PSR Payment Systems Regulator

Annual plan and budget 2023/24

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Foreword

Aidene Walsh (Chair)

The PSR is now into the second year of its five-year Strategy, and we recognise that this is a pivotal year in terms of delivery and preparing for future developments. Two of our most significant workstreams in this coming year – authorised push payment (APP) scams and card fees – focus heavily on our objective of ensuring that payment systems are operated and developed in ways that consider and promote the interests of service users. It is reassuring to note that, in anticipation of receiving powers in the Financial Services and Markets Bill (FSMB), we have consulted on proposals for reimbursement for APP scam victims and will soon be ready to publish our final policy. In addition, we've recognised our ability to influence a wider solution to scams and, as such, have taken a leadership role.

With responsibility for access to cash expected to move to the Financial Conduct Authority (FCA) following Royal Assent of the FSMB, we will increase our focus on access to digital payments, in particular for vulnerable groups. The stage was set for this last year with the publication of the PSR Panel's Digital Payments Initiative report. There is wide acknowledgement that much needs to be done to enable people to use digital payments across society.

2023 is a key year for the building blocks for the future of payments in the UK, in terms of both competition and innovation. A decision will be taken on the infrastructure provider for the New Payments Architecture in the coming months, and we will work closely with Pay.UK to ensure that anticipated timelines remain relevant and achievable. Alongside this we will, with the FCA and the Competition and Markets Authority (CMA), deliver the roadmap for open banking.

We will work with Fnality to ensure its new Sterling Fnality Payment System is ready for go-live later in the financial year. We will also participate in relevant conversations about a UK central bank digital currency.

There are many developments in payments domestically and internationally, and we will increase our engagement with stakeholders, sharing our views on what we see as the most important developments in payments on the horizon.

Having had monitoring and supervisory powers since our inception, with so much on our agenda and a relatively lean team we have not previously been able to develop this capability further. With the roll-out of Confirmation of Payee and the requirements we have placed on card acquirers, and as we put further rules and interventions in place, it is now the time to build this team.

In past years, we have either had to reprioritise or dip into our reserves to fund unplanned work that needs to be done. With the approval of this year's budget, we now have the necessary resources to put the right focus on delivery for 2023/24 and beyond – significantly progressing against our statutory objectives and making sure UK payment systems are fit for the future. The board and the Executive team are fully committed to transparently delivering value for money as the PSR evolves.

As Chair, I thank Chris and his team, and my fellow board members, for their continued dedication to making a difference to payment systems in the UK.

Foreword continued

Chris Hemsley (Managing Director)

Payment systems underpin our increasingly digital lives. They support productivity and have an important impact on vulnerability and inclusion. The UK's payment systems processed over £95 trillion in 2021, and the PSR has a critical role in ensuring they work well for people, businesses and wider society. We protect people from fraud; we promote competition; and we make sure that, in a world of constantly evolving technology, payment systems support choice – so that everyone can make payments in ways that meet their needs.

We're now covering a larger and more complex programme of work than ever before, in both scale and scope. Guided by our five-year Strategy, we're delivering positive change – moving quickly where we can to secure significant benefits for people and businesses using payment systems.

Our work on payment scams has already protected consumers from millions of pounds' worth of fraud. This year we're working hard so that we're ready to make the next step on prevention and protection a reality, as soon as new legislation turns on the powers we need. Following our card-acquiring market review, businesses will benefit from greater transparency and the ability to shop around more easily for the services they need to accept card payments. And our enforcement work has seen us issue fines totalling more than £40 million, sending a clear signal that we'll take decisive action where people break the rules we oversee.

We're also leading on the way payment systems develop and evolve, including shaping the delivery of the UK's New Payments Architecture. We're monitoring Pay.UK's procurement and delivery of a new, upgraded payment system. This will be an important new infrastructure that will support innovation, competition and a more diverse range of modern payment options. Meanwhile, as co-chair of the Joint Regulatory Oversight Committee, we're working to see the full potential of open banking realised. As part of this we have a crucial role in ensuring that account-to-account retail payments bring opportunities for new services, and allow more convenient and efficient ways to pay.

All this is part of a substantial programme of existing work that's making substantial progress towards the priorities set out in our Strategy.

Foreword continued

We also have an eye further into the future. Through data and intelligence gathering, we closely monitor issues that may affect our current Strategy, anticipating and responding to developments on the horizon. Over the next year, I want to build on the progress we've made in terms of engaging in more and better ways with stakeholders across the sector. This has helped us focus our work and improve the ambitious proposals that we've set out, notably on tackling fraud. Looking ahead, we'll engage more on the future of payments and the implications for our current work plan and Strategy. This is increasingly important as new technologies and business models take hold, and as the Bank of England and the Treasury develop their proposals for a digital pound.

In the coming year we will also fully establish our new Supervision and Compliance Monitoring division. This will bring together our existing work to oversee the larger payment system operators with the work to ensure that firms are complying with their statutory and regulatory requirements. This includes making sure that important reforms are properly implemented, such as the changes to improve competition in the provision of card services to businesses and to roll out the anti-fraud measure Confirmation of Payee.

This new division forms part of a new organisational structure. We now have a strategy team focused on what is happening next in payments; a policy team focused on delivery of changes to rules and how payment systems and markets work; and a team improving compliance with those rules. These are supported by a team of legal experts and an operations team, both of whom help us deliver effectively and manage our risks.

Reflecting the scale of our committed work, we have increased our budget for the coming year. We continue to take steps to improve our efficiency, including by making only targeted use of external consultants. To do this, we will continue to grow our team to properly deliver our core workplan, while also being in the best position to respond quickly to new developments.

The work we do matters: we create the conditions for a healthy payments ecosystem that works for people and businesses across the country. I look forward to working with all of you to continue that vital work.

Our priorities

In January 2022 we set out our five-year Strategy. It established a number of priority areas where we'll focus our work. Our work programme supports these priorities and will help us achieve the outcomes we want to see in payments.

In this way we can make sure we use our resources where we can have the most positive impact. This involves making difficult choices about where we focus our resources, as we cannot take on every project. Reflecting this, we have reviewed our existing workplan and consider our projects are well aligned to our Strategy and will help us have the most impact.

Protection

People need to make and receive different kinds of payments safely and confidently. This means stopping scams from happening and better protecting people if they do fall victim.

Our work on payment scams has already prevented millions of pounds of fraud, including through the extra security from the name-checking service Confirmation of Payee (CoP). We've also seen victims of fraud receive hundreds of millions of pounds back under the current reimbursement arrangements.

We're now working on taking things to a new level by introducing minimum standards of customer protection, and sharpening the incentives for payment firms to prevent fraud.

This year will see our largest banks and building societies publishing data on their scam performance for the first time, following our specific direction in March. Customers will be able to see how well their provider is protecting them and which firms are providing accounts that are controlled by fraudsters. This will give providers a greater incentive to improve their anti-fraud measures.

And we're ready to implement rules that will mean greater reimbursement for scam victims as soon as legislation is passed – another big step to protect people that should be a further prompt for all payment firms to improve their performance. We are also supporting work across the ecosystem to improve how we prevent fraud from happening in the first place. This involves working closely with industry, government and the Financial Conduct Authority (FCA).

We've recently directed many more payment firms to implement CoP, which will mean 99% of transactions have this additional protection. We'll continue to monitor this implementation, taking enforcement action if necessary to ensure firms comply.

And our work on the rapidly developing use of cryptoassets in payments – including the regulation of the Sterling Fnality Payment System – will help ensure people are protected in future crypto-based payment systems.

Competition

Competition in payments can improve outcomes for people and businesses by stimulating innovation, improving services and lowering prices. This is one reason we focus on making sure conditions are right for competition – both now and in the future.

A major part of our work this year will be continuing our investigation of the fees wrapped up in card transactions. Cards are the most popular form of payment, so it's important that the market operates fairly – both for merchants and their customers. In March 2022 we began two market reviews examining Mastercard and Visa's fees, to see if they're subject to effective competition. We've carefully scoped these market reviews so we can work through our analysis as quickly as we can and take action if we need to.

The New Payments Architecture (NPA) will provide an upgraded platform to support competition and innovation, with easier ways for payment firms to access the system and to launch new services. The NPA has to be done right to realise these benefits. We've been overseeing Pay.UK's development of the NPA and expect it to start taking shape this year with the appointment of an infrastructure provider. We've already made significant interventions to steer the development, and will continue to make sure this work is on track to produce good outcomes for everyone using it.

Unlocking account-to-account payments

We're seeing significant growth in account-to-account payments, including those initiated within open banking. It's now possible to use these payments to donate to charities, settle your taxes and pay your credit card bill. A number of firms are launching new payment services that use the open banking systems. We see significant potential in account-to-account payments, and open banking in particular, to deliver new payment services that benefit people and businesses.

A particular focus for us in the next few years is putting the conditions in place so that account-to-account payments can deliver new options for retail payments – providing competition for card payments – and realise the potential for new ways of paying that offer consumers greater levels of control. This could lead to better prices and payment services that meet more people's needs.

We're at the forefront of work in developing these payments, particularly in our leading role in the Joint Regulatory Oversight Committee for open banking. We'll continue working with account-to-account industry providers, consumer representatives and other stakeholders to ensure account-to-account payments develop as quickly as possible.

Access and choice

It's essential that people and businesses can use the payment services they rely on and have an effective choice of payment options, including both cash and digital payments.

Changing technology in digital payments is bringing convenience and benefits for millions – but we mustn't forget the people who face barriers to using digital payments, and those who rely on cash. This year we'll set out how we intend to support the take-up of digital payment methods, building on our response to our Digital Payments Initiative. We'll work with a wide range of stakeholders, including consumer representatives, to keep this work moving forward. And we'll continue our role as the regulator of LINK, ensuring that people have access to free-to-use cash machines across the UK.

How our work programme fits with our priorities

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Our role in payments

Our vision

Our vision is for payment systems that are accessible, reliable and secure, and represent value for money.

As the independent economic regulator for payment systems in the UK, we have a vital role: protecting people from falling victim to fraud, helping businesses to grow and making it easier to make and receive payments in ways that work for all of us.

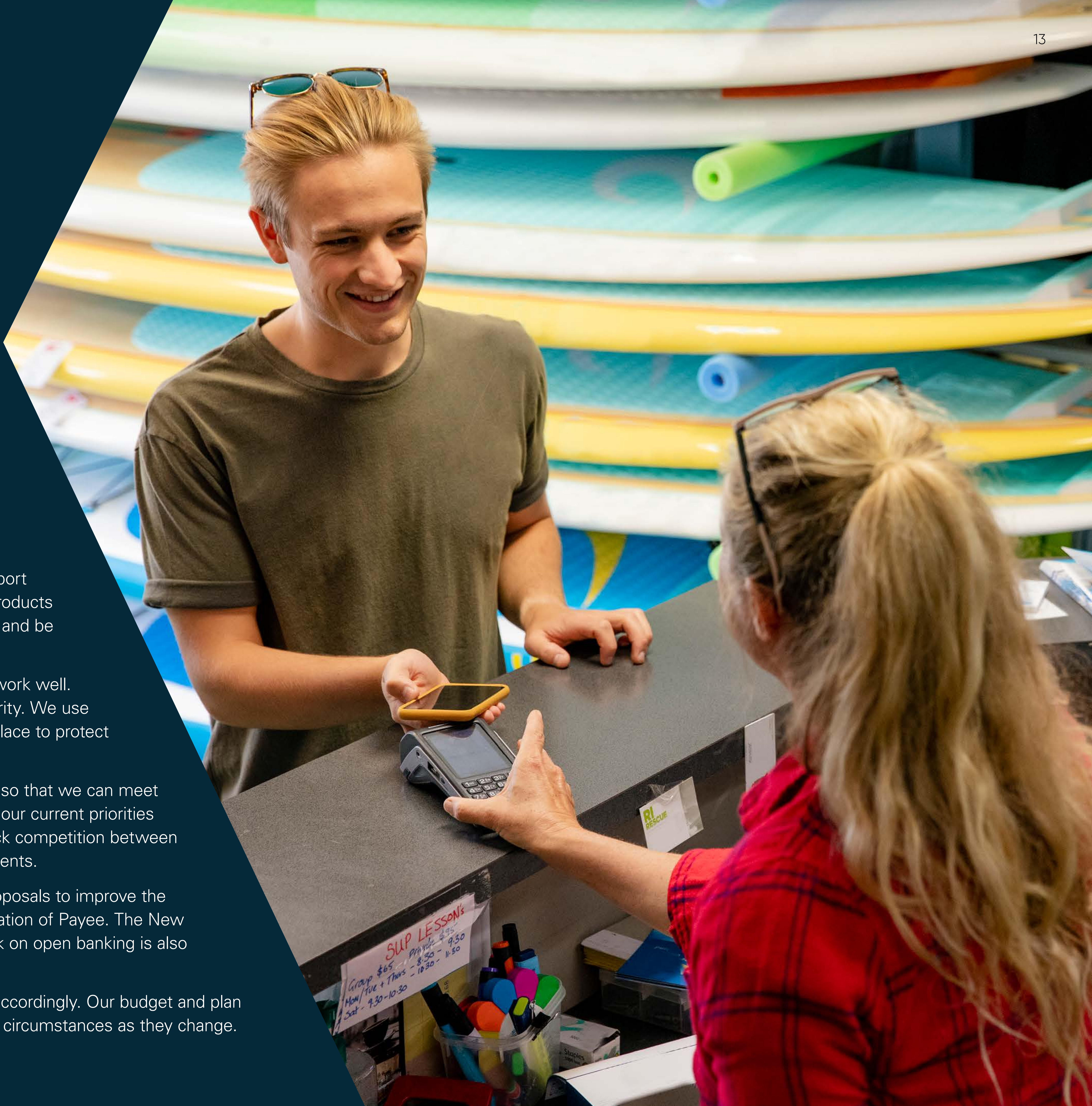
The systems we regulate process over 40 billion transactions each year. We all rely on these systems to support markets, facilitate competition, drive innovation and protect users. This helps payment firms to deliver new products and services that people and businesses value. This could include more choice and control about how to pay and be paid, and better ways to protect people from harm.

