



BANK OF ENGLAND

News release

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Bank of England extends direct access to RTGS accounts to non-bank Payment Service Providers

The Bank of England is announcing today that a new generation of non-bank Payment Service Providers is now eligible to apply for a settlement account in the Bank's RTGS system.

Holding their own settlement account at the Bank enables these non-bank PSPs to apply, for the first time, for direct access to the UK's sterling payment systems that settle in sterling central bank money, including Faster Payments, Bacs, CHAPS, LINK, Visa, and, once live, the new digital cheque imaging system.

Publishing a revised [Settlement Account Policy](#) that includes non-bank PSPs delivers on a commitment made by the Governor of the Bank of England in summer 2016.¹ This policy change is designed to ensure that the UK's payments infrastructure keeps pace with the changing structure of the financial system. It marks the first step in a much broader renewal programme designed to deliver a materially stronger, more resilient, flexible and innovative sterling settlement system for the United Kingdom in the years ahead.²

The Governor of the Bank of England said today: "I am delighted that the Bank of England, the FCA and HM Treasury are working together to stimulate competition and innovation in payment services by widening access to the UK's payment systems to non-bank payment service providers. In parallel this should support financial stability through greater diversity and risk-reducing payment technologies."

These changes will enable non-bank PSPs to compete on a more level playing field with banks. In turn, reduced dependence on bank competitors for access to payment systems will allow non-bank PSPs to offer a wider range of payment services. These factors will all help to increase competition and innovation in the provision of payments services. In the longer term, the innovation which stems from this expanded access should promote financial stability by:

- creating more diverse payment arrangements with fewer single points of failure;
- identifying and developing new risk-reducing technologies; and

¹ See the Governor's speech: [Enabling the FinTech transformation: Revolution, Restoration, or Reformation?](#)

² Further details of this programme are given in '[A blueprint for a new RTGS service for the United Kingdom](#)', published in May 2017.

- expanding the range of transactions that can take place electronically and be settled in central bank money.

At the same time, as the Governor made clear last summer, these benefits cannot be allowed to come at the cost of reduced resilience of RTGS. That is why the Bank has been working over the past year with the Financial Conduct Authority (FCA), HM Treasury, HM Revenue & Customs, the Payment Systems Regulator (PSR) and the payment system operators to develop a comprehensive risk management framework to ensure the continued resilience of the Bank's RTGS service.

Before non-bank PSPs can open a settlement account, they will need to demonstrate compliance with this risk management framework. A number of legislative changes also need to complete their passage through Parliament. As a consequence, the Bank's expectation is that the first non-bank PSPs will join RTGS during 2018.

To assist firms interested in exploring direct access to UK payment systems and RTGS, the Bank, FCA and the major payment systems operators are today publishing a [separate guide](#) providing more detail on the requirements and application process. In the first instance, interested firms should contact the relevant payment systems operator to discuss these issues further.

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Notes to editors

What is RTGS? What are settlement accounts?

RTGS is the system, owned and operated by the Bank of England, where financial institutions, now including non-bank PSPs, hold settlement accounts. These accounts are used to settle obligations arising from direct participation in payment systems. The Bank offers settlement services in order to promote both monetary and financial stability: settlement in central bank money mitigates credit and disruption risk for the participants as well as end-users of the payment system.

Why expand direct access to RTGS and payment systems for non-bank PSPs?

Currently, 51 banks and building societies hold settlement accounts in RTGS, enabling them to access UK payment systems directly. All other users of these payment systems that settle across RTGS access settlement via an agent bank. These users include a large number of non-bank PSPs, a number of whom are keen to explore ways to reduce their reliance on the systems, service levels, risk appetite and goodwill of the banks with whom they are also competing.

What types of firms are now eligible to hold a settlement account in RTGS?

As well as banks, building societies, broker-dealers and central counterparties (all of which were previously eligible to apply), two categories of specialised non-bank Payment Service Providers authorised by the FCA are also now eligible to apply for settlement accounts in RTGS.

