

PS16/17

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# PSR regulatory fees 2016/17

Decision on 2016/17 PSR regulatory fees for the funding of the PSR's FSBRA and IFR functions

June 2016

In this consultation paper we report on the responses to our consultation paper CP16/11, *PSR regulatory fees 2016/17* (April 2016), set out our final policy decision on how our functions and activities for the year 2016/17 will be funded and publish the final rules.

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You can download this policy statement from our websites:

<https://www.psr.org.uk/psr-publications/policy-statements/PS-16-17-PSR-fees-2016-17>

and

<http://www.fca.org.uk/news/ps16-17-psr-regulatory-fees-2016-17>

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# 1. Overview

## Introduction

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- 1.1** This policy statement follows our April 2016 consultation paper CP16/11<sup>1</sup>, in which we set out our decision and consequent fees rules for funding the Payment Systems Regulator's (PSR) functions and activities under the Financial Services (Banking Reform) Act 2013 (FSBRA) for the financial year 2016/17. That consultation paper also set out our further proposals for consultation including in relation to the PSR's functions under the EU Interchange Fee Regulation (IFR).<sup>2</sup> This paper sets out our final decisions on all matters relating to how fees for the PSR's functions under FSBRA and the IFR for the financial year 2016/17 will be allocated, calculated and collected and the consequent fees rules.<sup>3</sup>
- 1.2** Having considered the responses to CP16/11, we have decided to fully implement our proposals for funding the PSR's FSBRA (to the extent not already decided in April 2016) and IFR functions and activities, with one amendment to address representations made by one of the respondents about publishing IFR volumes for card systems for 2016/17 in the fees rules.
- 1.3** In this policy statement we also summarise responses we received to CP16/11 and our feedback on them.
- 1.4** For convenience, when this document refers to 'we', this means the Financial Conduct Authority (FCA) and PSR jointly, although the final decision and fees rules are made by the FCA.

## Background

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- 1.5** When money moves between individuals, businesses and government – for example, when buying goods and services, receiving income or paying taxes – the transfers of funds are made through payment systems. Payment systems in the UK handle around 20 billion transactions worth £75 trillion annually.
- 1.6** The PSR was incorporated on 1 April 2014 as an independent subsidiary of the Financial Conduct Authority (FCA), and became fully operational on 1 April 2015. As of that date, the PSR regulates payment systems operating in the UK designated by the Treasury. The PSR has a range of regulatory powers under FSBRA, as well as concurrent competition powers under the Competition Act 1998 and Enterprise Act 2002. The PSR has statutory objectives under FSBRA to promote competition, innovation and the interests of service-users.
- 1.7** Since 9 December 2015, the PSR has also had functions under the EU Interchange Fee Regulation 2015 (IFR) pursuant to The Payment Card Interchange Fee Regulations 2015<sup>4</sup> (the 2015 Interchange Regulations).
- 1.8** The PSR is funded entirely by the fees paid by the participants in the payment systems it regulates under FSBRA and card systems under the IFR – we receive no subsidies from other sources. For

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1 [www.psr.org.uk/psr-publications/consultations/cp1611-psr-regulatory-fees-2016-2017](http://www.psr.org.uk/psr-publications/consultations/cp1611-psr-regulatory-fees-2016-2017)

2 Regulation (EU) 2015/751.

3 The glossary included in Annex 2 of CP16/11 should be referred to as appropriate.

4 The Payment Card Interchange Fee Regulations 2015, Statutory Instrument 2015/1911.

the year 2016/17, the PSR has an annual funding requirement (AFR) of £15.2 million, of which £13.7 million is budgeted for FSBRA and £1.5 million is budgeted for IFR, to cover the PSR's ongoing regulatory activities (ORA).

- 1.9** The financial year 2016/17 is the annual financial year beginning 1 April 2016 and ending 31 March 2017.
- 1.10** In Chapter 3 of CP16/11 we set out our decisions on the PSR's FSBRA annual funding requirement (AFR) allocation methodology and on the methodologies we use to calculate and collect fees. We also consulted on FSBRA fees rates, so that those who will be liable to pay PSR fees to fund our FSBRA functions for the year 2016/17 can calculate their individual liability.
- 1.11** In Chapter 4 of CP16/11 we set out our proposed decision on the methodology we use to allocate the PSR's IFR AFR and the methodology we use to calculate and collect those fees. We also consulted on a variation to our original proposal in consultation paper CP15/44 (December 2015).<sup>5</sup> In this variation we proposed that if payment system operators are also acting as a payment service provider (PSP) within that system, they would be liable to pay the entire fee allocation for that system themselves. We also set out our consultation on IFR fees rates, so that those who will be liable to pay PSR fees to fund our IFR functions for the year 2016/17 can calculate their individual liability.
- 1.12** In Chapter 5 of CP16/11, we set out our decision on other amendments we proposed to the fees rules in our December 2015 consultation. We also consulted on postponing the August and September payment deadlines by one month for our FSBRA fees, and also proposed the same payment dates for our IFR fees, and provided answers to general clarificatory questions asked in responses to our December 2015 consultation.

## Summary of responses and feedback

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- 1.13** We received nine responses to CP16/11: eight from operators of regulated payment systems and card systems and one from a PSP. The non-confidential respondents are listed in Annex 2.

## Who does this policy statement affect?

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- 1.14** This policy statement will affect participants in regulated payment systems under FSBRA, IFR regulated persons and PSPs that operate in the UK. Those required to pay PSR fees in line with this policy statement include<sup>6</sup>:
- PSPs which are direct members of one or more of the following payment systems regulated under FSBRA: Bacs, CHAPS, Cheque and Credit (C&C), Faster Payments Scheme (FPS), LINK and Northern Ireland Cheque Clearing (NICC)
  - acquiring or card-issuing PSPs operating in the UK which are members of MasterCard or Visa
  - acquiring or card-issuing PSPs operating in the UK which are members of card payment systems subject to the IFR, and in some cases the operators of such card payment systems
- 1.15** This policy statement does not include anything directly relevant to retail financial services consumers or consumer groups, although financial services consumers may pay for fees indirectly.

<sup>5</sup> [www.psr.org.uk/psr-publications/consultations/cp-1544-psr-regulatory-fees-2016-2017](http://www.psr.org.uk/psr-publications/consultations/cp-1544-psr-regulatory-fees-2016-2017)

<sup>6</sup> The fees rules refer to 'direct payment service providers', which under our proposals includes acquirers, card issuers (for MasterCard and Visa and all of the IFR card systems) and direct payment service providers in the Bacs, CHAPS, C&C, FPS, LINK and NICC payment systems. The fees rules are being modified to refer to operators of card payment systems (where they are liable to pay fees themselves).

## What do you need to do next?

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- 1.16** We set out below what the operators of regulated payment systems under FSBRA, PSPs which are direct members of Bacs, C&C, CHAPS, FPS, LINK or NICC, acquiring and card-issuing PSPs operating in the UK that are members of MasterCard or Visa and the operators of American Express and Diners Club will need to do. We also describe how credit will be given against 2016/17 PSR fees to 2015/16 PSR fee payers as a consequence of our underspend for that fee year.
- 1.17** We also set out what acquiring or card-issuing PSPs operating in the UK that are members of card payment systems subject to the IFR, and the operators of these card payment systems, will need to do.

## FSBRA

- a. Operators must issue invoices for the 2016/17 PSR FSBRA regulatory fees to their direct members, acquirers and card issuers operating in the UK, in accordance with the calculation methodology and instructions set out in the fees rules. They must issue invoices in sufficient time to allow individual direct PSP members, acquirers and card issuers operating in the UK to pay their 2016/17 PSR regulatory fees to the respective payment systems operators no later than **15 September 2016**.
- b. Operators must also provide the PSR with their fee calculations for individual invoices and the underlying transaction volumes data. They must do this before, or at the same time as, they issue their invoices.
- c. Individual direct PSP members, acquirers and card issuers operating in the UK should make necessary arrangements for the payment of their 2016/17 PSR regulatory fees to each of the operators of the regulated payment systems they participate in no later than **15 September 2016**.
- d. Operators must tell the PSR on **17 September 2016** if any payment is late. The FCA will then, on behalf of the PSR, contact the individual late payer about the late payment of their 2016/17 PSR FSBRA regulatory fee. The PSR fees rules set out in FEES 9 allow the FCA to levy an administrative charge of £250 plus interest fee payer that is late in paying its fee. We will impose this charge in appropriate circumstances.
- e. Operators must pay us all the monies collected no later than **1 October 2016**.

## *Fee year 2015/16 underspend*

- 1.18** The PSR had an underspend for 2015/16 and has decided that it is appropriate to make a refund of £5.017 million.
- 1.19** Individual PSPs who paid PSR fees in 2015/16 and are liable to pay 2016/17 PSR FSBRA fees via the same operator are automatically eligible for a refund. This will be done by reducing each such PSP's individual 2016/17 payment by the relevant amount<sup>7</sup>, which will be set out in the invoice the operator issues to it. Any 2015/16 fee payer who is no longer liable to pay fees in 2016/17 can apply to the PSR for a refund under the fees rules.

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<sup>7</sup> See paragraph 3.14.

## IFR

- a. Operators of card payment systems operating in the UK and subject to the IFR must issue invoices for the 2016/17 IFR PSR regulatory fees to their acquiring or card-issuing PSPs operating in the UK, in accordance with the calculation methodology and instructions set out in the fees rules. They must issue invoices in sufficient time to allow individual acquirers and card issuers operating in the UK to pay their 2016/17 PSR regulatory fees to them by no later than **15 September 2016**.
- b. Operators of card payment systems operating in the UK and subject to the IFR must also provide the PSR with their fee calculations for individual invoices and the underlying transaction volumes data. They must do this before, or at the same time as, they issue their invoices.
- c. Individual acquirers and card issuers operating in the UK should make necessary arrangements for the payment of their 2016/17 PSR regulatory fees to each of the card payment systems they participate in no later than **15 September 2016**.
- d. Operators of card payment systems subject to IFR will alert the PSR on **17 September 2016** if any payment is late. The FCA will then contact the individual late payer about the payment. The PSR fees rules set out in FEES 9 allow the FCA to levy an administrative charge of £250 plus interest on a fee payer that is late in paying its fee. We will impose this administrative charge in appropriate circumstances.
- e. Operators of the card payment systems will pay to us all of the monies collected no later than **1 October 2016**.
- f. Where the operator of an IFR card payment system also acts as an acquiring and/or card-issuing PSP, then that operator will be liable for payment of the entire payment system allocation for its card payment system. It must pay its PSR fees to us no later than **15 September 2016**.
- g. The late payment provision set out in FEES 9 also applies in the case of operators who are liable to pay fees themselves because of their own card-issuing and/or acquiring activities. We expect to impose the administrative charge plus interest on operators who are liable to pay fees themselves but who do so after the relevant deadline.

