HM Treasury

Modernising Payment Services Regulation

Consultation

July 2026

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Introduction

Supporting innovation in payment services

1.1 Having a strong and vibrant payments sector is vital for economic growth. The ability to make and receive payments is essential to our daily lives and underpins all economic activity.

1.2 The Government's National Payments Vision[1] sets out its ambition to ensure the UK has a trusted, world-leading payments ecosystem delivered on next generation technology, where consumers and businesses have a choice of payment methods to meet their needs. The UK has long been a global leader in payments. We were one of the first countries to establish a system for near instant digital payments with the launch of the Faster Payment System in 2008, and the UK has also pioneered the development of Open Banking. These foundations are being strengthened through consolidating the Payment Systems Regulator into the Financial Conduct Authority (FCA) and work under the Payments Vision Delivery Committee to renew the UK's retail payments infrastructure[2].

1.3 Today, there are several pieces of legislation which form an integral part of the payment services regulatory framework. In particular, the Payment Services Regulations 2017 (PSRs)[3] and the Electronic Money Regulations 2011 (EMRs)[4] play a critical role in regulating the UK payments sector. These regulations make up the bulk of payment services law.

1.4 These regulations have played a crucial role in cementing the UK's reputation as a leader in payments. Alongside governing the conduct of banks and building societies when carrying out payment services, nearly 1,200 firms, including the UK's biggest fintech success stories, are authorised or registered under the PSRs and EMRs, demonstrating the breadth and depth of the UK's payments market. These regulations have supported innovation and competition, whilst ensuring payment service users, including consumers, receive important protections.

1.5 However, alongside international developments, the pace of innovation in the payments sector is moving fast. Blockchain technologies stand to play a transformative role in delivering real

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[1] https://www.gov.uk/government/publications/national-payments-vision

[2] https://www.bankofengland.co.uk/paper/2026/cp/rpib-consultation

[3] https://www.legislation.gov.uk/uksi/2017/752/contents/made

[4] https://www.legislation.gov.uk/uksi/2011/99/contents

efficiencies in financial services and driving economic growth. The UK is moving towards a "multi-money" ecosystem with new forms of tokenised payments enabled by distributed ledger technology. These include certain stablecoins (principally cryptoassets that seek to maintain a stable value by referencing fiat currency and holding a reserve of backing assets) and tokenised deposits (a tokenised representation of a bank deposit). We are already seeing the benefits that tokenisation can provide in payments by reducing costs and improving efficiencies. The Government wants to ensure the UK's payment services regulatory framework is not only capable of facilitating such new forms of payments, safely and securely, but that it provides the basis for these innovations to thrive and operate in conjunction with traditional means of payment.

1.6 Furthermore, the National Payments Vision outlined the Government's ambitions for the growth of Open Banking, and its key role in supporting the development of account-to-account (or 'pay by bank') – enabling consumers to pay for goods and services in shops and online directly from their bank account - as a competitive alternative to card payments. It also recognised that Open Banking needs to transition to a sustainable long-term regulatory framework. The Government therefore committed to lay a statutory instrument under the Data (Use and Access) Act 2025 by the end of 2026 to deliver this framework.

1.7 Looking beyond this, technology is advancing faster than ever, and the UK must move boldly to stay ahead. The rise of artificial intelligence (AI), including agentic AI, has the potential to unlock a new era of agentic payments, where AI agents can act on behalf of consumers and businesses to find products, compare options, initiate purchases and complete payments safely and seamlessly. This could fundamentally change the way commerce works, creating new opportunities for innovation, competition and growth. This presents a major opportunity for the UK to lead the development of agentic payments globally, building on its strengths as a world-leading financial services centre, fintech hub and home to advanced AI innovation. The UK regulatory framework for payment services and electronic money must be set up to facilitate and support these innovations whilst managing risks to consumers and businesses.

Approach to consultation

1.8 To ensure that the UK continues to be a world leader in payments, the Government announced at Mansion House 2025 that it would take forward work to modernise and future-proof the legislative framework for the regulation of payment services and electronic money, delivering a more agile and responsive regulatory environment that promotes innovation in the UK payments sector.

1.9 Working closely with the FCA as the lead regulator for payment services and electronic money, this programme of work will seek to:

- **Establish a modernised, clear, predictable and proportionate regulatory framework for payment services, including for tokenised payments.**
- **Ensure that regulation supports competition and innovation.**
- **Promote security in how payments are made and ensure that they are underpinned by important consumer protections.**

1.10 This consultation sets out the Government's intentions for the future regulation for payment services and electronic money. It is broken down into the following chapters:

- **Chapter 2 sets out how the Government is considering making updates to existing regulations and asks for views on this, including the extent to which responsibility for setting firm facing requirements should be delegated to the FCA.**
- **Chapter 3 sets out specific issues where the Government is considering updates to support innovation in the payments sector and manage evolving sector risks.**
- **Chapter 4 sets out the Government's approach to designing the long-term regulatory framework for Open Banking, including the delegation of powers to the FCA under the Data (Use and Access) Act 2025.**

1.11 Throughout this consultation, the Government welcomes views on what amendments to the regulatory framework for payment services and electronic money are needed to achieve the outcomes set out above. Any changes to existing regulation will be implemented via secondary legislation. The Government will set out further detail about how these reforms will be implemented following the consultation.

Chapter 2

Approach to updating existing regulatory requirements

2.1 This chapter sets out the legislative scope of this work and how the Government broadly proposes to modernise the regulatory framework for payment services and electronic money. This includes the approach to how regulatory requirements are set in the future and the key priorities for reform.

Legislation in scope

2.2 There are several pieces of legislation which set out regulatory requirements in relation to payment services and electronic money. The core regulations that are in scope of the reforms being consulted on are the PSRs and EMRs. The Cross Border Payments Regulation (CBPR)[5] has clear interactions with the PSRs in respect of firm-facing requirements regarding currency conversion arrangements and therefore is in scope of these reforms being consulted on. The SEPA regulation[6] sets out requirements in relation to euro denominated transactions and is also in scope of these reforms being consulted on.

2.3 The Interchange Fee Regulation 2015 (IFR) (as retained) and the Payment Card Interchange Fee Regulations 2015 (PCIFR) are not in scope of the reforms being consulted on. This reflects that there is a significant amount of existing work to ensure that card fees are set fairly for both merchants and financial services firms. This includes two market reviews that are being conducted by the Payment Systems Regulator regarding cross border interchange fees and domestic scheme and processing fees, as well as the wide-ranging powers that the Payment Systems Regulator has to undertake further investigations into card fees should it decide to. It can also investigate and act in relation to any breaches of the IFR 2015. The Financial Services and Markets Bill 2026, which is currently being considered by Parliament, proposes that these powers are maintained in substance as the Payment Systems Regulator is consolidated into the FCA.

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5 Regulation (EC) No 924/2009 as retained in UK law and amended by the Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019 and the Securities Financing Transactions, Securitisation and Miscellaneous Amendments (EU Exit) Regulations 2020.**https://www.legislation.gov.uk/eur/2009/924**

6 https://www.legislation.gov.uk/eur/2012/260 (Regulation (EU) No 260/2012 as retained)

2.4 In addition, the Government is carefully considering the findings of the independent review of the Payment and Electronic Money Insolvency Regulations 2021, which it published in December 2025. The Government will publish its response to the independent review and associated guidance on next steps later this year.