We need the technology, the rules governing the use of these systems, and the markets they support to all work well. This is where the PSR plays an important role, both as economic regulator and concurrent competition authority. We use our powers to change how the sector operates, and to make sure that all parties follow the rules that are in place to protect people and businesses and to promote competition and innovation.

Our five-year Strategy, which we published in January 2022, sets out how we expect to focus our resources so that we can meet our statutory objectives in the most effective way. It sets out both the outcomes we're working towards and our current priorities for action. Our ambitious programme of work will transform the protections available to payment users, unlock competition between bank and card payments, and support the delivery of a new, updated payment system behind our bank payments.

In the last year we made significant progress against our Strategy and this vision. We recently set out our proposals to improve the incentives to tackle authorised push payment fraud, and used our powers to extend the coverage of Confirmation of Payee. The New Payments Architecture programme approached the end of the competitive procurement phase. And our work on open banking is also expanding our work, as we seek to realise the full growth potential of open banking in payments.

These are all large-scale and increasingly complex pieces of work, and we've committed resources to them accordingly. Our budget and plan for next year reflect this. They also include enough resources to both do this work thoroughly and respond to circumstances as they change. Our Strategy will continue to help us prioritise so we can have the biggest impact.



Our remit

Our objectives and powers come from sector-specific legislation (principally from the Financial Services (Banking Reform) Act 2013 (FSBRA)) and from our role as a concurrent competition authority.

FSBRA sets out our three statutory objectives:

- **Our service-user objective:** Ensure that payment systems are run and developed in a way that takes account of and promotes the interests of those that use, or are likely to use, services provided by them.
- **Our competition objective:** Promote effective competition in the market for payment systems and markets for services provided by payment systems in the interests of those who use, or are likely to use, services provided by them.
- **Our innovation objective:** Promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by them.

These objectives are the basis of everything we do in our role under FSBRA. The main powers we have under FSBRA are applied to designated payment systems. The Treasury is responsible for designating payment systems for our regulation, and has recently designated the Sterling Fnality system for regulation by the PSR. There are currently eight designated payment systems.

We typically have powers that apply to the payment system operators, participants in those systems and those providing infrastructure to those systems. Some of our powers, such as our competition powers, also apply more broadly. There's more information in *Our remit and powers* on **page 56**.

Some aspects of the payments landscape fall under the responsibility of other regulators or authorities. We coordinate our work with a number of other authorities, and routinely consider whether others may be better placed to act. You can see more information about how we work with other regulators and authorities on **page 49**.

Measuring our progress

Our Strategy sets out how we propose to measure and report on our progress in achieving the outcomes we've identified. We'll publish data and information against some indicators of progress towards the outcomes annually. This will sit as part of our annual report, which examines how we've fulfilled the commitments we made in our previous annual plan.

We'll also publish a mid-term review of progress in 2024. This will help us assess whether our strategic priorities remain the right ones, or whether we need to revise or refine them.

There's always a need for us to prioritise and make difficult choices about where we should focus our resources in order to have the most impact, while also meeting our statutory requirements. We do this in light of our Strategy, our organisational priorities and our Administrative Priority Framework.[1] In this way, we consider the impact, risk and strategic importance of taking action. There will always be some issues we choose not to focus on. This could be because other organisations are better placed to act, or that we need to prioritise what we do to have the most impact with the budget we have available.

Our work is also guided by the regulatory principles in section 53 of FSBRA.[2] This includes the need to act efficiently and proportionately.

While we intend to deliver what we've set out in this plan, there's always a chance that we may need to reprioritise in the light of unexpected developments. If this happens, we'll follow these principles to act in the way that helps us best achieve our objectives. We'll keep our stakeholders informed where lawful and practicable.

1 Our Administrative Priority Framework helps us to use our resources in the most efficient and effective way to further our statutory objectives, functions and duties: **www.psr.org.uk/publications/general/administrative-priority-framework/**

2 **www.legislation.gov.uk/ukpga/2013/33/section/53**

Regulatory reform

In 2021, the government's Future Regulatory Framework (FRF) Review put forward proposals on how the financial services regulatory framework should adapt for the future. In particular, it outlined how it wants regulation to adapt to the UK's exit from the EU. This includes ensuring that financial services regulation in the UK is coherent, agile and internationally respected.[3]

The Financial Services and Markets Bill (FSMB) puts the outcomes of the FRF Review into legislation. It will change the regulatory framework we operate within, in particular by:

- repealing retained EU law in order to enable a UK regulatory regime that is properly tailored to the UK markets; this includes some payments legislation, notably the Payment Services Regulations 2017 and the Interchange Fee Regulation
- introducing new considerations which the PSR must have regard to, notably in respect of the delivery of sustainable growth consistent with the net zero climate target
- adding to the arrangements by which the PSR is accountable to Parliament, including new requirements on us in how we develop proposals

In the coming year we'll need to do a significant amount of work to prepare for and implement these changes. Some of this work is already under way. For example, this year we'll publish a policy statement on our approach to cost benefit analysis.

In addition, the FSMB includes provisions giving the Financial Conduct Authority (FCA) powers and duties that would make it the lead regulator for access to cash. We've already reviewed and revised the work we undertake on the future of cash. This is a good example of how we work in a coordinated fashion with the FCA and avoid unnecessary duplication of effort.

3 **www.gov.uk/government/publications/building-a-smarter-financial-services-framework-for-the-uk**

Evolving our approach

We've been building our organisation and developing as a regulator ever since our launch in 2015. We're now committed to a number of important projects that have the potential to transform how payments work in the UK. There's also an increasing role for us to lead the way on rapidly evolving issues like the use of digital payments. And there will always be new developments to respond to.

The changing nature of payments

The payments horizon is a dynamic one. Every year new payment services are launched, payment firms are established and corporate acquisitions are announced.

Behind these individual events are some key trends and changes. The use of cash has been declining, while the importance of card payments has increased. We're also seeing a number of large technology firms investing in and exploring opportunities in payments.

We're now seeing new payment technologies coming to market, with Sterling Fnality becoming the world's first high-value regulated payment system based on distributed ledger technology. And the UK government, the Bank of England and the Treasury have recently set out proposals for a retail central bank digital currency.

This all serves to highlight that, as we work on delivering our five-year Strategy, we'll need to adapt and evolve our approach.

Last year we highlighted our plans to enhance our intelligence-gathering processes so that we can identify trends and risks promptly and respond proactively. We'll continue to build on this approach, and spend more time engaging with our stakeholders to identify and discuss the emerging trends and potential changes on the payments horizon. This work also informs the advice we give to government, other regulators and the Competition and Markets Authority on payments issues.

Improving our effectiveness

As our remit and workload have increased, we've also taken steps to make sure that we can deliver our work effectively and efficiently. This will also improve our ability to adapt to the changes we're seeing in payments.

A particular focus for this year will be broadening our engagement with our stakeholders, and building a new team to increase our focus on reducing non-compliance – making sure that firms meet the obligations that we place on them. This is becoming increasingly important as we make greater use of our powers to issue directions to implement changes – for example, in our work on authorised push payment (APP) fraud, and on improving competition in the provision of card-acquiring services.

Engaging effectively with our stakeholders

Speaking and listening to our stakeholders has always been crucial to delivering good outcomes in payments. It helps us to identify new trends and issues. It also allows us to refine and develop our regulatory proposals so that they have greater impact.

Last year we engaged with more people than ever before, from right across the payments landscape. We made greater use of a mix of in-person and virtual events, as well as blogs and videos explaining our work. This helped us reach people in new ways.

We also stepped up our engagement on our key projects – looking for help and views on how best to improve outcomes. A notable example is how we discussed our emerging proposals for preventing APP fraud with industry stakeholders, other regulators, consumer groups and – importantly – consumers themselves.

In the coming year we'll build on this approach and increase our focus on the future. We want to improve our understanding of emerging trends and the potential changes that might disrupt payments markets going forward – both those that could unlock significant benefits, and those that might present risks.

This will inform our future work plans and our Strategy, and help us make informed and robust decisions.

Enhancing our compliance and supervision work

The rules that underpin payments matter. They include the requirements in legislation and those we place on firms, including through our directions. We want payment system operators to fulfil their important role, including managing the risks to their systems.

Our recent work has made a number of changes to payments markets – for example, we placed a range of requirements on card acquirers following our card-acquiring market review. We also acted to make sure that the roll-out of Confirmation of Payee continues, with hundreds more payment service providers having to implement the service.

As we deliver on our commitments, we'll inevitably put further rules and interventions in place. Strengthening our supervisory approach, with an additional focus on supervising designated payment systems, will be a key part of achieving our strategic outcomes.

Reflecting this, we're bringing our compliance monitoring and supervision functions together with our enforcement team to create a new division. This will give us a robust and effective way of ensuring that the various rules we oversee are effective.

Ensuring we have the right resources

Much of our work plan for the next year reflects the commitments we've already made and the projects we have under way to improve outcomes. For example, our work on both APP scams and the New Payments Architecture continues our long-standing commitment to unlock improvements for people and businesses.

We've also stepped up our work to shape the future of payments. We have a significant project under way to make sure that account-to-account payments can be used for a wider range of payments. Linked to this, we're taking a leading role in developing the future for open banking payments.

Meanwhile, while this work looks to improve competition in account-to-account payments, we're investigating whether there's sufficient competition in cards and whether the increases we've seen in scheme and certain interchange fees indicate that this market isn't working sufficiently well. Taken together, this increases the resources we need to fulfil our objectives and to deliver against our Strategy.

We're also mindful that we need to maintain a level of resources that allows us to meet our statutory requirements while having enough flexibility to adapt as circumstances change. In previous years, reactive work has forced us to reprioritise in ways that have limited our ability to progress our key projects. We want to avoid this in future by having sufficient resources to be able to react to new issues as they arise. This is something that our stakeholders expect of us.

Reflecting this, we've undergone a thorough review of our planned, committed work and the budget we need to deliver this work effectively. We've set our 2023/24 budget at approximately £27 million.

As well as reviewing our costs, we've also recently consulted on the structure of our regulatory fees, to consider if costs should be more fairly distributed across industry. We'll publish the outcome of this consultation shortly.

There's more information about our people and our budget for 2023/24 in *Our organisation* from **page 52**.

