New Payments Architecture), including the responses and its consideration of them
- d. the extent to which the operator considers the provisions of the contract (where appropriate, the provisions of the extended contract) will achieve the benefits the Payment Systems Regulator has identified to the operator as its priorities, and the operator's reasoning for its assessment
- e. the extent to which the provisions of the contract (or of the extended contract) offer value for money to the operator, to those providing funding to the operator related to the contract and the services provided under it and to those likely to pay for services under the contract, and the operator's reasoning for its assessment
- f. a copy of the proposed contract, or, if the contract is being extended, the contract with any proposed changes highlighted

g. a summary of the terms of the contract or, if the contract is being extended, a summary of the changes to its terms, that specifically identifies provisions which might reasonably be regarded as substantive changes from the previous contract, or the contract before extension

h. information not covered by sub-paragraphs (a) to (g) that it considers will assist the Payment Systems Regulator, in particular information relevant to the matters set out in paragraph 2B.4

2B.3 The Payment Systems Regulator may:

a. waive the requirement for the operator to provide any of the material mentioned in paragraph 2B.2 (to any extent)

b. require further material that it considers appropriate for the non-objection process

2B.4 In deciding whether to object, or to attach conditions to not objecting, the Payment Systems Regulator will take account of such matters as:

a. whether the operator has consulted interested parties adequately, and how it has taken account of their views

b. the evidence and reasoning provided by the operator for its intended course of action (including the risks involved), and how the proposed action compares to alternatives

c. the implications for competition, innovation and service users, including consumers and businesses

d. the implications for the New Payments Architecture

e. the implications for the operator's ability to comply with all its obligations under this Specific Direction 3

2B.5 The Payment Systems Regulator will notify the operator in writing whether or not it objects.

2B.6 The Payment Systems Regulator may attach conditions to a decision not to object – for example, conditions about the services to be included in the contract.

~~3 Reporting requirements~~

~~3.1 The operator of FPS must report to the Payment Systems Regulator on its work under this Specific Direction 3. Each report must, as a minimum, include:~~

~~a. A description of the operator's progress in relation to the steps outlined at 2.2.~~

~~b. Evidence demonstrating that, and a description of how, each of the requirements outlined at paragraph 2.2 has been, or will be, fulfilled, including:~~

~~1. Evidence demonstrating that, and a description of how, the operator has taken into account the results of its consultation with service users.~~

~~2. Evidence demonstrating that, and a description of how, the operator has taken into account the results of its engagement with potential providers.~~

~~e. Evidence demonstrating that, and a description of how, the requirement outlined at 2.5 has been, or will be, fulfilled, including the operator's plans in relation to any application it may make in accordance with Section 4.~~

~~d. A description of the operator's progress in relation to paragraph 2.3a.~~

~~e. Information about any plan to give notice under paragraph 2A.1.~~

~~**3.2** — In respect of a report required under paragraph 3.1, the Payment Systems Regulator may:~~

~~a. add to the matters that the operator must include in the report~~

~~b. remove the requirement to cover any particular matter in the report~~

~~c. suspend the requirement on the operator to provide a report, either for a specified period or indefinitely~~

~~d. change the frequency of the reports~~

~~e. require the operator to submit a report on, or before, a different date~~

~~It will notify the operator of any of these changes in writing.~~

~~**3.3** — A change made under paragraph 3.2(a) or (b) can apply to a specific report, a number of reports, for a period of time or for an indefinite period.~~

~~**3.4** — The operator must submit a report on or before 31 March, 30 June, 30 September and 31 December each year. The first report is due on 31 March 2022. This reporting requirement applies until the Payment Systems Regulator notifies the operator in writing that it has ended.~~

~~**3.5** — The Payment Systems Regulator may publish a report, or require the operator to publish it. The operator must comply with any deadline that the Payment Systems Regulator sets for this.~~

~~**3.6** — The Payment Systems Regulator will take account of issues around confidentiality in deciding what should be published. In particular, it may require the operator to provide a version of the report that excludes confidential information for publication.~~

4 Application to the Payment Systems Regulator to extend the date for compliance for transitional arrangement in relation to the New Payments Architecture

- 4.1** The Payment Systems Regulator may specify a date later than ~~1 July 2026 (or a previously specified date)~~ a date notified under paragraph 2.1 (or a previously specified date) for the purposes of paragraph 2.1 where, in its opinion, this is required because of the implementation of the New Payments Architecture.
- 4.2** The operator of FPS may apply to the Payment Systems Regulator seeking a date to be specified for the purposes of paragraph 2.1.
- 4.3** [omitted]
- 4.4** [omitted]
- 4.5** Applications under paragraph 4.2 must include:
- a. the date the operator proposes is specified
 - b. an explanation of why, in the operator's view, a later date is required because of the implementation of the New Payments Architecture
 - c. the steps the operator has taken to meet its obligations under this Specific Direction
 - d. an explanation of the consequences, in the operator's view, of its application being rejected
 - e. information about the alternatives to making an application that the operator has considered, and its reasons for rejecting them
 - f. information about any engagement the operator has had with its stakeholders about whether to make an application, including the extent and nature of the engagement and the views of stakeholders
- 4.5a** The Payment Systems Regulator may require further material that it considers appropriate to its determination of the application.
- 4.6** The Payment Systems Regulator will consider the application provided and all facts it considers relevant at the time.
- 4.7** The Payment Systems Regulator may reject an application or specify the date sought in the application, or such other date as it sees fit, and may make the specification of such

later date subject to compliance by the operator with any conditions set out in its decision. Such conditions may, in particular, include a requirement that the operator undertakes steps in relation to any interim contract for central infrastructure services (for example, certain of the steps outlined at paragraph 2.2).