Updating key regulatory requirements

2.5 The PSRs and EMRs set out a significant number of regulatory provisions which set out the regulatory regime for payment services and electronic money. These include:

- **Scope of regulated activity**: The PSRs set out which payment services are regulated, subject to several exclusions. The EMRs also cover the activity of issuing electronic money, also subject to some exclusions. Key definitions, such as the definition of electronic money, what constitutes a payment account and what qualifies as "funds" in a regulated payment transaction, are also provided.
- **Authorisation and registration processes:** The PSRs and EMRs set out requirements which firms (except credit institutions) must meet in order to obtain authorisation or registration to provide payment services and issue electronic money, alongside the process that the FCA must follow to determine these applications.
- **Information requirements for payment services:** The PSRs set out obligations regarding the information that payment service providers need to provide in relation to payment services, as well as information relating to framework contracts and charges relating to currency conversions. The Cross Border Payments Regulation also sets out information requirements relating to currency conversions.
- **Rights and obligations in relation to the provision of payment services:** The PSRs set out obligations regarding the authorisation and execution of payment transactions, as well as setting out liability arrangements in certain circumstances. The SEPA regulation also sets out firm-facing requirements regarding the execution of credit transfers and direct debits.
- **Issuance and redeemability of electronic money:** Part 5 of the EMRs currently sets out obligations regarding the issuance and redeemability of electronic money.
- **Prudential and safeguarding requirements**: The PSRs and EMRs set out the level of capital which authorised or registered firms need to hold on an initial and ongoing basis, as well as how firms should safeguard customer funds so that they can be returned to customers in the event of an insolvency.
- **Enforcement powers**: this provides the FCA and Payment Systems Regulator with powers to enforce breaches of the PSRs and EMRs, including through issuing fines, public censure and use of injunctions.

2.6 The Government has legislated to introduce targeted reforms to key requirements. Specifically, the Government has introduced changes to allow firms to delay certain payment transactions by up to

72 hours where there were reasonable grounds to suspect authorised push payment (APP) fraud and more time was needed to contact the customer. Furthermore, the Government introduced new rules which require payments firms to give customers 90 days' notice before closing accounts and provide a clear explanation, subject to certain exceptions.

2.7 As part of efforts to modernise these regulations more broadly, **the Government is considering whether responsibility for setting certain requirements should be delegated to the FCA.** By placing more detailed and technical provisions in regulatory rules, this could support a more agile and outcomes-focused regime, drawing on the FCA's supervisory expertise and day-to-day engagement with firms.

2.8 For example, the Future of Payments review found that whilst the technical standards which underpin Strong Customer Authentication had succeeded in reducing fraud rates, they had also resulted in burdensome frictions which impact the customer's experience. **The Government has therefore already committed to commencing the revocation of the payment's authentication regulations relating to Strong Customer Authentication in the PSRs to enable the FCA to make more outcomes-based rules about authentication requirements**.

2.9 At the same time, the Government recognises the importance of maintaining appropriate certainty and clarity in the legislative framework to ensure the UK's payments sector remains competitive, innovative and internationally aligned. **The Government therefore expects to retain certain core provisions in legislation**. This would include the perimeter for which payment services are regulated activities and key definitions, such as the definition of electronic money. However, the Government may also look to retain provisions where these establish key rights, obligations or protections for consumers and firms, or where a clear and stable statutory underpinning for key regulatory requirements is needed.

2.10 For example, **the Government is committed to retaining in legislation important provisions which set out the notice period which payment services users are entitled to when their framework contract is terminated by the payment service provider** and that a sufficiently detailed and specific explanation is given so the customer can understand why their particular contract is being terminated, subject to some exceptions.

2.11 The Government will seek to strike an appropriate balance between delegating requirements where flexibility and a more outcomes-based approach would bring clear benefits, while preserving essential elements in legislation to ensure predictability and certainty. The Government welcomes views on how best to achieve this balance.

2.12 Where the Government takes the decision to delegate responsibility for setting certain requirements to the FCA, this would mean that the requirements currently found in the PSRs and EMRs would be removed from the statute book. The Government would work closely with the FCA to ensure it has the necessary powers to replace the relevant provisions with new requirements in its Handbook and ensure a smooth transition. This would allow the FCA to consult on carrying over existing requirements where they remain appropriate but also propose changes or new requirements where needed.

2.13 Where the Government chooses to maintain provisions in legislation, this means that the Government will retain responsibility for updating these provisions through legislative change as needed. **To inform its approach to these reforms and whether provisions should be retained in legislation, the Government would welcome views as to whether any updates to existing legislation would be desirable**. This includes both detailed requirements, but also overarching provisions relating to the regulatory framework, including key definitions.

2.14 Furthermore, the Government is committed to ensuring that the UK's regulatory framework remains world leading and responsive to developments across international jurisdictions. Regulatory change is occurring globally, including within the European Union, which has recently reached a provisional agreement on its new Payment Services Directive and Payment Services Regulation.

2.15 The Government is closely monitoring these developments, including the relevance of developments within the EU to the UK's membership of the Single Euro Payments Area (SEPA). Whilst the UK will determine its own regulatory approach, it would welcome views on where the regulatory framework may need to adapt to support the UK's continuing membership of SEPA.

Question 1: Which requirements should remain in legislation, and which should be delegated to the FCA? Please explain your reasoning.

Question 2: Where you consider requirements should remain in legislation, are there any updates you believe need to be made to these requirements?

Question 3: Do current provisions relating to the regulatory framework for payment services and electronic money, such as key definitions, need to be updated? If so, please explain how.

Question 4: Which international regulatory developments, for example recent reforms in the EU, should the UK incorporate into an updated framework for payment services and electronic money?

Chapter 3

Responding to new developments in payment services

3.1 The payments landscape is constantly evolving due to new technology and innovations, including developments in Open Banking, tokenisation and AI. It is critical that the regulatory framework for payment services adapts to support these changes.

3.2 Whilst the Government welcomes views on all areas of the current regulatory framework which need updating, this chapter sets out the key areas of reform that the Government is already considering and seeks views about how the current regulations need to change to enable these reforms.

Supporting tokenised payments

3.3 Unlocking the full potential for blockchain technologies requires tokenised payments that can operate on the same distributed ledger as digital assets. Tokenised payments offer potential benefits including: programmable finance; increased efficiencies; reduced costs; and improved settlement processes, particularly in wholesale financial services.

3.4 The Government is committed to making the UK a world leader in tokenised payments, such as tokenised deposits and stablecoins. To do this, it intends for the UK's payment services regulatory framework to provide the basis for innovations in tokenised payments to thrive and operate in conjunction with traditional means of payment. Today, the key opportunities for tokenised payments come in the form of both tokenised deposits and stablecoins.

Tokenised deposits

3.5 Tokenised deposits are a digital form of bank deposits that sit on a distributed ledger and are rapidly emerging as a key area of innovation in global finance, with significant momentum among major jurisdictions and central banks.

3.6 The Government's approach is to regulate tokenised versions of financial instruments in the same way as their traditional counterparts as far as appropriate, based on the principle of 'same risk, same regulatory outcome'. That is why The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 ensured that tokenised deposits fall within the established legal definition of a deposit under financial services law and are regulated accordingly. HM Treasury, alongside the FCA, Payment Systems Regulator and the Bank of England, continues to engage with stakeholders around ongoing developments in relation to tokenised deposits, and the Government would welcome views about whether the current regulatory framework presents any barriers for tokenised deposits in retail payments.

Question 5: Does the current regulatory framework need to adapt to unlock the opportunities arising from the use of tokenised deposits in retail payments?

Stablecoins

3.7 The Government considers that stablecoins have potential to play a significant role in both retail and wholesale payments. We are already seeing the benefits stablecoin can provide in cross-border payments, reducing costs and improving efficiency.

3.8 Stablecoins can function both as tradable cryptoassets and as 'money-like' instruments used in payment chains. Their unique qualities make stablecoins an exciting prospect for payments innovation. However, there are also associated risks, including risks to financial stability and consumer confidence where a stablecoin fails to maintain its value ("de-pegs") relative to its reference asset. The Government therefore considers that stablecoins used for payment purposes should be subject to robust standards to ensure their stability.