Our work programme for 2023/24

Key projects at a glance

Project	Outcomes we're working towards	What we'll do in 2023/24
Authorised push payment (APP) scams (**page 24**)	APP scams are reduced, victims are protected, and financial fraud is tackled by coordinating efforts and sharing information.	Publish a scorecard showing the UK's largest PSPs' performance on APP scams. Work with UK Finance and Pay.UK on information-sharing among PSPs, to improve scam detection. Implement rules that will lead to greater reimbursement of APP scam victims. Work with other authorities on other measures to prevent fraud in the wider payments ecosystem.
Confirmation of Payee (CoP) (**page 27**)	The CoP name-checking service becomes ubiquitous, reducing money lost through fraud and accidentally misdirected payments.	Monitor and enforce firms' compliance with our direction to implement CoP. Continue to work and engage with payment system operators to consider different models for accessing CoP.
Account-to-account payments (**page 30**)	Account-to-account payments become a realistic alternative to credit and debit cards. This should mean more competition between systems, giving people more choice and improved services.	Publish plans for reaching our goals in the Joint Regulatory Oversight Committee (JROC) roadmap. Oversee the creation of a new entity to further develop open banking. Engage with people and businesses to discover what changes would help them use account-to-account retail payments. Work with account-to-account industry providers and other stakeholders to ensure account-to-account payments develop as quickly as possible. Continue to work with the JROC to clarify the future regulation of open banking.
Card fees (**page 33**)	We identify and address any potential harm arising from changes to card fees. Our market reviews focus on interchange fees, and scheme and processing fees.	Analyse information from scheme operators, acquirers, issuers and merchants. Publish working papers on scheme and processing fees and invite views from stakeholders. Publish our interim reports, and our final report on cross-border interchange fees, assessing the state of the market and proposing remedies where relevant.

Key projects at a glance continued

Project	Outcomes we're working towards	What we'll do in 2023/24
The New Payments Architecture (NPA) (**page 36**)	The NPA provides a resilient way of making account-to-account payments, and facilitates increased competition and innovation in the interests of people and businesses.	Review Pay.UK's proposed NPA design, funding model, business case and infrastructure contract. Monitor Pay.UK's development of its strategy on the future of Bacs. Engage with Pay.UK and its chosen central infrastructure services provider on how they intend to comply with our regulatory framework.
ATM network regulation and digital payments (**page 39**)	Everybody has ways of making payments that meet their needs. People are able to get access to cash if they need it. More people are able to use digital payments.	Set out how we intend to support the take-up of digital payment methods, including exploring how businesses can offer a wider set of variable payment options. Work with the FCA to develop our long-term approach to regulating the elements of cash that fall within our own remit. Review how well LINK is meeting our requirements to maintain the geographic spread of free-to-use ATMs. Build our monitoring capability through our data-led framework to address any gaps in cash availability. Engage with industry to support innovations in cash access.
Digital currencies and cryptoassets (**page 42**)	Any cryptoasset or stablecoin that acts as a payment system is developed in the interests of those using it.	Regulate the Sterling Fnality Payment System. Play an active role in the discussions and development of a potential digital pound. Continue to work as part of the Cryptoassets Taskforce, and contribute to the Central Bank Digital Currency Taskforce. Monitor market developments to identify new payment systems that use cryptoassets. With other regulators, monitor developments in cryptoassets markets, and contribute to appropriate policy responses.

Authorised push payment (APP) scams

In 2021, losses to authorised push payment (APP) scams totalled £583.2 million. We're implementing a series of measures to help prevent scams and look after the victims. These include publishing data about payment service providers' (PSPs') performance, improved intelligence sharing, and requiring much greater reimbursement of victims. We're working to implement our changes as soon as we can, and engaging openly with a wide range of stakeholders, to have a bigger impact in protecting people and reducing the amount of money lost to fraud.

APP scams happen when fraudsters trick someone into sending a payment to a bank account controlled by the fraudster. Once a victim realises they've been scammed, it's often too late to stop it. There are more incidents of fraud in the UK than any other crime, and APP scams are rising quickly. They've now overtaken card fraud to become the largest type of payment fraud, both in the number of scams and the value of losses.

Scams vary, but they can have a devastating effect on the victim's life or business. We want banks and other PSPs to do all they can to prevent scams happening in the first place. Where scams do happen, we want to make sure that innocent victims don't suffer the loss.

The story so far

We began our work combatting APP scams in 2015. There's now much more information available on the scale of the problem and the different types of scams, and the industry has made considerable improvements in preventing scams and reimbursing victims.

We set up the working group that developed the industry's Contingent Reimbursement Model (CRM) Code. The Code has been a key tool in preventing APP scams, and has led to better reimbursement rates for victims since it was introduced in May 2019. The average reimbursement paid by banks signed up to the Code rose from 19% before the Code was introduced in 2019 to over 50% by value in the first half of 2022. These voluntary industry measures have helped some people – but we think PSPs can do more.

In 2021, we proposed three measures to help prevent APP scams and protect victims:

Measure 1: Publishing a balanced scorecard of the UK's largest PSPs' performance on APP scams

We proposed that 14 of the largest PSPs in the UK should give us data on:

- the number of APP scams carried out using their services
- the PSPs that received APP scam payments through them
- their rates of reimbursing victims

We worked with the industry to agree what data should be reported and published, and to establish a reporting template. We also did a trial data collection, which enabled us to improve the template and process for formal roll-out. In March 2023, we published Specific Direction 18, making the data reporting a formal requirement. We also published the reporting template and guidance for the PSPs.

Measure 2: Tasking industry to improve intelligence sharing between PSPs on both sides of the transaction

This will allow the PSPs involved to consider the riskiness of individual payments. Where payments are high risk, we want banks to deal with them appropriately and stop fraudulent payments.

UK Finance carried out a pilot scheme where a group of PSPs shared data to test how useful it was in identifying scam payments. It showed that this would lead to better fraud detection. UK Finance has since worked with Pay.UK and PSP stakeholders to explore methods for sharing data and setting standards, and proposed to develop appropriate software.

Measure 3: Requiring PSPs to reimburse APP scam victims

We've consulted on our proposals for reimbursement, in anticipation of receiving powers.

The Financial Services and Markets Bill currently going through Parliament will give us the power to require PSPs to reimburse scam victims. It will also give us a duty to impose this requirement within six months of the Bill coming into force, for APP scams that happen over Faster Payments. We've been developing our proposals in advance of the Bill becoming law, working with a range of stakeholders, including consumer representatives and industry groups.

Beyond these measures, we co-sponsored a TechSprint with the Financial Conduct Authority (FCA) in September 2022, bringing together different participants to develop technology-based ideas to prevent APP scams. About 100 people from a range of organisations discussed barriers to greater scam prevention, data sharing, and spotting fraud at source.

What we'll do in 2023/24

Measure 1: Publishing a balanced scorecard of the UK's largest PSPs' performance on APP scams

- Publish the first set of APP scams data collected under our Measure 1 policy. This will let people see which PSPs have the highest levels of APP scams, and how much each PSP reimburses victims. This will allow people to make an informed choice about who to bank with. The competitive pressure this brings should give PSPs an incentive to improve their performance, leading to fewer scams and better rates of reimbursement.

Measure 2: Tasking industry to improve intelligence sharing between PSPs on both sides of the transaction

- Work with UK Finance and Pay.UK to ensure the system to share information is developed. Consider how implementation among PSPs is best rolled out, including how regulation can support this.

Measure 3: Requiring PSPs to reimburse APP scam victims

- Implement a reimbursement requirement for APP scam victims. This will mean most victims of APP scams carried out through Faster Payments (which account for the vast majority of APP scams) are reimbursed. It will also provide much stronger incentives for PSPs to detect and prevent APP scams.
- Publish our final policy proposals on reimbursement in May 2023 and consult on the necessary legal instruments. We plan to issue the relevant legal instruments in October 2023, subject to the Financial Services and Markets Act coming into force.
- Continue to work with Pay.UK and the industry on an implementation plan.

Other activities

The payment transaction is only one part of the fraud ecosystem. Our powers relate to payment systems, participants and those providing infrastructure to those systems. Reflecting this, we've been working closely with other authorities and will continue to do so, including:

- the Bank of England on the appropriate approach to APP scam payments made over CHAPS
- the FCA, to make sure firms are acting to deliver good outcomes for retail customers as they implement our proposals
- the Financial Ombudsman Service on how it will interpret and take account of our policy in deciding on disputes between PSPs and consumers
- the Home Office, the Treasury, Ofcom and others on measures to prevent fraud in the wider payments ecosystem
- law enforcement organisations regarding the potential impact on incidence and reporting of fraud

Why this matters

Victims are losing life-changing sums of money to APP scams. Levels of reimbursement vary significantly across PSPs and, as participation in the CRM Code is voluntary, many customers fall outside its protections. The current scale of APP fraud, and the rate of increase both in total volume and total value (£583.2 million in 2021, up 39% from 2020), indicate that more must be done to make it harder to commit these crimes. Our work will improve fraud prevention, and reimbursement for victims.

How this work supports the priorities in our Strategy

Ensure people and businesses are sufficiently protected when using the UK's payment systems

People and businesses are losing significant sums of money to APP scams. Our work in this area aims to help prevent APP scams and protect victims.

Promote competition between and within payment systems, and in payment services

If people are worried about losing money to fraud when using certain payment services, it will damage their confidence in using those services. The majority of APP scams occur over interbank systems. If people aren't confident in using them, it's unlikely that interbank systems will be able to compete effectively with card payment systems.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

Payment system operators have a key role to play in the development, coordination and implementation of infrastructure, rules and incentives that help prevent APP scams and protect victims.

Confirmation of Payee (CoP)

We'll make sure payment service providers (PSPs) are implementing our recent direction to offer the Confirmation of Payee (CoP) service to their customers. This builds on our previous directions and engagement with industry, and should mean nearly all transactions are protected, reducing fraud and the number of accidentally misdirected payments.

We want to make sure people are protected when using payment systems, and CoP is one tool to help achieve this. It checks the name of the payee's account against the other details given by the payer. This helps make sure payments aren't sent to the wrong account by mistake, and makes it harder for scammers to trick people into sending money to them.

The story so far

In August 2019, we directed the UK's six biggest banking groups to implement CoP, covering the vast majority of the UK's domestic payments. This was Phase 1 of the CoP programme, and the technology available meant that it was limited to accounts with a unique sort code and account number.

Phase 1 successfully reduced misdirected payments and slowed the growth in APP scams. However, a minority of PSPs lacked the technical capacity to provide CoP.

We then set out to expand the coverage of CoP to enable more institutions to offer CoP using new technology. This was Phase 2, which would allow more people to benefit from a CoP check when they set up a new payment.

We directed Pay.UK to shut down their Phase 1 CoP technology by 30 June 2022 and move to the Phase 2 systems, which all PSPs can use. This created a single technical environment and ensured all PSPs would be able to share the CoP data that makes the service work.

In October 2022, we issued Specific Direction 17 (SD17) to around 400 more PSPs, requiring them to implement a system to offer CoP. Our direction split the requirement into two groups:

- **Group 1:** These PSPs must use CoP after 31 October 2023.
- **Group 2:** All other PSPs that use unique sort codes, or are building societies using alternative reference information, must use CoP after 31 October 2024.

The PSPs in Group 1 are the largest financial firms. We prioritised them as their quick adoption of CoP is likely to have the greatest immediate impact on APP scams. By prioritising this group, we'll increase CoP coverage from 92% of Faster Payments transactions to 99%.