**1.20** If fee-paying PSPs have any questions about their invoice or their 2016/17 PSR regulatory fees, they should first contact their operator. Questions can also be sent to us at [PSRfees@psr.org.uk](mailto:PSRfees@psr.org.uk).

## 2. The PSR's and FCA's roles, the late payment of fees, our 2015/16 underspend and the 2016/17 PSR fees timeline

This chapter describes the respective roles of the PSR and FCA in relation to PSR fees, the fees timeline, the approach that the PSR will take to the late payment of fees and it also sets out our approach to dealing with our 2015/16 underspend.

### The fees process and the PSR's and FCA's roles

- 2.1** The FCA is responsible for funding the PSR for its functions and activities through the collection of fees. The FCA may make rules requiring participants in regulated payment systems (in relation to FSBRA functions) and regulated persons (in relation to IFR functions) to pay it specified amounts, or amounts calculated in a specified way, to fund the PSR.<sup>8</sup>
- 2.2** The FCA works closely with the PSR on funding matters, and in particular in determining the policies for allocating, calculating and collecting PSR fees.
- 2.3** The PSR's AFR for the year 2016/17 is shown in Table 1.

**Table 1: PSR budget 2016/17 AFR**

PSR annual funding requirement 2016/17	£ million
<b>FSBRA</b> 2016/17 budget	13.7
<b>IFR</b> 2016/17 budget	1.5
Total PSR AFR 2016/17 (initial budget)	15.2

- 2.4** We use 'FSBRA AFR' and 'IFR AFR' as shorthand to refer to the portions of the overall PSR AFR which are currently earmarked to fund the PSR's FSBRA (and concurrent competition) and IFR functions and activities respectively. The PSR's AFR for its FSBRA and IFR functions and activities will be recovered from participants in regulated payment systems (for FSBRA) and from regulated persons (for IFR). We set this out in greater detail in Chapters 3 and 4.

<sup>8</sup> See FSBRA Schedule 4, s.40, paragraph 9, as modified by the Payment Card Interchange Fee Regulations 2015.

## Fee year 2015/16 underspend

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- 2.5** The PSR had an underspend for 2015/16 and has decided to return £5.017 million to relevant fee payers by giving credit against their 2016/17 PSR fees.
- 2.6** The majority of PSPs who paid fees in 2015/16 will receive the refund. The amount to be refunded will be credited against an eligible PSP's fees payable for 2016/17. Any 2015/16 fee payer who is not liable to pay fees in 2016/17 can apply to the PSR for a refund under the fees rules. We set this out in greater detail in Chapter 3. The amount of the underspend returned to individual 2015/16 fee payers will be proportional to the 2015/16 allocation to each system and an individual PSPs' fees paid within that system.

## Treatment of late payers

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- 2.7** To ensure we have appropriate cash-flow throughout a fee year, we have included payment of on-account fees in our fees rules, modelled on the FCA's approach to fees. On-account fees for fee year 2016/17 were due to be paid by PSPs to their operator by 15 April 2016, and the collected monies were to be transferred to us by the operators by 30 April.
- 2.8** The PSR's fees rules<sup>9</sup> allow the FCA to levy an administrative charge of £250 plus interest on a PSP fee payer that is late in paying its fee. The late payment provision only applies to the PSP paying the fee (including an operator liable to pay a fee by virtue of its activity as a PSP). It does not apply to an operator acting only as our collection agent.
- 2.9** We will impose this charge for the late payment of fees in accordance with the PSR's fees rules.

## Fees timeline

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- 2.10** The FCA's usual fees cycle begins with a consultation paper published each November. For the PSR's fees for the year 2016/17, our first consultation was issued in December 2015, around six weeks after the FCA published its 2016/17 fees and levies policy proposals consultation.<sup>10</sup> The consultation started later because our final policy statement for PSR regulatory fees 2015/16 was only published on 27 October 2015.

December 2015	<b>Consultation paper CP15/44</b> on how we proposed to allocate the PSR's 2016/17 regulatory fees to fund its FSBRA and IFR functions and activities, and how we proposed to calculate and collect them.
March 2016	<b>Fee tariff data collection:</b> Operators of regulated payment systems and of relevant IFR card payment systems are asked to provide relevant data to the PSR.
April 2016	<b>Consultation paper</b> on proposed fees rates for individual fee payers for the 2016/17 year, together with feedback on the December 2015 consultation and the making of any rules which come into effect from April 2016.
15 April 2016	<b>Payment date for on-account invoices:</b> Fee payers whose 2015/16 PSR fees were £20,000 or more for their participation in any individual regulated payment system were required to make an advance 'on-account' payment of 30% of their 2015/16 PSR fees to each of the operators of those systems.
	<b>Date as of which the Fees (Payment Systems Regulator) Instrument 2016 comes into effect.</b>

<sup>9</sup> FEES 9.2.7R

<sup>10</sup> See CP15/34, Regulatory fees and levies: policy proposals for 2016/17 (November 2015): [www.fca.org.uk/news/cp15-34-regulatory-fees-and-levies-proposals-for-2016-17](http://www.fca.org.uk/news/cp15-34-regulatory-fees-and-levies-proposals-for-2016-17)

June 2016	<b>Policy statement</b> finalising the periodic fee rules for the year 2016/17 and making any other rules.
8 July 2016	<b>Date as of which the Fees (Payment Systems Regulator) (No 2) Instrument 2016 comes into effect.</b>
July 2016	From July, the operators of regulated payment systems and IFR card systems invoice fee payers.
15 September 2016	Date by which fee-paying PSPs must have paid their 2016/17 PSR fees to their respective operator(s) (minus any on-account payments made, where applicable).
1 October 2016	The 2016/17 PSR fees collected by operators on our behalf are due to be paid to us.

### 3.

## Consultation responses and policy decision on allocation, calculation and collection of the PSR's 2016/17 FSBRA regulatory fees

In this chapter we give feedback on the responses we received to the April consultation CP16/11 and we set out our final decision on the PSR's FSBRA calculation of fees rates. We also give feedback and set our final decision on our handling of the anticipated 2015/16 budget underspend and the move of the autumn fee payment dates.

### Our consultation questions in CP16/11

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3.1 We asked the following consultation questions:

- Q1: Do you have any comments on the application of the policy for funding the PSR's FSBRA functions and activities for 2016/17, pursuant to the fees rules set out in Annexes 1 (fees rules made by the FCA which come into effect from 15 April 2016) and 2 (draft fees rules, in particular Table A of FEES 9 Annex 1R used for the calculation of fees rates)?**
- Q2: Do you have any comments on our proposed handling of the anticipated 2015/16 budget underspend? In particular, do you have any comments on (i) our proposed timing and the setting out of the 2016/17 FSBRA fee and any 2015/16 FSBRA fee refund in a single invoice; or (ii) our proposal that only PSPs who paid fees in 2015/16 and are liable to pay 2016/17 FSBRA fees are eligible for an 'automatic' refund? If so please set out your reasons.**
- Q3: Do you have any comments on our proposal to move the 15 August and 1 September payment dates to 15 September and 1 October respectively from July 2016?**

### Summary of responses

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#### Funding the PSR's FSBRA functions and activities for 2016/17

- 3.2 Most respondents to our April 2016 consultation supported our proposed approach for FSBRA fees for 2016/17.
- 3.3 Only one respondent objected to our allocation methodology. It claimed that equal allocation of our FSBRA AFR across all regulated payment systems is disproportionate and unfair on card systems, and argued that most of our work has been interbank system related. This respondent had raised the same issue in response to our December 2015 consultation (CP15/44).<sup>11</sup> It repeated its call for an activity-based model for the allocation of the FSBRA AFR.

<sup>11</sup> CP16/11, paragraph 3.13.

### Handling of the fee year 2015/16 underspend

- 3.4** Most respondents supported our proposed approach to handling the 2015/16 underspend. A few respondents asked for early sight of how much would be refunded and sufficient time to process this.
- 3.5** There was one objection to our proposal. The respondent commented that the proposal increases bureaucracy and that the underspend would be better managed by adjusting the next year's AFR by the same amount.
- 3.6** On a related point, another respondent complained that the process of collecting on-account fees doubles the complexity of the fees process for them and their PSP members, and that the PSR should find a better, less onerous way of managing its cash flow.

### Moving the payment dates to 15 September and 1 October

- 3.7** Respondents either supported or did not object to our proposal to move the payment dates. One respondent repeated its call for a full two months between the PSR's final policy statement and the issuing of the invoices, which is more time than our proposal allowed. Another respondent sought clarity on whether any change to the autumn payment date would mean a change to the percentage to pay for on-account fees.

## Feedback on the responses received

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### Funding the PSR's FSBRA functions and activities for 2016/17

- 3.8** We do not consider that using a model based on activity type to allocate the FSBRA AFR would be more appropriate than equal allocation. As we explained both in our December 2015 (CP15/44) and our April 2016 consultation (CP16/11) the PSR is still in the early stages of its operations and so has a broad focus across all of the regulated payment systems.
- 3.9** While the PSR's work is directed by its forward work programme, this does not create an absolute boundary for its activities. As set out in CP16/11<sup>12</sup>, the PSR must remain flexible to be able to deal with issues that might arise at any time. Therefore, it would be inappropriate to allocate its AFR on the basis of a static work programme which, by its nature, cannot fully reflect its workload during the full course of any year.
- 3.10** We consider this approach also has the benefits of being proportionate, predictable and simple to administer. An equal allocation approach is inexpensive to administer and so is consistent with the need to use our resources in an efficient and economical way.
- 3.11** The regulated card payment systems are also subject to FSBRA and therefore the PSR's activity under FSBRA. We consider that all payment systems (and their participants) benefit from our activities, our programme of work, and our regulatory and competition interventions. The PSR's work related to the IFR is distinct from its other work and is being funded separately (see Chapter 4).
- 3.12** This approach is also consistent with the approach we adopted in year 2015/16.

