

Supplementary note A

Statutory objectives and regulatory principles

June 2025

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- 1.1** In its interim annual report¹, the FCA Cost Benefit Analysis (CBA) Panel recommended ‘that the PSR, like the FCA, develop a clear policy on how its CBA reflects its various statutory objectives and regulatory principles’. This supplementary note addresses this recommendation, and expands on the principles in our statement of policy on our CBA framework.
- 1.2** Our statement of policy sets out, on a principles basis, ‘why’, ‘when’ and ‘how’ we do CBA, and ‘what’ they would typically cover.
- 1.3** One of the core principles for why we use CBAs is that: ‘Our CBAs help us make effective decisions, but they are not the only means of doing this. A CBA is one of several inputs into our decision-making that help us establish the likely balance of impacts of a proposed intervention.’²
- 1.4** Our **CBAs focus on a description of likely economic impacts**³ of a proposed policy intervention, but do not by themselves act as a justification for our decisions. It is this principle that informs our approach to the relationship between CBAs, our statutory objectives, and our regulatory principles.
- 1.5** Specifically, our CBAs consider impacts on our statutory objectives or regulatory principles where an impact on service-user outcomes or welfare can be identified. For example, we would usually use a CBA to show that we would expect impacts on innovation and growth to result in changes to user outcomes (for example, in the form of cheaper, more secure or faster payments).
- 1.6** CBAs are an input into decision-making. They identify relevant policy options and trade-offs but would not typically set out how we would trade off (or weigh up) different statutory objectives, regulatory principles or the wider strategic context.⁴ CBAs may also provide ways to compare different options, but considering these options will need to take account of those wider trade-offs.

1 [FCA CBA Panel, *Interim Annual Report \(May-September 2024\)*](#) (published January 2025)

2 [PS25/1 *Statement of policy on our cost benefit analysis framework*](#) (January 2025), Chapter 3

3 These include GDP impacts, but also non-financial impacts such as impacts on consumer wellbeing that affect, in particular, the welfare of payments users.

4 For example, recommendations made by the Treasury under section 102A of FSBRA.

Statutory objectives

1.7 FSBRA sets out our three statutory objectives⁵:

- **A competition objective:** To promote effective competition in the interests of those who use, or are likely to use, services provided by payment systems.
- **An innovation objective:** To promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, their services.
- **A service user objective:** 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, them.

1.8 Our statement of policy says: ‘Our analysis sets out the intended policy outcomes and the economic reasoning of how the proposed policy is likely to achieve them [...]. Within this analysis, we will also aim to show how our intended policy outcomes support one or more of our statutory objectives.’⁶ Paragraph 5.45 states that ‘we will aim to assess how our intended policy outcomes and the likely impacts of a proposed intervention relate to the advancement of our statutory objectives’ within our CBAs.

1.9 Impacts on innovation and competition are usually indirect in nature – that is, they are longer term dynamic effects. This means that innovation and competition effects lead to improved outcomes for service users. They are not ends in themselves. CBAs assess how a proposed policy might result in such impacts, including their potential magnitudes.

1.10 CBAs may also consider distributional analysis – that is, estimate impacts on specific groups, such as regulated PSPs, merchants and other users. This can be relevant to our service-user objective, because focusing only on aggregate impacts increases the risk of overlooking unintended consequences for specific parties. A CBA helps provide an overall assessment of the impacts across user groups, or even economic impacts on groups that are not ‘users’.

1.11 In line with our general approach, CBAs establish the nature and scale of effects on our statutory objectives and outcomes. It is a matter for the main policy decision, however, to strike a strategic balance between these effects, and this will often not be a simple arithmetic net benefit consideration. This division between the economic case and other inputs into the decision to intervene ensures that the analysis in the CBA remains objective, and any assumptions are clearly defined and their effect assessed.

5 See sections 49 to 52 of FSBRA.

6 Paragraph 5.21.

Regulatory principles

1.12 Section 53 of FSBRA requires us to have regard to eight regulatory principles. Analysis carried out in CBAs is often directly relevant to at least four of these principles:

- section 53(b) – that our regulatory intervention must be proportionate to the problem we aim to address
- section 53(c) – the desirability of sustainable growth in the economy of the United Kingdom in the medium or long term
- section 53(f) – recognising differences in the nature of, and objectives of, businesses we might impose requirements on
- section 53(g) – that we should exercise our functions as transparently as possible

1.13 CBAs are an important part of an overall proportionality assessment (section 53(b)) as they assess the likely balance of economic impacts of a proposed intervention. They also typically assess and reflect on the potential impact on growth (section 53(c)) as a core economic impact especially important to us and our work.⁷

1.14 Where appropriate, CBAs provide distributional analysis that assesses impacts on different groups (relevant to section 53(f)) and are a core tool for transparent policy making (relevant to section 53(g)).

⁷ The importance of supporting growth was emphasised in our January 2025 [letter to the Prime Minister](#).

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