What we'll do in 2023/24

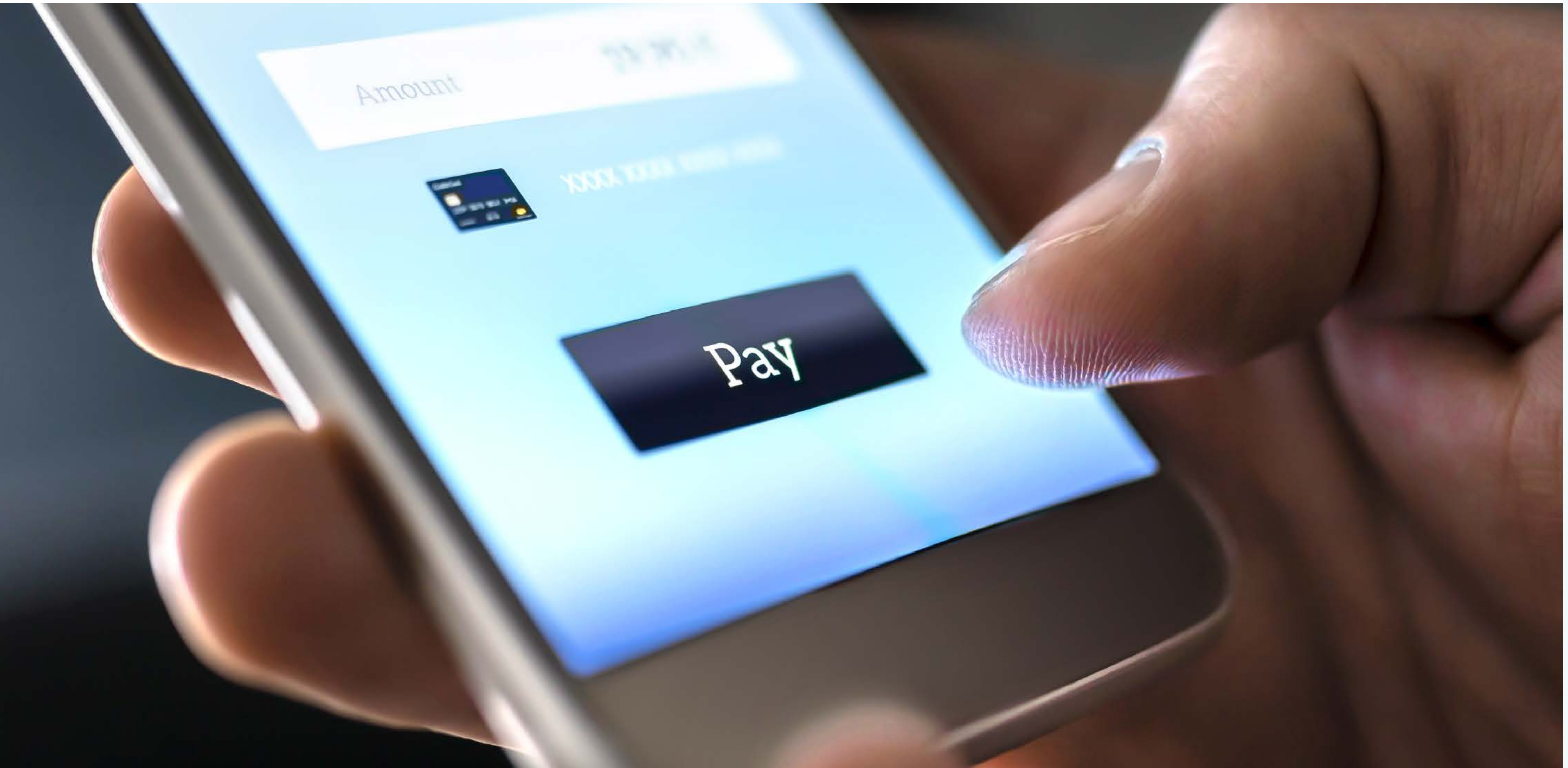
- Continue to monitor PSPs' implementation of SD17. Where necessary, we'll take further action to ensure firms comply, so that as many people as possible are protected.
- Continue to work and engage with payment system operators to consider different models for accessing CoP. This could help smaller PSPs, including those not covered by our directions, to find it easier and cheaper to deliver CoP to their customers.

Why this matters

We want to see a reduction in fraud and the number of accidentally misdirected payments. This means more PSPs adopting CoP so that a greater number of payment system users can benefit from it.

Our analysis shows some evidence that CoP has helped to curtail the increase in some types of APP scams. It has also reduced levels of fraudulent funds received into accounts by PSPs that have implemented CoP. We estimate that extending the requirement for CoP through SD17 is likely to reduce this type of fraud by between £5.5 and £9 million per year.

Our analysis also indicates a reduction in accidently misdirected payments. We estimate that extending CoP will further reduce accidentally misdirected payments by around £2 million a year.



How this work supports the priorities in our Strategy

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Our work on CoP aims to improve protections so that fewer payments are sent to fraudsters or accidentally misdirected.

Promote competition between and within payment systems, and in payment services

Alongside our work on APP scams, CoP acts to give people and businesses confidence to make and receive payments, including over interbank systems.

Account-to-account payments

We see significant potential in account-to-account payments, and open banking in particular, to deliver new payment services that benefit people and businesses, including by establishing new ways of paying that give them more control.

We’re working with a wide range of stakeholders from across the payments industry, including consumer and retailer organisations, to realise the potential of account-to-account payments and to help them become a viable alternative to credit and debit cards in shops and online. The competition between payment types should lead to better prices and payment services that meet more people’s needs.

Account-to-account payments let you make a payment directly from your bank account to another. Most people already use them – for example, when transferring money to a friend. Open banking allows you to authorise a third-party provider to make the payment on your behalf. Recent developments in this sector are now increasing opportunities for people to use account-to-account payments for retail purchases.

Our engagement with the industry and other stakeholders has helped us stay ahead of developments, and this year we’ll work to help the market progress quickly.

The story so far

As the use of open banking grows, new ways are emerging for people and businesses to move and manage their money. However, while some payment firms are starting to offer account-to-account payments for some online stores, not many people are using them for retail purchases yet. We want to facilitate their wider adoption, to promote competition in payments.

Together with the Competition and Markets Authority (CMA), the Financial Conduct Authority (FCA) and the Treasury, we're determined to ensure that the benefits of account-to-account innovation are fully realised and open banking continues to develop in the interests of people using payment systems. We played a leading role in establishing a Joint Regulatory Oversight Committee (JROC) in March 2022, which we co-chair with the FCA. The JROC has set out a vision for open banking and will publish a roadmap to provide guidance on its further development.

There are four issues we want to see addressed to help account-to-account retail transactions:

1 Functional capability

Operational and technical standards meet the functional requirements for retail transactions – for example, the retailer's ability to support subscription payments.

2 Dispute processes

People and businesses are suitably protected when making account-to-account payments. All parties involved in the transaction act together to minimise payment risks. They put in place the right processes to ensure that people feel safe using account-to-account payments because they know what will happen if things go wrong.

3 Sufficient access and reliability

People and businesses feel comfortable making and accepting account-to-account payments because they're quick and convenient. This means that there's sufficient availability across the end-to-end journey for a retail transaction and customer drop-outs are at a low level.

4 Competitive pricing

Account-to-account payments support competition and provide commercial opportunities for businesses involved in the transaction. A sustainable pricing model for retail transactions ensures firms can continue to invest in new products and further innovation that benefits people and businesses.

During 2022, we worked with account-to-account payment providers, individuals, businesses and other stakeholders on these four issues. The JROC established a Strategic Working Group (SWG) in August to discuss suggestions for how open banking could help tackle these issues. The 189 written submissions to the SWG and the publication of its final report in February 2023 provided further insight. It showed how developing open banking quickly could help establish account-to-account retail payments as a strong choice for people and businesses. We look forward to continuing to work with open banking stakeholders to make progress against the priorities that have been identified.

What we'll do in 2023/24

- Publish plans for reaching our goals in the JROC's roadmap and start to deliver against that plan.
- Oversee the creation of a new entity to further develop open banking. This will be part of our work with the JROC. We'll clarify how the new entity can supplement the roles of other key account-to-account stakeholders, including Pay.UK.
- Engage with people and businesses to understand what needs to happen for them to use account-to-account payments for retail purchases. We'll identify key organisations that need to take any relevant action to encourage adoption. This will help to ensure that account-to-account innovation continues to meet the evolving needs of people and businesses.
- Work with account-to-account industry providers and other stakeholders to ensure account-to-account payments develop as quickly as possible. This includes progress on building new functional and operational standards, and ensuring the system has good levels of availability. We'll hold roundtables and provide regular progress updates to keep the communication going among all the relevant parties. This will all help realise the benefits of competition sooner for people making and receiving payments.
- Continue to work with the JROC to clarify the future regulation of open banking. This will ensure that open banking operates in the interests of everyone using payment systems.

Why this matters

With cash use declining and an increasing number of payments being made by card, there's an emerging risk to competition in retail payments. Competition has played a vital role in delivering good outcomes for people and businesses, improving service quality and innovation, and ensuring prices charged for making or accepting payments reflect the underlying cost. As payments become increasingly digital, we need to ensure that people and businesses continue to have a choice between different payment types.

We aim to address these concerns by enabling account-to-account retail payments to provide more people and businesses with a viable alternative to credit and debit cards. In the short term, promoting further innovation in account-to-account payments should help us ensure that new payment products meet consumer and business needs. In the longer term, increased competition between retail payment methods should help ensure that the prices charged for payment services are fair.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

Account-to-account payments will become a viable option for retail payments, and could help people who currently rely on cash use digital payments.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Effective rules, standards and incentives will protect people and businesses when they make account-to-account retail transactions. This includes ensuring that consumer protection is appropriate and tailored to the risks involved in a payment.

Promote competition between and within payment systems, and in payment services

We aim to increase competition with credit and debit cards, by supporting the development of account-to-account payments as a viable retail payment option.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

We'll assess whether there are any gaps in the rules, standards and incentives in account-to-account retail payments that could prevent people using them. This will support the development of account-to-account payments as a viable competitor to credit and debit cards.

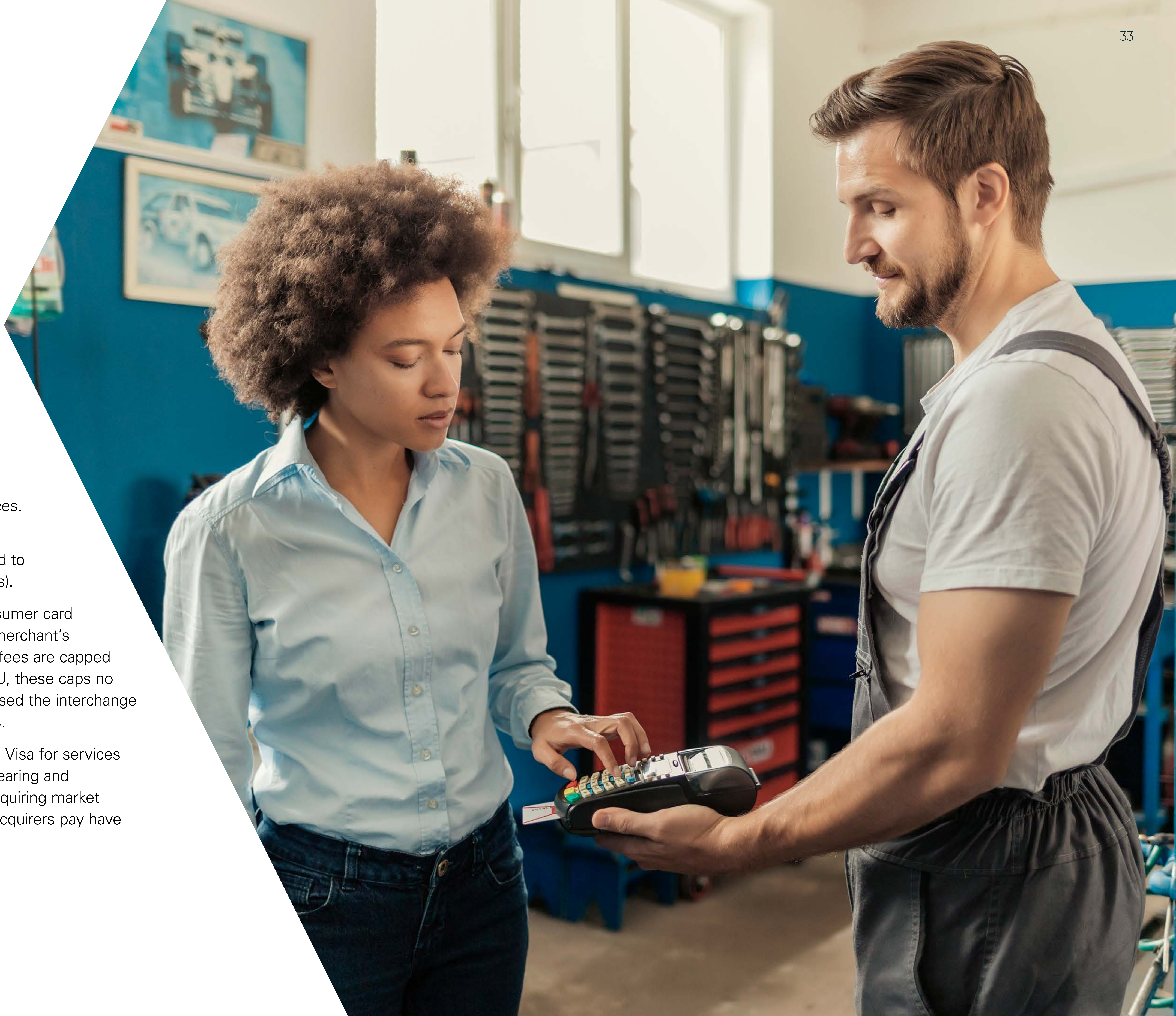
Card fees

We're carrying out two market reviews to understand whether card payments are working well, and to make sure that businesses, and ultimately consumers, get a good deal. These reviews are complex and require significant engagement with stakeholders, particularly with card scheme operators.

