

# **Financial Services (Banking Reform) Act 2013:**

Memorandum of Understanding between  
the Bank of England, the Financial Conduct  
Authority, the Payment Systems Regulator  
and the Prudential Regulation Authority

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# Purpose and scope

1. This Memorandum of Understanding (MoU) sets out the high-level framework and principles that the Bank of England (the Bank), the Financial Conduct Authority (FCA), the Payment Systems Regulator (PSR) and the Prudential Regulation Authority (PRA) (individually, an Authority and together the Authorities) will use to cooperate with one another and coordinate exercising their relevant functions, in relation to UK payments. This MoU does not affect any arrangements under other MoUs between the Authorities.
2. The MoU fulfils the obligations of the Authorities under section 99 of the Financial Services (Banking Reform) Act of 2013 (FSBRA) to prepare and maintain a MoU describing the role of each Authority in relation to their 'relevant functions'<sup>1</sup> which relate to matters of common regulatory interest, and how the Authorities intend to coordinate the exercise of their relevant functions. The MoU is an important tool for strengthening regulatory coordination and cooperation to foster an efficient and effective regulatory environment that delivers good outcomes for the payments ecosystem and supports UK economic growth.
3. The Authorities have different objectives, remits and powers in relation to payments in the UK. This means that the actions of each Authority may have implications for the objectives of the others. It is therefore essential that the Authorities work together when exercising their functions, to ensure each can advance its objectives.

## Principles for regulatory cooperation and coordinated exercise of functions

4. The Authorities are committed to coordinating and cooperating in relation to matters of common regulatory interest, to foster an efficient and effective approach to exercising their relevant functions in relation to payments. To guide this, the Authorities have committed to the following principles. Where appropriate:
  - a. **Provide clarity of roles and responsibilities:** the Authorities will take appropriate action to clarify their respective roles and responsibilities to improve market participants' understanding of the regulatory landscape.
  - b. **Take a holistic approach:** where the Authorities identify matters of common regulatory interest and consider that a decision may have a material impact on the advancement of another Authority's objectives or regulatory functions, they will consult with the relevant Authority.
  - c. **Coordinate and cooperate in the exercise of relevant functions:** the Authorities will seek to ensure effective coordination and cooperation when exercising relevant functions in relation to matters of common regulatory interest.

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1 See Annex 1 for full definition of relevant functions.

- d. **Exchange information:** the Authorities will share relevant information and advice between them, to support coordination and cooperation when exercising their functions, unless legally constrained from doing so.
- e. **Review on an ongoing basis:** the Authorities will annually review this MoU and their coordination efforts to ensure they remain effective, efficient and take account of industry feedback.

## Principle 1 – Provide clarity of roles and responsibilities

- 5. It is critical that market participants have a clear understanding of the regulatory landscape to deliver good outcomes for end users, as well as promote a positive climate for investment to support economic growth.
- 6. The Authorities will take appropriate steps to provide clarity to market participants on their respective roles and responsibilities in respect of their relevant functions and how they manage areas of regulatory overlap. For example, through external engagements, publications and updates to the MoU. The roles and responsibilities of each Authority are in Annex 1.
- 7. The Authorities have published further [information](#) providing detail of each Authority's regulatory remit, which will be updated at least annually.

## Principle 2 – Take a holistic approach

- 8. Where the Authorities identify matters of common regulatory interest and consider that a decision may have a material impact on the advancement of another Authority's objectives or regulatory functions, they will consult with the relevant Authority.
- 9. This applies in particular to any proposed exercise of a relevant function that may have a material effect on the advancement by another Authority of any of its objectives and to policy deliberations that may have a material effect on another Authority's objectives.
- 10. Where appropriate, each Authority will also seek to avoid introducing requirements which are inconsistent or conflict with those introduced by, or are under serious consideration by, another Authority.
- 11. Where conflict of requirements, policies or strategies is a serious prospect and would have a material effect on the achievement of any of the Authorities' objectives, the issue will be escalated to the senior management of the relevant Authorities.

## Principle 3 – Coordinate and cooperate in the exercise of relevant functions

- 12. The coordinated exercise of relevant functions between Authorities in relation to matters of common regulatory interest is important to ensure a more effective, efficient and streamlined regulatory approach, including when engaging with the payments sector.
- 13. In respect of matters of common regulatory interest, where appropriate and possible, the Authorities will coordinate the exercise of their general functions (e.g. rule-making and

giving of directions), the development and implementation of policies and strategies, and on the supervision of firms. This may include coordinating joint engagements with the sector and joint policy initiatives (such as the 2024 FCA/PSR Call for Information on Big Tech and Digital Wallets), as well as cooperating to enhance strategic alignment.

