

Visa Europe's response to the further consultation on the Financial Stability and Depositor Protection proposals by the HM Treasury.

Visa Europe¹ is grateful for the opportunity to share some observations on the Financial Stability and Depositor Protection proposals with HM Treasury. This document presents our preliminary views on particular areas of the proposals and issues raised by the consultation.

CONSULTATION PROPOSAL: REGULATION OF THE UK PAYMENT SYSTEMS

A.113 The Government intends to legislate to formalise the Bank of England's role in the oversight of payment systems to ensure the robustness of payment systems which, if a disruption in the operation of the system were to occur, would be likely to lead to systemic and system-wide consequences.

Visa Europe has been a part of the informal oversight of the Bank of England, for a number of years. Visa Europe recognises that formalising the Bank of England's long-standing position of oversight, via statute, as a positive step and accepts that this merely codifies what has been common practice.

The consultation paper outlines a number of recognition criteria (at 3.44 of the consultation paper) which provides the assessment points for which payment systems would fall within the *formal* oversight powers of the Bank of England. Visa Europe agrees with the criteria, as we believe that they allow for sufficient certainty for the Authorities to take a view on which payment systems ought to be included, but also flexibility, to take into account any changes of circumstances that a payment system may experience over time, which may or may not require its inclusion into the formal oversight process.

Visa Europe accepts that, as per the defined criteria, we do not fall into the group of payment systems for formal oversight purposes, however, this is subject to change should our position alter in the future and the criteria are met. Further, Visa Europe understands that some level of informal oversight or monitoring by the Bank of England will continue as was carried on in the past, and so too, will the new *formal* oversight by the Eurosystem.

¹ Visa Europe is a membership association – an organisation owned and operated by its 4,500 European member banks – incorporated in July 2004. In October 2007, Visa Europe became independent of the new global entity Visa Inc., with an exclusive, irrevocable and perpetual licence to use the Visa brand in Europe.

As a dedicated European payment system it is able to respond quickly to the specific market needs of European banks and their customers – cardholders and retailers, and to meet the European Commission's objective to create a true internal market for payments.

Visa enjoys unsurpassed acceptance around the world. In addition, Visa/Plus is one of the world's largest global ATM networks, offering cash access in local currency in over 170 countries.

A.119 Costs.

The consultation paper confirms that the approach intended for the purposes of the oversight process is merely formalising the current informal arrangements between the Bank of England and payment systems. That is, meeting with key payment systems on a quarterly basis and making requests for information. It is envisaged that no significant changes will be made to this way of interacting with payment systems. However, at A.121 of the consultation paper, the power to charge fees for oversight is raised as a new concept. Although, it is confirmed that if any fees are charged they are not expected to be significant, and will be consulted upon at a later stage, it should be stated that clear and defined requirements must be provided by the regulations in this area, with a method for review or consultation on an individual case-by-case basis if warranted.

Visa Europe would also like to raise another area in relation to costs, for consideration. This relates to the provision of information requested from time to time by the Bank of England. Depending on what type of information is required, certain information types as may be requested, might result in additional burden to the payment system in terms of the cost of the information gathering process. This ought to form part of the Bank of England's considerations when requests are made to payment systems for information and how those requests may translate in terms of costs associated with time and effort required to fulfil the requests, as well as the financial burden. It would also be helpful at the time requests for information are made to payment systems, for the Bank of England to also provide an outline which gives the request a context.

If you would like to discuss any aspects of this paper, please do not hesitate to contact Peter Moller Jensen (jensenp@visa.com) or Mary Pothos (pothosm@visa.com).

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