Debit and credit cards are the most popular payment method in the UK. To accept card payments, businesses must pay certain fees to the scheme operator (such as Mastercard or Visa). These fees can affect the prices we all pay for goods and services.

We're conducting two market reviews into the card fees that affect merchants, card issuers (the bank or payment service provider that issues someone with a card linked to their account) and acquirers (organisations that process card payments for merchants).

- **Cross-border interchange fees:** Mastercard and Visa charge these fees for consumer card transactions where the card issuer is based in either the UK or the EEA, and the merchant's acquirer and/or point of sale is in the other location. In the European Union, these fees are capped by the Interchange Fee Regulation (IFR). Following the UK's departure from the EU, these caps no longer applied to UK–EEA cross-border transactions. Mastercard and Visa then raised the interchange fees fivefold for 'card not present' (CNP) remote transactions, such as online sales.
- **Scheme and processing fees:** Acquirers and issuers pay fees to Mastercard and Visa for services related to participation in the card scheme (scheme fees), and for authorisation, clearing and settlement services for card payments (processing fees). Our work on our card-acquiring market review, reinforced through ongoing work with stakeholders, shows that the fees acquirers pay have increased significantly since 2014.



The story so far

We started work on our market reviews in early 2022. We're focusing on Mastercard and Visa as these two card schemes account for 99% of debit and credit card payments in the UK.

During the past year we published our final terms of reference for both market reviews, setting out the work we plan to do, with timelines including key milestones. We also analysed information from the service users and payment schemes, to help us increase our understanding of what's happening.

Cross-border interchange fees

- We used the information we gathered to better understand whether the market is working well.
- We published a working paper in December setting out our current understanding of how the recent increases in UK–EEA CNP cross-border interchange fees may be affecting UK service users.

Scheme and processing fees

- We started to build a picture of the schemes' profitability and how far competition constrains their ability to increase their fees. We looked at how these fees have changed over time, and examined the relationship between the schemes and their customers.
- We published a call for evidence on different views of the competitive constraints that Mastercard and Visa face, based on input from a range of stakeholders. This allowed us to get feedback on these views from scheme operators, issuers, acquirers and merchants – so we could build a more detailed picture of how competition is working in this market.
- We published a working paper on our approach to financial analysis, including how we plan to analyse the profitability of the schemes in detail.

What we'll do in 2023/24

Cross-border interchange fees

- Analyse the information we receive from the scheme operators, as well as acquirers, issuers and merchants. This will help to inform our interim report and ensure that any action we take (if relevant) will make a positive difference to the cards market.
- Publish an interim report for consultation. This will outline our preliminary findings and considerations around potential remedies, if any. We'll ask stakeholders for feedback, which we'll take into account in our final report. This will help any remedies we might decide to take forward to be effective.
- Publish a final report, setting out our conclusions and reflecting on the feedback to our interim report. It will include details of any remedies we might propose to make sure the market works well.
- Consult on any remedies we propose.

Scheme and processing fees

- Analyse the information we receive from the scheme operators, as well as acquirers, issuers and merchants. This will equip us to assess whether there's competition between the main payment schemes.
- Publish a set of working papers covering issues such as the competition faced by the schemes when they made recent fee changes, and the impact of fee changes on acquirers, issuers and merchants. We'll set out our current thinking on these issues and invite views from stakeholders. This will help us understand different perspectives, so we can get a complete understanding of the market – and whether there are issues we need to address.
- Publish our interim report for consultation. This will be informed by the feedback to our working papers, as well as any additional information gathering we deem necessary.

Given the scale of the work, these timetables are ambitious and challenging. They will depend on timely and constructive engagement from Mastercard, Visa and other stakeholders.

Why this matters

Cross-border interchange fees (for CNP transactions) have increased approximately fivefold since the UK left the EU. In the first half of 2022, UK acquirers paid EEA issuers £75 million to £100 million more than they would have if Mastercard and Visa hadn't increased their fees. This may be adversely affecting UK consumers, as merchants may pass the increased costs on to them (at least in part). We may need to act if we find that competition and innovation aren't working in the interests of potential service users.

Our earlier analysis showed that a substantial proportion of the recent **scheme and processing fee increases** aren't explained by changes in the volume, value or mix of transactions. We want to find out why Mastercard and Visa are increasing these fees, and whether the changes are justified.

How this work supports the priorities in our Strategy

Promote competition between and within payment systems, and in payment services

Our reviews will examine the reasons for the increases in card fees, and any harm caused by the extent of competition between and within payment systems. If we identify any concerns, we may take action to ensure that all participants benefit from competition in the market, or to address harm arising from competition not working well for people and businesses using card payments.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

In time, account-to-account payments should encourage wider innovation and provide greater competition for card payments. In the meantime, these market reviews will ensure that we understand how competition between schemes for domestic card transactions is working, and that businesses can pay fair prices for the services they receive.

The New Payments Architecture

The New Payments Architecture (NPA) programme is an industry initiative to provide technical infrastructure that will renew and upgrade the Faster Payments system, and future-proof account-to-account payment services in the UK. It should also allow these payments to meet a broader range of needs by providing a robust and sustainable infrastructure where innovation and competition can thrive.

Pay.UK, which operates Bacs, Faster Payments, and Cheque and Credit Clearing (including the Image Clearing System), is responsible for the design and delivery of the NPA. We'll continue to monitor Pay.UK's work closely, engaging with stakeholders, to ensure it will deliver an NPA that benefits competition and innovation, with good outcomes for people and businesses.

The story so far

The NPA is one of the biggest changes happening in UK payments. We remain committed to supporting and overseeing its delivery; delivered well, the NPA will provide better value and give people and businesses a more effective choice of payment options. We expect the NPA to foster innovation and strengthen competition in payment services and between payment systems.

We think it's important that Pay.UK has the ability to get on with delivering an effective NPA. We recognise that the initiative has been subject to delays. This prompted our intervention to both simplify the procurement and raise the capability within Pay.UK's programme, reducing the risks to delivery. We're now keen to see progress on delivery without further delay.

We also set out our regulatory framework for the NPA, which aims to address risks to competition and innovation in the NPA ecosystem that could stem from the behaviour of a provider of the NPA's central infrastructure services (CIS).

We're now keen to see progress without further delay. Throughout 2022, we engaged closely with Pay.UK and the companies bidding to supply the CIS. We made our expectations clear and examined how they intend to comply with our regulatory framework.

In December 2022, Pay.UK asked us if they could procure two items of additional functionality, to help some payment service providers migrate their Faster Payments transactions to the NPA and provide additional system and user benefits. Pay.UK sought our non-objection for the inclusion of this additional functionality; we announced our decision not to object in March 2023.

As part of our monitoring of Pay.UK's programme, we've continued to engage closely on key elements, including its proposed design and funding model, with the aim of ensuring the new system will deliver outcomes that support our regulatory objectives.

What we'll do in 2023/24

- Review Pay.UK's proposed NPA design, funding model, business case and CIS contract via our assurance process. We want to ensure the NPA will meet our expectations and provide benefits for people and businesses.
- Monitor Pay.UK's development of its strategy on the future of Bacs.
- Engage with Pay.UK and its chosen CIS provider (following the completion of its competitive procurement) on how they intend to comply with our regulatory framework, and begin assessing their compliance statements.

Why this matters

Every day, millions of us rely on interbank payment systems to make payments directly from one account to another, without using a payment card – whether receiving wages or benefits via Bacs, paying bills using Direct Debit, or transferring money to a friend using internet or mobile banking with Faster Payments. These payment systems are essential to the smooth functioning of the UK's economy.

By promoting innovation and strengthening competition in payment services and between payment systems, the NPA can help provide better value and a more effective choice of payment options for people and businesses. It can also improve the resilience of payments and, by enabling payment messages to include more data, help reduce fraud.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

The NPA will help to future-proof the UK's retail payment systems, and enable people to receive improved payment services from their providers. It should also help meet growing demands for digital payments and strengthen competition, benefitting people and businesses across the UK.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

The design of the NPA can help to reduce fraud – for example, by enabling payment messages to include more data.

Promote competition between and within payment systems, and in payment services

The NPA will facilitate increased competition by providing a foundation for the market to deliver alternative payment services. This can benefit people and businesses by providing increased choice and potentially driving down costs.

Act to ensure the interbank systems provide infrastructure, rules and incentives that foster innovation and competition

The design of the NPA can help deliver efficiency improvements for the UK's interbank payments. Our regulatory framework will also help to ensure that the NPA improves competition and supports innovation in payments.

ATM network regulation and digital payments

Cash remains a critical payment method for many. Building on our work over the past few years, we're working alongside the Financial Conduct Authority (FCA), the government and industry to make sure people and businesses continue to have good access to cash. We're also looking at how to help more people use digital payment services. We'll continue our open engagement with a wide range of people, including local communities, to understand their needs and where we can have the most impact.

The story so far

Access to cash

In recent years, we've worked closely with a range of stakeholders to address short and long-term issues around access to cash.

This includes work with:

- other public bodies through the Joint Authorities Cash Strategy (JACS) Group (involving the FCA, the Treasury and the Bank of England)
- industry and wider stakeholders such as academic, consumer and small-and-medium enterprise groups

We worked with the FCA to identify gaps in the availability of cash across the UK. A map of all the locations where people could access cash for free was published in October 2020. We updated the map in June 2022[4] and will publish regular updates. Our data has shown that access to cash is generally good for most people, and this continues to be the case – 95.5% of the UK population are currently within 2km of a cash access point, and 99.7% are within 5km.

The Financial Services and Markets Bill will require the FCA to take on a leading role in overseeing the regulatory framework to ensure people and businesses can get access to cash and deposit facilities across the country. We'll retain an important role as regulator of the UK's largest ATM network, LINK, with clear sight of its work to ensure those who need and use cash can get access to it.

In March 2022, we issued Specific Direction 12 (SD12), which requires LINK to maintain the broad geographic spread of ATMs in the UK and builds on our earlier Specific Direction 8 (SD8). SD12 gives LINK more flexibility to implement its policies to meet people's needs.

The Digital Payments Initiative

Alongside ensuring access to cash, in 2021 we launched our Digital Payments Initiative to explore the barriers that prevent people from using digital payment services.

In May 2022, the PSR Panel published a report on these barriers. We published our response in July 2022 and we've continued to analyse how to address the issues. In November 2022, we held a roundtable discussion, bringing together a range of consumer representatives, payment system operators and other industry figures. Our discussion focused on two main areas:

- the potential for new payment cards to be more accessible for people who rely on cash
- the potential for flexible digital bill payments to help people with irregular incomes

We're now developing our work plans in light of this informative discussion.

Combined with our work on open banking and enabling account-to-account retail transactions (see **page 30**), this will form the foundation of our work to support the take-up of digital payments.

4 **www.fca.org.uk/data/access-cash-coverage-uk-2021-q4**

What we'll do in 2023/24

- Work closely with the FCA, the lead regulator for access to cash, to identify emerging trends and develop our long-term approach to regulating the elements of cash that fall within our own remit.
- Conduct an annual review of SD12 to identify how well LINK is meeting our requirements.
- Build our monitoring capability through our data-led framework to address any gaps in cash availability.
- Continue engaging with industry to explore how a wider set of digital payment types can help people and support innovations in cash access, including initiatives announced by the Cash Action Group.
- Set out areas of work we've identified through the Digital Payments Initiative that will support the take-up of digital payment methods. This includes exploring how businesses can offer a wider set of variable payment options.