14. The Authorities will seek to keep each other informed on their pipeline of regulatory initiatives and will, where possible, coordinate to ensure that the timing of regulatory initiatives accounts for the Authorities' collective impact on industry. To assist firms in planning for upcoming regulatory initiatives, the Authorities already use mechanisms such as the Regulatory Initiatives Grid (RIG) to provide visibility of forthcoming work. In addition to this, the Payments Vision Delivery Committee intends to publish the Payments Forward Plan to highlight future initiatives and a recommended monitoring approach.

## Cooperation in respect of regulated firms

15. Some firms will be subject to regulation by more than one of the Authorities. For example, the PSR has powers over certain payment service providers<sup>2</sup> that are also regulated by the FCA and, in some cases, the PRA. Some payment systems (encompassing operators and infrastructure providers) may be subject to regulation by both the Bank and the PSR. In such circumstances, the Authorities will coordinate the exercise of their activities e.g. through information sharing and coordinated supervision work, unless they are legally constrained from doing so.
16. Where appropriate, the Authorities will cooperate to support firms looking to offer new and innovative products and services, e.g., via the [FCA's Innovation Hub](#).
17. In the event of an actual or anticipated default of a recognised or designated payment system, or of a significant participant<sup>3</sup> in such a system; or a material operational disruption of a designated or recognised payment system or a specified service provider to a recognised payment system, the Authorities are committed to working closely together, and to communicating effectively and promptly in order to ensure that regulatory actions are coordinated.
18. It may be the case that the Authorities need to coordinate on firms that are not subject to regulation by all or any of those Authorities. For example, the FCA and PSR coordinate and share information to monitor firms' compliance with Authorised Push Payment (APP) fraud reimbursement rules. The Bank, PSR and FCA may also need to coordinate and exchange information on fiat-referenced stablecoin firms (e.g. issuers, custodians or wallet providers) and digital settlement assets that are not yet in scope of the Bank's regulation but may be on a path to becoming systemically important.

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2 Payment service provider according to s.42(5) FSBRA, in relation to a payment system, means any person who provides services to persons who are not participants in the system for the purposes of enabling the transfer of funds using the payment system.

3 Participants in regulated payment systems are operators of payment systems, infrastructure providers and payment service providers as defined in s.42(3)-(5) FSBRA.

## Cooperation regarding representation of the UK at international meetings

19. The Authorities will, where practicable, coordinate their senior level engagement with international committees and organisations where the matters arising concern payment systems or services provided by payment systems.
20. The Authorities will establish arrangements for exchanging agendas and information regarding areas of common interest in relation to international committees and organisations of which one is a member, in a timely manner. The Authorities will consider the opinions of the other Authorities when determining their own position. Where possible, the Authorities will consult with each other to agree positions that reflect the views of the others, while consistent with their own objectives, in good time before such engagement takes place.
21. Where an Authority engages in an international meeting or other forum it will assess the need to engage with other Authorities if that is relevant to their objectives, role, and areas of interest.

## Principle 4 – Exchange information

22. The timely and focused exchange of relevant information is essential to facilitating effective coordination and cooperation between the Authorities.
23. Where appropriate and in accordance with the law, the Authorities will aim to cooperate by sharing information with other Authorities to support a coordinated, proportionate and streamlined regulatory approach (e.g., resulting in a reduction in information requests submitted to firms). This includes information related to firms and related to current and emerging risks and opportunities in the sector to develop a shared understanding of market changes and cooperate, if appropriate, in responding to them.
24. The Authorities have a duty to protect confidential information received from third parties. However, legislation enables the Authorities to share confidential information in certain circumstances through ‘information gateways’.
25. The Authorities will also, where appropriate, obtain and share information and advice with one another in areas where another Authority might be expected to have relevant information or expertise that the other(s) lack(s), unless legally constrained from doing so.
26. The Authorities’ ability to share confidential information with each other may be constrained by the terms of agreements with third parties, such as overseas supervisors, or by the law. The Authorities will seek to ensure that these instances are minimised by seeking the relevant consents.