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<sup>12</sup> CP16/11, paragraph 3.17.

## Handling of the 2015/16 fee year underspend

- 3.13** We consider that it is appropriate to give those PSPs who contributed to the PSR's 2015/16 FSBRA AFR a 'refund' as some of their fees paid for that year have not been used. The amount to be refunded, by way of credit against PSR fees for the fee year 2016/17, is £5.017 million. As we proposed in CP16/11, we will provide this refund in the form of a credit, reducing correspondingly the individual 2016/17 payment due from PSPs. This will be set out in the invoices operators will issue in accordance with the timeline set out in paragraph 2.10.
- 3.14** The individual PSP credits will be calculated by allocating the total of £5.017 million equally across the seven pan-UK regulated payment systems (treating C&C and NICC as one for this purpose), (which amounts to £716,714 per system) and then calculating the credit due to each eligible PSP within any one system in proportion to its share of the total PSR fees paid under that system for the year 2015/16.<sup>13</sup>
- 3.15** This approach is intended to ensure that those PSPs which actually paid 2015/16 fees benefit from our returning the underspend. Reducing next year's AFR may not achieve this, as in some payment systems, the PSP membership changes from one year to the next.
- 3.16** This approach allows operators to combine the credit for the 2015/16 underspend with the remaining fees for 2016/17 into a single invoice to be sent out to PSPs in summer 2016, avoiding multiple flows of funds. No additional invoice or credit note will be sent out that would increase bureaucracy.

## Moving the payment dates to 15 September and 1 October

- 3.17** We did not propose that moving the payment dates to 15 September and 1 October would alter on-account fees rules, either in terms of timing of the payment or the percentage of payment made. We consider that the time now provided for issuing invoices, which will be slightly less than two months, should be sufficient for all operators. We will, however, keep the question of the timing of the on-account fees under review.

## Our policy decision

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### April 2016 decision

- 3.18** As we set out in Chapter 3 of CP16/11, for the year 2016/17 we decided in April of this year to continue with the approach we adopted for 2015/16 for the allocation, calculation and collection of PSR fees to fund its FSBRA functions and activities. This means we have allocated the PSR's AFR equally across all the pan-UK payment systems the PSR regulates under FSBRA: Bacs, CHAPS, C&C/NICC, FPS, LINK, MasterCard, and Visa Europe. We are treating C&C and NICC as a single pan-UK cheque system for allocation purposes, as they are both cheque and credit clearing systems but operate in distinct, complementary geographic areas.
- 3.19** Each regulated pan-UK system will contribute 14.3% of the funding for the PSR's FSBRA functions. For 2016/17 this will be £1.96 million for each system (compared to £4 million for the year 2015/16, which also included the PSR's set-up costs). The liability for paying the PSR's FSBRA AFR for each payment system falls on its direct PSP members, based on their relative individual transaction volumes (or shareholdings in the case of NICC).

<sup>13</sup> For NICC the individual PSP credits will be calculated according to their respective shareholdings in the operator of NICC, namely Belfast Bankers Clearing Company Ltd.

- 3.20** We also decided in CP16/11 to continue using the same ‘indirect billing’ method for collecting the PSR’s FSBRA fees for 2016/17 as we did in 2015/16. We also decided that fees payable by each relevant participant in a FSBRA regulated payment system will be calculated according to its relative individual transaction volumes in that system (or, for NICC, relative shareholdings in the NICC operator), and that we will apply the same minimum transaction volume threshold for card systems as we did in the year 2015/16.<sup>14</sup>

### June 2016 decision

- 3.21** Following our April consultation we have now decided to give those PSPs who contributed to the PSR’s 2015/16 FSBRA AFR a ‘refund’, as some of their fees paid for 2015/16 have not been used. As the operators issue the invoices for our fees on our behalf, they are best placed to incorporate the refund in the 2016/17 PSR fees invoices for eligible PSPs. Any 2015/16 refund will be automatically ‘netted off’ against 2016/17 FSBRA fees due by an individual PSP to a specific operator. Any 2015/16 fee payer who is not liable to pay fees in 2016/17 can apply to the PSR for a refund under the fees rules.
- 3.22** We have also decided to move the August 15 and September 1 payment dates by one month. The deadline for PSPs to pay their PSR fees to the invoicing operator will be 15 September from 2016. The deadline for operators to forward fees collected to the PSR will be 1 October.

### Calculation of fee rates for funding our FSBRA activities and functions

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- 3.23** The calculation methodologies for each regulated payment system for 2016/17 were set out in paragraph 3.32 of CP16/11. The payment system allocations and payment system denominators for each regulated payment system for 2016/17 are set out in Table A of FEES 9 Annex 1R, included as Annex 1 to this decision. Direct PSP members can calculate their 2016/17 PSR fee rates for the funding of our FSBRA functions using their transaction volumes (or, for NICC, shareholdings in the operator), as set out in paragraph 3.32 of CP16/11 and Table A of FEES 9 Annex 1R.

<sup>14</sup> CP16/11, paragraphs 3.6, 3.8, 3.10 and 3.20.

## 4. Consultation responses and our policy decision on allocation, calculation and collection of the PSR's 2016/17 IFR regulatory fees

In this chapter we give feedback on the responses we received to the April consultation CP16/11 and we set out our final decision on the PSR's IFR Annual Funding Requirement (AFR) allocation methodology and on the fees calculation and collection methodologies.

### Our consultation questions in CP16/11

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- Q4: Do you agree with our proposed approach that whenever the operator of a card payment system (under the IFR or FSBRA) also acts as a card-issuing and/or acquiring PSP (i) that operator should be liable to pay the entire PSR fee allocation for that card system, (ii) no other PSPs within that system should be liable for paying fees towards that system's PSR fee allocation, and (iii) the payment system denominator for that system is not published in FEES 9 Annex 1R?**
- Q5: Do you have any comments on the application of the intended policy for funding the PSR's IFR functions and activities for 2016/17, pursuant to the fees rules set out in Annex 2 (draft fees rules, in particular Tables B and C of FEES 9 Annex 1R used for the calculation of fees rates) including our proposal in relation to operators that also act as PSPs?**

### Summary of responses

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- 4.1** Most respondents to our April 2016 consultation supported our proposed approach for IFR fees for 2016/17. We received little comment on our IFR funding proposals more generally, but respondents did raise two specific issues.

#### Payment of IFR card payment system fees by operators acting as PSPs

- 4.2** We received no objection to the proposal that operators who are also acting as PSPs pay the entire fee allocation for that system. However, one respondent said that if the proposal was adopted, it would be inequitable for the total system volumes ('payment system denominator' in the fees rules) of other card payment systems to be published.

#### Funding the PSR's IFR functions and activities for 2016/17

- 4.3** American Express (AmEx) repeated its claim that placing it in the top tier is disproportionate and discriminatory, because it considers its volumes of transactions to be significantly lower than the other two IFR card payment systems in the top tier. It repeated its call for a separate tier for AmEx,

as it did in response to our December 2015 consultation. AmEx added that its argument is now supported by the fact that, under the new proposals, as the system operator it will pay the entire system fee allocation itself, rather than passing it on to its PSPs.

## Feedback on the responses received

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### Payment of IFR card payment system fees by operators acting as PSPs

- 4.4** We note that the purpose of publishing the total volumes of card systems is to enable the fee-paying direct PSPs, acquirers and card issuers in each payment system to calculate their PSR regulatory fee liability for each system. Knowing what their own volumes are, the publication of the total volumes enables PSPs to calculate what proportion of the overall fee allocation to a given system they will be liable to pay.<sup>15</sup> This gives them the information they need to participate meaningfully in our consultations about fees and fee levels.
- 4.5** We published the FSBRA transaction volumes used to calculate fees for the fee year 2015/16<sup>16</sup> and we also published the FSBRA transaction volumes for the fee year 2016/17<sup>17</sup> in our April 2016 consultation on fees. However, we did not publish transaction volumes for IFR as we had not received that data from the operators at the time of publication. We also used the FSBRA figures for the purposes of the IFR consultation as they are a good proxy and sufficiently close to enable meaningful participation in the consultation.

### Funding the PSR's IFR functions and activities for 2016/17

- 4.6** As we explained in our April 2016 consultation, we believe that equal allocation across the IFR card systems is appropriate, adapted where necessary to ensure the fee level reflects the disparities in UK presence of the different IFR card systems. We consider this to be appropriate and fair, as all of the card payment systems will be subject to the PSR's monitoring and enforcement activities under the IFR.
- 4.7** We consider that placing the IFR card payment systems in three tiers as proposed best reflects the difference between those systems with a large number of relevant UK transactions (in the top tier), the one system currently with a modest number of UK transactions (in the second tier) and those with very little UK presence (in the third tier). This approach ensures that IFR card payment systems operating in the UK contribute appropriately to the funding of the PSR's IFR functions and activities, while taking the significant disparities in their current UK presence into account.
- 4.8** For the reasons set out in paragraphs 4.19 to 4.24 of CP16/11, we consider that creating a separate tier for AmEx would not be appropriate.
- 4.9** As noted above, in considering in which tier to place an IFR card system, we have taken into account its relevant UK transaction volumes. We have also been mindful of the respective UK transaction values, given that volumes are only one of the metrics for size, and each of the IFR card payment systems has a different profile in terms of its overall transaction volumes and values. We consider that, taking all of the relevant information into account, it is still appropriate for AmEx to be in the top tier.

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<sup>15</sup> As the volumes published are subject to adjustments, this calculation is approximate.

<sup>16</sup> Volumes for the reference year, which was the calendar year 2014.

<sup>17</sup> See footnote 16.

