



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

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First non-bank payment service provider (PSP) directly accesses UK payment system

The Bank has reached an important milestone in its work to facilitate greater innovation and competition in the payments industry in order to improve financial stability. On 13 April 2018, the first non-bank payment service provider (PSP) joined a UK payment system settling in central bank money. TransferWise, a Financial Conduct Authority (FCA)-regulated PSP facilitating the international transfer of payments, is now a direct participant in the UK's Faster Payments system. A key component of this work involved the Bank extending settlement account access in its Real-Time Gross Settlement (RTGS) system to non-bank PSPs such as TransferWise.

In March 2018 the Governor spoke¹ of the benefits new financial technologies could bring to end-users and in June 2016 he spoke² of how they could support the Bank's policy objectives. Wider access is expected to bring financial stability benefits through increasing the proportion of settlement in central bank money, diversifying the number of settlement firms, and driving greater innovation in risk-reducing payments technologies. It also has the potential to enable more efficient, effective and inclusive payments. On 19 July 2017 the Bank announced that non-bank PSPs were eligible to apply for a settlement account in the Bank's RTGS system³. This change enabled non-bank PSPs to access directly the UK payment schemes that settle in central bank money for the first time, including Faster Payments, Bacs, CHAPS, LINK, Visa, and the new digital cheque imaging system.

Collaboration has been central to enabling FCA-regulated payment service providers and e-money institutions to access the UK sterling payment systems. The Bank worked closely with the FCA, HM Treasury, HM Revenue & Customs, the Payment Systems Regulator and the payment system operators to enable access whilst safeguarding resilience. To safely enable access for non-bank PSPs to accounts in

¹ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/the-future-of-money-speech-by-mark-carney.pdf?la=en&hash=A51E1C8E90BDD3D071A8D6B4F8C1566E7AC91418>

² <https://www.bankofengland.co.uk/speech/2016/enabling-the-fintech-transformation-revolution-restoration-or-reformation>

³ <https://www.bankofengland.co.uk/news/2017/july/boe-extends-direct-access-to-rtgs-accounts-to-non-bank-payment-service-providers>

RTGS a new framework has been established. This framework consists of: supporting legislative change; a strengthened supervisory regime; and tailored operational arrangements in RTGS.

Allowing non-banks to hold a settlement account in RTGS is just one way in which the Bank and the wider UK regulatory community is broadening access to the RTGS system. In May 2016 the Bank set out a blueprint⁴ for a renewed RTGS service that will deliver a resilient, flexible and innovative sterling payment system for the United Kingdom to meet the challenges posed by a rapidly changing landscape. With an increasing number of payments being made through the RTGS⁵ system, the Bank anticipates that widening access to CHAPS and payment schemes that settle over RTGS will help to increase competition and innovation in the provision of payment services. This work also supports the objectives of the PSR and FCA in promoting effective competition and innovation in the market for payment services in the interests of consumers. In the longer term, broadening access will promote financial stability by increasing the range of transactions which settle in central bank money, and reducing the number of single points of failure.

Mark Carney, Governor of the Bank of England said:

“The UK payments industry and authorities are working together to deliver on their strategic priority of best-in-class payment services that are efficient, reliable and flexible. I am pleased that the first non-bank payment service provider now has direct access to the UK’s payment systems. By stimulating competition and innovation, we anticipate increased diversity and risk-reducing payment technologies will reinforce financial stability while enhancing customer service.”

Andrew Bailey, Chief Executive of the Financial Conduct Authority said:

“This is a significant step forward for the FCA. Connecting non-bank payment firms to the payments systems promotes innovation and competition in payments and financial services more widely - two of our key objectives. Our approach to supervising firms like TransferWise means that they can safely access the Bank’s payment systems and so contribute to a thriving and dynamic marketplace for UK consumers. We are pleased that we have been able to work closely with our regulatory authority colleagues to achieve this.”

Hannah Nixon, Managing Director of the Payment Systems Regulator said:

“That non-bank PSPs can now directly participate in interbank payment systems on a level playing field is very good news. Promoting simple, fair and timely access to payment systems remains one of the cornerstones of the PSR’s work.

⁴ <https://www.bankofengland.co.uk/paper/2017/a-blueprint-for-a-new-rtgs-service-for-the-uk>

⁵ <https://twitter.com/bankofengland/status/981909818033221632>

“It has been encouraging to see both the efforts to enable non-bank PSP access, and now the first non-bank PSP go live. More non-bank PSPs participating directly will lead to greater competition and innovation improvements in our payment systems, and the products and services that will become available for all of us to use on a daily basis. This will ensure that UK payment systems keep pace with the changing structure of the financial system.”

Firms interested in accessing the UK payment systems directly should contact the relevant payment systems operator to discuss these issues further.

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