3.9 Stablecoins are not currently regulated for the purposes of payment transactions. **Through these reforms to the payment services framework, the Government intends to regulate the use of certain stablecoins for payments, which will require considering carefully interactions with the new financial services regulatory regime for cryptoassets.**

Stablecoin issuance

3.10 Through the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, the Government has taken decisive steps to establish the foundations for stablecoin by introducing a new regulated activity (article 9M of the RAO) for the issuance of a qualifying stablecoin in the UK. A 'qualifying stablecoin' (defined in article 88G of the RAO) is a sub-category of 'qualifying cryptoasset' (defined in article 88F RAO) and must be backed by assets held for the purpose of maintaining a stable value against a particular fiat currency. Under the regime, firms issuing qualifying stablecoin in the UK will be subject to rules and requirements set by the FCA, including with respect to their backing assets to help ensure they are truly stable and maximise the return to holders should the issuer fail. Firms issuing qualifying stablecoin may also be subject to systemic regulation by the Bank of England if they are recognised to be systemically important by HM Treasury.

3.11 **Where a stablecoin has been issued in the UK within the rules for the new 9M RAO activity, the Government considers that robust standards will have been ensured via domestic regulation. Consequently, the Government considers that these stablecoins can be treated as 'money-like' for the purposes of payments and brought within the payments perimeter.**

3.12 This approach may be extended to certain overseas issued stablecoins in the future, where HM Treasury formally 'recognises' the regulatory framework of that overseas jurisdiction as providing similar outcomes to the UK's. The transfer of other overseas issued stablecoins will not be regulated under the payment services framework, reflecting the UK's position that they should be treated in regulation as other qualifying cryptoassets. Consequently, overseas issued stablecoin will be regulated through the new intermediary activities (dealing as principal, dealing as agent, or arranging deals in qualifying cryptoassets) to be introduced into the RAO by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 where these apply. This approach aims to avoid regulatory gaps while providing a clear track for firms to issue qualifying stablecoins in the UK under new article 9M RAO, for the purposes of being used in the UK for regulated payments.

3.13 Separately, the Government is also considering the permissions arrangements for firms authorised as UK issuers of qualifying stablecoin under new article 9M RAO. Credit institutions do not currently require separate permissions to carry out payment services and must do so in compliance with the relevant conduct provisions of the PSRs. The Government is therefore considering whether, and if so on what basis, firms authorised for issuing such stablecoins should similarly be able to provide relevant stablecoin payment services without requiring additional permissions, subject to appropriate conditions and supervisory expectations. In assessing this, the Government will consider potential impacts (including the attractiveness of the UK as a location to issue stablecoins), alongside any risks and the case for requiring separate permissions.

Intermediary activities

3.14 The Government also recognises that absent changes, certain transactions involving UK-issued qualifying stablecoin could fall within both the planned payments regime and the new cryptoasset intermediary activities. It does not wish to see firms having to secure two sets of permissions for the same activities and so intends to carve the UK-issued qualifying stablecoins described above out from the cryptoasset intermediary activities for certain activities (dealing as principal, dealing as agent, and arranging deals) in advance of them being brought into payments regulation. We intend that exchanges of those UK-issued qualifying stablecoin for money, or other UK-issued qualifying stablecoin, will not be considered cryptoasset dealing. However, exchanges of UK-issued qualifying stablecoin for cryptoassets e.g. Bitcoin, will be treated as cryptoasset dealing in the same way as the sale of Bitcoin for money.

3.15 **The Government recognises the need to provide clarity and certainty on the interaction between the future payments regime and the cryptoasset regime, including potential overlaps with the new regulated activities of dealing and arranging deals in qualifying cryptoassets, in advance of the applications window for the cryptoasset regime opening later in the year. The Government has therefore published draft legislation to clarify the scope of the new RAO intermediary activities in relation to UK-issued qualifying stablecoins.**[7]

3.16 The Government is considering the most appropriate safeguarding or custody regime that should apply to stablecoin payments. The PSRs include a safeguarding regime which sets out requirements for payment service providers to protect relevant client funds, by segregation or insurance of value so that, in the event of a firm's failure, customers can have their funds returned. Separately, the recent Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 will amend the RAO to establish a regulated activity for safeguarding qualifying cryptoassets and specified investment cryptoassets, which is focused on ensuring appropriate storage and control of a specific asset. Both regimes overlap in their core aim of protecting client property.

3.17 The Government's objective is to create a modern payment services regulatory framework that facilitates tokenised and traditional payments, including 'mixed payments' models that utilise both forms. The Government therefore considers it would be suboptimal to require the safeguarding of UK-issued stablecoin to be conducted under the cryptoasset safeguarding regime being introduced into the RAO where such safeguarding is done in the course of providing payment services. Such an approach would require stablecoin payments firms to be authorised for both payments and crypto safeguarding in all instances. As part of its final payments reforms, the Government therefore intends to ensure that firms that are safeguarding in the course of providing payment services should be regulated under the payments regime, removing the need for separate cryptoasset safeguarding authorisation for those activities.

3.18 The Government recognises that firms seeking to provide payment services in UK-issued qualifying stablecoin may need to secure cryptoasset safeguarding permissions under the cryptoasset regime, ahead of payments reforms being implemented. As part of its consultation on draft legislation amending the cryptoasset regime, the Government acknowledged that not also removing the cryptoasset safeguarding requirements for firms providing payment services in UK-issued stablecoin would create some friction in the interim but considered this to be a proportionate approach. Consultation responses indicated that the residual safeguarding requirement would in practice

[7] https://www.gov.uk/government/publications/policy-note-draft-statutory-instrument-amending-the-cryptoasset-regulations

represent a material barrier to facilitating stablecoin payments in the interim. The Government is carefully considering this feedback and will set out its approach to interim safeguarding requirements when it updates on the cryptoassets draft legislation.

Question 6: Do you agree that only stablecoins issued in the UK or from a 'recognised jurisdiction' should be treated as 'money-like' for the purposes of payments, and brought into the UK payments perimeter?

Question 7: Should firms authorised to issue 'UK-issued qualifying stablecoins' be allowed to provide payment services without additional permissions, but be subject to relevant requirements?

Question 8: Do you agree that safeguarding of UK-issued qualifying stablecoins, where that is within new article 9M RAO, for the purposes of payments should eventually be regulated under the payments regime and not the cryptoassets regime?

Payment services framework for tokenised payments

3.19 As set out earlier in the consultation, the Government intends to use these reforms to regulate the use of tokenised payments, including stablecoins and tokenised deposits, for their use in payments. When considering how to best design this, the Government recognises that many firms providing stablecoin payment services are likely also to provide, or rely on, fiat payment services. Although some business models may operate wholly in stablecoins without a fiat leg, requiring separate permissions for fiat and tokenised payments activities could increase administrative burdens for firms offering integrated payment services.

3.20 Currently, Part 1 of Schedule 1 to the PSRs sets out the payment services which are regulated. These activities are also subject to a number of exclusions which are set out in Part 2 of Schedule 1 of the PSRs. The EMRs also cover the activity of issuing electronic money (except for credit institutions), subject to some exclusions.

3.21 Under reforms to the regulatory framework, subject to potential changes to the definitions of Payment Initiation Service and Account Information Service as discussed in paragraph 4.18, the Government intends to broadly replicate the activities currently in Schedule 1 of the PSRs, creating individual regulated activities for each payment service. The Government also proposes to maintain the activity for the issuance of electronic money.

3.22 However, to simplify the regime whilst also recognising the distinction between some of the payment services currently grouped together, the Government proposes to make the following changes:

- **Merging activities regarding services enabling cash to be placed and withdrawn from a payment account, and all of the operations required for operating a payment account.**
- **Merging the activities regarding the execution of payment transactions where the funds are covered by a credit line or not covered by a credit line.**
- **Splitting the activity of "issuing payment instruments or acquiring payment transactions" into separate regulated activities for issuing payment instruments and acquiring payment transactions.**

3.23 Table 1 sets out the new proposed split of regulated activities and how they differ from the status quo.

3.24 **The Government intends that these new regulated activities for all payment services will be able to be carried out in both fiat money and tokenised payments, such as stablecoin and tokenised deposits**. This will support firms by streamlining the number of permissions they need to obtain to carry out tokenised and fiat payment activities.