## Our policy decision

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- 4.10** We have decided to fully implement the IFR proposals we made in our April 2016 consultation, subject to the change described in paragraph 4.14 below concerning the publication of total system transaction volumes. We will allocate the IFR AFR across all the card payment systems which operate in the UK and which are subject to the IFR (with two exceptions to take account of the very limited presence in the UK of two specific IFR card payment systems).
- 4.11** Given some of the significant differences in the current UK presence of the different IFR card systems, for the reasons set out in paragraphs 4.17 to 4.26 of CP16/11 we have decided to allocate the PSR's IFR AFR across the relevant IFR card payment systems using a three-tier methodology. This recognises the significant differences in scale of the different systems' current UK presence. Under our three-tier approach:
- IFR card payment systems with more than 10 million UK transactions (AmEx, MasterCard and Visa) are allocated an equal share of our IFR AFR, amounting to 33.2% of our IFR AFR or approximately £497,500 each in 2016/17
  - IFR card systems with more than 100,000 and less than 10 million UK transactions (Diners Club International (Diners Club)) are allocated a flat fee amounting to 0.5% of the overall IFR AFR or £7,500 (a 'flat' fee) in 2016/17
  - IFR card systems with less than 100,000 UK transactions (Union Pay International (UPI) and JCB) have no payment system allocation, and therefore pay no PSR fees in 2016/17
- 4.12** We will levy IFR PSR fees on acquiring and card-issuing PSPs operating in the UK which are acquiring and/or card-issuing direct PSP members or licensees of IFR card payment systems. Where an operator also acts as an issuer and/or acquirer, the entire fee allocation for a system will be levied on the operator itself. No other PSP within that system is liable for paying fees towards that system's PSR fee allocation (for that year).
- 4.13** We will apply the 'indirect billing' method we use to fund the PSR's FSBRA functions and activities for collecting our IFR fees, to ensure that these fees are outside the scope of VAT.
- 4.14** We will not publish IFR volumes for card systems for 2016/17 in the fees rules. Instead, the fees rules state that the FSBRA total system transaction volumes figures, which will be published, shall be adjusted by operators to reflect the different definitions of IFR versus FSBRA relevant transactions. The invoices sent by operators to PSPs will be based on that adjustment. This avoids the need to publish any IFR total volumes. Individual PSPs can, if necessary, raise any queries about those adjusted volumes with their operator and with the PSR.
- 4.15** The same minimum transaction volume thresholds as for FSBRA will apply to our IFR fees. It is possible that in any given fee year, for the smaller IFR card payment systems (particularly those only subject to a PSR flat fee), no individual acquiring or card-issuing PSP will be above the minimum threshold. The operators of IFR card payment systems will pay the PSR fee allocation for their system themselves if none of their acquiring and card-issuing PSPs are above the minimum thresholds.
- 4.16** As described in paragraph 3.22 in respect of funding our FSBRA activities and functions, the payment deadlines for IFR related fees will be 15 September and 1 October, respectively.

## Calculation of fee rates for the funding our IFR activities and functions

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- 4.17** The payment system allocations for each IFR card payment system for 2016/17 are set out in Table C of FEES 9 Annex 1R, included as Annex 1 to this decision. We describe below the methodology we have used to calculate the fees payable by individual direct acquiring and card-issuing PSP members and operators for each IFR card payment system, which is also set out in the amendments to FEES 9 (included in Annex 1). The relevant time periods/dates are those to be taken into account when calculating the PSR fees applicable to individual direct PSP members for 2016/17.
- 4.18** Operators are liable to pay fees when there are no PSPs within their IFR card payment system whose volumes are above the minimum volume threshold, and/or where the operator also acts as a PSP.
- 4.19** Direct acquiring and/or card-issuing PSP members can approximate their 2016/17 PSR fee rates for the funding of our IFR functions by using their transaction volumes and the methodologies, as set out below.
- 4.20** For each of the IFR card payment systems, the following common definitions apply:
- a. 'Transactions by acquirers and card issuers operating in the UK' in a relevant time period means:
    - On the acquiring side:
      - any transactions acquired by UK-based acquirers (or by an operator acting as such an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA
      - any transactions acquired by UK-based acquirers (or by an operator acting as such an acquirer) resulting in payments to merchants located outside the UK, where the card issuer is located in the EEA
      - any transactions acquired by EEA-based acquirers (based outside the UK) (or by an operator acting as such an acquirer) resulting in payments to merchants located in the UK, where the card issuer is located in the EEA
    - On the issuing side: any transactions on cards issued by UK-based card issuers (or operators acting as such a card issuer), where the acquirer is located in the EEA.
  - b. **All transactions** by acquirers or card issuers operating in the UK, or by the operator acting as such an acquirer and/or card issuer, under the relevant card payment systems are taken into account, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards (such as buying foreign currency at a bureau de change or getting cashback when buying groceries at a supermarket), but excluding cash-only withdrawals (such as from ATMs or over the counter).
  - c. There is a **minimum transaction volume threshold** for each of the IFR card payment systems. This means an acquirer or card issuer operating in the UK is not required to pay a PSR fee in the given fee year for a given IFR card payment system, and the UK transaction volumes that it realises are to be excluded from the total transaction volumes under each IFR card payment system used for fee calculation purposes, if:
    - any such PSP has acquired and issued fewer than 100,000 relevant UK transactions in the relevant time period in that IFR card payment system, or
    - the PSR fee it would normally pay for that IFR card payment system, as calculated according to the fees rules, would be less than £50 for the current fee year if the minimum transaction volume threshold was not applied

**4.21** The methodologies for each IFR card payment system are:

- a. **JCB and Union Pay International:** These IFR card payment systems are within the third tier as they realised less than 100,000 UK transactions between 1 January and 31 December 2015. Therefore, operators and the PSPs in these systems are exempted from paying any PSR fee to fund our IFR activities for JCB and/or Union Pay International.
- b. **Diners Club:** This IFR card payment system is within the second tier as it realised between 100,000 and 10 million UK transactions between 1 January and 31 December 2015. The payment system allocation for Diners Club is 0.5% of the IFR AFR, amounting to £7,500 in 2016/17. As the Diners Club operator also acts as an acquiring and/or card-issuing PSP, the Diners Club operator is liable for the entire payment system allocation of £7,500.
- c. **AmEx, MasterCard and Visa:** These IFR card payment systems are within the first tier as they realised more than 10 million UK transactions between 1 January and 31 December 2015. The payment system allocation is 33.2% of the IFR AFR, amounting to £497,500 in 2016/17 for each of AmEx, MasterCard and Visa.

As the **AmEx** operator also acts as an acquiring and/or card-issuing PSP, the AmEx operator is liable for the entire payment system allocation of £497,500.

The PSR fees to fund our IFR functions that will be recovered from individual acquirers and card issuers operating in the UK that are direct PSP members or licensees of MasterCard or Visa will be calculated proportionally to the transaction volumes issued and acquired on behalf of that acquirer or card issuer under the **MasterCard** or **Visa** system in the UK during the relevant time period. The 2016/17 relevant time period for transaction volumes issued and acquired under these IFR card payment systems in the UK is between 1 January and 31 December 2015. All MasterCard-branded transactions, or Visa-branded transactions, are included irrespective of the processing entity (MasterCard or Visa itself, a third party processing entity or 'on us' transactions).

## 5. Compatibility statement

In this chapter we set out our compatibility statement.

### Assessment of compatibility with FCA duties and PSR regulatory principles

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- 5.1** As set out in paragraph 5.23 of our December 2015 consultation, we are required to assess the compatibility of our proposals with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as amended by FSBRA. The FCA is exempt from the obligation to carry out a cost benefit analysis in relation to PSR fees rules.
- 5.2** When consulting on new rules, the FCA is required by section 138(2)(d) FSMA to explain why it believes making the proposed rules is compatible with the FCA's strategic objectives, advances one or more of its operational objectives and has regard to the regulatory principles in s. 38 FSMA.
- 5.3** We set out in our December 2015<sup>18</sup> and April 2016<sup>19</sup> consultations our view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way that promotes effective competition in the interests of consumers (s. 1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives. We also included our assessment of the equality and diversity implications of these proposals, and set out our view of how the proposed rules are compatible with the regulatory principles applicable to the PSR under s. 53 FSBRA. Our views on those matters have not changed since those two consultations.

<sup>18</sup> CP15/44, Chapter 5, paragraphs 5.23 to 5.45.

<sup>19</sup> CP16/11, Chapter 5, paragraphs 5.21 to 5.27.

# Annex 1

## Fees instrument

**FEES (PAYMENT SYSTEMS REGULATOR) (NO 2) INSTRUMENT 2016**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of:
- (1) the powers in paragraph 9 (Funding) of Schedule 4 (The Payment Systems Regulator) of the Financial Services (Banking Reform) Act 2013 (“FSBRA”);
  - (2) the powers in Regulation 15 of The Payment Card Interchange Fee Regulations 2015 (SI 2015/1911); and
  - (3) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137T (General supplementary powers);
    - (b) section 139A (Power of the FCA to give guidance); and
    - (c) paragraph 23 of schedule 1ZA (Fees).
- B. The rule-making powers listed above are specified for the purpose of paragraph 9 of schedule 4 to FSBRA and section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 8 July 2016.

**Amendments to the Handbook**

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

**Notes**

- F. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- G. This instrument may be cited as the Fees (Payment Systems Regulator) (No 2) Instrument 2016.

By order of the Board  
23 June 2016

## Annex A

## Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

*IFR transactions by acquirers operating in the United Kingdom* all transactions subject to the *IFR* acquired by:

- (a) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the *United Kingdom*, where the *card issuer* is located in the *EEA*;
- (b) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located outside the *United Kingdom*, where the *card issuer* is located in the *EEA*; and
- (c) *non-UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the *United Kingdom*, where the *card issuer* is located in the *EEA*.

*IFR transactions by card issuers operating in the United Kingdom* all transactions subject to the *IFR* on cards issued by *UK-based card issuers* (or an *operator* acting as such an *card issuer*), where the *acquirer* is located in the *EEA*.

Amend the following definitions as shown.

*PSR fee* the fee payable by a *direct payment service provider* or an operator of an *IFR card payment system* under *FEES* 9.2.1R.

*payment system allocation* (a) for each *regulated payment system* listed in column 1 of Table A of *FEES* 9 Annex 1R, the annual allocation of *PSR fees* specified for that *regulated payment system* in column 2 of Table A of *FEES* 9 Annex 1R.