Why this matters

We need to make sure that people can choose payment methods that meet their needs. Although cash use is falling, it remains important to many, so it's crucial that people continue to have good access to cash. And as the use of digital payments grows, we must consider the needs of people with limited digital and financial access and skills.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

We'll continue to protect access to cash for those that rely on it.

Digital currencies and cryptoassets

We're increasing the work we have under way as we prepare for the potential emergence of new digital currencies. Our aim is to assess the benefits that innovation and competition may bring, while helping to protect people using crypto-based payment systems. We're engaging with a range of stakeholders to build our understanding of this fast-moving area, and to ensure we can act quickly to anticipate and respond to developing issues.

Digital currencies and cryptoassets are still very new and haven't achieved mainstream adoption for payments. There are a number of different technologies involved, and 'cryptoasset' is a broad term covering many different types of products – the most popular include tokens like Bitcoin, Ether and Litecoin. Most cryptoassets aren't underpinned by any currency or other asset, and aren't considered to be a currency or money.

The overwhelming majority of cryptoassets aren't regulated. Where cryptocurrency firms are regulated in the UK, it is only for anti-money laundering purposes. There are no systems that use cryptocurrencies that are designated for regulation by the PSR.

In contrast, we're also seeing the emergence of new ways of making payments, using distributed ledger technology, with the values on the ledger linked to fiat (central bank) money. The Bank of England and the Treasury have also recently set out plans to consider a digital pound. We'll be developing our approach to regulating Fnality (the first designated high-value payment system using distributed ledger technology) and will be actively engaged in the debate on the central bank digital currency (CBDC) and the digital pound.

More generally, we're working closely with other regulators to build on the existing regulatory framework to protect people and businesses using digital currencies and cryptoassets for payments.

The story so far

We're an active member of the Cryptoassets Taskforce (CATF), which aims to assess the potential impact of cryptoassets and distributed ledger technology in the UK. The other CATF members are the Treasury, the Financial Conduct Authority (FCA) and the Bank of England (the Bank). We work collaboratively to consider appropriate policy responses to cryptocurrency risks, issues and opportunities. We've contributed to:

- Treasury consultations on the appropriate UK regulatory approach to cryptoassets and stablecoins
- the Financial Services and Markets Bill, which covers some of our powers in respect of cryptoassets used for payments

We also monitor developments in the market and proactively engage with market participants.

The Treasury designated Sterling Fnality Payment System as a regulated payment system from 31 August 2022 – the first new high-value payment system to be designated to us for our regulation since our inception, and the first to use distributed ledger technology. It's forecast to go live later in the financial year. We're monitoring it as it enters operation and evolves its business model. We're also coordinating the dual regulation regime with the Bank.

We work closely with the Treasury and the Bank CBDC Taskforce. This taskforce is exploring the potential for a CBDC. In February 2023, the Treasury and the Bank issued a joint consultation on a potential digital pound in the UK. This is the latest milestone in their work, marking the end of the research and exploration phase and the beginning of a design phase.

What we'll do in 2023/24

- Develop our approach to regulating the Sterling Fnality Payment System.
- Play an active role in the discussions and development of a potential digital pound.
- Continue proactively contributing to the CBDC Taskforce as needed, including responding to its February 2023 CBDC consultation. This will help to inform the Taskforce's next steps.
- Continue to actively monitor market developments to identify new payment systems that use cryptoassets.
- Work collaboratively with other regulators to monitor developments in domestic and international cryptoassets markets. We'll explore the potential implications for the UK so that we can contribute to appropriate policy responses.
- Proactively contribute to the UK's developing approach to cryptoassets and stablecoins within the CATF.

Why this matters

Cryptoassets and stablecoins have seen significant growth in the UK and internationally in recent years. Jurisdictions including the US and EU continue to assess the opportunities and risks they pose. Meanwhile, technology providers and existing financial services providers are becoming increasingly active in cryptoassets.

This is an innovative and fast-moving sector of the payments landscape, so it's important for us to make sure people are effectively protected when they use crypto technology for payments (where this is within our powers). We also want to ensure that any relevant new payment systems have appropriate access provisions and support a competitive ecosystem.

How this work supports the priorities in our Strategy

Ensure users can use the payment services they rely on and have effective payment options

Crypto-based payment systems have the potential to give people and businesses more choice of payment services. They could also provide an opportunity for firms to develop new services to meet people's needs. Our role is to apply appropriate and robust regulation to any payment systems the Treasury designates for us.

Ensure people and businesses are sufficiently protected when using the UK's payment systems

There are risks associated with using cryptoassets for either investment or payment purposes. The vast majority of cryptoassets are unregulated, with no protections for consumers such as the Financial Services Compensation Scheme. We're working alongside other regulators to develop an appropriate regulatory framework to protect people using the new crypto-based payment systems.

Promote competition between and within payment systems, and in payment services

The emergence of designated payment systems such as Sterling Fnality could present alternatives to the existing payment systems. This may promote competition within the market.

Regulatory enforcement

We have the power to investigate where we think a firm hasn't followed the rules we oversee. If we find a firm has broken the rules, we can fine it and publish the details of the case as a decision notice.

Our enforcement work is an effective way of providing value for the payment industry: it deters firms from acting in a way that gives them unfair advantages – and where we find non-compliance and issue fines, we return the cost of our enforcement work to our fee payers (with the exception of those we've fined).

The story so far

We can enforce the following rules:

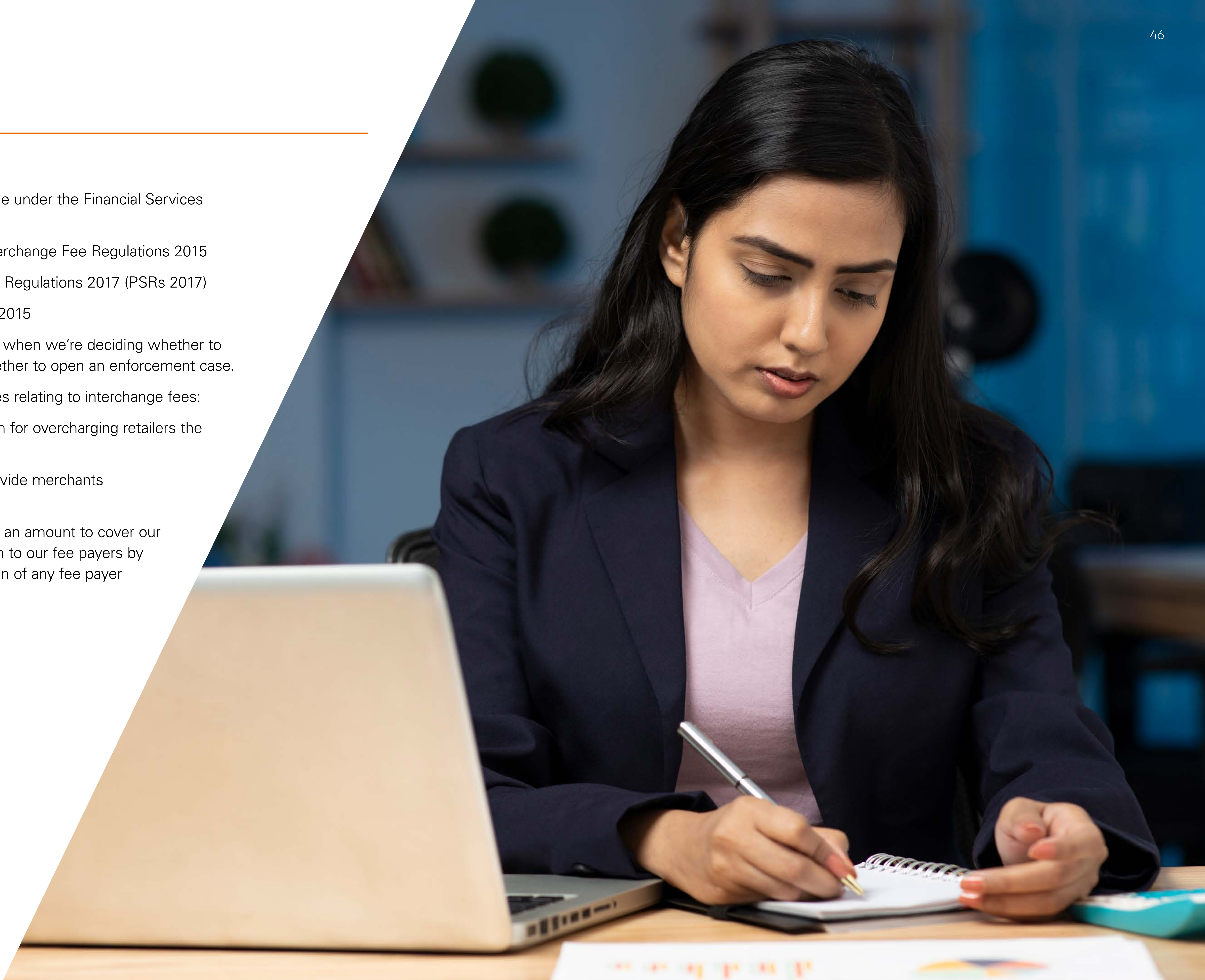
- the directions and requirements (general or specific) we give and impose under the Financial Services (Banking Reform) Act 2013
- the directions (general or specific) we give under the Payment Card Interchange Fee Regulations 2015
- the directions (general or specific) we give under the Payment Services Regulations 2017 (PSRs 2017)
- requirements imposed by or under the Payment Accounts Regulations 2015

Our Administrative Priority Framework (APF) sets the criteria we consider when we're deciding whether to investigate a case. We also use our strategic priorities when deciding whether to open an enforcement case.

This year we published two decision notices, both for breaches of the rules relating to interchange fees:

- In May 2022 we fined several banks in the NatWest Group £1.82 million for overcharging retailers the interchange fees they paid on transactions.
- In December 2022 we fined Barclays Bank £8.4 million for failing to provide merchants with transaction information required under the rules.

We're required to pay the fines we collect to the Treasury, after deducting an amount to cover our relevant enforcement costs. This is the 'retained amount', which we return to our fee payers by reducing the fees we charge them in the following year (with the exception of any fee payer that we fined).



What we'll do in 2023/24

- Conclude the investigation stage of our current open cases.
- Identify when firms may not have followed our rules through our supervision and monitoring functions. We'll then consider our strategic priorities and the APF to decide whether to open new investigations.
- Conclude our review of our penalties guidance. This will ensure the guidance is clear and up to date, and gives us a robust framework to impose penalties. This will help us hold firms to account if they break the rules.

Why this matters

It's important that firms comply with their legal obligations. These include the requirements we place on firms that are designed to improve outcomes for people and businesses.

Effective enforcement action has two broad effects. It addresses the compliance failures of the firms involved, but also sends a clear signal to all payment firms on the importance of complying with the rules that we set.

How this work supports the priorities in our Strategy

Ensure people and businesses are sufficiently protected when using the UK's payment systems

Many of the requirements we place on firms are linked to ensuring that people and businesses are protected appropriately. For example, we've issued directions to roll out Confirmation of Payee. Our enforcement role is an important part of making sure these changes take place according to the requirements we've set out.

Promote competition between and within payment systems, and in payment services

Our recent regulatory enforcement cases related to compliance with transparency requirements. In addition, our enforcement role supports compliance with our directions aimed at improving competition in the provision of card acquiring services. These are examples of how our enforcement work supports competition.

Ensure users can use the payment services they rely on and have effective payment options

By investigating whether firms have provided fair access to payment systems under their obligations in the PSRs 2017, we support choice for users of payment systems when deciding which payment service providers to use.

Working with our stakeholders

We have an open approach to working with our stakeholders, engaging broadly in a variety of ways.

With the lifting of COVID-19 restrictions in early 2022, we were able to meet more of our stakeholders in person. Having good working relationships with our stakeholders is a vital part of our work, helping us get the insights to take the right actions at the right time and have the most impact. Our relationships help us inform and guide the industry, bringing people together to collaborate on reaching the right outcomes.