3.25 However, the Government is cognisant of the fact that tokenised and non-tokenised payments may present different risk profiles. To ensure risks are appropriately managed as the new framework beds in, **it is proposed that currently authorised or registered firms will need to seek and obtain from the FCA variation of their regulatory permissions to provide tokenised payment services.** Firms without existing payment services permissions will also need to obtain these from the FCA to provide tokenised payment services.

Table 1 – activities that constitute payment services/electronic money.

<table>
<tr><th>3.26 Existing regulated activity</th><th>3.27 New proposed regulated activity</th></tr>
<tr><td>Services enabling cash to be placed on a payment account and all the operations required for operating a payment account.</td><td rowspan="2">Services enabling cash to be placed on or withdrawn from a payment account and all the operations required for operating a payment account.</td></tr>
<tr><td>Services enabling cash withdrawals from a payment account and all the operations required for operating a payment account.</td></tr>
<tr><td>The execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider</td><td rowspan="2">The execution of payment transactions, including transfers of funds on a payment account or where the funds are covered by a credit line.</td></tr>
<tr><td>The execution of payment transactions where the funds are covered by a credit line for a payment service user.</td></tr>
<tr><td rowspan="2">Issuing payment instruments or acquiring payment transactions.</td><td>Issuing payment instruments</td></tr>
<tr><td>Acquiring payment transactions</td></tr>
<tr><td>Money remittance</td><td>Money remittance</td></tr>
<tr><td>Payment initiation services</td><td>Payment initiation services</td></tr>
<tr><td>Account information services</td><td>Account information services</td></tr>
<tr><td>Issuing electronic money</td><td>Issuing electronic money</td></tr>
</table>

3.28 It is also important to consider how the existing payment services regulatory framework applies to tokenised payments, including those involving stablecoins, to ensure it can both support innovation and deliver appropriate regulatory outcomes. Tokenised payment arrangements have the potential to enable new and more efficient forms of payment, including through programmability and use of smart contracts. For example, a smart contract could be set up to allow a business owner to pay a supplier immediately on signed receipt of goods, rather than having to wait for an invoice to be issued and then paid. This could help manage issues such as fraud or late invoice payments for businesses. To ensure these reforms capture these benefits, we are interested in whether the current framework adequately accommodates these benefits or whether adjustments may be needed.

3.29 Furthermore, the Government welcomes views on whether existing conduct and prudential standards in the payment services regulatory framework are appropriate for firms facilitating tokenised payments. Alongside supporting clear opportunities for innovation, the Government wishes to understand whether the use of tokenisation in payment transactions introduces any unique or heightened risks that are not fully captured by the current framework, and whether any targeted changes are required to ensure it remains effective and proportionate.

Question 9: Do you agree with the proposed broad split of regulated activities for payments and electronic money issuance?

Question 10: Do you agree with the proposal to have a single set of regulated payments activities for both tokenised and non-tokenised payments? Are there any risks associated with combining activities in this way? If so, should these risks be mitigated by framing regulated payment services activities differently?

Question 11: Do you agree that authorised and registered firms should require a variation of permission to carry out payment services using tokenised payments?

Question 12: How does the payment services regulatory framework need to adapt to support the use of smart contracts and programmable payments underpinning them?

Question 13: Are the current conduct of business requirements in the payment services regulatory framework suitable for tokenised payments? Please explain your answer.

Question 14: Are the current prudential requirements in the payment services regulatory framework suitable for tokenised payments? Please explain your answer.

Leading the world in agentic payments

3.30 The payments landscape is constantly evolving due to new technology and innovations, including developments in Open Banking and tokenisation. **As the Chancellor set out at the AI Adoption Summit, our existing strengths in financial services and digital commerce mean the UK has a genuine opportunity to lead the world in one of the most promising applications of AI: agentic payments.**

3.31 We are seeing the rapid emergence of the use of AI agents in payments. The use of agentic AI to autonomously analyse, initiate, approve, and execute payments on behalf of consumers or firms has huge potential to reshape how payments and commerce operate. For firms, this can support better management of cash flow, improve operational efficiency, and enhance payment routing. For consumers, agentic payments can remove payment friction, optimise consumer preferences and create cost savings, helping to make payments more personalised, seamless, and intelligent.

3.32 Recognising that AI is the defining technology of our era, the Government is creating an AI-ready economy, through better AI infrastructure, access to data and pro-innovation regulation. Agentic payments are a clear example of how AI can move from adoption to commercialisation, creating new products, services and business models in a sector where the UK already has global strengths. **The Government wants the UK to be at the forefront of the global development of agentic payments, and alongside the regulators is already taking action to lay the foundations for the development of agentic payments in the UK. This includes upgrading payments infrastructure, supporting digital money, modernising payment regulations, and supporting innovators to safely test and scale new agentic payments products**.

3.33 The strength of UK innovation is already evident. The FCA received a record number of applications to join the second cohort of its Supercharged Sandbox, signalling the depth of ambition and innovation already happening in the UK financial services sector.

3.34 These foundations combined with our strong payments ecosystem will help pave the way for agentic commerce, which the Government considers has the potential to transform the way that we transact within the economy and wants the UK to be at the forefront of this development.

3.35 However, the PSRs were designed before the development of AI and may not fully facilitate the use of agentic AI. These reforms provide a valuable opportunity to explore how to support this and ensure the UK's regulatory framework enables the next generation of agentic payments to develop safely and at scale. Whilst other regulatory frameworks may also be relevant to agentic payments, the Government wishes to understand the changes to the payment services regulatory framework specifically that are necessary to help safely unlock agentic payments. In particular, it would welcome views on what changes to requirements are required, such as authentication standards and liability requirements, to ensure the regulatory framework is fit for an agentic future.

Question 15: How does existing payment services regulation need to adapt to support agentic payments? For example, do provisions relating to authentication and consent of payments transactions, and liability for unauthorised payment transactions, need updating?

Question 16: Are there any other innovations across the payments landscape that the Government should take into account when reforming its payment services regulatory framework?

Ensuring financial inclusion

3.36 New technologies in payments have the potential to better meet the needs of consumers and businesses who may currently be underserved. For example, more flexible payment models and improved data sharing can support access to more tailored products, while innovations in authentication and fraud prevention can increase confidence for those who may be more vulnerable to financial harm.

3.37 However, these opportunities are not automatic. Without careful design, there is a risk that rapid technological change could widen existing gaps. As set out in its Financial Inclusion Strategy[8], the Government acknowledges the need to monitor and address the increased risk of exclusion of those who either cannot or do not want to use digital payments and is committed to ensuring that inclusive design from the outset helps to prevent unintended consequences for consumers. The Government therefore welcomes views on whether reforms proposed in this consultation could create financial inclusion risks as it seeks to ensure that any changes continue to support everyone to access the financial products and services they need and engage with confidence in our modern digital society and economy.

Question 17: How can the Government ensure these reforms support an inclusive payments landscape?

Managing sector risks

3.38 The payments sector has evolved significantly since the introduction of the PSRs and the EMRs, both in terms of scale and complexity. The growth in the number and diversity of firms, alongside the increasing use of new technologies and payment models, has brought substantial benefits for consumers and businesses. However, these developments have also created new opportunities for

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[8] https://assets.publishing.service.gov.uk/media/6909ed8db04a520c5051843f/Financial_Inclusion_Report.pdf

exploitation and heightened certain risks within the sector, which could result in detriment to consumers and businesses.

3.39 In particular, these developments may create additional vulnerabilities that can be targeted for financial crime. The Government's most recent National Risk Assessment has identified an increased risk of financial crime within the payments and electronic money sector, reflecting both the expansion of the sector and the changing nature of payment flows. These risks have arisen due to the rapid scaling of the sector which has introduced increased complexity and diversification of services, including specific product innovations.

3.40 Under the current framework, the FCA has powers to take action against firms where it considers firms are falling short of the required standards. As with other sectors, the Government expects the FCA to use its powers in a proportionate way to manage the risk of consumer harm in the sector and support market integrity.