## Confidentiality

27. Each Authority will protect the confidentiality and sensitivity of all unpublished regulatory and other confidential information received from other Authorities. Additional protections apply to information specifically designated by the Bank as requiring further protection. The FCA and PSR will not disclose information designated by the Bank as being specially protected information except where they are legally allowed to under s.94 FSBA.

- 28.** Without prejudice to the obligations that an Authority may have to use or disclose information in relation to legal proceedings or otherwise, each Authority will endeavour to consult other potentially interested Authorities, where practicable, before:
- a. Passing the information to a third party; or
  - b. Using the information in legal, enforcement or court proceedings.
- 29.** The Authorities will liaise on responding to requests made under the Freedom of Information Act 2000 and the Data Protection Act 2018, where appropriate, and will consult before releasing information received from another Authority.

## Reporting into possible regulatory failures

- 30.** Under sections 73, 74 and 76A of the Financial Services Act 2012 (as amended), the FCA, PRA and PSR, respectively, have a duty to carry out an investigation into events that may constitute a regulatory failure and to produce a report to HM Treasury on the results of such an investigation. If one or more Authority/Authorities is/are undertaking such an investigation, it/they will share information that may be relevant to another Authority's investigation and coordinate the investigations and reports, where appropriate and to the extent permitted by law. In the event that one, or more, Authority/Authorities is/are conducting an investigation, any information obtained in the course of these investigations should be shared with any of the other Authorities covered by this MoU where doing so would assist those Authorities in achieving their objectives, unless legally constrained from doing so.

## Principle 5 – Review on an ongoing basis

- 31.** The Authorities will annually review this MoU and their coordination of efforts to ensure they remain effective, efficient and take account of industry feedback.
- 32.** The Authorities will give HM Treasury a copy of this MoU and any revised versions of it. HM Treasury will lay the MoU and any subsequent versions of it before Parliament. The Authorities will ensure that the MoU is suitably accessible to the public.
- 33.** Each Authority will appoint a senior executive responsible for the coordination set out in this MoU, including regular monitoring of the Authorities' coordination efforts. Where an appointed executive so requests, and at a minimum annually, the appointed executives will review the effectiveness and efficiency of coordination and cooperation.
- 34.** The Bank's Financial Market Infrastructure Committee and the FCA, PSR and PRA's appointed executives will review each year how the MoU is working. The Authorities will publish a summary of the key points from those reviews.
- 35.** Feedback from regulated firms on how coordination is working will be an input into those reviews. Judgement on whether there has been a lack of coordination or unnecessary duplication by the Authorities in pursuit of their objectives will be made by each Authority.

## **Urgent action**

- 36.** It is important that the Authorities have the ability to act quickly where necessary to advance their respective objectives. In that context, in exceptional market conditions or other relevant circumstances, the precise arrangements set out in this MoU may not be compatible with one or more of the parties advancing its objectives with the urgency required. In such urgent situations, and provided they are legally able to do so, one or more Authorities may depart from the arrangements set out in this MoU. For example, action may need to be taken without consultation. In this case the Authority will provide the others with notice of the situation and the urgent action that was taken as soon as practical. In the event of emergency situations, the Authorities will work together using existing arrangements, as appropriate.

## **Rights of the Authorities to veto certain PSR regulatory actions**

- 37.** The Bank, the FCA and the PRA have powers under sections 100,101, and 102 FSBRA, respectively, to require the PSR not to take specified action. Save in the case where urgent action under paragraph 36 is required, the Bank, the FCA and the PRA will engage with the PSR before exercising the veto powers.
- 38.** The PSR is not required to comply with any direction made by the Bank, PRA or FCA pursuant to a veto power if it considers doing so would be incompatible with any other international obligation of the UK.
- 39.** The rights of the Authorities to veto certain PSR regulatory actions do not apply to the PSR exercising its powers as a competent authority under the PARs, PCIFRs, PSRs 2017 or its concurrent competition functions.