We're still interested in finding new ways to connect with people. This year, we'll continue to mix in-person meetings with digital sessions to make sure we can hear from everyone. Many of you will have seen and taken part in our virtual events and watched our videos explaining our work which, we're pleased to say, have received positive feedback from our audiences.

Last year, we convened a large number of roundtable events, workshops and meetings to hear directly from stakeholders about the diverse areas of our work. These included the launch of last year's annual plan – our first in-person event in two years. We also took part in 31 panel discussions and speeches and attended 54 industry events. Our annual stakeholder survey showed that our levels of engagement and open approach have continued to have a positive impact.

This year, we'll also continue to attend industry events, take part in panel discussions and give speeches. Where possible, we'll visit different parts of the UK to hear first-hand experiences from different stakeholders.

Spending time with our stakeholders allows us to better understand the diversity and needs of the people and organisations that use payment systems. Importantly, we aim to offer the specific engagements that would be useful to particular groups, including consumer and business representatives. We'll continue to find new ways to explain what we do and offer opportunities to get involved.

Working with other authorities

We work closely with the Bank of England (the Bank) and the Financial Conduct Authority (FCA) to coordinate our regulatory activities. We all have a role to play as we try to help different groups of people and businesses.

Top-level objectives for payments authorities

	BANK OF ENGLAND	FCA FINANCIAL CONDUCT AUTHORITY	PSR Payment Systems Regulator
Objectives	Ensure financial stability and promote resilience of payment systems.	Protect consumers, protect financial markets and promote competition.	Promote the interests of people and businesses using payment systems; promote competition and innovation.
Activity related to payments	Supervising payment systems, service providers and their users; delivering settlement and trustee functions; operating the Real-Time Gross Settlement (RTGS) and CHAPS systems; regulating the resolution of firms; issuing notes; regulating the safety and soundness of firms: aiming to ensure critical services are continued in the event of financial failure. The Prudential Regulation Authority (PRA), a subsidiary of the Bank, has a secondary competition objective.	Regulating conduct in financial services, including authorising and supervising payment service providers (PSPs), and related enforcement. Regulated firms include payment institutions, such as money remitters and non-bank credit card issuers, and e-money institutions.	Promoting the interests of the people and businesses that make and receive payments, using our economic regulation and competition powers. Key elements are protecting existing competition and identifying ways to enable and promote more competition and innovation across the systems we regulate.

Working with other authorities continued

To make sure we work effectively with the regulators, we have formal agreements in our Memorandum of Understanding (MoU) with the Bank, the FCA and the PRA. This sets out the framework we use to cooperate with one another in relation to payment systems in the UK, which each body has a different mandate for. We collectively review the MoU each year. This year, it may require more significant amendments due to the Treasury's Future Regulatory Framework Review and proposed changes (see **page 16**).

We have a legal duty to coordinate certain regulatory activities with the Bank, the PRA and the FCA. This informs our approach to financial regulatory issues. The diagram on this page outlines the key responsibilities of each regulator based on our current respective work programmes.

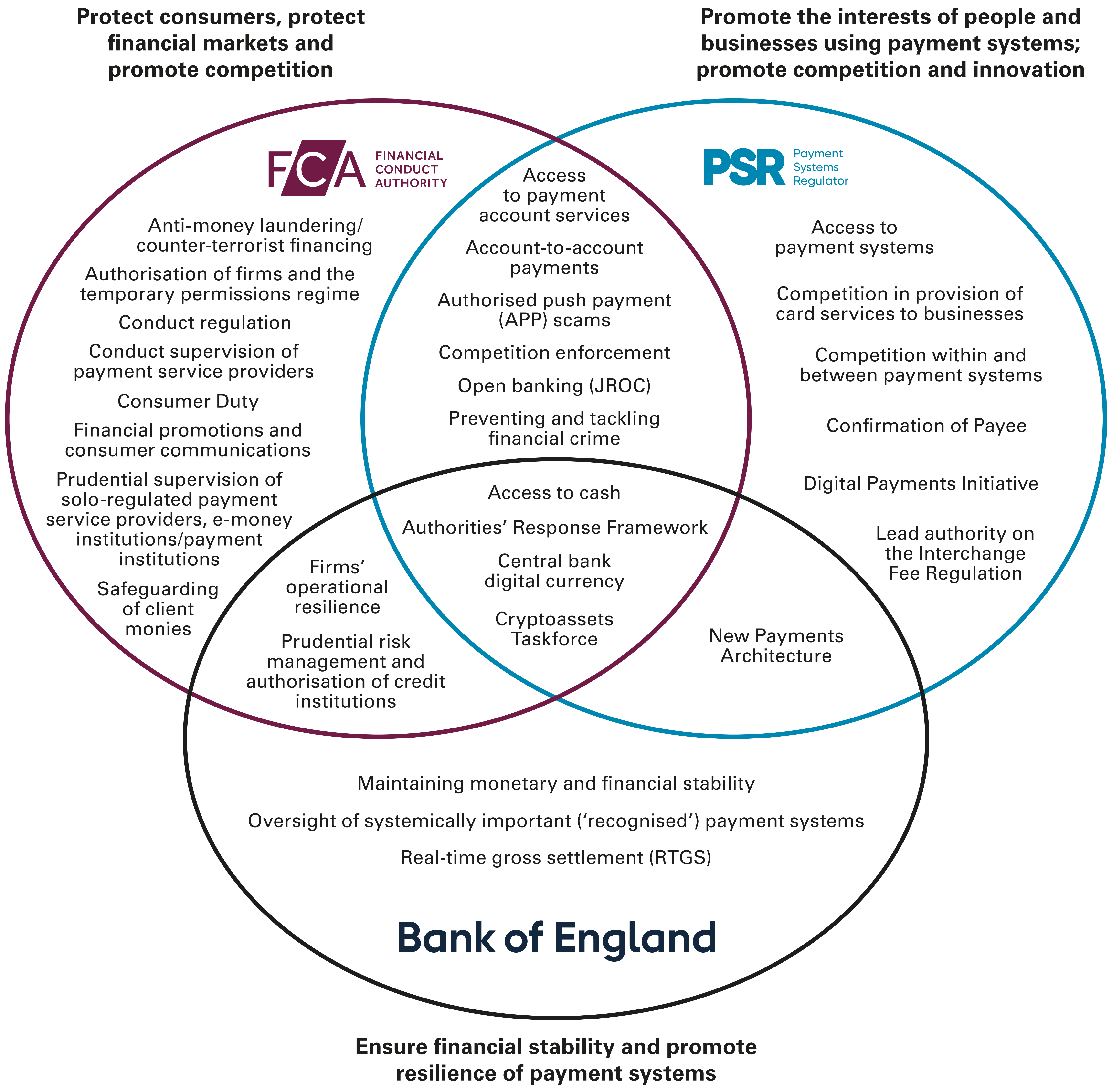
We're also part of the Authorities Response Framework with the FCA, the Bank and the Treasury, where we engage and communicate with each other to respond to operational incidents and disruption in the sector.

Our concurrent competition powers lead us to engage regularly with the Competition and Markets Authority (CMA) and other competition authorities. We have an MoU with the CMA setting out the working arrangements between us. We'll continue to participate in networks such as the UK Competition Network and the UK Regulators Network, so that we can share experience and best practice on regulatory and competition matters. We'll incorporate this into our regulatory approach.

We support this coordination with secondments between us and other regulators. This helps us share and develop skills and knowledge. We currently have one inward secondee, and one outward secondee. We anticipate that there will be more secondment opportunities during the year.

We'll continue to engage with regulators and authorities to share best practice, and look to collaborate on a consistent approach to competition and innovation. Where possible, we'll cooperate to advance our objectives, and reduce costs and administrative burden for our regulated communities.

How our work fits in with other authorities – key projects and responsibilities



The PSR Panel

The PSR Panel is an independent group of experts who contribute towards the effective development of our policy and the PSR Strategy. Its members provide us with insights from across the industry that we may consider for future policy development. The Panel is an important sounding board that helps us have an impact in our work – by engaging well, providing value for money, and working to deliver results as quickly as possible.

The Panel members come from consumer and business groups, payment system operators, and payment service providers. Maintaining the Panel is one of our statutory requirements, and is an important element of our stakeholder engagement process.

The Panel helps us to understand the impact of our policies and approach, alerting us to emerging developments in the payments landscape. As part of our overall stakeholder engagement strategy, we're working with the Panel on how it can deliver greater insights to support our work. Dr Ruth Wandhöfer has chaired the Panel since January 2021. There's more information about how the Panel works on its webpage, along with a list of members and their areas of expertise.[5]

Over the past 12 months, the Panel commented on a variety of projects and initiatives. It also supported our work on competition in retail payments, primarily through advice and guidance on open banking and our account-to-account payments work. We also consulted the Panel regularly on APP scams, and how our policies can contribute to reducing them. Finally, the Panel led an independent report to understand potential barriers to the take-up of digital payments. We've since expanded on our engagement on this topic to include consumer representative groups, and to continue the discussions on the barriers and solutions the Panel identified.

We'll consult the Panel during the year through regular meetings, and also hold ad hoc workshops with groups of Panel members on specific issues.

5 **www.psr.org.uk/about-us/how-the-psr-panel-works/**

Our organisation

Our people

We enter the new financial year with a programme of work that continues to grow. Our successful delivery relies on having people in place with the skills and experience we need to deliver this important work.

A key priority is to develop our people and give them opportunities to grow and improve their own capabilities. This also helps us to retain our people in an increasingly competitive market for talented individuals.

Our people continued

As in the last year, our ability to successfully recruit new talent will be important, as our organisation continues to grow towards our new target size. We support this with a diverse and inclusive approach to attracting new people. In the past year we've refreshed the way we present the PSR to external candidates, and reduced the time it takes from opening a vacancy to offering someone a role. We're an attractive place for people who want to make a difference, working in such a crucial area with tangible effects on everyone in the UK. Our teams know they play a part in helping people across the country, in a fast-moving and cutting-edge sector.

Last year, we reviewed our organisational design to match our scale of operation, allowing us to focus our work, be more effective and, ultimately, to have more impact. We now have a dedicated Strategy and Intelligence division that is further developing our approach to identifying what the PSR should focus on next. Our Policy division then focuses on delivering changes to market rules and incentives, to improve outcomes. And our new Supervision and Compliance Monitoring division will tackle non-compliance with the requirements we place on firms – another way we improve outcomes. These teams work closely with our dedicated team of legal experts. Our engagement and operations teams provide the valuable support that our project teams need to deliver effectively.

We'll continue to balance permanent and flexible resources to maintain an efficient operating model. We're working towards an increase in our use of permanent and fixed-term employees, and to reduce our use of external contractors in the coming year. This will help improve our effectiveness and cost-efficiency.

We've been working in a hybrid way since the end of lockdown restrictions, maximising the benefits of working in the office and from home. Building on the approach we were already taking before the pandemic, we continue to come together in the office to share knowledge and maintain our strong culture, while also using the flexibility to work from home when this supports our effective delivery. Our people value this approach.

Next year, we have some particular priorities in terms of developing our skills and capabilities. These include continuing to develop our programme management skills, and raising our capability to engage with our stakeholders. We're also investing in training to support effective risk management across the organisation and in our projects.

The wellbeing of our staff is always our priority. We'll continue to provide access to a wide range of health and wellbeing services, including mental health support, and information on wellbeing events, tools and resources.

We're a signatory to the Women in Finance Charter and the Social Mobility Pledge, and we have the Level 2 Carer Confident accreditation from Carers UK. Our employee-led networks continue to find ways to help raise awareness as we strive to appreciate and understand our different experiences, interests and values. We're committed to building an inclusive culture that supports diverse people to flourish at all levels. Everyone should have the opportunity to fulfil their potential and achieve their personal and organisational objectives. Having people from diverse backgrounds working together helps us better understand the communities we serve, strengthens our culture, encourages innovation and helps us to make better decisions.

We continuously review our employment practices, ensuring that our decisions are fully inclusive across all protected characteristics and diverse experiences, working styles and backgrounds. Last year, due to our size and a slight shift in our number of senior roles, there was a small increase in our gender pay gap from zero to 6.3%. However, as we no longer pay bonuses there's now no bonus gap for gender or ethnicity. Our goal is to maintain gender balance and achieve at least 8 to 15% minority ethnic representation across our leadership team by the end of 2025.