3.41 However, the Government recognises that the integrity and resilience of the UK's financial system are fundamental to our country's prosperity and security, including tackling financial crime. Therefore, the Government also welcomes views on whether additional measures are required to mitigate risks to consumers and businesses in the payments sector. This includes consideration of whether further accountability mechanisms, such as enhanced ongoing responsibilities for senior managers of payments and electronic money institutions, may be appropriate to ensure effective oversight and risk management within firms but also, whether targeted amendments to elements of the payments services and electronic money regulatory framework may be necessary to address risks associated with new products and business models, while continuing to support innovation and competition in the sector.

Question 18: What are the key risks which have emerged to consumers and businesses in the payments and electronic money sector over recent years, and how well do the current regulations address this?

Question 19: Would enhanced accountability of senior managers in the payment services and electronic money sector support better management of financial crime risks? What benefits, costs or risks, including to the UK's international competitiveness, should the Government consider?

Question 20: Are there targeted amendments that could be made to current regulation which would tackle sector risks in a proportionate way?

Chapter 4

Unlocking the future of Open Banking

4.1 Open Banking is a secure and regulated way for people and businesses to share access to payments data from their bank account with trusted third party providers. This enables those third party providers to offer beneficial products and services to customers, including payment related products and services.

4.2 Open Banking has a vital role to play in realising the Government's ambitions in relation to account-to-account payments, including the development of variable recurring payments, which would give consumers greater visibility, flexibility and control of the amount and timing of their payments. It also presents new opportunities related to account data.

4.3 Following publication of the National Payments Vision, there has been clear strong progress in UK Open Banking. The FCA has set out its strategic approach to Open Banking and its view of the future ecosystem.[9] Two important components of Open Banking going forward are the 'Future Entity', and the development of a competitive layer of commercial Open Banking 'schemes'. The Future Entity is expected to be a not-for-profit body responsible for setting common Open Banking standards, taking on the role currently fulfilled by Open Banking Limited (OBL). Commercial Open Banking schemes would each constitute a set of arrangements between Open Banking market participants to facilitate the access to customer payment accounts, supporting the provision of new Open Banking-based products and services.

4.4 With novel variable recurring payments now taking place under a new Open Banking scheme this year, and the establishment of the Future Entity in progress, the Government is now consulting on its legislative approach for Open Banking, to underpin and support this activity.

4.5 Open Banking is a key element of the Government's Smart Data Strategy and forms part of a wider agenda to unlock the benefits of secure data-sharing across the economy, including other areas of financial services (Open Finance).

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[9] https://www.fca.org.uk/publications/feedback-statements/fs25-4-design-future-entity-open-banking

Delivering the future regulatory framework for Open Banking

4.6 Today, UK Open Banking is underpinned by a combination of the PSRs and the Competition and Markets Authority's Retail Banking Market Investigation Order 2017 (the CMA Order).[10] The UK's approach has been hugely successful in safely opening up access to customer data and supporting fintechs.

4.7 The PSRs provide foundational provisions for Open Banking. Supplemented by FCA technical standards, they include requirements for Account Servicing Payment Service Providers (ASPSPs – e.g. banks)[11] to provide – with a customer's consent – regulated third party firms with access to the customer's payment account in order to initiate payments on the customer's behalf or to provide the customer with account information. These PSRs-based rights are referred to as 'Rights of Access' in this consultation.

4.8 The CMA Order built on requirements in the PSRs. Broadly, it requires the nine largest UK retail banks and building societies to implement a standardised technical gateway – through common Application Programming Interface (API) standards – to facilitate the Rights of Access and to fund a central body to develop and maintain those standards (Open Banking Limited).

4.9 Delivering the future legislative framework for Open Banking will involve both modernising the Open Banking-related provisions in the PSRs and also establishing an updated framework under the Data (Use and Access) Act 2025 (DUAA) regarding how account access is facilitated. **Therefore, there are two tracks to establishing this future legislative framework.**

Modernising foundational Open Banking provisions in the Payment Services Regulations

Supporting the development of new variable recurring payments

4.10 The Rights of Access have played a vital role in enabling Open Banking to date. **As fundamental rights that underpin Open Banking, the Government intends for these Rights of Access to remain in statute.**

4.11 **To ensure a clear legislative framework to support the development of variable recurring payments in line with the National Payments Vision, the Government intends to establish a new right of access in relation to variable recurring payments.** This

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10 https://assets.publishing.service.gov.uk/media/5893063bed915d06e1000000/retail-banking-market-investigation-order-2017.pdf

11 An Account Servicing Payment Service Provider (ASPSP) is authorised under the PSRs to hold and maintain a customer's payment account and to process payment orders from the customer (directly, or, under regulation 69 PSRs via a PISP) in accordance with the PSRs. ASPSPs include banks, Electronic Money Institutions and Payment Institutions.

will enable the FCA to make rules accordingly and set a baseline for access and the sharing of data. The Government will also consider the application of requirements associated with the existing Rights of Access in the PSRs.

4.12 This new right of access could take the form of requiring that, at the request of a PISP, an ASPSP must allow the PISP to lodge a payment mandate for a series of payment transactions to be initiated by that PISP.

4.13 The Government is considering options for the scope of this new right of access with a view to establishing a strong foundation for the development of new variable recurring payment methods, consistent with the Government's ambitions, while also ensuring that such an obligation on ASPSPs is proportionate. For example, to ensure the requirement is focused where future demand by PISPs is expected, the scope of application could be limited to ASPSPs which provide a current account, or it could be targeted at ASPSPs of a certain size.

Question 21: Do you agree with the proposal to establish a new right of access to support the development of variable recurring payments? If so, what do you think the scope of this new right of access should be – both in terms of the requirement itself and its scope of application? Please explain your answer.

Rights of access pricing arrangements

4.14 Today, Rights of Access under the PSRs and the access required under the CMA Order is, in effect, provided by ASPSPs to third party providers free of charge. This approach has been pivotal in enabling fintechs to enter the market and grow their business. However, there is currently little incentive for ASPSPs to invest to enable new products and services. **The Government intends to support the development of fair and sustainable commercial arrangements for new Open Banking products and services – namely by equipping the FCA with powers in relation to the pricing of those new products and services**. The Government is consulting on whether the FCA should have pricing powers in relation to arrangements outside commercial schemes, similar to those contemplated for commercial schemes at paragraphs 4.37 and 4.38.

4.15 The Government is committed to protecting the business models of fintechs who rely on existing free access. However, it is also aware of concerns about the potential for large companies to access free APIs at significant scale. Therefore, **the Government intends to enable the FCA to determine whether any access currently required to be provided for free today should, in the future, transition to a commercial basis** (such as by allowing ASPSPs to charge third party firms a fair fee for access under certain circumstances). In doing so, the FCA would be expected to ensure that any such arrangements continue to support effective competition, innovation and good outcomes for consumers, in line with the FCA's objectives as set out in paragraphs 4.44-4.46. Access provided under the proposed new right of access for variable recurring payments will not be required to be provided free of charge, except in relation to 'sweeping' (see paragraph 4.26).

4.16 As part of this, the Government is considering whether the current prohibition, in regulations 69 and 70 of the PSRs, on ASPSPs requiring that a PISP or AISP enter into a contract before the ASPSP complies with the access obligation, remains appropriate in all circumstances as the market develops. For example, it may be reasonable for ASPSPs to be able to require a third party firm to enter into a contract which requires the third party firm to pay a fee to the ASPSP where the volume of API calls surpasses a given (high) threshold.

Question 22: What are your views on whether and under what circumstances ASPSPs should be able to charge third party firms for the access which they are currently required to provide for free under the PSRs and CMA Order?

Question 23: Are there circumstances in which you think the ban on ASPSPs requiring a contract in regulations 69 and 70 should be lifted?