(b) for each *IFR card payment system* listed in column 1 of Table C of *FEES* 9 Annex 1R, the annual allocation of *PSR fees* specified for that *IFR card payment system* in column 2 of Table C of *FEES* 9 Annex 1R.

*payment system denominator* (a) for each *regulated payment system* listed in column 1 of Table A of *FEES* 9 Annex 1R, the figure specified for that *regulated payment system* in column 6 of Table A and which is also the

total *transaction volumes* for that *regulated payment system* undertaken by all relevant *direct payment service providers* in the *relevant time period*, prior to any adjustment resulting from the application of *FEES 9.2.1AR*.

- (b) for each *IFR card payment system* listed in column 1 of Table C of *FEES 9 Annex 1R*, the figure specified for that *IFR card payment system* in column 4 of Table B and column 6 of Table C of *FEES 9 Annex 1R*, and which is also the total *transaction volumes* for that *IFR card payment system* undertaken by all relevant *acquirers, card issuers and operators* acting as such *acquirers* or *card issuers* in the *relevant time period*, prior to any adjustment resulting from the application of *FEES 9.2.1CR*.

*relevant time period*

- (a) for each *regulated payment system* listed in column 1 of Table A of *FEES 9 Annex 1R*, the time period or date specified for that *regulated payment system* in column 4 of Table A.
- (b) for each *IFR card payment system* listed in column 1 of Table C of *FEES 9 Annex 1R*, the time period specified for that *IFR card payment system* in column 2 of Table B and column 4 of Table C of *FEES 9 Annex 1R*.

*transaction volumes*

- (a) for each *regulated payment system* listed in column 1 of Table A of *FEES 9 Annex 1R*, the number of transfers of funds of the type specified in column 5 of Table A undertaken by a *direct payment service provider* in the *relevant time period*.
- (b) for each *IFR card payment system* listed in column 1 of Table C of *FEES 9 Annex 1R*, the number of transfers of funds of the type specified in column 1 of Table B and column 5 of Table C of *FEES 9 Annex 1R* undertaken in the *relevant time period* by:
- (i) an *acquirer*; or
- (ii) a *card issuer*; or
- (iii) an *operator* of an *IFR card payment system* acting as such an *acquirer* or *card issuer*.

*transactions by acquirers operating in the United Kingdom*

- all transactions acquired by:
- (a) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the *United Kingdom*;
- (b) *UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located outside the *United Kingdom*; and
- (c) non-*UK-based acquirers* (or an *operator* acting as such an *acquirer*) resulting in payments to merchants located in the

*United Kingdom.*

*transactions by  
card issuers  
operating in the  
United Kingdom*

all transactions on cards issued by *UK-based card issuers*, irrespective of where the cardholder is located or the payment is initiated (or an operator acting as such a card issuer).

## Annex B

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

#### 1 Fees Manual

##### 1.1 Application and Purpose

...

Application

...

1.1.2A R *FEES* 1 and *FEES* 9 apply to:

- (1) operators of regulated payment systems;
- (2) operators of IFR card payments systems; and
- (3) direct payment service providers.

...

#### 9 Payment Systems Regulator funding

##### 9.1 Application and purpose

Application

9.1.1 R This chapter applies to:

- (1) operators of regulated payment systems;
- (2) operators of IFR card payment systems; and
- (3) direct payment service providers.

Purpose

9.1.2 G This chapter sets out the fee payable by a *direct payment service provider* or an operator of an IFR card payment system to establish and fund the *PSR*.

...

##### 9.2 PSR fees

Obligation to pay PSR fees

- 9.2.1 R *A direct payment service provider, acquirer, ~~or~~ card issuer or operator of an IFR card payment system must pay the PSR fees applicable to it and calculated as set out in FEES 9 Annex 1R:*
- (1) in full and without deduction; and
  - (2) in accordance with this chapter, subject to:
    - (a) *FEES 9.2.1AR;*
    - (b) *FEES 9.2.1CR;*
    - (c) *FEES 9.2.1DR; and*
    - (d) *FEES 9.2.1FR.*
- 9.2.1A R *If either of the following tests is met by an acquirer or card issuer in a card payment system in any given fee year, the transaction volumes attributable to that acquirer or card issuer are not to be included in the payment system denominator for that card payment system for that fee year, and that acquirer or card issuer is not required to pay any PSR fee in respect of the ~~PSR's functions and activities in relation to regulated payment systems~~ payment system allocation to that card payment system for that fee year where:*
- (1) *the PSR fee for that acquirer or card issuer calculated as set out in FEES 9 Annex 1R would be less than £50 for the current fee year for that card payment system if FEES 9.2.1AR were not applied; or*
  - (2) *a direct payment service provider in that card payment system realises in total less than 100,000 transactions by an acquirer operating in the United Kingdom ~~and plus~~ transactions by a card issuer operating in the United Kingdom in the relevant time period.*
- ...
- 9.2.1B R ...
- (2) ~~FEES 9.2.1DR(1)~~ *FEES 9.2.1BR(1) also applies when the business acquired, transferred or merged is not a legal entity but is an unincorporated business, or is in the form of assets and/or contracts.*
- 9.2.1C R (1) *If an acquirer or card issuer meets either of the following tests in an IFR card payment system in any given fee year, the transaction volumes attributable to that acquirer or card issuer are not to be included in the payment system denominator for that IFR card payment system for that fee year, and that acquirer or card issuer is not required to pay any PSR fee in respect of the payment system allocation to that IFR card payment system for that fee year where:*
- (a) *the PSR fee for that acquirer or card issuer calculated as set out in FEES 9 Annex 1R would be less than £50 for the current fee year for that IFR card payment system if FEES 9.2.1CR were*

not applied; or

(b) a direct payment service provider in that IFR card payment system realises in total less than 100,000 IFR transactions by an acquirer operating in the United Kingdom plus IFR transactions by a card issuer operating in the United Kingdom in the relevant time period.

(2) If the total number of IFR transactions by an acquirer operating in the United Kingdom plus IFR transactions by a card issuer operating in the United Kingdom under a given IFR card payment system in the relevant time period amount to less than 100,000, no payment system allocation must be made to that IFR card payment system for the relevant fee year, and the acquirers, card issuers and operator in that IFR card payment system are not required to pay any PSR fee in respect of that IFR card payment system for that fee year.

9.2.1D R If there is a payment system allocation for a given fee year to an IFR card payment system (as set out in Table C of FEES 9 Annex 1R), and none of the acquirers and card issuers in that IFR card system is required to pay any PSR fee for that fee year as a result of the application of FEES 9.2.1CR(1), then the operator of that IFR card payment system must pay the entire payment system allocation for that IFR card payment system as PSR fees for that fee year.

9.2.1E R If:

(1) there is a payment system allocation for a given fee year to a card payment system or to an IFR card payment system (in either Table A or Table C of FEES 9 Annex 1R respectively); and

(2) the operator of that payment system is acting as an acquirer, as a card issuer or as both an acquirer and card issuer in that card payment system or IFR card system;

that operator must pay the entire payment system allocation for that card payment system or IFR card payment system as PSR fees for that fee year.

9.2.1F R Where FEES 9.2.1ER applies, no other acquirers or card issuers are required to pay any PSR fee for that card payment system or IFR card system in accordance with FEES 9.2.1R.

9.2.1G G Where FEES 9.2.1ER applies, the payment system denominator for that card payment system or IFR card payment system is not included in column 6 of Table A or Table C, as appropriate, of FEES 9 Annex 1R.

Time of payment

9.2.2 R If the PSR fee paid by a direct payment service provider for the previous fee year for a particular regulated payment system or IFR card payment system was at least £20,000, that direct payment service provider must pay to the operator of that particular regulated payment system or IFR card payment

system:

- (1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 15 March at the end of the previous *fee year*; and
- (2) the balance of the *PSR fee* due by 15 ~~August~~ September in the current *fee year*.

9.2.2A R The operator of each *regulated payment system* or *IFR card payment system* must pay the amounts collected (as collection agent for the *FCA*) under *FEES* 9.2.2R to the *FCA* by the following dates:

- (1) 1 April in the current *fee year*;
- (2) 1 ~~September~~ October in the current *fee year*.

9.2.2B R If an operator of an *IFR card payment system* or *card payment system* is liable to pay *PSR fees* itself under *FEES* 9.2.1DR or *FEES* 9.2.1ER, and the *PSR fee* it paid for the previous *fee year* for its *IFR card payment system* or *card payment system* was at least £20,000, that operator must pay to the *FCA*:

- (1) an amount equal to 50% of the *PSR fee* payable for the previous *fee year*, by 15 March at the end of the previous *fee year*; and
- (2) the balance of the *PSR fee* due by 15 September in the current *fee year*.

**[Note: Transitional provisions apply to *FEES* 9.2.2R to *FEES* 9.2.2BR inclusive: see *FEES* TP 12.4]**

9.2.3 R If the *PSR fee* paid by a *direct payment service provider* for a particular *regulated payment system* or *IFR card payment system* for the previous *fee year* was less than £20,000, the *direct payment service provider* must pay its *PSR fee* in full to the operator of that *regulated payment system* or *IFR card payment system*:

- (1) by 15 ~~August~~ September in the current *fee year*; or
- (2) if later, within 30 days of the date of the invoice.

9.2.3A R The operator of each *regulated payment system* and *IFR card payment system* must pay the amounts collected (as collection agent for the *FCA*) under *FEES* 9.2.3R to the *FCA* by the following date:

- (1) ~~30 August~~ 1 October in the current *fee year*; or
- (2) if later, within 15 days of the date payment of an amount in respect of *PSR fees* is received by the operator from a *direct payment service provider*.

**[Note: Transitional provisions apply to *FEES* 9.2.2R to *FEES* 9.2.2BR inclusive: see *FEES* TP 12.4]**

9.2.3B R If an operator of an IFR card payment system or card payment system is liable to pay PSR fees itself under FEES 9.2.1DR or FEES 9.2.1ER, and the PSR fee it paid for the previous fee year for its IFR card payment system or card payment system was less than £20,000, that operator must pay its PSR fee in full to the FCA:

- (1) by 15 September in the current fee year; or
- (2) if later, within 30 days of the date of the invoice.