E-Money Institutions mainly provide prepaid cash cards and prepaid online and mobile accounts. These range from pre-paid currency cards to online accounts with similar functionality to traditional current accounts (for example, the capability to make ATM withdrawals, direct debits and internet payments as well as have a debit card).

Payment Institutions tend to follow one of three models. The majority of Payment Institutions provide overseas money remittance and foreign exchange services. Other Payment Institutions are 'merchant acquirers' who provide the payment processing infrastructure that allows retailers to take card payments in-store or online. The other key business model of Payment Institutions is issuing credit cards to consumers and businesses.

There are around 450 non-bank PSPs authorised in the UK by the FCA. Many are emerging payment FinTech firms.

The provisions for RTGS access are documented in the Bank of England's [Settlement Account Policy](#) which is being revised today.

A revised framework for RTGS access

The framework for safely enabling access for non-bank PSPs to accounts in RTGS consists of three main elements: (i) a strengthened supervisory regime; (ii) legislative changes; (iii) tailored operational arrangements in RTGS.

- (i) The FCA and HMRC, who together supervise authorised non-bank PSPs,³ have developed a strengthened supervisory regime for those firms wishing to apply for an RTGS settlement account. This includes a supervisory assessment to demonstrate compliance with existing regulatory requirements. As well as focusing on financial crime, the supervisory assessment will assess a non-bank PSP's safeguarding of customer funds and its governance arrangements.
- (ii) The enabling legislative changes are being made in the revised Payment Services Regulations (the final text of which was laid before Parliament today) and in updates to the Settlement Finality Regulations. These changes will: ensure that settlement finality regulations apply to Authorised Payment Institutions; allow safeguarded client funds to be held in an account at the Bank of England; and enable non-bank PSPs to meet their safeguarding requirements whilst participating in deferred net settlement payment systems. Assuming these changes are approved by Parliament, they are expected to come into force by January 2018.
- (iii) The Bank has designed appropriate RTGS account arrangements for non-bank PSPs. This means that non-bank PSPs will be eligible for settlement accounts (enabling them to become direct participants of sterling payment systems), but will not become participants of the Sterling Monetary Framework. The legal framework surrounding the accounts is compatible with safeguarding requirements. In managing risks to the Bank, the Bank will primarily have regard to the same strong protections and connectivity requirements already in place for existing RTGS account holders, which non-bank PSPs will also be expected to meet.

How should interested firms apply?

If a non-bank PSP wishes to pursue the possibility of direct access, it will need to meet the operational requirements set by both the relevant payment system operator and the Bank, and the relevant regulatory requirements (evidenced through supervisory assessment by the FCA). Should a non-bank PSP be interested in becoming a direct participant of the payment system, the first step is to contact the relevant payment system operator to discuss the access requirements. Further information can be found in the new

³ The FCA is responsible for the authorisation, and the prudential and conduct supervision, of authorised non-bank PSPs under the Electronic Money Regulations 2011 and Payment Services Regulations 2009. Certain non-bank PSPs that are subject to FCA regulation are separately supervised by HMRC for anti-money laundering and counter-terrorist financing purposes under the Money Laundering Regulations. The Bank of England does not have any supervisory responsibilities for non-bank PSPs.

guidance material released today and available on the Bank and payment system operator websites:
[‘Access to UK Payment Schemes for Non-Bank Payment Service Providers’](#).

While the final necessary legislative changes are not expected to come into force until January 2018, the payment system operators, the Bank and the FCA are now ready to receive and process applications from eligible firms.

Direct access may not be the best option for all firms: where it is not, payment system operators can advise on alternative access models.

Contact details for individual payment system operators are:

Bacs: access@bacs.co.uk

CHAPS: chapscoenquiries@chapsco.co.uk

Cheque and Credit Clearing: info@chequeandcredit.co.uk

Faster Payments: access@fasterpayments.org.uk

Link: <http://www.link.co.uk/contact-us/>

Visa: Vetreasury@visa.com