Other Open Banking provisions in the Payment Services Regulations

4.17 In modernising the PSRs, **the Government is also considering whether any legislative changes are needed to ensure that the information provided by ASPSPs to PISPs in relation to the status of initiated payments is sufficient for the PISP's customers (e.g. merchants) and comparable with other payment methods.** The Government is aware that currently, this may not be the case and encourages ASPSPs to ensure that the information they provide to PISPs on the status of initiated payments is accurate, reliable and up to date.

4.18 **More widely, the Government is considering whether adjustments are needed to support new Open Banking payment and data use cases**, including whether the definitions of Payment Initiation Service and Account Information Service remain fit for purpose.

Question 24: Are there adjustments that should be made to the Rights of Access as set out in regulations 69 and 70 of the PSRs which would better support Open Banking?

Question 25: Are current definitions in the PSRs which are relevant for Open Banking – for example definitions of payment initiation service or account information service – fit for purpose? Please explain.

Question 26: Are there any requirements related to Open Banking within the PSRs that you consider should remain in legislation, as opposed to responsibility for the requirement being given to the FCA?

Question 27: Are there any other adjustments needed to current regulation which would better support Open Banking?

The Data (Use and Access) Act 2025

4.19 DUAA gives the Government powers to establish Smart Data frameworks through secondary legislation. This includes allowing the Government to require data sharing and to specify "interfaces" through which the data sharing will occur (for example through APIs). It also allows specification of standards and arrangements that enable the sharing of data ("interface standards" and "interface arrangements"), and the application of requirements to organisations which establish an interface, develop interface standards and/or maintain/develop interface arrangements ("interface bodies").

4.20 DUAA allows HMT to delegate powers to the FCA, enabling it to regulate relevant arrangements in the financial services sector – including Open Banking.

Providing the FCA with powers to regulate Open Banking under the Data (Use and Access) Act 2025

4.21 The Government intends to provide the FCA with powers to develop a future-proof regulatory regime for Open Banking, and it will be for the FCA to set out and consult on the detailed design of this regime.

FCA rule-making powers in relation to Account Servicing Payment Service Providers, Payment Initiation Service Providers and Account Information Service Providers

4.22 The Government intends to provide the FCA with powers to place requirements relating to interface use, standards and arrangements on ASPSPs, PISPs and AISPS. This includes powers which will enable the FCA to:

- **Require ASPSPs to provide an interface (enabling PISPs and AISPs to access customer account information and to initiate payments on behalf of a customer).**
- **Determine which ASPSPs must use the standards set by the Future Entity for that interface.**
- **Set guardrails for the pricing of Open Banking products and services provided on a commercial basis.**

- **Require ASPSPs, PISPs, and AISPs to follow wider relevant standards, including those set by the Future Entity, for example security and operational standards.**

- **Require ASPSPs, PISPs and AISPs to share information with the Future Entity and the FCA.**

- **Determine which ASPSPs, PISPs and AISPs must fund the Future Entity.**

- **Require ASPSPs, PISPs and AISPs to follow relevant dispute processes when dealing with complaints related to Open Banking.**

- **Set requirements for how ASPSPs and PISPs/AISPs must communicate with each other, including on a secure basis, when sharing and accessing customer data or initiating payments.**

4.23 For a new Open Banking payment method – including variable recurring payments – to become widely available, it will be necessary for PISPs to be able to access a sufficient proportion of customers' accounts through ASPSPs. ASPSP participation in, and coordination through, commercial schemes will therefore be crucial for the long-term success of variable recurring payments. In this regard, the Government welcomes recent industry action to launch a new commercial Open Banking scheme for variable recurring payments, with broad involvement from across the ecosystem, as a key building block towards the Government's ambitions for account-to-account payments.

4.24 It is the Government's expectation that by establishing a new right of access for variable recurring payments and supporting fair commercial arrangements for new products, ASPSPs will be incentivised to participate in Open Banking schemes on a voluntary basis. **Therefore, the Government does not propose providing the FCA with a new power to mandate ASPSP participation in commercial Open Banking schemes. However, it will monitor adoption of these schemes as the market continues to develop.**

Question 28: Do you agree with the proposed approach to provide the FCA with powers to place interface-related requirements on ASPSPs, PISPs and AISPs?

Question 29: What are your views on whether the FCA should be provided with a power to mandate ASPSP participation in commercial Open Banking schemes?

Other requirements on Account Servicing Payment Service Providers under the CMA Order

4.25 ASPSPs in-scope of the CMA Order are required to release 'product' and 'reference' information via Open Banking APIs. Product information includes, for example, information related to fees and charges for current accounts or related to SME lending products. Reference information includes, for example, information related to branch locations. The Government invites views on the extent to which this information is relied upon today and whether it would be beneficial to maintain such a requirement on ASPSPs.

4.26 Relevant ASPSPs are additionally required to enable 'sweeping' through variable recurring payment functionality free of charge. This allows customers to automatically move money between their own accounts – for example, moving surplus funds into a savings account. The Government proposes to maintain such a requirement and invites views on this.

Question 30: Would it be beneficial to maintain a requirement on ASPSPs to publish 'product' and 'reference' information via Open Banking APIs?

Question 31: Would it be beneficial to maintain a requirement on ASPSPs to enable sweeping variable recurring payments? If so, what should the scope of application be?

FCA rule-making powers in relation to interface bodies

4.27 The Government expects that both the Future Entity and operators of commercial schemes will be interface bodies as defined under DUAA.

The Future Entity

4.28 OBL has played a foundational role in the success of UK Open Banking. For Open Banking to operate effectively and efficiently, and to develop further, the continued existence of a central standard-setting body is fundamental. The Future Entity will fulfil this role.

4.29 The establishment of the Future Entity is being driven by industry. To support this process, the FCA appointed a consultancy to provide an independent assessment of proposals to lead to the establishment of a standards-setting body that is capable of becoming the Future Entity[12]. The assessment informed industry's decision to select Open Banking Limited to convene and coordinate the next phase of establishment activity. Industry has since mobilised around this work, with positive momentum towards establishing a standards setting body ahead of any future legislative framework.

12 https://www.fca.org.uk/publications/external-research/independent-assessment-proposals-establish-open-banking-standards-setting-body

4.30 In anticipation of its future powers, the FCA has set out its vision for the Future Entity[13]. The Government is supportive of this approach, including the Future Entity's potential role in supporting future Open Finance arrangements.

4.31 It is the Government's intention to provide the FCA with powers to make rules in relation to the Future Entity (as an interface body) which will enable the FCA to deliver its vision, through:

- **Setting requirements for how the Future Entity delivers its interface (API) standards, including related security and operational standards, as well as requiring the provision of connected services (for example maintaining a central directory to support the practical use of APIs).**
- **Establishing and setting minimum requirements of Open Banking APIs to inform the Future Entity's standards.**
- **Setting requirements around how the Future Entity monitors performance of, and adherence to, its interface standards. The Future Entity will not have the ability to take enforcement action.**
- **Requiring the Future Entity to share relevant information with the FCA – for example in relation to the Future Entity's monitoring.**
- **Setting requirements related to good governance, organisational practices and funding arrangements – enabling, for example, the FCA to consider applying relevant governance requirements similar to those which apply to other regulated firms.[14]**
- **Setting requirements for the Future Entity to establish a dispute resolution process to manage potential complaints from market participants.**

Question 32: Do you agree with the proposed approach to providing the FCA with powers to regulate the Future Entity as an interface body?

Commercial Open Banking schemes

4.32 The Government wishes to enable an industry-led approach to the development of new Open Banking schemes, operating on a

13 https://www.fca.org.uk/publications/feedback-statements/fs25-4-design-future-entity-open-banking

14 https://handbook.fca.org.uk/handbook/sysc1

commercial basis and supported by FCA rules that set appropriate guardrails and provide a clear legal foundation for activity.