Method of payment and invoicing

...

9.2.4A R A direct payment service provider must pay its PSR fees to the operator (acting as collection agent for the FCA) of the regulated payment system or IFR card payment system to which the fee relates.

9.2.4B R The operator of a regulated payment system or an IFR card payment system, acting as collection agent for the FCA, must pay to the FCA the amounts it receives from or on behalf of direct payment service providers under FEES 9.2.4AR.

9.2.4C R With respect to invoices for ~~PSR fees~~ PSR fees:

- (1) the operator of each regulated payment system or IFR card payment system must issue invoices to its direct payment service providers for the amount of the PSR fee relating to each direct payment service provider for their participation in that regulated payment system or IFR card payment system;
- ...
- (3) invoices must be issued by the operator on a sufficiently timely basis to enable the direct payment service providers to pay PSR fees to the ~~operator~~ operator (acting as collection agent for the FCA) by the dates specified in FEES 9.2.2R and 9.2.3R; and
- (4) the requirements of FEES 9.2.4CR(1), (2) and (3) also apply where the operator of a card payment system or IFR card payment system is liable to pay PSR fees itself under FEES 9.2.1DR or FEES 9.2.1ER.

9.2.4D R (1) The operator of a regulated payment system or IFR card payment system must provide to the PSR, for each of its direct payment service providers (and for itself, where it is an operator acting as an acquirer or card issuer), a copy of:

- (a) its calculations (as specified in column 3 of ~~Table~~ Tables A and C of FEES 9 Annex 1R); and
- (b) the underlying data (as specified in column 5 of ~~Table~~ Tables A and C of FEES 9 Annex 1R).

- (2) The *operator* of a *regulated payment system* or IFR card payment system must:
- (a) provide the information in (1) to the *PSR* as soon as possible once *FEES* 9 Annex 1R is updated for a *fee year*, and
  - (b) obtain the *PSR*'s agreement to the individual *PSR fees* on a sufficiently timely basis to be able to issue invoices to *direct payment service providers* in accordance with *FEES* 9.2.4CR.
- (3) The *operator* of each *regulated payment system* and IFR card payment system must provide to the *PSR* an updated version of the information set out in *FEES* 9.2.4DR(1) by no later than two *working days* after the dates set out in *FEES* 9.2.2R and *FEES* 9.2.3R, indicating which *direct payment service providers* have not paid, or not paid in full, their *PSR fees*.

- 9.2.4E G An *operator* of a *regulated payment system* or an IFR card payment system should pay the amounts due to the *FCA* under *FEES* 9.2.2BR, *FEES* 9.2.3BR and *FEES* 9.2.4BR by electronic credit transfer and should notify the *FCA* if it intends to pay in another way.

Ceasing to be designated as a regulated payment system, ~~and~~ ceasing to be a direct payment system provider of a regulated payment system or IFR card payment system, and ceasing to be subject to the *IFR*

- 9.2.5 G The *FCA* will not relieve or refund a *PSR fee* if after the start of that fee year:
- (1) a *payment system* ceases to be a *regulated payment system*; or
  - (2) an IFR card payment system ceases to be subject to the *IFR*; or
  - (3) ~~if a person~~ person ceases to be a *direct payment service provider* of a *regulated payment system*, ~~after the start of that fee year~~ or an IFR card payment system.
- 9.2.6 R If a *payment system* ceases to be a *regulated payment system*, or an IFR card payment system ceases to be subject to the *IFR*, all *direct payment service providers* of that system, and the operator of that IFR card payment system, must pay any outstanding *PSR fees* before the system ceases to hold that status.
- 9.2.6A R If a ~~person~~ person ceases to be:
- (1) a *direct payment service provider* of a *regulated payment system* or of an IFR card payment system, it must pay any outstanding *PSR fees* in respect of that system, before it ceases to be a *direct payment system provider* of the system; or
  - (2) the operator of a IFR card payment system, it must pay any outstanding *PSR fees* in respect of that system before it ceases to be the operator of that IFR card payment system.

## Late payments

- 9.2.7 R If a *direct payment service provider* or an operator of an IFR card payment system does not pay the total amount of its *PSR fees* before the end of the date on which it is due, it must pay to the *FCA*:
- (1) an administrative fee of £250; plus
  - (2) interest on any unpaid part of the fee at an annual rate of 5% above the Official Bank Rate from time to time in force, accruing daily from the date on which the amount concerned became due.
- ...
- 9.2.10 G The *FCA* will not consider a claim to refund a *PSR fee* due to a mistake of fact or law by the fee paying *direct payment service provider* or operator of an IFR card payment system if the claim is made more than two years after the beginning of the *fee year* to which the fee relates.
- ...

Replace the existing Table A in FEES 9 Annex 1R with the following new table. The text is not underlined.

### 9 Annex 1R PSR fees for the period 1 April 2016 to 31 March 2017

Table A below shows the *PSR fee* applicable to the *direct payment system providers, acquirers and card issuers* of each *regulated payment system*.

**Table A**

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
<i>Bacs</i>	£1.96 million	The <i>PSR fee</i> is calculated for each individual <i>direct payment service provider</i> proportionally to the relevant <i>transaction volumes</i> processed, issued or acquired on behalf of that <i>direct payment service provider</i> through the <i>regulated payment system</i> in question during the <i>relevant time period</i> .  The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's relevant transaction volumes</i> divided by <i>payment system</i>	1 January to 31 December 2015	All transactions processed through the <i>Bacs regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.	12,159,494,000
<i>C&amp;C</i>	£1.90 million		1 July to 31 December 2015	All transactions including 'in clearing' and 'out clearing' transactions for GBP, USD and EUR processed through the <i>C&amp;C regulated payment system</i> .	420,930,500
<i>CHAPS</i>	£1.96 million		1 January to 31 December 2015	All MT103 and MT202 transactions processed through the <i>CHAPS regulated payment system</i> . Transactions include both the initiation of the transfer of funds, and the receipt of transferred funds.	74,947,500
<i>FPS</i>	£1.96 million		1 January to 31	All transactions processed through the <i>FPS regulated payment system</i> . Transactions include both the	2,494,069,000

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
		<i>denominator.</i>	December 2015	initiation of the transfer of funds, and the receipt of transferred funds.	
<i>LINK</i>	£1.96 million		1 January to 31 December 2015	All transactions issued and acquired under the <i>LINK regulated payment system</i> , including GBP cash withdrawals, foreign currency dispenses, balance enquiries, PIN management, charity donations, non-cash transactions and mobile payment transactions, but excluding ' <i>on us</i> ' transactions. Both issuing and acquiring transactions are taken into account.	6,324,217,500
<i>MasterCard</i>	£1.96 million	General calculation methodology: The <i>PSR fee</i> is calculated for each individual <i>acquirer</i> and <i>card issuer</i> proportionally to the relevant <i>transaction volumes</i> under the <i>card payment system</i> in question during the <i>relevant time period</i> .  The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer</i> or <i>card issuer's</i> relevant <i>transaction volumes</i> divided by <i>payment system denominator</i> .	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom</i> and <i>card issuers operating in the United Kingdom</i> under the <i>MasterCard regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals. All <i>MasterCard-branded</i> transactions are included irrespective of the <i>processing entity</i> ( <i>MasterCard</i> itself, a third party <i>processing entity</i> or ' <i>on us</i> ' transactions). Both issuing and acquiring transactions are taken into account.	5,008,627,000  (prior to any adjustment resulting from the application of <i>FEES 9.2.1AR</i> )
<i>Visa</i>	£1.96 million	Exception pursuant to <i>FEES 9.2.1ER</i> :  Where the <i>operator</i> of a <i>card</i>	1 January to 31 December 2015	All <i>transactions by acquirers operating in the United Kingdom</i> and <i>card issuers operating in the United Kingdom</i> under the <i>Visa regulated payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but	24,095,219,000  (prior to any adjustment resulting from the application of

Regulated payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by direct payment service providers, acquirers and card issuers of regulated payment systems (column 3)	Relevant time period (column 4)	Relevant transaction volumes or shareholdings, as applicable (column 5)	Payment system denominator (column 6) (rounded to the nearest 500)
		<i>payment system</i> is acting as an <i>acquirer</i> , as a <i>card issuer</i> or as both, the <i>PSR fee</i> is equal to the <i>payment system allocation</i> for that <i>card payment system</i> .		excluding cash-only withdrawals. All <i>Visa</i> -branded transactions are included irrespective of the <i>processing entity</i> ( <i>Visa</i> itself, a third party <i>processing entity</i> or ' <i>on us</i> ' transactions). Both issuing and acquiring transactions are taken into account.	FEES 9.2.1AR
NICC	£55,400	The <i>PSR fee</i> is calculated for each <i>direct payment service provider</i> proportionally to its <i>shareholding</i> in the <i>operator</i> of the <i>NICC regulated payment system</i> during the <i>relevant time period</i> .  The calculation formula is: <i>payment system allocation</i> multiplied by <i>direct payment service provider's</i> shareholding in the capital of the Belfast Bankers' Clearing Company Ltd (expressed as a percentage).	31 December 2015	All shareholdings held in Belfast Bankers' Clearing Company Ltd, the <i>operator</i> of the <i>NICC regulated payment system</i> .	Not applicable

Insert the following new Table B in FEES 9 Annex 1R. The text is not underlined.

Table B below shows the tiers and their levels for determining how the *payment system allocation* is allocated to individual *IFR card payment systems*.