Our Employee Engagement Committee continues to find new ways to bring the organisation together to celebrate successes, focus on our values and strengthen our culture. We're committed to raising funds for our chosen charities and we provide access to corporate social responsibility and volunteering opportunities, enabling our people to give back to our local community.

Our budget for 2023/24

In recent years our work plan and remit has grown significantly, and is becoming increasingly complex and ambitious. Going into 2023/24, much of our work is already well advanced and at a critical stage of delivery. Alongside this, our stakeholders have strong expectations about what we should do and the impact we should have.

In developing our budget for this year, we looked at all of our projects and whether they were likely to deliver sufficient positive impact. We reviewed the staffing and cost forecasts. We took a zero-baseline approach and applied several layers of review and challenge to make sure we had a robust and cost-effective approach built into our budget. Our budget and workplan were scrutinised by our board and also by the Financial Conduct Authority (FCA) board.

Our budget for 2023/24 reflects our anticipated operating costs from 1 April 2023 to 31 March 2024. It allows us to continue delivering the work we're already committed to, reflecting the need for us to move quickly and engage with stakeholders openly and in a variety of ways, while ensuring value for money. We can also increase the focus on our supervisory approach and enforcement – an essential part of our work that will continue to naturally grow as we issue more directions, with more activity and more firms to monitor.

With change being a constant feature of payment systems, this budget also allows us to do work to shape the future of payments – to the benefit of people and businesses across the UK.

We estimate our current regular costs to be approximately £27 million a year.

Staff costs and professional fees

To achieve our wide-ranging and intensive work plan, the budget allows us to increase our headcount. We'll employ around 165 full-time staff, with staff costs being our largest operating expense. We also continue to use flexible resources and agile working to achieve our objectives. This year we anticipate staff costs to be around £17.8 million.

We also pay professional fees for specialist services to support our work. We expect these costs to be around £4.7 million.

Other operational costs

The PSR is an independent economic regulator. Operationally, we're a subsidiary of the Financial Conduct Authority (FCA) and we make extensive use of shared services. This reduces our costs, relative to procuring our services separately. Reflecting this, we'll continue to use the FCA's operational support for services such as finance, human resources and information services, where it's effective and efficient to do so. We'll continue to reimburse the FCA on an annual basis for the cost of such services. Taking external factors such as inflation and the cost of energy and travel into account, we expect this and our other operational costs (including training, events, subscriptions and memberships) to be around £4.5 million in total.

Our budget for 2023/24 continued

Annual funding requirement

We'll continue to recover our costs through the annual fees paid by participants in relevant payment systems. The FCA levies the fees to cover our costs on our behalf.

These include fees paid by the payment service providers that directly participate in any of the payment systems we regulate, and the operators of alternative arrangements designated under the Payment Accounts Regulations 2015.

At this point in time, we expect to recover the full £27 million budget from our fee payers via our annual funding requirement (AFR).

However, the AFR may also be affected by our recent consultation on introducing special project fees. This proposes changes to the structure of our regulatory fees to ensure that payment system operators contribute to the cost of special project work that's directly relevant to them. We'll publish the outcome of this consultation shortly, and communicate the final AFR position in our annual fees calculation paper in June.

We appreciate that our fee payers will want to understand what an AFR of £27 million will mean for them, even before we confirm the final position in June. The FCA will publish its consultative 2023/24 fees consultation paper in April as usual, and our fee payers will be able to use the online fees calculator to see what the consultative rate of £27 million could mean for them. This will provide an indicative rate; final rates can move considerably depending on changes such as movements in our fee-payer population.

As explained in the *Regulatory enforcement* section (**page 45**), any amount we collect under the AFR will include returning the retained amount from recent fines to fee payers (with the exception of any fee payer that we fined). We expect the total retained amount to be around £500,000.

Value for money

Our overarching value for money strategy is to have as much impact as possible in delivering our statutory objectives, while minimising costs. We have a strong record of delivering significant benefits to people and businesses that far outweigh our costs to industry.

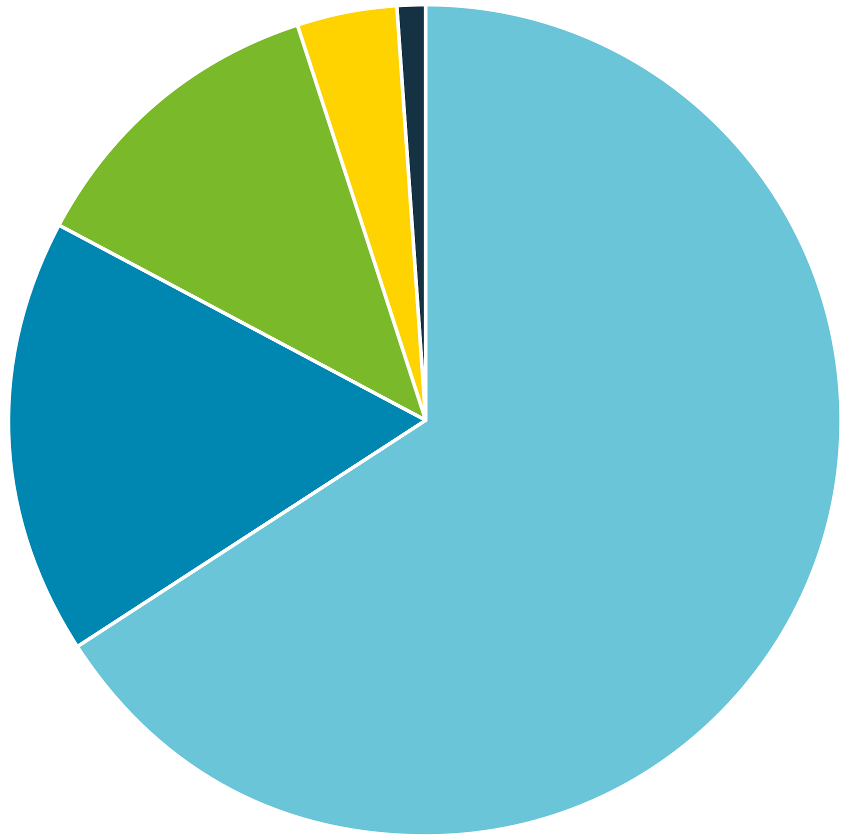
As an organisation we continue to evolve, and constantly look for ways to further improve our effectiveness, efficiency and economy. We're moving to a more flexible and resilient organisational structure and reviewing our internal processes. This includes improving how we run our key projects.

In addition to ongoing incremental improvement, we undertake lessons learned exercises at the end of – and at key points during – our projects. We have a programme of internal audit reviews that supports our efforts to improve our efficiency and effectiveness. We also benefit from benchmarking exercises, notably to understand how our staff costs relate to the external market (the FCA conducts these exercises, reflecting that our staff are on the same contractual terms as the FCA's).

We work closely with other regulators to share expertise, best practice and resources where possible. Every year we review how well we're working with the FCA and the Bank of England. In recent years, we've coordinated our access to cash work with the FCA, with a joint team to support effective delivery by both organisations. We've now reduced our own role, as the FCA's new statutory role was agreed. This is a good example of the flexible and coordinated approach we take, which we're replicating in our work on open banking.

All these measures combine to allow us to continue operating efficiently and effectively – and to get maximum impact from our finite resources.

Budget costs



	Staff costs	£17,790,560	66%
	Professional fees (including specialist services, policy and legal advice, and communications services)	£4,652,600	17%
	FCA shared services (including accommodation and information services)	£3,355,235	12%
	Training, events and recruitment	£1,054,900	4%
	Other (subscriptions and memberships)	£121,500	1%
	Total	**£26,974,795**	**100%**

Our remit and powers

Our role and remit

Economic regulation

We're an economic regulator, created by the Financial Services (Banking Reform) Act 2013 (FSBRA). We can only apply our FSBRA powers to payment systems that the Treasury has designated to us. If new payment systems emerge in the UK or offer services to UK users, the Treasury will need to designate them to us before we can act to ensure fair access, protect users, or penalise any infringement of competition law in relation to payment systems. For example, the Sterling Fnality Payment System recently became the first new payment system to be designated to us since our inception.

Our role and remit continued

Under FSBRA, the Treasury has designated eight payment systems for our regulation:

- **Bacs:** Used for Direct Debits, commonly used to pay regular bills. Bacs Direct Credits are used by businesses to pay salaries and wages.
- **CHAPS:** Used for high-value transactions, like buying a house. For UK and international financial institutions this includes lending and trading activity.
- **Faster Payments:** Almost-instant payments, including standing orders. Most internet and telephone banking payments are processed in this way.
- **LINK:** The network of cash machines that gives you access to your bank account from almost anywhere in the UK.
- **Cheque and Credit[6]:** Used for processing cheques and other paper payments in the UK.
- **Mastercard and Visa:** Connects issuers of credit and debit cards with acquirers and merchants/retailers that accept card payments in the UK.
- **Sterling Fnality Payment System:** A wholesale payment system, used by participants such as large European banks to make high-value payments between themselves. This is the first regulated high-value payment system that uses distributed ledger technology.

We regulate the following participants in relation to those systems:

- **System operators** such as Pay.UK (which operates Bacs, Faster Payments, and Cheque and Credit Clearing including the Image Clearing System), Visa, Mastercard and LINK.
- **Payment service providers (PSPs)** such as banks, building societies, merchant acquirers and payment institutions.
- **Infrastructure providers** for the systems, such as Vocalink, which provides the infrastructure for LINK, Bacs and Faster Payments.

6 As amended. The designated payment systems originally also included The Belfast Bankers' Clearing Company (Northern Ireland Cheque Clearing), which no longer oversees cheque and paper credit clearing.

Competition, access and other oversight

Some of our powers also apply more broadly – for example, our competition powers apply to all payment systems, not just those designated by the Treasury.

We're a **competition authority** with functions in relation to participation in payment systems concurrent with specified functions of the Competition and Markets Authority (CMA). We also have powers that allow us to advance our competition objective.

We're the lead competent authority for the **Payment Card Interchange Fee Regulations 2015 (PCIFRs)**. These mainly impose requirements on payment card schemes and issuing and acquiring PSPs.

We regulate operators of designated alternative **switching schemes** under the Payment Accounts Regulations 2015 (PARs) – this currently includes the Current Account Switch Service.

We're a competent authority in relation to certain provisions of the **Payment Services Regulations 2017 (PSRs 2017)**. These provisions concern access to payment systems[7], access to certain payment account services, and information on ATM withdrawal charges.

The government's Future Regulatory Framework Review may affect our powers and role in relation to the PCIFRs, the PARs and the PSRs 2017 (see *Regulatory reform* on **page 16**).

7 Access to payment systems is governed by provisions under both the PSRs 2017 and FSBRA. Which legislation applies in relation to accessing a particular payment system will depend on whether the payment system is a regulated payment system, and whether it has been designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

Our powers

We have a range of powers under FSBRA, in particular in relation to regulated payment systems. These powers include:

- **issuing directions**, both generally and specifically in relation to participants
- **establishing or changing rules** for the operation of payment systems
- **granting access** to certain regulated payment systems
- **varying agreements** relating to payment systems
- **requiring the disposal of interests** in an operator of a regulated payment system or an infrastructure provider in relation to such a system

We have powers to review, investigate, enforce and direct in connection with our monitoring and enforcement roles under the PCIFRs and the PSRs 2017.

We have powers under the **Competition Act 1998** in relation to participation in any payment system, including systems that aren't designated as regulated payment systems under FSBRA.

We can conduct market studies and make market investigation references under Part 4 of the Enterprise Act 2002 in relation to participation in any payment system.

In many cases, clear communication with the industry about what we want to see leads to improved outcomes without us needing to use our powers (for example, setting requirements or issuing directions). However, we do use these powers when appropriate, and we oversee compliance with the rules in our remit.

Our enforcement approach also plays an important role in advancing our statutory objectives, whether involving enforcement of directions (specific or general) we make under FSBRA, our concurrent competition powers, or monitoring and enforcing the Interchange Fee Regulation, the PSRs 2017 or the PARs.

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