# Approved by the Authorities

Bank of England, Financial Market Infrastructure Committee – 17 April 2025

Prudential Regulation Authority, David Bailey (Executive Director, Prudential Policy) – 17 April 2025

Financial Conduct Authority Executive Committee – 13 May 2025

Payment Systems Regulator Board – 21 May 2025

# Annex 1 – Roles of the Authorities

1. This annex describes the role of each Authority in relation to the exercise of ‘relevant functions’ which relate to matters of common regulatory interest.
2. As defined in section 98(5) FSBRA 2013, “relevant functions” means:
  - a. In relation to the Payment Systems Regulator, its functions under this Part [or Part 2 of the Payment Card Interchange Fee Regulations 2015];
  - b. In relation to the Bank of England, its functions under Part 5 of the Banking Act 2009 (...payment systems) [or Part 5A of that Act (wholesale cash distribution)];
  - c. [In relation to the FCA:
    - i. The functions conferred on it by or under the Financial Services and Markets Act 2000 (see section 1A(6) of that Act);
    - ii. The functions conferred on it by or under Part 3 of the Payment Card Interchange Fee Regulations 2015 (S.I. 2015/1911);
    - iii. The functions conferred on it by or under the Electronic Money Regulations 2011 (S.I. 2011/99);
    - iv. Its functions in regulating:
      - a) Credit institutions where authorised under Part 4A of the Financial Services and Markets Act 2000, or
      - b) Authorised payment institutions under the Payment Services Regulations 2017 (S.I. 2017/752).]
  - d. In relation to the PRA, the functions conferred on it by or under the Financial Services and Markets Act 2000 (see section [2AB(3)] of that Act).

## The Bank of England

3. The Bank has a primary objective to protect and enhance the stability of the financial system of the UK.<sup>4</sup> This objective applies to the Bank in its role in supervising payment systems, service providers and digital settlement asset (DSA) service providers that have been recognised by HM Treasury as systemically important in the UK.<sup>5</sup> This means that any deficiencies in the design of a payment system, or any disruption of its operation, would be likely to threaten the stability of, or confidence in, the UK financial system.
4. Since 2023, the Bank has powers to regulate systemic payment systems using ‘digital settlement assets’, including stablecoins, and related DSA service providers, once these

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4 Under the Bank of England Act 1998.

5 Under section 206A of Part 5 the Banking Act, a service provider provides services to a recognised payment system that form part of the arrangements constituting the system.

have been recognised by HM Treasury.<sup>6</sup> HM Treasury may make a recognition order in respect of a DSA service provider if any deficiencies in the services provided by the service provider, or any disruption to the provision of those services, would be likely to threaten the stability of, or confidence in, the UK financial system.

5. To help achieve its objectives, the Bank supervises the firms in its remit with respect to their safety and resilience to risks, both financial and operational, which could lead to financial instability. Reflecting its statutory objectives the Bank helps to ensure that the firms it regulates reduce systemic risk by focusing on the following aims:
  - a. Avoiding disruption to the vital payment and settlement services they provide to the financial system and real economy.
  - b. Avoiding actions that have an adverse impact on the safety and soundness of their participants, subject to preserving the resilience of the payment system.
  - c. Contributing to identifying and mitigating risks in the end-to-end process of making payments.
6. The key piece of legislation for the Bank as a supervisor of systemic payment systems and related service providers is Part 5 and 5A of the Banking Act 2009. This legislation sets out the Bank's supervisory and enforcement powers.
7. Part 5A of the Banking Act enables the Bank to oversee certain persons involved in wholesale cash distribution. The Bank exercises its powers in this Part for the purpose of managing risks to the effectiveness, resilience and sustainability of wholesale cash distribution throughout the UK.
8. While not relevant functions, as defined in section 98 of FSBRA, some of the other roles the Bank undertakes with respect to payment systems include:
  - a. Exercising powers under the special administrative regime for operators of infrastructure companies under Part 6 of FSBRA.
  - b. Authority responsible for the designation of payment, settlement and clearing systems in the UK under the Financial Markets and Insolvency (Settlement Finality) Regulations 1992.
9. The Bank also performs a number of operational functions in relation to payments that are out of scope of this MoU. This includes, for example: the Bank as operator of the UK's Real Time Gross Settlement System; operator of the CHAPS payments system; and being the responsible authority for the Sterling Monetary Framework, under which the Bank implements the decisions of the Monetary Policy Committee and provides liquidity to the banking system.