Table B

Relevant IFR transaction volumes (column 1)	Relevant time period (column 2)	Tier (column 3)	Payment system denominator (rounded to the nearest '000) (column 4)	Allocation methodology for the payment system allocation for 2016/17 for each IFR card payment system (column 5)
<p>All IFR transactions by acquirers operating in the United Kingdom and IFR transactions by card issuers operating in the United Kingdom (or those by the operator of that IFR card payment system acting as such an acquirer or card issuer) under that IFR card payment system, including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals.</p> <p>All transactions under the brand of that IFR card payment system are included irrespective of the processing entity (the operator or IFR card payment system itself, a third party processing entity or 'on us' transactions).</p> <p>Both issuing and acquiring transactions are taken into account for each IFR card payment system.</p>	1 January to 31 December 2015	1	Total relevant IFR transaction volumes for the IFR card payment system in question of <100,000 in the relevant time period  (application of FEES 9.2.1DR)	Exemption from PSR fees
		2	Total relevant IFR transaction volumes for the IFR card payment system in question of between 100,000 and 10,000,000 in the relevant time period  (prior to any adjustment resulting from the application of FEES 9.2.1CR)	Payment system allocation to each relevant IFR card payment system amounting to 0.5% of the total 2016/17 funding requirement in relation to the PSR's IFR functions and activities
		3	Total IFR transaction volumes for the IFR card payment system in question of greater than 10,000,000 in the relevant time period  (prior to any adjustment resulting from the application of FEES 9.2.1CR)	Equal payment system allocation to each relevant IFR card payment system for the remaining total 2016/17 funding requirement in relation to the PSR's IFR functions and activities

Insert the following new Table C in FEES 9 Annex 1R. The text is not underlined.

Table C below shows the *PSR fee* applicable to the *acquirers, card issuers and operators* of each *IFR card payment system*.

**Table C**

IFR card payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by acquirers, card issuers and operators of IFR card payment systems (column 3)	Relevant time period (column 4)	Relevant IFR transaction volumes (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
<i>JCB</i>	Nil	General calculation methodology: The <i>PSR fee</i> is calculated for each individual <i>acquirer</i> and <i>card issuer</i> proportionally to the relevant <i>transaction volumes</i> under the <i>IFR card payment system</i> in question during the <i>relevant time period</i> .  The calculation formula is: <i>payment system allocation</i> multiplied by <i>acquirer</i> or <i>card issuer</i> 's relevant <i>transaction volumes</i> divided by <i>payment system denominator</i> .  The figure in column 6 of Table C is the <i>payment system denominator</i> set out in column 6 of Table A, and it must be adjusted for the purposes of Table	1 January to 31 December 2015	All <i>IFR transactions</i> by <i>acquirers</i> operating in the <i>United Kingdom</i> and <i>IFR transactions</i> by <i>card issuers</i> operating in the <i>United Kingdom</i> (or by the <i>operator</i> of that <i>IFR card payment system</i> acting as such an <i>acquirer</i> or <i>card issuer</i> ) under that <i>IFR card payment system</i> , including point of sale transactions, merchant sales volumes, and cash purchase transactions on cards, but excluding cash-only withdrawals.  All transactions under the brand of that <i>IFR card payment system</i> are included irrespective of the <i>processing entity</i> (the <i>operator</i> or the <i>IFR card payment system</i> itself, a third party <i>processing</i>	Not applicable as a result of the application of <i>FEES</i> 9.2.1DR
<i>UPI</i>	Nil				Not applicable as a result of the application of <i>FEES</i> 9.2.1DR
<i>Diners Club</i>	£7,500				Not applicable as a result of the application of <i>FEES</i> 9.2.1GG
<i>AmEx</i>	£497,500				Not applicable as a result of the application of <i>FEES</i> 9.2.1GG
<i>MasterCard</i>	£497,500				5,008,627,000  (prior to any adjustment resulting from the application of <i>FEES</i> 9.2.1CR; and  prior to any adjustments by the <i>operator</i> as set out in column 3 of Table C to reflect the relevant <i>transaction volumes</i> for that <i>IFR card payment system</i> )

IFR card payment system (column 1)	Payment system allocation for 2016/17 (£) (column 2)	Calculation methodology for PSR fee payable by acquirers, card issuers and operators of IFR card payment systems (column 3)	Relevant time period (column 4)	Relevant IFR transaction volumes (column 5)	Payment system denominator (column 6) (rounded to the nearest '000)
Visa	£497,500	<p>C by the <i>operator</i> to reflect the total relevant <i>transaction volumes</i> for that <i>IFR card payment system</i>, including <i>IFR transactions</i> by <i>acquirers operating in the United Kingdom</i> plus <i>IFR transactions</i> by <i>card issuers operating in the United Kingdom</i>, as set out in column 5 of Table C.</p> <p>Exception pursuant to <i>FEES 9.2.1DR</i> or <i>FEES 9.2.1ER</i>:</p> <p>Where the <i>operator</i> of an <i>IFR card payment system</i> is acting as an <i>acquirer</i>, as a <i>card issuer</i> or as both, the <i>PSR fee</i> is equal to the <i>payment system allocation</i> for that <i>IFR card payment system</i>.</p>		<p><i>entity</i> or '<i>on us</i>' <i>transactions</i>).</p> <p>Both issuing and acquiring transactions are taken into account for each <i>IFR card payment system</i>.</p>	<p>24,095,219,000</p> <p>(prior to any adjustment resulting from the application of <i>FEES 9.2.1CR</i>; and</p> <p>and prior to any adjustments by the <i>operator</i> as set out in column 3 of Table C to reflect the relevant <i>transaction volumes</i> for that <i>IFR card payment system</i>)</p>

...

Amend the following as shown.

**TP 12 Transitional provisions relating to direct payment service providers and operators of IFR card payment systems**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
12.4	<i>FEES</i> 9.2.2R, <i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.2BR	R	<p>Replace <i>FEES</i> 9.2.2R, <i>FEES</i> 9.2.2AR and <i>FEES</i> 9.2.2BR with the following:</p> <p>“If the <i>PSR fee</i> paid by a <i>direct payment service provider</i> for the previous <i>fee year</i> for a particular <i>regulated payment system</i> was at least £20,000, that <i>direct payment service provider</i> must pay:</p> <p>(1) an amount equal to 50% of the <i>PSR fee</i> payable for the previous <i>fee year</i>, by 15 April in the current <i>fee year</i>; and</p> <p>(2) the balance of the <i>PSR fee</i> due by 15 <del>August</del> <u>September</u> in the current <i>fee year</i>.</p> <p>The <i>operator</i> of each <i>regulated payment system</i> must pay the amounts collected (as collection agent for the <i>FCA</i>) under <i>FEES</i> 9.2.2R to the <i>FCA</i> by the following dates:</p> <p>(a) 30 April in the current <i>fee year</i>; and</p> <p>(b) 1 <del>September</del> <u>October</u> in the current <i>fee year</i>.”</p>	From 1 April 2016 until 29 February 2017	1 March 2017

## Annex 2

# List of non-confidential respondents

The following participants in regulated payment systems and IFR regulated persons submitted non-confidential responses to our consultation CP16/11:

- American Express
- Bacs Payment Schemes Ltd
- Barclays Bank PLC
- Belfast Bankers' Clearing Co Ltd
- CHAPS Clearing Company
- Cheque and Credit Clearing Co Ltd
- Diners Club International
- MasterCard
- Visa Europe

## Annex 3

# Glossary

This table includes the glossary and abbreviations used for the purposes of this policy statement on 2016/17 PSR regulatory fees.

Expressions which are defined in the fees rules are italicised in the table (for example, '*direct payment service provider*').

Term or abbreviation	Description
<b>2015 Regulations</b>	<i>The Payment Card Interchange Fees Regulations 2015 (SI 2015/1911)</i>
<b>acquirer (acquiring PSP)</b>	<i>A payment service provider contracting with a payee to enable them to accept payment transactions made by means of any card, telecommunication, digital or IT device or software, and which result in a transfer of funds to the payee</i>
<b>AFR</b>	Annual funding requirement
<b>allocation</b>	The methodology whereby the PSR AFR to be recovered is allocated across regulated payment systems and IFR card payment systems
<b>AmEx</b>	<i>The American Express IFR card payment system</i>
<b>Bacs</b>	<i>The Bacs regulated payment system designated by HM Treasury under section 43 of FSBRA</i> (The regulated payment system which processes payments through two principal electronic payment schemes: Direct Debit and Bacs Direct Credit. The payment system is operated by Bacs Payment Schemes Limited (BPSL).)
<b>C&amp;C (Cheque &amp; Credit)</b>	<i>The Cheque &amp; Credit regulated payment system designated by HM Treasury under section 43 of FSBRA</i> (The regulated payment system in England, Scotland and Wales that processes cheques and other paper instruments. It is operated by Cheque and Credit Clearing Company Limited (C&CCCL).)
<b>CA98</b>	Competition Act 1998
<b>calculation (fee calculation)</b>	The methodology whereby the PSR AFR allocated to a specific regulated payment system or IFR card payment system is calculated for an individual fee-paying PSP (or card operator acting as such an acquirer or card issuer) (part of the 'indirect billing' approach)
<b>card issuer (card-issuing PSP)</b>	<i>A payment service provider contracting with a payer to enable the latter to initiate a payment transaction, made by means of any card, telecommunication, digital or IT device or software</i>

Term or abbreviation	Description
<b>card payment system</b>	<i>A regulated payment system that enables a holder of a payment card to effect a payment</i>
<b>CHAPS (Clearing House Automated Payment System)</b>	<i>The CHAPS regulated payment system designated by HM Treasury under section 43 of FSBRA (The UK's real-time, high-value sterling regulated payment system, where payments are settled over the Bank of England's Real Time Gross Settlement (RTGS) system. It is operated by CHAPS Co.)</i>
<b>collection (fee collection)</b>	<i>The methodology whereby the operators act as collection agents for the PSR fee (part of the 'indirect billing' approach)</i>
<b>CP15/26</b>	<i>'PSR regulatory fees 2015/16' – a document published in August 2015 at <a href="https://www.psr.org.uk/about-psr/how-psr-funded">https://www.psr.org.uk/about-psr/how-psr-funded</a> and <a href="http://fca.org.uk">http://fca.org.uk</a>.</i>
<b>Diners Club</b>	<i>The Diners Club International IFR card payment system</i>
<b>direct access</b>	<i>(a) Access to a regulated payment system to enable a payment service provider to provide services for the purposes of enabling the transfer of funds using the regulated payment system, as a result of arrangements made between that payment service provider and the operator (and other participants, as applicable) (b) Access to an IFR card payment system to enable a payment service provider to provide services for the purposes of enabling the transfer of funds under the rules of that IFR card payment system</i>
<b>direct payment service provider (also referred to as a 'direct member' of a regulated payment system)</b>	<i>(a) Any person with direct access to a regulated payment system who provides services to consumers or businesses who are not participants in a regulated payment system, for the purposes of enabling the transfer of funds using that regulated payment system. For the purposes of FEES 9, direct payment service provider includes an acquirer and a card issuer, and does not include the Bank of England. (b) Any person with direct access to an IFR card payment system who acts as an acquirer or card issuer for the purposes of enabling the transfer of funds under the rules of that IFR card payment system.</i>
<b>FCA</b>	<i>Financial Conduct Authority</i>
<b>FEES 9</b>	<i>PSR fees rules included in the FCA Fees Manual (FEES) at FEES 9 (<a href="http://fshandbook.info/FS/html/FCA/FEES/9">http://fshandbook.info/FS/html/FCA/FEES/9</a>)</i>
<b>FPS (Faster Payments Scheme)</b>	<i>The Faster Payments Scheme regulated payment system designated by HM Treasury under section 43 of FSBRA (The regulated payment system that provides near real-time payments as well as standing orders. It is operated by Faster Payments Scheme Limited (FPSL).)</i>
<b>FSBRA</b>	<i>Financial Services (Banking Reform) Act 2013</i>
<b>FSMA</b>	<i>Financial Services and Markets Act 2000</i>