5 Exemption for exceptional circumstances

- 5.1** The operator of FPS may apply to the Payment Systems Regulator for an exemption from the duty to comply with one or more of the obligations set out in this Specific Direction 3. Such applications must include:
- a. the exceptional circumstances which the operator maintains justify the application
 - b. the steps which the operator is taking, or proposing to take, to mitigate any risks arising from its non-compliance
 - c. whether, and when, the operator expects to recommence compliance with all of its obligations under this Specific Direction 3.
- 5.2** The Payment Systems Regulator may reject an application or approve it in whole, or in part, and may make such approval subject to compliance with any conditions.
- 5.3** Where the Payment Systems Regulator has approved an application, the operator must comply with its obligations under this Specific Direction 3 before such date as the Payment Systems Regulator specifies in the approval of the application.

6 Application

- 6.1** This specific direction applies to the operator of FPS.
- 6.2** The operator of FPS may, where appropriate, fulfil its obligations set out in this Specific Direction 3 jointly with one or more of the operator(s) of Bacs and Cheque and Credit. The operator of FPS remains individually subject to the obligations set out in this specific direction regardless of any joint compliance.

7 Commencement

- 7.1** This specific direction comes into force on 20 June 2017.
- 7.2** This specific direction shall continue in force until such time as it is varied or revoked by the Payment Systems Regulator.

8 Citation

8.1 This specific direction may be cited as Specific Direction 3 (Procurement: FPS).

9 Interpretation

9.1 General Provisions GP2 and GP3 are incorporated into this specific direction and are to be read as a direction under section 54 of the Act for the purposes of this specific direction.

9.2 The headings and titles used in this specific direction are for convenience and have no legal effect.

9.3 The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament except where words and expressions are expressly defined.

9.4 References to any statute or statutory provisions shall be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

9.4a When this specific direction refers to the New Payments Architecture, the reference is to be taken to include any proposal by the operator of FPS for the development of new, or upgrading of existing, central infrastructure (including where the proposal is for central infrastructure to replace (in whole or part) FPS).

9.5 In this specific direction:

Act	Means the Financial Services (Banking Reform) Act 2013
Bacs	Means the Bacs regulated payment system designated by HM Treasury under section 43 of the Act in March 2015
central infrastructure	Means the whole, or any part of, a package of systems and services, comprising hardware and software, provided under contract to an operator for the purposes of operating FPS (or a system that forms part of the New Payments Architecture), including the processing of funds transfers
central infrastructure contract	Means a contract between an operator and another person for the provision of central infrastructure
central infrastructure provider	Means an infrastructure provider when providing central infrastructure
Cheque and Credit	Means the Cheque and Credit regulated payment system designated by HM Treasury under section 43 of the Act in March 2015

competitive tender	Means a process by which an operator invites and evaluates bids for the provision of central infrastructure
Consolidated operator	The person created in furtherance of the Forum's proposal to consolidate the person who is responsible, at 20 June 2017, for fulfilling the role of operator of FPS with the persons responsible for fulfilling the role of operator for one or more other regulated payment systems
existing central infrastructure contract	Means the agreements between FPSL and VocaLink of 10 February 2014 relating to the provision of Managed Services for a Faster Payments Service, as amended from time to time
existing messaging standard	Means FPS's implementation of the ISO 8583 messaging standard, plus its use of Standard 18 for Direct Corporate Access submissions
Faster Payments Scheme (FPS)	Means the Faster Payments Scheme regulated payment system designated by HM Treasury under section 43 of the Act in March 2015
Forum	The Payments Strategy Forum
infrastructure provider	Has the meaning given by section 42(4) of the Act
ISO 20022 messaging standard	An international financial messaging standard developed to facilitate electronic data interchange between financial institutions, and which supports interoperability between all parties in the payments process
Minimum scope	the services and system functionality needed to process single push payments
New Payments Architecture	Means the proposed new architecture for certain regulated payment systems, known as the simplified payments platform, as set out in the Forum's November 2016 document, 'A Payments Strategy for the 21st Century'
operator	Has the meaning given by section 42(3) of the Act
payment system	Has the meaning given by section 41 of the Act
Payment Systems Regulator	Means the body corporate established under Part 5 of the Act
potential provider	Means a person who is a central infrastructure provider or who, in future, has the potential to become a central infrastructure provider

procurement	Means the process of entering into a contract for the acquisition, by an operator, of central infrastructure from another person chosen by that operator
regulated payment system	Means a payment system designated by HM Treasury under section 43 of the Act in March 2015
Single push payment	A payment that is initiated by or on behalf of the payer where both submission to and output from the central infrastructure happens on the same day using single payment messages. It can be an immediate payment or any other same-day payment, including a diarised payment

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