## The Financial Conduct Authority

10. The FCA's strategic objective is to ensure relevant markets function well. Its operational objectives are to secure an appropriate degree of protection for consumers, protect and enhance the integrity of the UK financial system and promote effective competition in the

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6 Under section 206AA of Part 5 of the Banking Act, DSA service providers to payment systems using digital settlement assets may include firms such as issuers, custodians, wallet providers or exchanges.

interests of consumers. It also has a secondary objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term (subject to alignment with relevant international standards). Under the Financial Services and Markets Act 2000 (FSMA), when discharging its general functions the FCA must, so far as is reasonably possible, act in a way which (a) is compatible with its strategic objective, (b) advances one or more of its operational objectives and (c) advances its secondary objective. The FCA also has concurrent competition powers with the Competition and Markets Authority (CMA) in the provision of financial services in the UK and claims management services in Great Britain.

11. In the payments sector, at a high level, the FCA is responsible for:
  - a. The authorisation, registration and supervision (in respect of both prudential and conduct requirements) of payment and e-money institutions.
  - b. The supervision of other payment service providers (including banks) in respect of conduct requirements.
12. The key legislation includes:
  - a. Under FSMA, the FCA is responsible for: a) regulating standards of conduct in retail and wholesale financial markets; b) supervising trading and infrastructures that support those markets; c) the prudential supervision of authorised firms that are not PRA-regulated; and d) the functions of the UK Listing Authority and other functions under Part 6 of FSMA.
  - b. The FCA regulates the provision of payment services under the Payment Services Regulations 2017. In addition, the FCA regulates the issuance of e-money under the Electronic Money Regulations 2011.
  - c. Under regulation 107 of the Payment Services Regulations 2017, the FCA has a role in ensuring payment service providers comply with relevant provisions of the Interchange Fee Regulation (Regulation (EU) 2015/751).

## The Prudential Regulation Authority

13. The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms ("PRA-authorised firms"). Under FSMA, the PRA's general objective is to promote the safety and soundness of PRA-authorised firms. That objective is advanced primarily by seeking to ensure that the business of PRA-authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system and seeking to minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system. The PRA also has two secondary objectives; a competition objective which requires it, when discharging its general functions so far as is reasonably possible, to act in a way which facilitates effective competition in the markets for services provided by PRA-authorised firms in carrying on regulated activities; and an objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term (subject to alignment with relevant international standards).

# The Payment Systems Regulator

14. The PSR is the independent regulator for UK payment systems. The PSR regulates payment systems officially designated by HM Treasury in accordance with sections 43-45 FSBRA<sup>7</sup> and the participants<sup>8</sup> in those designated systems i.e. payment system operators, infrastructure providers and payment service providers. More generally, the PSR also has concurrent competition powers for any payment system active in the UK to ensure fair and open access to payment systems for all participants.
15. Under FSBRA, when discharging its general functions relating to payment systems, the PSR must, so far as is reasonably possible, act in a way which advances one or more of its three payment systems objectives:
  - a. To promote effective competition in the market for payment systems and the markets for services provided by payment systems in the interests of those who use, or are likely to use, services provided by payment systems.
  - b. To promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by payment systems, including in particular the infrastructure used to operate them, with a view to improving the quality, efficiency and economy of payment systems.
  - c. To ensure that payment systems are operated and developed in a way that takes account of, and promotes the interests of those who use, or are likely to use, services provided by payment systems.
16. The PSR is responsible for designating any alternative switching schemes under the Payment Account Regulations 2015. The PSR is responsible for ensuring that any designated scheme continues to meet the requirements for designation, and for taking any enforcement action in this regard.
17. In discharging its general functions relating to payment systems, the PSR must also have regard to the importance of maintaining the stability of, and confidence in, the UK financial system; the importance of payment systems in relation to the performance of functions by the Bank in its capacity as a monetary authority and a number of regulatory principles set out in s.53 FSBRA.
18. The PSR is responsible for enforcing the Interchange Fee Regulation in the UK, as set out in the Payment Card Interchange Fee Regulations (PCIFRs). Additionally, the PSR oversees several aspects of the Payment Services Regulations (PSRs 2017) including:
  - a. Regulation 61 – ATM withdrawal information
  - b. Regulation 103 – Access to payment systems
  - c. Regulation 104 - Indirect access to designated payment systems

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7 See <https://www.psr.org.uk/payment-systems/who-we-regulate> for list of systems designated by HM Treasury.

8 As defined in s.42(2) FSBRA.

- d. Regulation 105 – Access to payment account services. (The PSR shares responsibility with the FCA for regulation 105 and they follow a separate protocol for cooperation in exercising powers for enforcement).