Term or abbreviation	Description
<b>HMRC</b>	Her Majesty's Revenue & Customs
<b>HMRC ruling</b>	HMRC ruling dated 9 August 2015 to the PSR on VAT treatment of Payment Systems Regulator (PSR) fees
<b><i>IFR (EU Interchange Fee Regulation)</i></b>	<i>Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions, published in the Official Journal of the EU on 19 May 2015</i>
<b><i>IFR card payment system</i></b>	<i>A payment card scheme as defined in the IFR, being a single set of rules, practices, standards and/or implementation guidelines for the execution of card-based payment transactions and which is separated from any infrastructure of payment system that supports its operation, and includes any specific decision-making body, organisation or entity accountable for the functioning of the scheme</i>
<b><i>IFR transactions by acquirers operating in the United Kingdom</i></b>	<i>All transactions subject to the IFR acquired by:</i> <i>(a) UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located in the United Kingdom, where the card issuer is located in the EEA;</i> <i>(b) UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located outside the United Kingdom, where the card issuer is located in the EEA; and</i> <i>(c) non-UK-based acquirers (or an operator acting as acquirer) resulting in payments to merchants located in the United Kingdom, where the card issuer is located in the EEA.</i>
<b><i>IFR transactions by card issuers operating in the United Kingdom</i></b>	<i>All transactions subject to the IFR on cards issued by UK-based card issuers (or an operator acting as card issuer), where the acquirer is located in the EEA.</i>
<b>'indirect billing' approach</b>	The approach to raising PSR fees whereby PSR fees are levied on direct members of Bacs, CHAPS, C&C, FPS, LINK or NICC, and on acquiring and issuing PSPs that are members of MasterCard or Visa, and which is proposed to be used for acquiring and issuing PSPs (and in some cases on operators) in IFR card payment systems. PSR fees are collected on behalf of the FCA and PSR by operators acting as collection agents (fee collection methodology). The operators also issue invoices for the PSR fees determined for individual direct members using the fee calculation methodology.
<b>interchange fees</b>	A fee paid for each transaction directly or indirectly (i.e. through a third party) between the issuer and the acquirer involved in a card-based payment transaction. The net compensation or other agreed remuneration is considered to be part of the interchange fee.
<b>JCB</b>	<i>The JCB International IFR card payment system</i>
<b>LINK</b>	<i>The LINK regulated payment system designated by HM Treasury under section 43 of FSBRA</i> <i>(The regulated payment system which enables end users to take cash out of their accounts (amongst other activities) using the network of ATMs in the UK. It is operated by LINK Scheme.)</i>

Term or abbreviation	Description
<b>MasterCard</b>	<i>The MasterCard regulated payment system designated by HM Treasury under section 43 of FSBRA and the MasterCard IFR card payment system</i>
<b>NICC (Northern Ireland Cheque Clearing)</b>	<i>The Northern Ireland Cheque Clearing regulated payment system designated by HM Treasury under section 43 of FSBRA (The regulated payment system in Northern Ireland that processes cheques and other paper instruments. It is operated by Belfast Bankers' Clearing Company Ltd)</i>
<b>'on us' transactions</b>	Transactions where the acquirer and card issuer are the same entity
<b>operator</b>	In relation to a payment system, any person with responsibility under a payment system for managing or operating it; and any reference to the operation of a payment system includes a reference to its management.
<b>PAD (EU Payment Accounts Directive)</b>	Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, published in the Official Journal of the EU on 28 August 2014
<b>participants</b>	(a) In relation to a regulated payment system, any operator, payment service provider and infrastructure provider to a regulated payment system. See also s.42(2) FSBRA. (b) In relation to IFR card payment systems, any operator and payment system provider in to that IFR payment card scheme
<b>payee</b>	<i>A person who is the intended recipient of transferred funds</i>
<b>payer</b>	<i>A person who holds a payment account and allows instructions to be given to transfer funds from that payment account, or who gives instructions to transfer funds</i>
<b>payment service provider (PSP)</b>	(a) Any person with access to a regulated payment system who provides services to consumers or businesses who are not participants in the system, for the purposes of enabling the transfer of funds using that regulated payment system. For the purposes of FEES 9, the Bank of England is not considered a payment service provider. (b) Any person with access to an IFR card payment system who acts as an acquirer or card issuer for the purposes of enabling the transfer of funds under the rules of that IFR card payment system
<b>payment system</b>	<i>A system which is operated by one or more persons in the course of business for the purpose of enabling persons to make transfers of funds, and includes a system which is designed to facilitate the transfer of funds using another payment system</i>

Term or abbreviation	Description
<b>payment system allocation</b>	<p>(a) For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the allocation of PSR fees specified for that regulated payment system in column 2 of Table A of FEES 9 Annex 1R</p> <p>(b) For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the annual allocation of PSR fees specified for that IFR card payment system in column 2 of Table C of FEES 9 Annex 1R.</p>
<b>payment system denominator</b>	<p>(a) For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the figure specified for that regulated payment system in column 6 of Table A and which is also the total transaction volumes for that regulated payment system undertaken by all relevant direct payment service providers in the relevant time period, prior to any adjustment resulting from the application of FEES 9.2.1AR</p> <p>(b) For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the figure specified for that IFR card payment system in column 4 of Table B and column 6 of Table C of FEES 9 Annex 1R, and which is also the total transaction volumes for that IFR card payment system undertaken by all relevant acquirers, card issuers and operators acting as an acquirer or card issuer in the relevant time period, prior to any adjustment resulting from the application of FEES 9.2.1BAR</p>
<b>payment transaction</b>	An action of transferring funds, initiated by the payer or on its behalf or by the payee, irrespective of any underlying obligations between the payer and the payee
<b>person</b>	(In accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a partnership)
<b>processing entity</b>	Any person providing payment transaction processing services, in terms of the actions required for the handling of a payment instruction between the acquirer and the card issuer in a card payment system or in an IFR card payment system
<b>PS15/25</b>	'PSR regulatory fees 2015/16' – a document published in October 2015 at <a href="https://www.psr.org.uk/about-psr/how-psr-funded">https://www.psr.org.uk/about-psr/how-psr-funded</a> and <a href="http://www.fca.org.uk">www.fca.org.uk</a>
<b>PSR</b>	The Payment Systems Regulator Limited, the body corporate established by the FCA under section 40(1) of FSBRA
<b>PSR fee (also referred to as PSR regulatory fee)</b>	The fee payable to the FCA by a direct payment service provider or by an acquirer, card issuer or operator of an IFR card payment system under FEES 9.2.1R
<b>regulated payment system</b>	Any payment systems designated by the Treasury in accordance with s.43 FSBRA. As of the date of publication this includes Bacs, C&C, CHAPS, FPS, LINK, NICC, MasterCard and Visa

<b>Term or abbreviation</b>	<b>Description</b>
<b>regulated person</b>	<i>A person on whom an obligation, prohibition or restriction is imposed by any provision of the IFR, including participants in IFR card payment systems</i>
<b>relevant time period</b>	<i>(a) For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the time period or date specified for that regulated payment system in column 4 of Table A (b) For each IFR card payment system listed in and column 1 of Table C of FEES 9 Annex 1R, the time period specified for that IFR card payment system in column 2 of Table B and column 4 of Table C of FEES 9 Annex 1R</i>
<b>service- user</b>	Those who use, or are likely to use, services provided by payment systems
<b>transaction volumes</b>	<i>(a) For each regulated payment system listed in column 1 of Table A of FEES 9 Annex 1R, the number of transfers of funds of the type specified in column 5 of Table A undertaken by a direct payment service provider in the relevant time period (b) For each IFR card payment system listed in column 1 of Table C of FEES 9 Annex 1R, the number of transfers of funds of the type specified in column 1 of Table B and column 5 of Table C of FEES 9 Annex 1R undertaken by an acquirer, issuer or operator of an IFR card payment system acting as such an acquirer or card issuer in the relevant time period</i>
<b>transactions by acquirers operating in the UK</b>	<i>All transactions acquired by: (a) UK-based acquirers (or an operator acting as such an acquirer) resulting in payments to merchants located in the United Kingdom (b) UK-based acquirers (or an operator acting as such an acquirer) resulting in payments to merchants located outside the UK and (c) non-UK-based acquirers (or an operator acting as such acquirer) resulting in payments to merchants located in the UK</i>
<b>transactions by card issuers operating in the UK</b>	<i>All transactions on cards issued by UK-based card issuers (or an operator acting as such a card issuer)</i>
<b>(the) Treasury</b>	Her Majesty's Treasury
<b>UPI</b>	The Union Pay International IFR card payment system
<b>Visa (Visa Europe)</b>	<i>The Visa Europe regulated payment system designated by HM Treasury under section 43 of FSBRA and the Visa Europe IFR card payment system (The regulated payment system supporting payments made by cards and operated by Visa Europe and Visa UK Limited)</i>
<b>working days</b>	<i>Any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom</i>

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