4.33 A 'scheme' is essentially a set of rules that make a payment method or data service work across multiple participants, setting practical requirements for how participants within a given scheme interact with each other to improve coordination. 'Operating on a commercial basis' means that the scheme participants would be able to agree pricing arrangements – with ASPSPs being able to receive a fee for enabling access and payment initiation in relation to their customers' payment accounts.

FCA powers in relation to commercial Open Banking scheme pricing

4.34 It is anticipated that Open Banking schemes will want to operate based on a multilateral agreement. Such agreements would mean that participants within a scheme – ASPSPs, PISPS and/or AISPs – can interact with each other seamlessly and on the same terms.

4.35 An important component of this will be pricing arrangements, where a centralised pricing approach would avoid the need for a more complex web of bilateral commercial agreements between participants, making it significantly easier for Open Banking payments to scale and deliver benefits for consumers and businesses. Centralised pricing could also encourage participation of smaller PISPs/AISPs, who may not have the capacity to engage in price negotiations with multiple ASPSPs, and likely also improve price certainty for participants, which may better encourage investment. Further, a centralised pricing approach could mitigate the risk of an inequitable outcome, whereby different firms pay a different price for the same service. **The Government therefore intends to provide the FCA with a power to require each Open Banking scheme and their respective participants to establish a centralised pricing model.**

4.36 Depending on the requirements of FCA rules concerning the arrangements necessary to establish such a centralised pricing model, a potential consequence of this approach is that scheme participants may be able to benefit from the 'compliance with legal requirements' exclusion set out in paragraph 5 of Schedule 3 to the Competition Act 1998 (CA98). The Government recognises that market participants may otherwise have concerns about the position of centralised pricing arrangements under the CA98. This approach would mean that, where required by FCA rules, the relevant CA98 prohibitions would not apply to such arrangements.

4.37 In addition, **the Government intends to enable the FCA to make rules which set guardrails for scheme pricing.** For example, enabling the FCA to require that pricing is fair, and that schemes provide transparency on their methodology. Subject to these guardrails and a requirement for schemes to establish a centralised pricing approach, the Government expects that it would be for schemes and their participants to determine their own commercial model.

4.38 However, **the Government also considers there would be benefit in equipping the FCA with the power to intervene more directly in pricing if needed – for example if there are concerns about a given scheme's pricing in the market.** This could enable the FCA to set a general limit or cap on pricing or to impose requirements for an individual scheme. The FCA has similar powers in other sectors – notably its product intervention powers under s.137C FSMA. The Payment Systems Regulator also has the ability to regulate (including cap) prices in relation to payment systems, including under its General and Specific Direction power, which the Government intends for the FCA to inherit following consolidation of the Payment Systems Regulator into the FCA.

Other FCA powers in relation to commercial Open Banking schemes

4.39 More broadly, the Government proposes furnishing the FCA with powers to make rules in relation to operators of commercial Open Banking schemes (as interface bodies) which would enable it to:

- **Set requirements related to good governance and organisational practices of schemes.**
- **Set other guardrails on schemes and their participants. For example, requirements around non-discriminatory scheme rules and participation criteria, and operational resilience.**
- **Set requirements for a dispute resolution process between schemes and their participants.**
- **Require schemes to provide relevant information to the Future Entity to support its monitoring role in relation to API usage and performance.**
- **If it considers it appropriate, make rules regarding funding contributions from schemes to the Future Entity.**
- **Require schemes to share relevant information with the FCA to support its regulation of Open Banking.**

Question 33: Do you consider there would be any competition law barriers to the operation of commercial Open Banking schemes under the proposed approach and, if so, how might these be addressed?

Question 34: Do you agree that the FCA should have powers to intervene directly in the pricing of Open Banking access arrangements where necessary? Should those powers differ depending on whether the pricing arrangement is established through a commercial scheme or outside a commercial scheme? Please explain your answer.

Question 35: Do you agree with the proposed approach to providing the FCA with powers to regulate commercial Open Banking schemes?

Question 36: Are there additional powers in relation to participating firms (ASPSPs, PISPs and AISPs), the Future Entity or commercial schemes that the FCA might need to effectively manage Open Banking into the future?

FCA monitoring and enforcement powers

4.40 It will be important that the FCA is able to effectively monitor and enforce compliance with requirements under the future Open Banking framework. With a view to consistency across the regulatory framework, **the Government intends to provide the FCA with powers closely modelled on the FCA's monitoring, intervention, and enforcement toolkit under FSMA.**

4.41 As part of this toolkit, **the Government intends to provide the FCA with the power to impose additional requirements in relation to interface bodies (including both the Future Entity and scheme operators), ASPSPs, PISPs and AISPs.** This would enable the FCA to apply a targeted requirement on an individual entity to address a firm-specific risk or concern.

4.42 **To enable the FCA to deter non-compliance with requirements, it may be beneficial to provide the FCA with a power to issue 'compliance notices', as enabled under section 8 of DUAA.** This would be a new intervention tool for the FCA under DUAA but would be consistent with the outcome of the FCA's enforcement powers under FSMA, which allow the FCA to enforce through the courts when needed.

4.43 In exercising its role as Open Banking regulator, it may be necessary for the FCA to request and to share confidential information. The Government intends to enable the FCA to require the Future Entity and other Open Banking market participants to provide information to the FCA. There may also be instances where the FCA is better able to discharge its functions through certain data-sharing with the Future Entity, for example where the Future Entity raises an issue surfaced through its monitoring of API standards. **The Government is therefore considering imposing on the FCA FSMA-style restrictions on sharing and disclosing confidential information received under DUAA, and the use of information-sharing gateways to allow the FCA to disclose certain confidential information to the Future Entity.**

Question 37: Do you agree with the proposed approach of mirroring as closely as possible the FCA's monitoring and enforcement powers as set out in FSMA?

Question 38: Do you have views on the FCA being given a power to issue compliance notices to enforce compliance with requirements made under DUAA?

Question 39: Do you envisage scenarios where it would be helpful for the FCA to share certain confidential information with the Future

Entity, in connection with the FCA's role as regulator for Open Banking?

FCA regulatory processes and the funding of FCA functions

4.44 The FCA has existing statutory objectives set out under Chapter 1 of Part 1A of FSMA. This provides the FCA with the strategic objective to ensure that the relevant markets function well, as well as operational objectives to secure consumer protection, protect and enhance the integrity of the UK financial system, and to promote effective competition in the interests of consumers. FSMA additionally provides the FCA with a secondary objective related to UK international competitiveness and growth and establishes the matters to which the FCA must have regard when exercising its functions.

4.45 These existing FCA objectives and 'have regards' are relevant and appropriate in the context of Open Banking. Aligning with FSMA will also ensure that the FCA's regulatory approach to Open Banking remains coherent with its broader role and regulatory activity. **It is therefore the Government's intention to mirror the FCA's objectives and the matters to which it must have regard to when exercising its functions under FSMA, for the purpose of the FCA exercising its new powers and functions under DUAA.**

4.46 **The Government is also considering providing the FCA with an additional objective, when exercising powers under DUAA, to reflect the wider objectives of DUAA.** This may be beneficial in enabling the FCA to make rules which support efficient and effective Open Banking data sharing, and which would bring benefits to customers in terms of the availability of new products and services or improved functionalities, but where there is not a direct consumer protection, competition or market integrity angle. The additional FCA objective could, for example, be to support innovation or to enable the sharing of customer data and access to account functionality.

4.47 **Additionally, the FCA will require powers – as is the case for its activity in other sectors – to recover the costs of its functions from Open Banking market participants, including interface bodies, which are subject to its regulation.**

Question 40: Do you agree with mirroring the FCA's FSMA objectives and matters to which it must have regard for the purpose of the FCA exercising its new powers and functions in relation to Open Banking?

Question 41: What are your views on providing the FCA with an additional objective which reflects the broader innovation and data-focused aims of DUAA to support its approach to regulating Open Banking?

Question 42: Are there any other areas of feedback on issues raised in this consultation?

Chapter 5

How to respond to this consultation and next steps

Summary of consultation questions

Chapter 2 questions

Question 1: Which firm facing requirements should remain in legislation and which should be delegated to the FCA? Please explain your reasoning.

Question 2: Where you believe requirements should remain in legislation, are there any updates you believe need to be made to these requirements?

Question 3: Do current provisions relating to the regulatory framework for payment services and electronic money, such as key definitions, need to be updated? If so, please explain how.

Question 4: Which international regulatory developments, for example recent reforms in the EU, should the UK incorporate into an updated framework for payment services and electronic money?

Chapter 3 questions

Question 5: Does the current regulatory framework need to adapt to unlock the opportunities arising from the use of tokenised deposits in retail payments?

Question 6: Do you agree that only stablecoins issued in the UK or from a 'recognised jurisdiction' should be treated as 'money-like' for the purposes of payments, and brought into the UK payments perimeter?

Question 7: Should firms authorised to issue 'UK-issued qualifying stablecoins' be allowed to provide payment services without additional permissions, but be subject to relevant requirements?

Question 8: Do you agree that safeguarding of UK-issued qualifying stablecoins, where that is within new article 9M RAO, for the purposes of payments should eventually be regulated under the payments regime and not the cryptoassets regime?

Question 9: Do you agree with the proposed broad split of regulated activities for payments and electronic money issuance?

Question 10: Do you agree with the proposal to have a single_set_of regulated payments activities for both tokenised and non-tokenised payments? Are there any risks associated with combining activities in this way? If so, should these risks be mitigated by framing regulated payment services activities differently?

Question 11: Do you agree that authorised and registered firms should require a variation of permission to carry out payment services using tokenised payments?

Question 12: How does the payment services regulatory framework need to adapt to support the use of smart contracts and programmable payments underpinning them?

Question 13: Are the current conduct of business requirements in the payment services regulatory framework suitable for tokenised payments? Please explain your answer.

Question 14: Are the current prudential requirements in the payment services regulatory framework suitable for tokenised payments? Please explain your answer.

Question 15: How does existing payment services regulation need to adapt to support agentic payments? For example, do provisions relating to authentication and consent of payments transactions, and liability for unauthorised payment transactions, need updating?

Question 16: Are there any other innovations across the payments landscape that the Government should take into account when reforming its payment services regulatory framework?

Question 17: How can the Government ensure these reforms support an inclusive payments landscape?

Question 18: What are the key risks which have emerged in the payments and electronic money sector over recent years?

Question 19: Would enhanced accountability of senior managers support efforts to manage financial crime risks in the payment services and electronic money sector? Would there be any risks to international competitiveness from this?

Question 20: Are there targeted amendments that could be made to current regulation which would tackle sector risks in a proportionate way?

Chapter 4 questions

Question 21: Do you agree with the proposal to establish a new right of access to support the development of variable recurring payments? If so, what do you think the scope of this new right of access should be? Please explain your answer.

Question 22: What are your views on whether and under what circumstances ASPSPs should be able to charge third party firms for the access which they are currently required to provide for free under the PSRs and CMA Order?

Question 23: Are there circumstances in which you think the ban on ASPSPs requiring a contract in regulations 69 and 70 should be lifted?

Question 24: Are there adjustments that should be made to the Rights of Access as set out in regulations 69 and 70 of the PSRs which would better support Open Banking?

Question 25: Are current definitions in the PSRs which are relevant for Open Banking – for example definitions of payment initiation service or account information service – fit for purpose? Please explain.

Question 26: Are there any requirements related to Open Banking within the PSRs that you consider should remain in legislation, as opposed to responsibility for the requirement being given to the FCA?

Question 27: Are there any other adjustments needed to current regulation which would better support Open Banking?

Question 28: Do you agree with the proposed approach to provide the FCA with powers to place interface-related requirements on ASPSPs, PISPs and AISPs?

Question 29: What are your views on whether the FCA should be provided with a power to mandate ASPSP participation in commercial Open Banking schemes?

Question 30: Would it be beneficial to maintain a requirement on ASPSPs to publish 'product' and 'reference' information via Open Banking APIs, as is required today under the CMA Order?

Question 31: Would it be beneficial to maintain a requirement on ASPSPs to enable sweeping variable recurring payments, as is required today under the CMA Order?

Question 32: Do you agree with the proposed approach to providing the FCA with powers to regulate the Future Entity as an interface body?

Question 33: Do you consider there would be any competition law barriers to the operation of commercial Open Banking schemes under the proposed approach and, if so, how might these be addressed?

Question 34: Do you agree that the FCA should have powers to intervene directly in the pricing of Open Banking access arrangements where necessary? Should those powers differ depending on whether the pricing arrangement is established through a commercial scheme or outside a commercial scheme? Please explain your answer.

Question 35: Do you agree with the proposed approach to providing the FCA with powers to regulate commercial Open Banking schemes?

Question 36: Are there additional powers in relation to participating firms (ASPSPs, PISPs and AISPs), the Future Entity or commercial schemes that the FCA might need to effectively manage Open Banking into the future?

Question 37: Do you agree with the proposed approach of mirroring as closely as possible the FCA's monitoring and enforcement powers as set out in FSMA?

Question 38: Do you have views on the FCA being given a power to issue compliance notices to enforce compliance with requirements made under DUAA?

Question 39: Do you envisage scenarios where it would be helpful for the FCA to share certain confidential information with the Future Entity, in connection with the FCA's role as regulator for Open Banking?

Question 40: Do you agree with mirroring the FCA's FSMA objectives and matters to which it must have regard for the purpose of the FCA exercising its new powers and functions in relation to Open Banking?

Question 41: What are your views on providing the FCA with an additional objective which reflects the broader data-focused aims of DUAA to support its approach to regulating Open Banking?

Question 42: Are there any other areas of feedback on issues raised in this consultation?

How to respond to this consultation

5.1 This consultation will remain open for 12 weeks, **closing on 6 October 2026.** We are inviting stakeholders to provide responses to the questions set out in the consultation.

5.2 Please submit responses via the email to: Modernisingpaymentservices@hmtreasury.gov.uk

5.3 Or post to:

Payments and Fintech team

HM Treasury

Horse Guards Road

SW1A 2HQ

Processing of personal data

5.4 This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR).

Data subjects

5.5 The personal data we will collect relates to individuals responding to this consultation. These responses will come from a wide group of stakeholders with knowledge of a particular issue.

The personal data we collect

5.6 The personal data will be collected through email or written submissions and are likely to include respondents' names, email addresses, their job titles and employers as well as their opinions.

How we will use the personal data

5.7 This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals or an issue of public interest. Processing of this personal data is necessary to help us understand who has responded to the consultation and, in some cases, contact certain respondents to discuss their response. HM Treasury will not include any personal data when publishing its response to this consultation.

Lawful basis for processing the personal data

5.8 The lawful basis we are relying on to process the personal data is Article 6(1)(e) of the UK GDPR; processing is necessary for the performance of a task we are carrying out in the public interest. This task is seeking evidence for the development of departmental policies or proposals and obtaining evidence to help us to develop effective policies.

Who will have access to the personal data

5.9 The personal data will only be made available to those with a legitimate need to see it as part of the call for evidence process.

5.10 We sometimes issue consultations in partnership with other agencies and government departments and, when we do this, this will be apparent from the branding and wording of the consultation itself. For joint consultations, personal data received in responses will be shared with these partner organisations in order for them to also understand who responded to them.

5.11 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold the personal data

5.12 We will retain the personal data until work on the consultation is complete.

Your data protection rights

5.13 You have the right to:

- **request information about how we process your personal data and request a copy of it**
- **object to the processing of your personal data**
- **request that any inaccuracies in your personal data are rectified without delay**
- **request that your personal data are erased if there is no longer a justification for them to be processed**
- **complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data**

How to submit a data subject access request

5.14 To request access to your personal data that HM Treasury holds, please email dsar@hmtreasury.gov.uk or contact:

5.15 The Information Rights Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Complaints

5.16 If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk.

5.17 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via their website.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk