

Open Banking payments commercial model

For Wave 2 cVRP

Initial Findings



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Executive Summary

In its National Payments Vision (NPV), the Government set out its commitment to supporting the development of seamless account-to-account payments through Open Banking as a ubiquitous payment method.¹ This would provide consumers and merchants with more choice in how they pay and are paid for goods and services and enable greater innovation and competition in payments, all while providing adequate consumer protections. The Government has tasked the Financial Conduct Authority (FCA) with developing the strategic and regulatory roadmap for Open Banking in the UK to deliver this. The Government has also invited, along with the FCA, the development of an industry-led proposal for a sustainable commercial model for the future of Open Banking Payments (OBPs).

UK Finance, with support from Deloitte, is developing a proposal for a commercial model for the future development of OBPs. This initiative responds directly to the Government's call for an industry-led approach.

The next development of OBPs, also known as commercial Variable Recurring Payments (cVRPs), has been split into different use cases. It is anticipated that cVRPs will be launched in the second half of 2025 for a limited number of low-risk use cases, such as payments to utilities, financial institutions and government. This is referred to as Wave 1. The commercial model for Wave 1 use cases is being developed by Open Banking Limited. The focus of UK Finance's work is on ecommerce/target state use cases for cVRPs. This is referred to as Wave 2. UK Finance has been engaging with Open Banking Limited to establish a consistent approach to developing commercial models for both waves.

Objectives of UK Finance's work

The objective of UK Finance's work will be to develop and propose a sustainable commercial model for Open Banking Payments that supports the NPV's ambition that seamless account-to-account payments are developed as a ubiquitous payment method, which "would provide greater choice to consumers and merchants in how they make and receive payments, which in turn is likely to spur innovation and downward competitive pressure on the cost of payments".²

¹ HM Treasury (2024), "National Payments Vision". Available at: [National Payments Vision.pdf](#)

² Para 3.8 National Payments Vision

This means a model that:

- ▶ drives widespread adoption of open banking payments;³
- ▶ recognises the role of all participants across the Open Banking Payments value chain;
- ▶ incentivises investment in the delivery of services;⁴
- ▶ promotes innovation and competition in the sector and delivers value to both consumers and merchants;
- ▶ prioritises appropriate customer protection and a clear liability framework; and
- ▶ ensures the ecosystem is (and continues to be) innovative (for example, is open to/attracts new entrants).

This work aims to develop a successful commercial model that achieves high levels of usage, such that cVRPs become ubiquitous. A key determinant of high levels of usage is likely to be the widespread adoption of cVRPs by Account Servicing Payment Service Providers (ASPSPs).⁵ This work does not speculate on or evaluate specific mechanisms for achieving this widespread ASPSP adoption (whether through the financial incentives provided to Payment Initiation Service Providers (PISPs)⁶ and ASPSPs, regulatory mandates or in other ways).⁷

UK Finance is committed to a transparent process to developing this proposal, with open and inclusive input from UK Finance Members (“Members”) and wider stakeholders, in line with UK competition law.

This report is the output of the first phase (“Phase 1”) of this process and sets out initial analysis and a short-list of options for a commercial model. Phase 1 has identified areas for further analysis and continued discussion with Members and stakeholders that will be progressed in the next phase of the process. UK Finance welcomes feedback on the conclusions and issues raised in this report.

³ The commercial model is not the sole condition - for account-to-account payments to take-off, the underlying payments infrastructure needs improved functionality. (Para 3.9 National Payments Vision).

⁴ The provision of any additional or ‘premium’ services beyond the scope of the CMA Order should be subject to a commercial model whereby data holders are incentivised to innovate and invest. (Para 3.28 National Payments Vision).

⁵ An ASPSP is a bank or other financial institution that holds and maintains customer accounts and provides payment services.

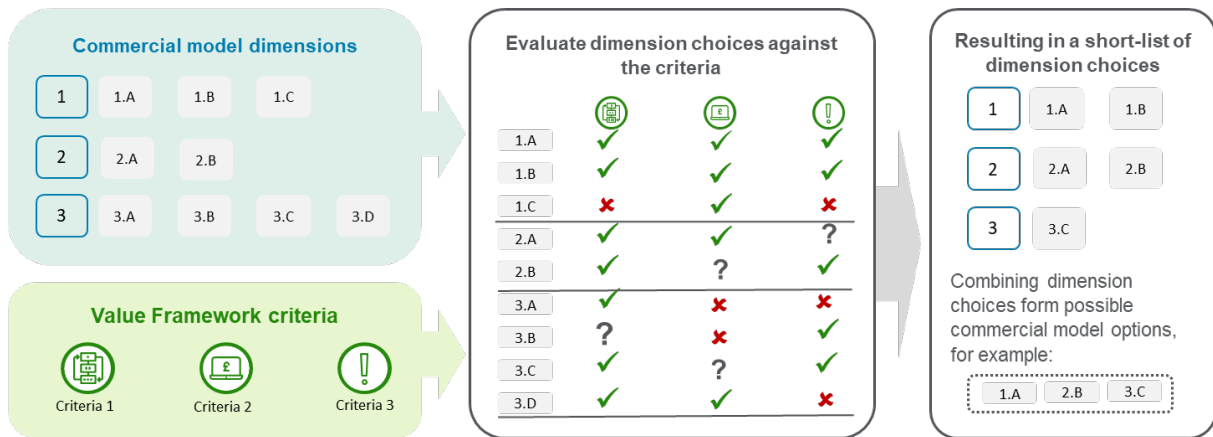
⁶ A PISP is a third-party provider that is authorised to initiate payments from a customer’s bank account on their behalf.

⁷ This work will assume that all ASPSPs adopt cVRPs in the assessment and modelling of options.

The approach to evaluating commercial model options

The approach used in the initial analysis has been to generate a comprehensive long-list of options for a commercial model and then to evaluate and screen these options against a set of criteria. The approach is illustrated in **Figure 1** below.

Figure 1 Illustrative approach to evaluate commercial model options



The options for a commercial model vary in several dimensions. These dimensions include how the commercial model is set up (e.g. whether bilateral agreements to vary the multilateral commercial model are permitted) and the level and structure of the transaction fee paid by PISPs to ASPSPs. Different combinations of choices under each dimension creates a long-list of potential commercial models.

The Value Framework criteria reflect the desired outcomes that a successful commercial model should achieve. They are used to evaluate each dimension choice and identify the options that are expected to deliver better against the criteria. Each dimension choice is assessed against each criterion as not likely / not expected to meet; likely to meet / expected to meet; or strongly expected to meet. On the basis of this evaluation, some dimension choices are screened out and a short-list is formed. Combining dimension choices from the short-list presents the possible commercial model options.

The Value Framework criteria are set out in **Table 1**. These criteria are consistent with the objectives for OBPs set out in the NPV and the Joint Regulatory Oversight Committee principles (JROC).⁸

⁸ JROC (2023), "Principles for commercial frameworks for premium APIs". Available at: [Principles for commercial frameworks for premium APIs](#)

Table 1 Criteria used to evaluate commercial model options

Criterion 1: Drives good consumer outcomes	The commercial model (incl. any consumer protections) is structured in a way that drives good consumer outcomes, which is essential to achieve high levels of consumer adoption in the long-term. This should be achieved by incentivising investment in a secure and trusted payment mechanism, innovative and seamless customer experience, and providing wide availability and flexibility to choose and use OBP.
Criterion 2: Competitive with other payment types for merchants while enabling fair returns for PISPs	Fee level, fee structure and quality of services offered are competitive with existing payment solutions. A competitive commercial model would be expected to result in downward pressure on the cost of payments, widespread adoption by merchants and increased innovation, without compromising on quality. This criterion also requires that PISPs can earn a fair return from providing open banking services that are competitive with other payment types.
Criterion 3: Financially sustainable & enabling fair returns for ASPSPs	The fee level and fee structure lead to a financially sustainable model for ASPSPs, which allows ASPSPs to earn a return from investment in innovation and maintaining and improving the service, recognising uncertainty over future usage. Cost recovery through the commercial model is transparent and linked to cVRPs (i.e. does not include recovery of sunk costs associated with either the CMA Order or historic compliance with regulation; and does not require higher ASPSP customer account/charges or other indirect charges on customers). The model overall provides commercial incentives for a high level of non-mandatory adoption by ASPSPs.
Criterion 4: Enables ecosystem growth, innovation and entry	Commercial model enables ecosystem growth and innovation by not creating barriers to entry and expansion for new and smaller PISPs.
Criterion 5: Implementation simplicity	Commercial model can be feasibly implemented.
Criterion 6: Agility	Commercial model is adaptable and agile to market conditions and new use cases.
Criterion 7: Certainty about commercial model and fee levels over time	There is certainty about the fee level and other dimensions of the commercial model over time for PISPs, merchants and ASPSPs.

As the NPV recognises, “establishing a sustainable commercial model for Open Banking is critical for its development”.⁹ The first three evaluation criteria are all considered necessary to achieve commercial sustainability for OBPs. This means a commercial model would not be considered sustainable in a competitive market for payments and banking services if it:

⁹ HM Treasury (2024), “National Payments Vision”, paragraph 3.27. Available at: [National Payments Vision.pdf](#)

- ▶ resulted in poorer customer outcomes, or no/low levels of consumer adoption;
- ▶ was not competitive with other payment types or failed to provide fair returns for PISPs; or
- ▶ was not financially sustainable or failed to provide fair returns to ASPSPs.

The remaining four evaluation criteria are not necessary for commercial sustainability but are used to rank options that meet the conditions of commercial sustainability.

The commercial model dimensions have been assessed using these criteria. Dimension choices have been screened out that either:

- ▶ do not meet all the first three necessary criteria; or
- ▶ are expected to perform less well than other options across all criteria.

Table 2 below shows the dimension choices that remain after this screening process. The short-list of potential commercial model options is a combination of any of these remaining dimension choices. The detail of these dimension choices and the rationale for screening out choices is provided in Section 4 of this report.

Table 2 Short-listed choices under each dimension

Dimension	Short-listed dimension choices				
Bilateral agreements	b) Centrally set fallback model				
Consumer protections	a) Same provisions as debit card schemes	b) Same provisions as current OBPs	c) Bespoke liability model with different provisions by market segment		
Faster Payments fee	a) As-is	b) Restructure Faster Payments fees	c) Waived		
Operator fee	a) Continuation of Wave 1 MLA	b) Higher cost burden for ASPSPs	c) Higher cost burden for PISPs		
Calculation basis of transaction fee	b) Cost-based (standalone OBPs provider)	c) Cost-based (long run incremental costs)	d) Value-based (merchant adoption)	e) Value-based (merchant indifference/ willingness to pay)	f) Value-based (market benchmarks)
Fees accounting for different transaction risk	a) Fee varies with risk assessed dynamically	b) Fee varies with risk assessed by merchant	c) Fee varies with risk assessed by transaction value	d) Non-varying fee across risk groups	
Fee trajectory	a) Predetermined trajectory	b) Dynamic trajectory based on costs	c) Dynamic trajectory based on usage		
Discounts for PISPs based on volume	b) One-off PISP discount	e) No discounts			
Fixed or ad valorem fee structure	a) Fixed fee	b) Ad valorem fee	c) Fixed and ad valorem fee	d) Stepped ad valorem fee	

Key discussion points and further analysis

Based on this assessment, the following issues have been highlighted by Members for feedback and further discussion and analysis of these will be undertaken in the second phase of this process.

Understanding of costs. The assessment of some options, and whether they are commercially sustainable models resulting in competitive payment options (providing value to merchants), depends on the scale of incremental costs relative to the level of fee that would be required, given the value provided, to be competitive with other payment types. Further work is required to inform this assessment, including the collection and analysis of cost and other data from Members and merchants.

Consumer protection. Instead of providing the same level of consumer protection for cVRPs as for debit card schemes, it may be possible to reduce the cost of OBPs for ASPSPs and/or the transaction fee for PISPs by considering alternative levels of consumer protection or more efficient procedures to deliver consumer protection. This might be through more efficient processes or alternative liability frameworks which specify which parties are liable for the consumer protection cost or whether the model includes different fee levels for different categories of risk.¹⁰ Further analysis is required to understand the implications of these different options for consumer outcomes and costs.

Consistency across waves. The development and launch of Open Banking Payments for e-commerce is expected to be achieved incrementally. There are already e-commerce payments that are made using SIPs. Some Members would welcome further consideration of the consistency between the commercial model for SIPs and the commercial model for cVRPs.¹¹ While acknowledging this issue, the commercial model for SIPs is not within scope of this work. In relation to cVRPs, these will initially be used for a limited number of low-risk use cases (Wave 1) in the second half of 2025.¹² There is ongoing work from Open Banking Limited (OBL) to progress the Multilateral Agreement (MLA) for Wave 1 including a Wave 1 commercial model. Further consideration of the consistency between the Wave 1 and Wave 2 commercial models is required as work on both waves progresses.

Operational considerations. There are also decisions that require more detailed input from Members and other stakeholders. These could include discussions with

¹⁰ As part of Phase 2, a liability model will be developed with input from UK Finance Members.

¹¹ Concerns have been raised that if existing arrangements for SIPs under the CMA Order remain unchanged it could impact the competitiveness of cVRPs and the commercial model.

¹² Open Banking Limited (2025), "Commercial Variable Recurring payments (cVRP)". Available at: [cVRP-MLA-Consultation-v1.0.pdf](#)

OBL on the proposed Wave 1 MLA operator fees and with Pay.UK on feasibility of the proposed Faster Payment fee dimension choices.

The next phase of work will aim to address these discussion points and undertake further analysis to refine the short-list. There will be four workstreams in this phase.

- 1. Addressable market analysis** – to scale the payments market using a segmentation relevant to the commercial model options, taking account of transaction value, risk profile, and merchant size.
- 2. Participant cost assessment** – to develop cost profiles for ASPSPs, PISPs and merchants (including a segmentation of transaction risk) to assess the financial sustainability of different commercial model options (both cost-based and value-based). This will feed into workstream 3.
- 3. Scenario analysis** – to undertake an analysis of commercial model options, including cost-based and value-based approaches, and the impact on usage and cost recovery based on assumptions of merchant demand.
- 4. Operational considerations** – to explore further with subject matter experts relevant commercial model options, including OBL and Pay.UK operator fees and implementation feasibility for ASPSPs and PISPs.

The remainder of this report details the long-list of dimension choices considered and the criteria used to assess each of the dimensions. UK Finance welcomes feedback on this assessment, including whether any excluded options should be reconsidered and views on which short-listed options should be prioritised for this further analysis.

The findings from this report direct the focus of further analysis for the next phase of work (Phase 2). The outcome from Phase 2 will outline a preferred commercial model. UK Finance expects to complete its work to develop a proposed commercial model for Open Banking Payments by Q2 2025. Throughout this process and following it, UK Finance will look to ensure alignment with the Payments Vision Delivery Committee's work on its Payments Forward Plan expected at the end of 2025.¹³ This report and the outcome from Phase 2 will be positioned as an industry-led proposal for a commercial model for cVRPs (Wave 2).

¹³ HM Treasury (2024), "Terms of Reference – Payments Vision Delivery Committee". Available at: [Terms of Reference – Payments Vision Delivery Committee - GOV.UK](#)

1. Context

1.1 The case for Open Banking payments

The UK Government's National Payments Vision (NPV) recognises the significant role Open Banking could play in transforming the payments landscape in the UK.¹⁴ Open Banking payments (OBPs) are account-to-account payments made possible through leveraging Application Programming Interfaces (APIs), which allow authorised third-party providers to securely access financial data from banks to initiate payments with the account holder's consent. It is hoped that providing more choice for consumers and merchants in how they make and receive payments can both increase innovation and place downward pressure on the cost of payments more widely.

The NPV outlines several benefits of OBPs that could be received by different stakeholders. From a consumer perspective, OBPs offer the potential for enhanced security through robust customer authentication measures, mitigating the risk of fraud and data breaches. Moreover, Open Banking gives consumers greater control over their financial data, allowing them to choose how and with whom their information is shared. OBPs also offer the potential for a simpler payment path for consumers compared to alternative payment methods, for example consumers would not be required to type in and share card details with merchants. For merchants, OBPs offer faster settlement times compared to card transactions, which can often take several days to clear. This accelerated cash flow could empower merchants with greater financial agility and working capital optimisation. In addition, the potential impacts from reduced payment costs for merchants throughout the economy could result in downward pressure or alleviate upward pressure on price levels.

1.2 The existing Open Banking payments landscape

Since 2017, nine current account providers in the UK have been mandated by the Competition and Markets Authority (CMA) to enable their customers to carry out specific forms of OBPs called sweeping Variable Recurring Payments (sweeping VRPs) and Single Immediate Payments (SIPs),¹⁵ with the legal framework for these payments being set out in the Payment Services Regulations 2017.

¹⁴ HM Treasury (2024), "National Payments Vision". Available at: [National Payments Vision.pdf](#)

¹⁵ CMA (2017), "Retail Banking Market Investigation". Available at: [CMA decision on Roadmap completion](#)

Both sweeping VRPs and SIPs are instant payments enabled by Faster Payments rails. SIPs are direct bank-to-bank payments between consumers and merchants and make up 92% of all OBPs in the UK.¹⁶ SIPs are used for different use cases including charitable donations, tax payments, and ecommerce in a limited range of sectors.

Sweeping VRPs, also known as “me-to-me” payments, are payments made by a consumer between their own accounts, for example to pay off a credit card or move money into a cash savings account.¹⁷ Unlike SIPs, sweeping VRPs cannot be used for ecommerce purchases.

While these two forms of OBPs are growing in the UK, the objective of the UK Government, as outlined in the NPV, is to develop Open Banking to allow for more seamless account-to-account payments between consumers and merchants using a form of OBPs called commercial Variable Recurring Payments (cVRPs). cVRPs allow merchants to initiate 1 click and recurring payments from a customer’s account within agreed limits, eliminating the need for the authentication step required in SIPs for each transaction.

The development and launch of cVRPs is expected to be achieved incrementally. cVRPs for a limited number of low-risk use cases (known as Wave 1) will be launched in the second half of 2025.¹⁸ These low-risk use cases include payments to regulated financial services, regulated utilities sectors, and to local and central government. There is ongoing work from Open Banking Limited (OBL) to progress the Multilateral Agreement (MLA) for Wave 1.

In this context, UK Finance is working with Members to consider what a commercial model should look like for ‘Wave 2 cVRPs and beyond’, namely, cVRPs for ecommerce use cases.¹⁹ Wave 2 use cases and beyond involve cVRPs to online merchants, expanding to similar use cases as card schemes. Unlike the current SIP user experience, cVRPs would not require the consumer to re-authenticate through their bank app for every single transaction that they make with a certain retailer. This is expected to lead to a more streamlined process at checkout for Open Banking transactions. As part of this work, UK Finance is also coordinating with Open Banking Limited to ensure a consistent approach to commercial models between Waves 1 and 2.

¹⁶ Open Banking Limited (2024), “Open Banking Impact Report”. Available at: [Latest Impact Report shows strong growth and the power of payments - Open Banking](#)

¹⁷ UK Finance (2024), “Commercial Variable Recurring Payments Model Clauses”. Available at: [UK Finance - Variable Recurring Payments Report.pdf](#)

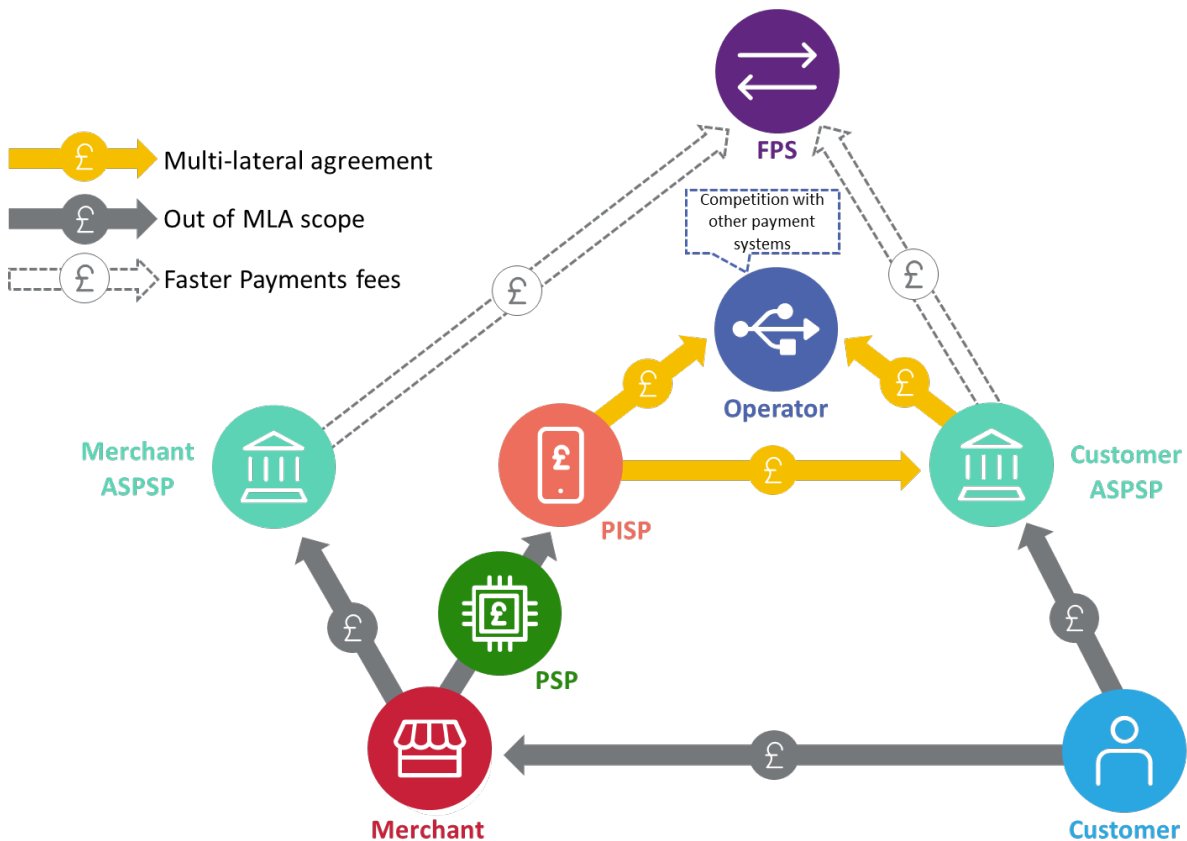
¹⁸ Open Banking Limited (2025), “Commercial Variable Recurring payments (cVRP)”. Available at: [cVRP-MLA-Consultation-v1.0.pdf](#)

¹⁹ This commercial model is specifically being developed for cVRP use cases and not for other OBPs use cases outside of ecommerce cVRPs.

1.3 Scope of work

The focus of this work as set out in the Terms of Reference (see Appendix D) will be to develop and propose a sustainable commercial model for Open Banking Payments that supports the NPV’s ambition for seamless account-to-account payments as a ubiquitous payment method. The work aims to deliver a commercial model that drives good consumer outcomes, is competitive with other payment types for merchants, and is financially sustainable and enables fair returns. As shown in **Figure 2**, the commercial model will consider the transaction fees that are paid to ASPSPs from PISPs and any operator charges that each party must pay. The fees paid by ASPSPs to the Faster Payments Service are also considered within the work. Specifically, this means to design a multilateral agreement (MLA) commercial model between PISPs and ASPSPs. The MLA does not cover commercial agreements between ASPSPs and consumers or ASPSPs and business accounts, or between PISPs and merchants.

Figure 2 Fees paid by participants in OBP and scope of MLA commercial model²⁰



²⁰ Note that this is a simplified diagram to illustrate the scope of this work. The costs that are excluded from the scope of the MLA will still form part of the relevant cost stacks that are constructed as part of the Phase 2 analysis (e.g. merchant-ASPSP fees will form part of the merchant cost stack).

This report is the output of the first step of the process in designing this commercial model (Phase 1). The remainder of this report details the initial analysis and proposed short-listed options for the commercial model. The next phase of work (Phase 2) will outline a preferred commercial model, evidenced by quantitative analysis of the short-listed commercial model options. Any uncertainties or key discussions identified in Phase 1 will be addressed in Phase 2 through further quantitative analysis and discussions with Members and other stakeholders.

This work aims to develop a successful commercial model that achieves high levels of usage, such that cVRPs become ubiquitous. A key determinant of high levels of usage is likely to be the widespread adoption of cVRPs by ASPSPs. This work does not speculate on or evaluate specific mechanisms for achieving this widespread ASPSP adoption (whether through the financial incentives provided to PISPs and ASPSPs, regulatory mandates or in other ways).²¹ This is in part because while a well-designed commercial model with appropriate incentives is crucial for encouraging ASPSP adoption, other factors also play a significant role, such as:

- ▶ the cost effectiveness of the scheme operator;
- ▶ legal certainty and the risks of future legal challenge; and
- ▶ the assessment of any future risks associated with a new product.²²

As a successful commercial model aims to support the NPV ambition of cVRPs as a ubiquitous payment method, this work assumes that all ASPSPs adopt cVRPs. This assumption is critical for the assessment of the commercial model short-listed options in Phase 2 as it will have an impact on cVRP volume estimates under different scenarios.

²¹ This work will assume that all ASPSPs adopt cVRPs in the assessment and modelling of options.

²² Risk taking in the Financial Services sector takes account of the rulings of the Financial Ombudsman Service and the needs of parties to observe the requirements of the Consumer Duty.

2. Assessment approach

2.1 The approach

The aim of this phase of work is to identify a short-list of potential commercial model options to be quantitatively evaluated in Phase 2. This analysis follows a structured assessment approach, which is informed by:

- ▶ **Government policy documents** – aligning with current policy guidance such as the National Payments Vision, the Future of Payments Review, and the Joint Regulatory Oversight Committee (JROC) Open Banking roadmap;
- ▶ **International benchmarks** – incorporating best practices and lessons learned; and
- ▶ **Stakeholder consultation** – gathering insights from Members and industry experts to ensure industry relevance and practicality.

The assessment approach includes three workstreams:

1. **Value Framework development** – defining the assessment criteria that form the Value Framework. These criteria are used to assess each commercial model dimension and how well each dimension choice delivers the commercial model objectives set out above and in the Terms of Reference (see Appendix D).
2. **Commercial model dimensions** – identifying the dimensions or features of a potential commercial model and clearly setting out the available choices for each dimension.
3. **Robust scoring methodology** – applying a rigorous assessment of each dimension choice against the criteria of the Value Framework and screening out dimension choices to generate a short-list.

Throughout the workstreams all participants have borne in mind their obligations under competition law (and will continue to do so during subsequent phases).

2.2 Developing the Value Framework

A Value Framework was developed to facilitate a consistent and objective assessment of all proposed options for a future commercial model. This framework establishes clear criteria for evaluating the success and sustainability of a proposed commercial model.

The approach to developing the Value Framework involved a review of the Government's NPV as well as the initial cVRP model proposed by JROC as set out in their consultation.²³ The initial Value Framework criteria that were identified were refined further based a review of consultation response documents, policy debates, whitepapers, and opinion pieces published by stakeholders including regulators, government bodies, industry associations, FinTechs, PISPs, and ASPSPs. The proposed criteria were then consulted on with Members and feedback incorporated. This approach ensures that the Value Framework criteria consider the priorities and range of objectives of all stakeholders in the ecosystem. Potential impacts of each criterion on all stakeholders within the value chain were carefully considered.

The Value Framework distinguishes between “necessary” and “secondary” criteria. Specifically, three “necessary” criteria have been identified that are essential to any successful and financially sustainable future commercial model. The remaining identified criteria are “secondary” criteria, as they would be desirable to achieve in a future commercial model. They contribute to refining the design and enhancing the robustness of a future commercial model.

Following the development of the criteria, a workshop was held with the Members to ensure agreement on the list of criteria. Feedback on the Value Framework was collected and is incorporated in this discussion paper. Section 3 provides a detailed outline of the finalised criteria.

2.3 The dimensions of a commercial model

The approach used in the initial analysis has been to generate a long-list of options for a commercial model and then to evaluate and screen these options against the Value Framework criteria.

A commercial model design can vary in several dimensions. These dimensions include how the commercial model is set up (e.g. whether bilateral agreements to vary the multilateral commercial model are permitted) and the level and structure of the transaction fee paid by PISPs to ASPSPs. Combining the choices under each dimension in different ways creates a long-list of potential commercial models.

To identify the dimensions of a commercial model, a benchmarking and comparative analysis approach was undertaken. This included research into existing Open Banking and "Open Banking like" payment systems in international jurisdictions and assessment of the dimensions that varied across the models reviewed. Analysis of

²³ JROC (2023), “Expanding variable recurring payments”. Available at: [CP23/12 VRP Expanding variable recurring payments: call for views](#)

international benchmarks informed the identification (but not the assessment) of the long-list of dimension choices under consideration, for example the different approaches to ASPSP fee setting observed in Payments NZ and the SPAA framework. Analysis of international benchmarks will also inform the workstreams in Phase 2. Commercial models in other markets with similar incentive structures, such as telecoms or app stores, were also considered to inform the development of the long-list of dimension choices. Insights were also gathered from Members and Deloitte's network of payments experts.

As a result, nine commercial model dimensions were specified. Five dimensions are considered 'setup dimensions' and the other four dimensions consider more specifically the structure of the transaction fee between ASPSPs and PISPs. The setup dimensions cover foundational elements of a commercial model, including governance and the basis for calculating transaction fees. These dimensions address factors beyond the structure of the transaction fee itself. Within each of these nine dimensions, there are a range of choices. The full long-list of potential commercial model options is a result of combinations of the proposed dimension choices.

Members provided feedback on the proposed dimensions and dimension choices during workshops and bilateral meetings. This iterative approach ensures that views from all stakeholders could be heard and considered. This feedback has been incorporated into this discussion paper. Section 4 provides a detailed description of the nine dimensions and their respective choices.

2.4 Evaluation approach

Following the specification of the criteria, dimensions and respective dimension choices, each dimension choice is individually assessed against the criteria of the Value Framework. This structured approach was designed to ensure that the commercial model options could be assessed in a consistent and objective way.

A scoring matrix captures how each dimension choice is expected to meet (or not expected to meet) the criteria. The scoring scale employed is as follows:

- ▶ not likely / not expected to meet;
- ▶ not clear;
- ▶ likely to meet / expected to meet; and
- ▶ strongly expected to meet.

Some criteria were considered not applicable to specific dimension choices. Where this is the case, this is clearly stated in the assessment (refer to Section 4 for details).

The scoring results inform whether a dimension choice will be retained on the short-list of commercial model options. Dimension choices that fail to meet one or more of the necessary criteria were not included in the short-list. Dimension choices that performed less well than alternative options across all the criteria were also screened out. The rationale for including or excluding dimension choices from the short-list is set out as part of the evaluation in Section 4. The evaluation approach also identifies several uncertainties in the assessment of dimension choices against the Value Framework criteria. There is further discussion of these uncertainties in Section 5. Phase 2 will also look to address these uncertainties through further quantitative analysis. This evaluation approach results in a refined short-list of dimension choices for further consideration.

3. The Value Framework

The Value Framework was developed to assess the range of possible commercial model options in a consistent and objective way. The Value Framework criteria reflect the desired outcomes that a successful commercial model should achieve. The Value Framework distinguishes between “necessary” and “secondary” criteria. This distinction is used to assess options, however all criteria are considered important to realise a sustainable commercial model. There are three “necessary” criteria that are considered essential to any successful and financially sustainable future commercial model. The remaining criteria are “secondary” criteria, as they would be desirable to achieve in a future commercial model. They contribute to refining the design and enhancing the robustness of a future commercial model.

3.1 Necessary criteria

3.1.1 Criterion 1: Drives good consumer outcomes

As outlined in the Terms of Reference (see Appendix D), it is necessary for a sustainable commercial model to drive good consumer outcomes, which is essential to achieve high levels of consumer adoption in the long-term. A commercial model that drives good consumer outcomes would be one that enables a secure and trusted payment mechanism (ensuring adequate consumer protections), an improved customer experience, increased customer choice and flexibility, and incentivises investment into innovation. Providing a seamless user experience for ASPSP customers and addressing pain points with existing alternative payment methods, could also contribute to enhanced complementary ASPSP income streams.

If a model were not to drive good consumer outcomes, consumers would not choose to use cVRPs over other payment methods, thereby constraining the widespread adoption of the payment method in the long-term. In addition, with non-mandatory participation in the MLA, ASPSPs may not choose to offer cVRPs as a payment method for their customers in a model which does not drive good consumer outcomes.

3.1.2 Criterion 2: Competitive with other payment types for merchants while enabling fair returns for PISPs

It is only through widespread adoption of cVRPs by both merchants and consumers that the NPV objective of Open Banking as a ubiquitous payment method will be

achieved.²⁴ As a consequence of providing more choice for consumers and merchants in how they make and receive payments, there is expected to be increased innovation and a downward pressure on the cost of payments more widely.

A sustainable commercial model with a lower fee compared with alternative payment mechanisms and without compromising the quality of the service, would be necessary to drive widespread merchant adoption.²⁵ This criterion assesses whether the transaction fee level and structure are competitive with existing payment solutions given the differences in the quality of the payment experience, thereby driving adoption of cVRPs by merchants and the possibility of placing downward pressure on prices of payments more widely. This is a necessary criterion to enable a viable, digital alternative to existing retail payment services and driving widespread adoption of OBPs, as set out in the NPV and Terms of Reference (see Appendix D). However, there are also a range of other factors that may impact the volume of cVRP transactions such as competition with free Open Banking payment types, future use cases, customer journey, brand and user experience.

Fair returns for PISPs are also part of the consideration of this criterion. This is because a commercial model for cVRPs that does not provide a fair return for PISPs for serving customers and merchants at widespread levels of adoption and usage will not be sustainable as PISPs will exit the market.

3.1.3 Criterion 3: Financially sustainable & enabling fair returns for ASPSPs

A financially sustainable model means that ASPSPs are incentivised to offer OBPs because of both the income from PISPs for each transaction and demand from ASPSP customers to use OBPs.

A financially sustainable commercial model is necessary because one that does not offer sufficient financial returns (i.e. not financially sustainable) is likely to result in unintended consequences, such as:

- ▶ Lack of incentives to invest and discouraging further innovation to enhance cVRP services and poor user experience and consumer outcomes.
- ▶ ASPSPs may need to recoup costs of offering cVRP services from their customers through other services, effectively a cross-subsidy, which may increase the cost of banking to customers. While some ASPSPs may have capacity to cross-subsidise

²⁴ HM Treasury (2024), "National Payments Vision". Available at: [National Payments Vision.pdf](#)

²⁵ As merchant adoption is an enabler for consumer usage, this would also drive consumer adoption.

these costs, this may not be possible for all ASPSPs (e.g. building societies, new digital banks).

This criterion assesses whether the transaction fee level and structure enable a financially sustainable model for ASPSPs. The assessment of financial sustainability includes allowing ASPSPs to recover the incremental costs to offer OBPs and a reasonable return on any capital employed through investments and upfront costs. The rate of return for this capital should also recognise the uncertainty over future usage of OBPs and the associated risk of investment. Cost recovery through the commercial model is transparent and linked to cVRPs (i.e. does not include recovery of sunk costs associated with either the CMA Order or historic compliance with regulation and does not require higher ASPSP customer account/charges or other indirect charges on customers). The model overall provides commercial incentives for a high level of non-mandatory adoption by ASPSPs.

3.1.4 Summary

A commercial model needs to achieve all three necessary criteria presented above in order to be commercially sustainable and drive widespread adoption of OBPs. As part of the evaluation approach, dimension choices will be screened out that do not deliver against all three necessary criteria. Dimension choices that deliver well against the necessary criteria are included in the short-list of commercial model options and will be further considered in Phase 2. Although a distinction is made between these criteria and the secondary criteria below for the purposes of shortlisting options, all criteria are important to achieve a sustainable commercial model.

3.2 Secondary criteria

3.1.5 Criterion 4: Enables ecosystem growth, innovation and entry

If the OBPs commercial model does not enable ecosystem growth through investment and a diverse range of participants (especially independent PISPs competing with larger entities), this could lead to reduced innovation. A level playing field, or targeted incentives, can encourage both entry and expansion within an ecosystem. This criterion assesses whether the transaction fee enables ecosystem growth and innovation by attracting investment and reducing barriers to entry. While this objective is beneficial, it is considered a secondary objective as in theory a market with fewer PISPs could still achieve a commercially sustainable model and enable a viable, digital alternative to existing retail payment services promoting widespread adoption.

3.1.6 Criterion 5: Implementation simplicity

The simpler in terms of fee levels, conditions, and variables, the easier it is for PISPs and merchants to understand the cost and value they receive. A complex commercial model would also likely make it more difficult for ASPSPs to ensure the correct charges are being levied. This criterion assesses whether the conceptual design of a commercial model can be feasibly implemented. The focus of this criterion is on the simplicity of operating the commercial model, not in designing it and determining the fee level. It is noted that in some instances of this assessment (presented in Section 4), the extent to which the design choices can be feasibly implemented is unclear and will require further analysis and discussions with technical experts.

3.1.7 Criterion 6: Agility

The commercial model that is established for OBPs should be sustainable for the long-term. Such a model will therefore need to adapt over time to what is learned about the operation of OBPs (e.g. the risk of fraud) and changing market conditions (e.g. customer payment and ecommerce behaviour). This criterion will be used to assess the agility of commercial model options. This means whether the commercial model is sufficiently flexible to accommodate changes in what we learn and how the market develops, or whether it is too rigid and may be at risk of becoming unsustainable in some scenarios.

3.1.8 Criterion 7: Certainty about commercial model and fee levels over time

ASPSPs, PISPs and merchants will need to make investments and other long-term commitments to participate in OBPs. They will need to do so on the basis of the commercial model that is established in the initial period and over time. There is a risk that uncertainty about the commercial model, such as the level of transaction fee that is expected in future, may deter such long-term investment. This criterion therefore assesses whether the commercial model provides sufficient certainty to PISPs, ASPSPs and merchants about the commercial model design over time, including fee level and structure. This criterion assesses separately the level of certainty provided to PISPs and merchants from the level of certainty provided to ASPSPs in criteria 7a and 7b respectively. This is because some dimension choices will provide greater certainty for PISPs and merchants than ASPSPs and vice versa.

4. Dimensions of an OBPs commercial model

There are many dimensions to a potential multilateral commercial model for OBPs. In each of these dimensions, there are different choices as to how a commercial model may operate. Combining all of these choices in different ways creates a long-list of options. In this section, each of these dimensions are described and the choices under each dimension are assessed and screened using the Value Framework. Following this assessment, a short-list of commercial model options are presented, which will form the basis of the further work to develop a commercial model.

4.1 Dimensions of a Wave 2 cVRP commercial model

There are nine dimensions of a multilateral commercial model that have been identified, each of which is associated with several dimension choices. These dimensions and choices are based on a review of commercial models for payment systems in other countries and of the dimensions that vary across such models, alongside input from Members and Deloitte as to the range of options that should be considered.²⁶

The nine dimensions are:

- ▶ **Bilateral agreements** – considers which party sets the transaction fee between PISPs and ASPSPs, and whether there is flexibility for participants to reach bilateral agreements alongside any multilateral commercial model.
- ▶ **Consumer protections** – considers the level of consumer protection provisions afforded to consumers when they use OBPs for ecommerce.
- ▶ **Faster payments fees** – considers the central infrastructure fee charged by Pay.UK to sending/receiving ASPSPs.
- ▶ **Operator fee** – considers whether the price schedule for operator fees for Wave 2 will be a continuation of Wave 1, or if the fees should be distributed differently.

²⁶ The list of international markets considered is included in Appendix C.

- ▶ **Calculation basis of transaction fee** – considers the conceptual approach as to how the transaction fee between ASPSPs and PISPs will be determined.
- ▶ **Fees accounting for different transaction risk** – considers choices for how the transaction fee may vary depending on the risk of the transaction.
- ▶ **Variation of fee over time (trajectory)** – considers the trajectory of the fee over time, including whether it will be on a predetermined path or will vary dynamically to achieve specific objectives.
- ▶ **Discounts for PISPs based on volume** – considers whether to incorporate a discount mechanism and the different ways to design it.
- ▶ **Fixed or ad valorem fee structure** – considers what basis ASPSPs will charge PISPs for the services provided for each transaction.

The rest of this section explains each of the dimensions, sets out the respective dimension choices and assesses the dimension choices against the criteria of the Value Framework. Section 4.2 presents the short-listed commercial model options.

4.1.1 Bilateral agreements

What is this dimension?

This dimension considers which party sets the transaction fee between PISPs and ASPSPs, and whether there is flexibility for participants to reach bilateral agreements alongside any multilateral commercial model. This transaction fee includes API access and, depending on the other aspects of the commercial model, transaction risk and consumer protections. The choices under this dimension may affect competitive dynamics among both ASPSPs and PISPs and incentives for entry and innovation.²⁷

What are the dimension choices?

Three choices have been identified for this dimension:

- a) **Centrally set model** – commercial model and fee set by the regulator/ MLA operator that all participants are required to use, such that bilateral commercial models are not permitted.
- b) **Centrally set fallback model** – fallback commercial model and fee set by the regulator/ MLA operator that would apply if a bilateral agreement cannot be reached.

²⁷ Bilateral agreements outside the MLA i.e. those between a vertically integrated ASPSP and PISP will likely be subject to commercially competitive requirements.

- c) **Bilateral model** – commercial model agreed bilaterally between participants without a multilateral agreement being developed by the regulator or MLA operator.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the transaction fee setting process is summarised in the table below.

Table 3 Assessment for Bilateral Agreements

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Centrally set model	n/c	a	n/c	a	a	n/c	a	a
b) Centrally set fallback model	a	a	n/c	a	a	n/c	a	a
c) Bilateral model	n/c	n/c	n/c	r	a	a	r	r

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: A centrally set fall-back model (b) is included in the short-list.

A **fallback model (b)** is more likely to meet all the necessary criteria than a **centrally set model (a)** only. This is because a fallback model allows for greater flexibility for participants to agree a bilateral transaction fee, where possible, that is mutually beneficial to both parties compared to a multilateral commercial model.²⁸ This flexibility could allow two parties to include a range of additional factors in their commercial arrangements if they choose, including incentives for adoption, reducing risk, added value services and volume. The possibility of such bilateral agreements makes it more likely that this choice would be commercially sustainable and meet the three necessary criteria (1, 2, 3) compared with a **centrally set model (a)**. The fallback model would still allow for both participants to transact where a bilateral agreement cannot be reached. Both a **fallback model (b)** and **centrally set model (a)** are likely to meet the other secondary criteria.

It is unclear whether a **bilateral model (c)** would meet the necessary criteria (1, 2, 3) as this depends on whether parties could reach commercially sustainable agreements.

²⁸ It was suggested that there may be opportunities for ASPSPs to offer innovative add-on or premium services to PISPs, which could achieve a higher price via a bilateral agreement. These fees could generate additional revenues for ASPSPs, thereby incentivising investments into innovation in the sector.

This dimension choice is also not expected to meet some secondary criteria for the following reasons:

- ▶ Large PISPs and ASPSPs may be expected to negotiate better terms than smaller competitors, which may act as a barrier to entry and ecosystem growth (criterion 4).
- ▶ Each PISP and each ASPSP would need to negotiate and reach bilateral agreements with multiple different parties. This means that a **bilateral model (c)** would be complex to implement (criterion 5).
- ▶ PISPs and ASPSPs would have limited certainty about whether they could reach bilateral agreements with each potential counterparty, the commercial models that would be agreed, and the length of such arrangements (criterion 7).

A **multilateral model (b or c)** is preferable to a **bilateral model (c)** as it reduces and mitigates these costs and risks.

Overall, a **fallback model (b)** is preferable to both a **centrally set model (a)** that prohibits bilateral arrangements and a **bilateral model (c)**. The **fallback model (b)** is therefore the only choice included in the short-list.

4.1.2 Consumer protection

What is this dimension?

This dimension considers the level of consumer protection provisions afforded to consumers when they use OBPs for ecommerce. Some payment types offer consumer protections that are in addition to the existing protections offered by merchants as required under UK law.²⁹ The consumer protections offered by some payment types protects consumers if they are not able to resolve disputes directly with merchants. For card schemes, these protections may include chargeback rights – a chargeback is a return of funds to a consumer, initiated by the issuing bank of the consumer’s payment card. It usually occurs when a consumer disputes a transaction with their card issuer and requests a refund. This card scheme chargeback mechanism protects consumers from:

- ▶ **Fraudulent transactions** – cardholders are not liable for unauthorised transactions.

²⁹ GOV.UK, “Accepting returns and giving refunds: the law”. Available at: [Accepting returns and giving refunds: the law - GOV.UK](#)

- ▶ **Goods and services not received** – protection is offered if goods / services are not delivered or not as described.
- ▶ **Faulty goods** – protection for faulty or damaged goods.
- ▶ **Cancellation and refund rights** – assistance provided in obtaining refunds for cancelled services or events e.g. if a travel company fails.

While the customer's ASPSP will provide the requested refund, it will usually seek to claim money back from the merchant's acquiring ASPSP. However, some of the costs may remain with the customer's ASPSP.

Existing OBPs (sweeping VRPs and SIPs) do not offer the same consumer protections for non-fraudulent transactions when used for ecommerce compared with card schemes (although Authorised Push Payment (APP) fraud reimbursement requirements apply to these payments).³⁰

One of the objectives of a commercial model for the next stage of OBPs (cVRPs) is to ensure it provides adequate customer protection and includes a clear liability framework.³¹ These provisions would be additional to the Consumer Duty requirements that Open Banking participants must comply with. The design of these consumer protections and the liability framework may determine merchant adoption and the competitiveness of cVRPs, as well as the financial sustainability for both PISPs and ASPSPs.

What are the dimension choices?

Three choices have been identified for this dimension:

- a) **Same provisions as debit card schemes** – provision of the same level of consumer protections as debit card schemes for all payments in Wave 2 and beyond. This means that in the event of a customer facing an issue with a purchase made using a cVRP, they could make a claim to their bank. Therefore, the liability would sit with the ASPSP.³²
- b) **Same provisions as current OBPs** – provision of same consumer protection for Wave 2 as is provided for OBPs today (sweeping VRPs and SIPs) and non-OB Faster Payments transactions. This means protections are limited to those

³⁰ APP fraud is a common type of fraud where (often vulnerable) users are manipulated into transferring money under false pretences. For example, fraudsters may impersonate family or friends of the victim and pressure them to transfer money to an account.

³¹ A suggestion was made that the liability for transactions could sit with the PISPs with the aim of aligning incentives for due diligence around merchant onboarding. Phase 2 will further assess liability models where liability could sit either with the ASPSPs or PISPs, noting that if liability were to sit with PISPs there would need to be clear communication to consumers to explain the liability shift.

³² It is acknowledged that the ASPSP may initiate a chargeback to the merchant (via the acquirer) if they reimbursed the customer.

provided by merchants/PISPs under statute and ASPSPs would not provide protection against authorised transactions (e.g. disputes around goods not delivered). APP fraud reimbursement requirements would apply to fraudulent transactions.

- c) **Bespoke liability model with different provisions by market segment** – provision of different levels of consumer protection for different segments of the market.³³ A bespoke liability model would set out varying levels of consumer protection based on features such as merchant type, product category and other risk-based metrics. For example, protections offered for a takeaway platform may be different to those offered by an airline ticket platform. The allocation of a transaction to a market risk segment may be determined by the merchant, operator, ASPSP, or PISP. The liability could sit with either the ASPSPs or the PISPs. Possible bespoke liability models will be further developed in Phase 2 with input from the UK Finance Steering Group.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for consumer protection is summarised in the table below.

Table 4 Assessment for Consumer Protections

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Same provisions as debit card schemes	g	n/c	n/c	n/a	a	a	a	a
b) Same provisions as current OBPs	n/c	n/c	n/c	n/a	a	a	n/c	a
c) Bespoke liability model with different provisions by market segment	n/c	n/c	n/c	n/a	n/c	a	n/c	n/c

Note, criterion 4, 'Enables ecosystem growth, innovation and entry' is considered 'not applicable' as the achievement of this criterion is not driven by this dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All dimension choices are included on the short-list.

Having the **same provisions as debit card schemes (a)** is likely to provide good consumer outcomes (criterion 1). This is because this choice offers the same

³³ This alternative option is referenced in the NPV (paragraph 3.35).

consumer protection as other payment types, therefore providing a strong and secure alternative payment method without introducing an additional transaction risk from the perspective of a consumer.

It is unclear at this stage whether a commercial model with the **same provisions as current OBPs (b)** or one that provides a **bespoke liability model with different provisions by market segment (c)** will provide good consumer outcomes (criterion 1) without further development of these choices.

It is also not clear which choice is likely to support a competitive model (criterion 2) due to the balance between providing strong consumer protections and the associated costs, which would fall on merchants and may make cVRPs less competitive. The financial sustainability of all dimension choices (criterion 3) is unclear without more detail on the bespoke liability model under choice c) and costs of providing varying levels of protection for all choices. Therefore, these choices are retained on the short-list for further development and evaluation.

4.1.3 Faster Payments fees

What is this dimension?

The Faster Payments System (FPS) facilitates the instant transfer of funds between bank accounts.³⁴ Its central infrastructure is owned by Pay.UK, with almost all ASPSPs enabling FPS transactions for their customers.³⁵ All direct participants contribute to the costs of running Faster Payments central infrastructure through a monthly fee and a per transaction fee.³⁶ When an Open Banking ecommerce payment is made, sending and receiving ASPSPs incur a Faster Payments central infrastructure fee. This fee therefore contributes to the incremental per transaction costs of OBPs for sending ASPSPs and may contribute to the per transaction costs of using OBPs for merchant customers of receiving ASPSPs.

For the OBPs commercial model, this dimension considers the central infrastructure fee charged by Pay.UK to sending/receiving ASPSPs. The fees charged by receiving ASPSPs to their business customers for incoming faster payments would be agreed through commercial arrangements. The Faster Payments central infrastructure fee in this dimension is therefore a separate fee from the transaction fee between PISPs and APSPs.

³⁴ Pay.UK, "Faster Payment System". Available at: [Faster Payment System - Pay.UK](#)

³⁵ Less than 0.1% of UK accounts do not accept Faster Payments. Pay.UK, "How Faster Payments work". Available at: [How Faster Payments work - Pay.UK](#)

³⁶ Pay.UK (2025), "Faster Payments System Principles". Available at: [Pay.UK-Faster-Payments-System-Principles-Jan-25.pdf](#)

The 2023 PSR consultation on expanding VRPs proposed a commercial model for cVRPs that removed the Faster Payments fee for sending firms.³⁷ The PSR noted that the aim of this proposal was to reduce (to zero) the incremental costs of low-risk OBPs transactions for ASPSPs. This and other choices are considered in this dimension. The implementation of any dimension choice would require the agreement of Pay.UK and its members.

What are the dimension choices?

Three choices have been identified for this dimension:

- a) **As-is** – current fees per transaction apply. These are nominal fixed fees.
- b) **Restructure Faster Payments fees** – changing the Faster Payments central infrastructure fee to an ad valorem basis for Wave 2 cVRP transaction only.
- c) **Waived** – no per transaction fee (as proposed by the PSR for Wave 1). Pay.UK would be expected to explore alternative funding arrangements to recover the cost of any wavier from its members for other types of transaction.³⁸

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the Faster Payments fee is summarised in the table below.

Table 5 Assessment for Faster Payments Fees

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) As-is	n/a	r	n/a	n/a	a	n/a	n/a	n/a
b) Restructured Faster Payments fees	n/a	n/c	n/a	n/a	n/c	n/a	n/a	n/a
c) Waived	n/a	a	n/a	n/a	n/c	n/a	n/a	n/a

Note, criteria 1, ‘Driving good consumer outcomes’, 3, ‘Financial Sustainability & enabling fair returns for ASPSPs’, 4, ‘Enables ecosystem growth, innovation and entry’, 6, ‘Agility’, and 7, ‘Certainty about commercial model and fee levels over time’ are considered ‘not applicable’ as the achievement of these criteria are not driven by this dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All dimension choices are included on the short-list.

³⁷ JROC (2023), “Expanding variable recurring payments”. Available at: [CP23/12 VRP Expanding variable recurring payments: call for views](#)

³⁸ Phase 2 will involve engagement with Pay.UK to understand what the implications of waived Faster Payments fees would.

The assessment of this dimension is uncertain as the feasibility of any dimension choice to support an OBPs commercial model will depend on Pay.UK. Therefore, all dimension choices are included in the short-list for further consideration.

The choice to **waive Faster Payments fees (c)** would be expected to make OBPs competitive with other payment types (criterion 2), although these costs would need to be recovered from other parties (e.g. through increased fees to FPS direct participants). However, if OBPs leads to significantly increased transaction volumes through the FPS rails, additional capacity and investment could be needed with additional investment required. This could make waiving the Faster Payments fee unsustainable if such investment is not funded by ecommerce participants.

Retaining the Faster Payments fee **as-is (a)** is expected to make OBPs less competitive with other payment methods for lower value transactions. This is because the per transaction costs for merchants (to the extent such costs are ultimately borne by merchants) will be relatively higher for lower value transactions. However, removal of the Faster Payments fee may not be allowed by Pay.UK or may be disputed by its advisory council members and therefore this choice is also included on the short-list for further valuation.

4.1.4 Operator fee

What is this dimension?

OBL recently published a public consultation on the cVRP Multilateral Agreement (MLA) outlining the contractual relationship and set of rules that underpin the commercial arrangement and requirements for Wave 1 cVRPs.³⁹

As part of the proposed MLA, a scheme operator will also be established to act as the governance body for this MLA. OBL has outlined the pricing schedule for fees paid to the operator to be used for Wave 1 cVRPs.⁴⁰ This includes annual MLA membership fees paid by each participant to the operator as well as a fee per transaction.⁴¹ A participant will pay an annual membership fee for each role that it participates as i.e., if it is both an ASPSP and a PISP it will pay two membership fees. The MLA includes a per transaction fee for the PISP and a per transaction fee for an ASPSP.

To maintain alignment with the OBL work on Wave 1 cVRPs, UK Finance is not proposing an alternative model to this MLA operator cost model. However, it is

³⁹ UK Finance (2024), "Commercial Variable Recurring Payments Model Clauses". Available at: [UK Finance - Variable Recurring Payments Report.pdf](#)

⁴⁰ Open Banking Limited (2025), "MLA Schedules". Available at: [Microsoft Word - 20253001 MLA Schedules - FINAL v1.0](#)

⁴¹ The MLA pricing schedule sets out additional fees such as dispute arbitration, non-compliance, costs to cover appeals process, onboarding fees, and interparticipant fees.

important that the pricing schedule is considered in the development of the commercial model for Wave 2 and beyond. This dimension therefore assesses whether the price schedule for operator fees for Wave 2 will be a continuation of the proposed OBL price schedule for operator fees or if the fees should be distributed differently.

What are the dimension choices?

Three choices have been identified for this dimension:

- a) **Continuation of Wave 1 MLA** – pricing schedule for operator fees for Wave 2 and beyond is a continuation of the Wave 1 pricing schedule for operator fees.
- b) **Higher cost burden for ASPSPs** – pricing schedule for operator fees for Wave 2 and beyond is higher for ASPSPs (up to 100%) than the Wave 1 pricing schedule for operator fees.
- c) **Higher cost burden for PISPs** – pricing schedule for operator fees for Wave 2 and beyond is higher for PISPs (up to 100%) than the Wave 1 pricing schedule for operator fees.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the operator fee is summarised in the table below.

Table 6 Assessment for Operator fee

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Continuation of Wave 1 MLA	n/a	n/c	n/c	n/a	a	n/a	a	a
b) Higher cost burden for ASPSPs	n/a	a	n/c	n/a	a	n/a	a	a
c) Higher cost burden for PISPs	n/a	n/c	a	n/a	a	n/a	a	a

Note, criteria 1, ‘Driving good consumer outcomes’, 4, ‘Enables ecosystem growth, innovation and entry’, and 6, ‘Agility’ are considered ‘not applicable’ as the achievement of these criteria are not driven by this dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All dimension choices are included in the short-list.

OBL has not yet determined the level of MLA fees, so it is unclear how each choice is to be assessed on the competitive and financial sustainability criteria (2 and 3). In addition, whilst the dimension choice for a **higher cost burden on PISPs (c)** is likely to drive a financially sustainable model, equally a **higher cost burden on ASPSPs (b)** is likely to mean a more competitive price for merchants via lower PISP costs. These different choices will therefore be considered further alongside further

information from OBL on the Wave 1 operating model and remain on the short-list of options.

4.1.5 Calculation basis of transaction fee

What is this dimension?

The level of the transaction fee within the commercial model will eventually need to be determined by the operator/regulator for OBPs. This dimension considers the conceptual approach as to how this transaction fee will be determined. There is a choice to determine the transaction fee either based on achieving cost-recovery for ASPSPs or based on the value provided to the market. Cost-based approaches would require data to be collected from ASPSPs on the costs incurred for OBPs transactions and an agreed methodology for the allowable costs to include in determining a fee level. Value based approaches may use a variety of techniques to assess the fee level that achieves specific objectives from the perspective of users of OBPs payments. At this stage it is uncertain as to what fee levels may result from each approach and the difference (if any) in fee level between approaches.

This dimension determines the approach on how to set the overall average level of the transaction fee, while other dimensions consider fee structures that may vary the fee for specific transactions based on other factors, such as transaction risks (see 4.1.7) or the introduction of volume-based discounts (see 4.1.9).

What are the dimension choices?

Five choices have been identified for this dimension:

- a) **Cost-based (marginal cost only)** – this approach ensures cost recovery to ASPSPs of their marginal costs for cVRP transactions. This would include the cost for API maintenance, any customer support, dispute management costs, customer onboarding costs or any legal or compliance costs associated with customer protection provided. Determining a fee on this basis would require cost data submissions from ASPSPs. The fee calculated would ensure cost recovery and allow a fair return for the ASPSP on their marginal cost.
- b) **Cost-based (standalone OBPs provider)** – this approach would ensure the recovery of all costs required to provide OBPs by a standalone entrant ASPSP to the payments market, including efficient costs to build the required Open Banking infrastructure to provide OBPs services.⁴² Without the recovery of such standalone

⁴² Costs refer to a standalone entrant that may seek to offer OBP in future and not to costs existing ASPSPs have already incurred, such as sunk costs associated with either the CMA Order or compliance with regulation related to the mandatory provision of OBP.

costs, it would not be possible (by definition) for any new ASPSP to offer OBPs without also offering other services (e.g. other payment types or non-payment services) or charging customers directly to generate the income required from PISP transaction fees to be financially sustainable. Determining a fee on this basis would require cost data submissions from ASPSPs and modelling as to the costs required for a standalone entrant ASPSP.

- c) **Cost-based (long run incremental costs)** – this approach would ensure cost recovery of marginal costs per transaction (as choice a) and any incremental fixed costs for an existing ASPSP to extend Wave 1 cVRP capabilities to provide Wave 2 cVRP and beyond. This would include upfront expenditure, ongoing fixed costs, and a fair return to recover the cost of incremental capital employed to offer OBPs. Determining a fee on this basis would require cost data submissions from ASPSPs and modelling of the incremental costs for different sizes and types of ASPSP.
- d) **Value-based (merchant adoption target)** – this approach would determine a fee level that achieved specified merchant adoption targets. Prior to launch, the level of such a fee would need to be estimated, such as using a merchant indifference or willingness to pay methodology (choice e). After launch the fee could be varied depending on the level of adoption.
- e) **Value-based (merchant indifference / willingness to pay)** – this approach would determine the fee level that is equal to the value placed on cVRPs by merchants (such that merchants are indifferent between adopting or not adopting cVRP at that fee level). The determined fee level would take into account the fees that would be charged to merchants by PISPs in order for PISPs to make a fair return.⁴³ This willingness to pay can be estimated in different ways, e.g. based on the quality-adjusted cost where a merchant would be indifferent between two payment options or based on merchant value and willingness to pay for the features provided by OBPs such as faster settlement. The level of the OBPs transaction fee would then need to be calculated taking into account the other costs that would be faced by merchants to use OBPs.
- f) **Value-based (market benchmarks)** – this approach would set the fee level based on benchmarking against existing bilateral agreements in place in the market or offered by other comparable payment schemes. These benchmarks are likely to reflect the value provided by OBPs for each party.

⁴³ The willingness to pay by PISPs and by merchants is understood to be related as PISPs would assess their willingness to pay the ASPSP on the basis of the resulting fee levels for merchants and whether these would ensure that PISPs make a fair return.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the calculation basis for the transaction fee is summarised in the table below.

Table 7 Assessment of 'Calculation basis of transaction fee' dimension

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Cost-based (marginal cost only)	r	n/c	r	n/a	a	r	n/a	n/a
b) Cost-based (standalone OBPs provider)	a	n/c	g	n/a	a	r	n/a	n/a
c) Cost-based (LRIC)	a	n/c	a	n/a	a	r	n/a	n/a
d) Value-based (merchant adoption)	a	g	n/c	n/a	a	a	n/a	n/a
e) Value-based (merchant indifference / willingness to pay)	n/c	a	n/c	n/a	a	a	n/a	n/a
f) Value-based (market benchmarks)	n/c	a	a	n/a	a	a	n/a	n/a

Note criteria 4, 'Enables ecosystem growth, innovation and entry' and 7, 'Certainty about commercial model and fee levels over time' are considered 'not applicable' as the achievement of these criteria are not driven by this dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All choices are included in the short-list except for a cost-based approach using marginal cost only (a).

The **marginal cost recovery choice (a)** is not expected to achieve financial sustainability for ASPSPs (criterion 3) or drive good customer outcomes (criterion 1). This is because there is no expectation that ASPSPs would recover the fixed costs required to invest and operate OBPs, which may be likely to lead to underinvestment in OBPs. This dimension choice is therefore screened out from the short-list.

The other **cost-based choices (b and c)** are expected to achieve financial sustainability (criterion 3) by definition, although the **incremental cost dimension choice (b)** may not be financially sustainable for an entrant ASPSP. It is unclear without further data and analysis whether the fee level determined for either dimension choice would be competitive with other payment types (criterion 2). Both choices are therefore retained in the short-list for further analysis. With the complexity and frequency of cost studies required to ensure efficient costs, the different cost-based approaches would be less agile (criterion 6) in adapting to changing market developments.

The **value-based approaches (d, e, and f)** are expected (by definition) to be competitive with other payment types (criterion 2). However, it is unclear whether an

approach to maximise merchant adoption (d) or to achieve **merchant indifference/willingness to pay (e)** would provide the necessary financial incentives for it to be financially sustainable for ASPSPs to offer OBPs (criterion 3). All of these choices are therefore included in the short-list for further assessment.

4.1.6 Fees accounting for different transaction risk

What is this dimension?

The transaction fee between PISPs and ASPSPs would include API access and the cost of any consumer protections provided by the ASPSP (which is a separate dimension, see 4.1.3). The risk of an event that requires consumer protection is different for different transaction types. Transactions can be categorised into different levels of risk to account for the different probability of dispute and associated liability costs.⁴⁴ For example, there may be a lower risk associated with an online grocery purchase than a flight purchase. This dimension considers how the transaction fee may vary depending on the risk of the transaction.

Most payment types used for ecommerce do not vary the equivalent transaction fee paid by the PISP to the ASPSP by the risk of the transaction. This means there may be a cross-subsidy between lower risk transaction and higher risk transactions.

An alternative commercial model may be to vary the transaction fee depending on the risk of the transaction. This would result in a lower transaction fee for lower risk transactions and a higher transaction fee for higher risk transactions. This may have an impact on adoption by merchants for some types of transaction.

What are the dimension choices?

Four choices have been identified for this dimension:

- a) **Fee varies with risk assessed dynamically** – fee level varies with transaction risk, with risk categories set dynamically to reflect characteristics such as merchant size, merchant reputation, and PISP due diligence procedures when onboarding merchants⁴⁵.

⁴⁴ Note, the probability and costs of dispute or liability have not been quantified and risk categories are introduced as a concept.

⁴⁵ A suggestion was made to include discounts for “good actors”, i.e. rewarding PISPs with robust due diligence procedures in place. This is reflected in this dimension choice. A suggestion was also made to include discounts for “low performance APIs”, which would likely be captured by a compliance mechanism and SLA requirements. Specifying these is not in scope of this work but would form part of the MLA.

- b) **Fee varies with risk assessed by merchant** – fee level varies with transaction risk, with risk categories for merchants set based on a standardised assessment of individual merchants⁴⁶.
- c) **Fee varies with risk assessed by transaction value** – fee level varies with transaction risk, with risk categories set based on transaction value as a proxy for the expected likelihood of dispute.
- d) **Non-varying fee across risk groups** – fee level does not change with transaction risk.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for transaction risk pricing is summarised in the table below.

Table 8 Assessment of ‘Fees accounting for different transaction risk’ dimension

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Fee varies with risk assessed dynamically	a	a	n/c	n/a	n/c	g	a	n/a
b) Fee varies with risk assessed by merchant	a	a	n/c	n/a	n/c	a	a	n/a
c) Fee varies with risk assessed by transaction value	a	a	n/c	n/a	a	a	a	n/a
d) Non-varying fee across risk groups	a	n/c	n/c	n/a	g	n/c	a	n/a

Note, criteria 4, ‘Enables ecosystem growth, innovation and entry’ and 7b, ‘Certainty about commercial model and fee levels over time for ASPSPs’ are considered ‘not applicable’ as the achievement of these criteria are not driven by this dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All choices are retained on the short-list for further assessment.

For all choices, further consideration is required as to how the different risk categories would be implemented in a future commercial model, who would determine the risk category (e.g. ASPSP, operator or PISP) and the difference in cost and fee level between categories. Therefore, all choices have been retained along with the dimension choice **not to vary the fee across risk groups (d)**.

⁴⁶ A possible implication of this is that larger merchants may benefit more from resulting lower transaction fees as they are more likely to have more robust dispute resolution procedures in place than smaller merchants.

There are differences in the assessment between the four options:

- ▶ The choices to vary the **transaction fee by risk (a, b, c)** may be more likely to result in competitive pricing for OBPs for lower risk transactions, even when the **non-varying fee (d)** may not be competitive with other payment types (criterion 2).
- ▶ The implementation simplicity of a commercial model with different risk categories based on merchant or other factors (**a and b**) is unclear (criterion 5). Assessing the **transaction risk based on transaction value (c)** may be less complex.
- ▶ A model that varies the transaction fee based on **a range of risk factors (a)** may be more agile to the different ways in which OBPs may be used in future than the other dimension choices (criterion 6).

4.1.7 Variation of fee over time (trajectory)

What is this dimension?

This dimension considers the ‘trajectory’ of the transaction fee, i.e. how the transaction fee between PISPs and ASPSPs may vary over time. Variation in the fee over time may be specified in different ways to achieve varying objectives, such as increasing transaction volumes or to incentivise ecosystem growth. Depending on how this is specified, this could have implications for participants’ cost recovery over time.

The trajectory of the fee over time may be specified in advance to varying degrees, such as on a predetermined path or more dynamically to achieve specific adoption objectives. This would have implications for certainty to participants on potential financial sustainability and their incentives to participate in the short-term.

In all these choices, fees would gradually stabilise to a long-term level that reflects costs and adoption at maturity of OBPs.

What are the dimension choices?

Three choices have been identified for this dimension:

- a) **Predetermined trajectory** – fee trajectory is decided and announced at the outset and varies over time. For example, this could specify a certain fee level for an initial number of years and increases on a set trajectory to the long-run fee level.
- b) **Dynamic trajectory based on costs** – fee trajectory is adjusted dynamically based on underlying cost developments. This would include, for example, reflecting changes in consumer protection or technology costs, with a centrally set review and confirmation process by the operator / regulator.
- c) **Dynamic trajectory based on usage** – the fee structure for cVRP is designed to adapt dynamically to usage levels, reflecting a ‘price discovery’ process common

in new markets. As usage milestones are reached (e.g., transaction volumes), the fee schedule may be adjusted to optimise cost recovery, potentially involving higher fees at increased usage levels to reflect greater platform utilisation. Conversely, achieving significant scale may trigger lower fees, recognising reduced per-transaction costs. This flexible model allows providers to respond to evolving demand, competition, and cost dynamics while ensuring long-term cost-effectiveness.

- d) **Non-varying fee for long-term** – fee is set at a specified level and remains constant over time.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the trajectory of the fee over time is summarised in the table below.

Table 9 Assessment for Trajectory dimension

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Predetermined trajectory	n/a	n/c	n/c	a	g	r	a	a
b) Dynamic trajectory based on costs	n/a	n/c	g	a	a	a	r	a
c) Dynamic trajectory based on usage	n/a	g	n/c	a	a	a	n/c	n/c
d) Non-varying fee for long-term	n/a	n/c	n/c	n/c	g	r	a	a

Note, criterion 1, 'Driving good consumer outcomes', is considered 'not applicable' as the trajectory of the transaction fee is not impacting the allowed/agreed revenues for ASPSPs set under the 'Calculation basis of transaction fee' and, hence, it is not expected to impact outcomes to consumers.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All choices are included in the short-list, except for a non-varying fee for long-term (d).

A **dynamic trajectory based on usage (c)** would be strongly expected to position cVRPs as a competitive payment solution compared to other payment schemes (criterion 1). This dynamic trajectory based on usage accommodates a flexible fee trajectory with lower fees for longer in the case of a slower take-up of cVRP payments (ensuring it remains a competitive payment option) and an increase in fees once cVRP take-up is considered sufficient and would not harm the competitiveness of the payment solution. It is unclear what the impact of a **predetermined trajectory (a)**, **dynamic trajectory based on cost (b)**, or a **non-varying fee trajectory (d)** would be on competitiveness of cVRP payments without further analysis of the level of fees.

The choices under this dimension will determine the expected pay-back period for any investment by ASPSPs to offer OBPs. However, the impact of the dimension choices on the financial sustainability for ASPSPs (criterion 3) is not clear – for a **predetermined trajectory (a)** it depends on the prespecified trajectory and the long-term fee level, which impacts the speed of cost recovery. The nature of the **dynamic trajectories (b and c)** means that the speed of cost recovery and the break-even-points for APSPs is uncertain. The financial sustainability of a **non-varying fee over time (d)** would depend on the level at which the fee is set.

There are differences in the assessment of the secondary criteria between the four choices:

- ▶ **A predetermined or dynamic trajectory (a, b, c)** is expected to enable ecosystem growth (criterion 4), which is not the case for a **non-varying fee (d)**, as this latter choice does not allow for lower fees in the initial period to incentivise take-up.
- ▶ All four choices can be feasibly implemented (criterion 5), although this is more likely to be achieved by the **pre-determined (a)** and **non-varying choices (d)**.
- ▶ The **predetermined trajectory (a) and the non-varying fee (d)** are less agile to market developments (criterion 6), whereas the dynamic trajectory is designed to provide this advantage.
- ▶ The **dynamic trajectories (b and c)** introduce uncertainty around the fee level in future – with a cost driven trajectory introducing uncertainty for PISPs and merchants, while a usage-based trajectory may introduce uncertainty for all participants.

Overall, the **non-varying fee choice (d)** performs less well on the criteria than other choices and is screened out from the short-list. In practice, there remain choice as to the extent of adjustment in the trajectory over time which will be considered further.

4.1.8 Discounts for PISPs based on volume

What is this dimension?

This dimension considers volume discounts for PISPs in the commercial model. Volume-based discounts can reduce costs of entry or reward economies of scale, impacting growth, innovation, and competition between PISPs. There are different ways to design discount mechanisms specifically for the fee between APSPs and PISPs.

The incorporation of discount mechanisms could include initial discounts for new PISP entrants, ongoing yearly discounts, or discounts for larger PISPs. A tiered approach to the discount could also be applied.⁴⁷

What are the dimension choices?

Five choices have been identified for this dimension:

- a) **Annual PISP discount** – each PISP each year receives a discount of x% on the first y number of transactions per ASPSP to encourage market entry and support business models for smaller PISPs.
- b) **One-off PISP discount** – each entrant PISP receives a discount of x% on the first y number of transactions per ASPSP when it starts operating to encourage market entry.
- c) **Market-wide one-off discount** – the first specified number of transactions per ASPSP are discounted. This applies to the PISP group as a whole, enabling faster growth of PISPs leading to network effects.
- d) **Volume discounts for large PISPs** – PISPs with larger transaction volumes receive a discount on the fee payable to ASPSPs.
- e) **No discounts**

Any volume discount does not impact the total revenues that ASPSPs are able to recover as this is determined in the ‘Calculation basis of transaction fee’ dimension (see Section 4.1.6).

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the discount based on volume is summarised in the table below.

Table 10 Assessment for Discounts for PISPs based on volume dimension

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Annual PISP discount	n/c	n/c	n/a	a	a	r	a	a
b) One-off PISP discount	n/c	n/c	n/a	g	a	r	a	a

⁴⁷ A relevant example for successful use of a discount mechanism is the pricing structure for developers to use the Apple App Store for distribution. Most developers offering apps on the App Store will not pay for the first 1 million installs each year and are only charged from the 1,000,001st download. This discount mechanism incentivises the entry of many app developers and an environment for growth and innovation.

c) Market-wide one-off discount	n/c	n/c	n/a	a	n/c	r	r	a
d) Volume discounts for large PISPs	n/c	a	n/a	r	a	r	a	n/c
e) No discounts	n/c	n/c	n/a	a	g	n/c	a	a

Note, criterion 3, 'Financially sustainable & enabling fair returns for ASPSPs' is considered 'not applicable' as the level of cost recovery is the same across all dimension choices.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: Introducing one-off discounts to PISPs (b) or not providing any discounts (e) are included in the short-list.

The choices under this dimension do not have a clear impact on the three necessary criteria of driving good consumer outcomes, competitiveness and ensuring financial sustainability. The assessment of the five dimension choices is therefore based on the secondary assessment criteria.

- ▶ Introducing **annual and one-off discounts (a and b)** is expected to encourage ecosystem growth and expansion (criterion 4) through giving a commercial advantage for entrant and expanding PISPs. This would strengthen competition among PISPs and foster innovation. This incentive is expected to be stronger in the initial period for one-off discounts, which would provide strong incentives for PISPs to enter the market. **Volume discounts for large PISPs (d)** and a **market-wide one-off discount (c)** would favour larger PISPs with larger transaction volumes, and so are not expected to meet this criterion.
- ▶ The implementation of a **market-wide one-off discount (c)** may be more complex than other discount choices.
- ▶ All choices introducing a discount (a, b, c, and d) would be less agile (criterion 6), as the discount would be provided even in the context of changing market environment. For instance, the discount would still be provided even if market dynamics and addressable market size mean PISPs are already sufficiently incentivised to enter the market, or if PISPs are not competitive effectively against larger PISPs.
- ▶ A market-wide one-off discount (c) would be expected to introduce additional uncertainty to PISPs (criterion 7), as they would not know what share of their transaction volumes that would be eligible for a discount.

Overall, a **one-off discount (b)** and **no discount (e)** perform better against the secondary criteria than an **annual or market wide discount (a and c)** and so are both included on the short-list. **Volume discounts for large PISPs (d)** would act against the achievement of ecosystem growth and so is not included on the short-list.

4.1.9 Fixed or ad valorem fee structure

What is this dimension?

The fee structure dimension specifies on what basis ASPSPs will charge PISPs for the services provided for each transaction, e.g. on the basis of number of transactions or value of transactions.

With a percentage-based fee, the higher the transaction value, the higher the fee paid to the ASPSP. In contrast, a fixed fee means that the fee is relatively high (as a percentage) for low value transactions and may not be competitive with other payment types.

The fee structure therefore impacts the competitiveness of cVRPs compared to other payment methods depending on the value of the transaction and may impact the successful take-up of cVRPs within different segments of the market.

The fee structure dimension does not impact the total revenues that ASPSPs are allowed to recover as this is determined in the ‘Calculation basis of transaction fee’ dimension (see Section 4.1.6).

What are the dimension choices?

Four choices have been identified for this dimension:

- a) **Fixed fee** – a fixed nominal fee per transaction
- b) **Ad valorem fee** – a percentage fee of each transaction.
- c) **Fixed and ad valorem fee** – a combination of a fixed nominal fee and ad valorem fee for each transaction. This may reflect the fixed costs and variable costs incurred for each transaction.
- d) **Stepped ad valorem fee** – a percentage fee for each transaction, structured as a tiered percentage based on transaction value, allowing for varying rates aligned with different value bands. This tiered approach ensures that fee increases are applied incrementally, avoiding any sudden "cliff-edge" effects as transaction values cross into higher bands. This dimension choice could include a zero percent tier, which would effectively mean there is a cap to the total fee charged for higher value transactions.

Which dimension choices best achieve the Value Framework criteria?

The initial assessment of the choices for the fee structure is summarised in the table below.

Table 11 Assessment for fee structure dimension

	Value Framework criteria							
	1	2	3	4	5	6	7a)	7b)
a) Fixed fee	n/a	n/c	n/a	n/c	a	n/a	a	a
b) Ad valorem fee	n/a	a	n/a	n/c	a	n/a	a	a
c) Fixed and ad valorem fee	n/a	n/c	n/a	n/c	a	n/a	a	a
d) Stepped ad valorem fee	n/a	a	n/a	n/c	a	n/a	a	a

Note, criteria 1, ‘Good consumer outcomes’ and 3, ‘Financially sustainable & enabling fair returns for ASPSPs’ are considered ‘not applicable’ as the level of cost recovery is the same across all dimension choices and criterion 6, ‘Agility’ of the commercial model, is also not determined by the fee structure dimension.

Legend:	Not applicable (n/a)	Not clear (n/c)	Not met or not expected to be met (r)	Likely to meet or likely expected to meet (a)	Strongly exceeds or expected to strongly exceed (g)
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Outcome of assessment: All dimension choices are included on the short-list.

An **ad valorem fee (b)** and a **stepped ad valorem fee (d)** are most likely to be competitive with alternative payment methods, which apply varying forms of ad valorem fees.

This is because a fee structure that does not include an ad valorem element may create distortions at lower transaction values that impact competitiveness with other payment methods. A **fixed fee (a)** may be more competitive at higher transaction values, but for lower-value transactions the nominal charge may be too high to be competitive against ad valorem fees. A fee structure that combines a **fixed nominal fee and ad valorem fee (c)** may be competitive or not, depending on the size of the nominal fee specified. For these reasons, both a **fixed fee (a)** and a **fixed nominal fee and ad valorem fee (c)** will be retained for further evaluation in Phase 2.

All dimension choices are expected to be feasibly implemented and provide certainty around the fee level and structure to PISPs, merchants and APSPs.

4.2 Remaining dimension choices

Table 12 Overview of remaining dimension choices following assessment

Dimension	Short-listed dimension choices					
Bilateral agreements	b) Centrally set fallback model					
Consumer protections	a) Same provisions as debit card schemes	b) Same provisions as current OBPs	c) Bespoke liability model with different provisions by market segment			
Faster Payments fee	a) As-is	b) Restructure Faster Payments fees	c) Waived			
Operator fee	a) Continuation of Wave 1 MLA	b) Higher cost burden for ASPSPs	c) Higher cost burden for PISPs			
Calculation basis of transaction fee	b) Cost-based (standalone OBPs provider)	c) Cost-based (long run incremental costs)	d) Value-based (merchant adoption)	e) Value-based (merchant indifference/ willingness to pay)	f) Value-based (market benchmarks)	
Fees accounting for different transaction risk	a) Fee varies with risk assessed dynamically	b) Fee varies with risk assessed by merchant	c) Fee varies with risk assessed by transaction value	d) Non-varying fee across risk groups		
Fee trajectory	a) Predetermined trajectory	b) Dynamic trajectory based on costs	c) Dynamic trajectory based on usage			
Discounts for PISPs based on volume	b) One-off PISP discount	e) No discounts				
Fixed or ad valorem fee structure	a) Fixed fee	b) Ad valorem fee	c) Fixed and ad valorem fee	d) Stepped ad valorem fee		

Table 12 summarises the short-listed choices for each of the nine dimensions of a future commercial model.

The dimension choices that have been excluded for each dimension are:

- ▶ **Bilateral agreements:**
 - a) Centrally set model
 - b) Bilateral model
- ▶ **Calculation basis of transaction fee:**
 - a) Cost-based (marginal cost only)
- ▶ **Variation of fee over time (trajectory):**
 - d) Non-varying fee for long-term
- ▶ **Discounts for PISPs based on volume:**
 - a) Annual PISP discount
 - c) Market-wide one-off discount
 - d) Volume discounts for large PISPs

The assessment based on the Value Framework criteria helped narrow down the choices for the setup dimensions to an MLA agreement with a centrally set fallback model with consumer protection in place – either similar to consumer protection of card schemes or protection that is different by market segments.

Further analysis is required to narrow down the dimension choices for the other dimensions. Section 5 sets out the key discussion points when choosing between the different dimension choices and the next steps required to make an informed decision on the preferred commercial model design.

5. Discussion and next steps

Section 4 set out an assessment of the commercial model options and identified a short-list of options for further analysis. This assessment highlighted some issues that require further discussion and analysis in the next phase of work. We set out these issues in this section.

5.1 Issues for further discussion

5.1.1 Cost and competitiveness

The achievement of competitiveness with other payment types (criterion 2) and financial sustainability (criterion 3) are both necessary for a commercially sustainable model. The assessment of these criteria has not yet been assessed for many of the dimension choices. This is because such an assessment requires further information from ASPSPs, PISPs and merchants on elements such as the scale of costs and on the factors determining merchant adoption.

There is a tension between these criteria. A higher fee is likely to increase financial sustainability, but if too high then it may adversely impact the competitiveness of OBPs from the perspective of merchants, and therefore transaction volumes. Conversely, a lower fee may increase the competitiveness of OBPs and increase transaction volumes, but if too low may undermine the financial sustainability and incentives to offer and invest in OBPs. Finding the optimal balance between these criteria will be important for achieving a sustainable commercial model.

Further data and information will be collected in the next phase so that an assessment of dimension choices against these two criteria can be undertaken. UK Finance also welcomes views and further discussion on how any potential tension may be resolved if, following this further work, the achievement of both criteria is not possible.

5.1.2 Consumer protection

Consumer protection is a potentially significant cost of OBPs, as it is for other payment types. The commercial model dimensions in the short-list include alternative choices for how to offer consumer protection for OBPs that may reduce cost.

- ▶ The consumer protection for OBPs could be the same or similar to card schemes today or could be varied for different types of transaction (with ASPSPs not required to provide consumer protection in addition to the merchant or PISP). There are several further choices as to how consumer protection could be varied,

including whether merchants or customers can choose different levels of protection and how this changing level of protection is communicated to customers.

- ▶ The fee level could be tiered based on risk categories (under all options for the level of consumer protection offered with OBPs), with lower risk category transactions benefitting from lower fees and, hence, cVRPs becoming more competitive for low-risk transactions. This could reduce the overall risk of cVRP transactions and therefore drive overall cost of consumer protection down. These risk categories could depend on merchant characteristics, transaction value or a more dynamic set of characteristics.

UK Finance welcomes further views as to how these alternative consumer protection options could be designed. Further analysis is required to understand how these options could be implemented, and the implications of these alternatives on consumer outcomes, cost recovery, competitiveness of cVRPs, and feasibility.

5.1.3 Consistency across use cases

The development and launch of Open Banking Payments for e-commerce is expected to be achieved incrementally. In relation to cVRPs, these will initially be used for a limited number of low-risk use cases (known as Wave 1) in the second half of 2025.⁴⁸ There is ongoing work from Open Banking Limited (OBL) to progress the Multilateral Agreement (MLA) for Wave 1 including a Wave 1 commercial model. Further consideration of the consistency between Wave 1 and Wave 2 commercial models is required as work on both Waves progresses. Specifically, how costs for shared infrastructure for OBPs (including incremental expenditure to deliver cVRPs) should be allocated between uses under Wave 1 and Wave 2 payments. Commercial models may include options for varying cost recovery adjusted over time based on usage or further cost information. UK Finance and OBL are coordinating this work.

There are already e-commerce payments that are made using SIPs. Some Members would welcome further consideration of the consistency between the commercial model for SIPs and the commercial model for cVRPs.⁴⁹ While acknowledging this issue, the commercial model for SIPs is not within scope of this work.

⁴⁸ Open Banking Limited (2025), "Commercial Variable Recurring payments (cVRP)". Available at: [cVRP-MLA-Consultation-v1.0.pdf](#)

⁴⁹ Concerns have been raised that if existing arrangements for SIPs under the CMA Order remain unchanged it could impact the competitiveness of cVRPs under the commercial model.

5.2 Next steps

To address these issues, four workstreams have been identified for the next phase of work.

5.2.1 Addressable market analysis

The total addressable market for cVRPs will be modelled to understand its scale by transaction value, transaction risk and merchant size. This analysis will help understand the consequences and potential trade-offs of specific dimension choices, such as the basis of calculation for the transaction fee and demand from merchants for cVRP at resulting fee levels.

Actions:

- ▶ Requests for information to firms for segmentation of ecommerce payments based on internal thinking, initial research, and subject matter expertise.
- ▶ Construction of market segmentation based on key variables (e.g. merchant size, transaction value).

5.2.2 Participant costs

Cost profiles for merchants and ASPSPs will be constructed. The aim at this stage is for these cost profiles to be reasonable and indicative to inform further assessment of commercial models (both under a cost-based or value-based approach), and not to determine the level of any transaction fee.

The cost profile for ASPSPs will seek to capture the standalone, incremental, and marginal costs required to offer OBPs for Wave 2 ecommerce. Different cost profiles would be constructed for existing small and large ASPSPs, and for a hypothetical standalone entrant ASPSP. This would include an analysis of the drivers of consumer protection costs and the marginal costs for different categories of transaction risk to inform analysis of consumer protections.

The cost profile for a merchant would seek to capture the total costs faced for existing payment types and for OBPs under different commercial models. This would include transaction fees between PISPs and ASPSPs, FPS fees, OB Operator fees, PSP charges, scheme and processing fees for existing payment options, consumer protection, and other relevant costs. Through this assessment, the relative quality differences between payment types that may inform merchant decisions over adoption would also be explored.

Actions:

- ▶ Engage with PISPS, PSPs and merchants to gather insights into cost drivers and risk factors.
- ▶ Request information from PISPs and ASPSPs for cost data, building on data provided to inform the Wave 1 commercial model.

5.2.3 Scenario analysis

The assessment of the commercial model options against the Value Framework criteria will depend on a range of assumptions including cost levels, merchant adoption and specific dimension choices. Using the output from the workstreams on addressable market analysis (Section 5.2.1.) and participant costs (5.2.2), adoption scenarios incorporating assumptions about the impact of dimension choices would be developed.

This analysis, including cost-based and value-based approaches for a commercial model, will help to understand cost recovery profiles under the different adoption scenarios, as well as understanding the impact of dimension choices on cost and competitiveness. As an example, the impact of other cost-impacting dimensions, such as consumer protection and transaction fees accounting for different transaction risk can be modelled as part of the scenario analysis.

Actions:

- ▶ Engage with PISPS, PSPs and merchants to gather insights into cost drivers and risk factors, and willingness to pay for quality differences between payment options.
- ▶ Conduct desktop research on merchant/consumer payment behaviour, and drivers of adoption from other payment types and international markets.
- ▶ Construct scenarios to evaluate adoption of OBPs.
- ▶ Model merchant adoption and cost recovery for different commercial model options.
- ▶ Refine assessment of commercial model options.

5.2.4 Operational considerations

There are several commercial model options which require further consideration of how they would be designed and implemented. These options may also require engagement with other parties that would have a role in the delivery of these

dimensions of a preferred commercial model. The following issues would be explored with the relevant parties.

- ▶ **OBL** – the level of fees proposed for the OBL operator fee model for Wave 1 and options for adjusting these for Wave 2 ecommerce. UK Finance is responding to the OBL proposal for the Wave 1 MLA. This will continue during the next phase of work.
- ▶ **Pay.UK** – the feasibility and desirability of changing the Faster Payment operator fees paid by sending and receiving ASPSPs for Wave 2 ecommerce.
- ▶ **UK Finance members** – the operational feasibility of introducing complexity into the commercial model, such as variation in the transaction fee by volume, PISP, risk category and other dimensions remaining on the short-list.

The findings from this report direct the focus of further analysis for the next phase of work (Phase 2). The outcome from Phase 2 will analyse options and outline a preferred commercial model. UK Finance expects to complete its work to develop a proposed commercial model for Open Banking Payments by Q2 2025. Throughout this process and following it, UK Finance will look to ensure alignment with the FCA's work on its Payments Forward Plan expected at the end of 2025.⁵⁰ This report and the outcome from Phase 2 will be positioned as an industry-led proposal for a commercial model for cVRPs (Wave 2).

⁵⁰ HM Treasury (2024), "Terms of Reference – Payments Vision Delivery Committee". Available at: [Terms of Reference – Payments Vision Delivery Committee - GOV.UK](#)

Appendix A: Glossary

- ▶ **ASPSP** refers to an account servicing payment service provider. An ASPSP is a bank or other financial institution that holds and maintains customer accounts and provides payment services.
- ▶ **API** refers to an application programming interface. An API allows businesses to securely access financial data from banks to initiate payments with the account holder's consent.
- ▶ **Basis points** represent one-hundredth of a percentage point (0.01%).
- ▶ **Closed system** is a financial system where data and access to payment services are controlled within a single institution or group of institutions, restricting external access.
- ▶ **CMA Order** refers to the CMA's Retail Banking Market Investigation Order of 2017.
- ▶ **Consumer Duty** is a set of rules for financial services firms in the UK, introduced by the FCA. It sets a standard for consumer protection by requiring financial businesses in the UK to deliver good outcomes for customers.
- ▶ **cVRPs** are commercial variable recurring payments. cVRPs allow merchants to initiate, via a PISP, recurring payments from a customer's account within agreed limits.
- ▶ **FPS** means Faster Payments System. The FPS facilitates the instant transfer of funds between bank accounts.
- ▶ **FCA** is the Financial Conduct Authority. The FCA is the UK financial services regulator.
- ▶ **JROC** means Joint Regulatory Oversight Committee. The JROC comprises of the FCA, the SPR, the Treasury and the CMA. It was created to oversee the planning and preparation for the next stage of Open Banking.
- ▶ **MLA** is a multilateral agreement. An MLA provides an overarching framework involving multiple parties and is a way of ensuring all parties who enter into the MLA are treated in a consistent way.
- ▶ **Open Banking** allows secure sharing of financial data between banks and third-party service providers, enabling new ways for consumers and businesses to access and share financial information.
- ▶ **Open Banking like systems** share some of the features of Open Banking (such as use of APIs to share data between institutions) and may provide a similar user

experience to consumers and merchants but lack the full open API infrastructure or commercial model to be considered Open Banking.

- ▶ **Open system** is a financial system that allows authorised access to financial data and enables information and payment initiation services from a third-party through open APIs.
- ▶ **Open API standard** is a standardised specification for how different financial institutions should communicate and exchange data with each other.
- ▶ **OBL** refers to Open Banking Limited.
- ▶ **Open Banking payments** are account-to-account payments made possible through leveraging APIs.
- ▶ **Payment rails** refer to the underlying systems and infrastructure that facilitate the transfer of funds from a payer to a payee.
- ▶ **Pay.UK** is the recognised operator and standards body for the UK’s interbank payment systems. Pay.UK also own the FPS central infrastructure.
- ▶ **PISP** means a payment initiation service provider. A PISP is a third-party provider that is authorised to initiate payments from a customer’s bank account on their behalf.
- ▶ **PSR** is the Payment Systems Regulator in the UK.
- ▶ **SIPs** are Single Immediate Payments. SIPs are a direct bank-to-bank payment between consumers and merchants.
- ▶ **SLA** is a service level agreement.
- ▶ **Sweeping VRPs** also known as “me-to-me” payments, are payments made by a consumer between their own accounts.
- ▶ **Terms of Reference** referred to in this document set out the scope, boundaries, and objectives of the work being undertaken to develop a proposal for a commercial model for the future of Open Banking Payments.
- ▶ **Total addressable market** refers to the overall demand for a product or service.
- ▶ **Wave 1 cVRPs** are cVRPs made for a limited number of low-risk use cases, such as payments to utilities or local government.
- ▶ **Wave 2 cVRPs and beyond** are cVRPs made for ecommerce payments.

Appendix B: Specification of all dimensions

Table 13 Specification of all dimensions

Dimension	Dimension choices					
Bilateral agreements	a) Centrally set model	b) Centrally set fallback model	c) Bilateral model			
Consumer protections	a) Same provisions debit as card schemes	b) Same provisions as current OBPs	c) Bespoke liability model with different provisions by market segment			
Faster Payments fee	a) As-is	b) Restructure Faster Payments fees	c) Waived			
Operator fee	a) Continuation of Wave 1 MLA	b) Higher cost burden for ASPSPs	c) Higher cost burden for PISPs			
Calculation basis of transaction fee	a) Cost-based (marginal cost only)	b) Cost-based (standalone OBPs provider)	c) Cost-based (long run incremental cost)	d) Value-based (merchant adoption)	e) Value-based (merchant indifference/willingness to pay)	f) Value-based (market benchmarks)
Fees accounting for different transaction risk	a) Fee varies with risk assessed dynamically	b) Fee varies with risk assessed by merchant	c) Fee varies with risk assessed by transaction value	d) Non-varying fee across risk groups		
Fee trajectory	a) Predetermined trajectory	b) Dynamic trajectory based on costs	c) Dynamic trajectory based on usage	d) Non-varying fee for long-term		
Discounts for PISPs based on volume	a) Annual PISP discount	b) One-off PISP discount	c) Market-wide one-off discount	d) Volume discounts for large PISPs	e) No discounts	
Fixed or ad valorem fee structure	a) Fixed fee	b) Ad valorem fee	c) Fixed and ad valorem fee	d) Stepped ad valorem fee		

Appendix C: International benchmarking

To identify best practice and lessons learned, an international benchmarking exercise was conducted. **Table 14** provides detail on a list of examples from other jurisdictions.⁵¹ These include frameworks for implementing Open Banking and Open Finance, ongoing implementation of Open Banking Payment systems, and “Open Banking like” systems.

Table 14 International examples

Jurisdiction	Name	Features
Europe	SPAA ⁵²	<ul style="list-style-type: none"> • Open system. • Non-mandatory participation. • Fallback rate set by regulator for each type of API access. • Fixed (EUR) fee for each type of premium API access. • Fees are subject to revision through a robust and transparent recalibration model such that they remain fit for purpose and aligned with market and regulatory developments. • An independent cost study was undertaken to help calculate fallback fees. • Fee varies based on type of API call. This does not include risk-based pricing. • There are no discounts for PISPs based on volume. However, there are proposals to include incentives to encourage take-up in the wake of low take-up under PSD2. • SPAA is a framework and is not yet an active Open Banking network. It is a framework for implementation.
New Zealand	Payments NZ ⁵³	<ul style="list-style-type: none"> • Open system. • Mandatory participation for four main banks (ANZ, ASB, BNZ and Westpac). • Fees are determined bilaterally between banks and PISPs, however there is an expectation that standardised API access pricing will come into effect in the future.

⁵¹ Other international examples were considered as part of this benchmarking exercise (e.g. India). Some examples are not included in this summary for a number of reasons. 1) They are considered less relevant to the UK payment landscape context and provided no lessons learned for the commercial model design of cVRPs. 2) They share similar characteristics to those already included in the table. 3) There was little publicly available information on the structure of their commercial model.

⁵² European Payments Council (EPC), “SEPA Payment Account Access”. Available at: [SEPA Payment Account Access | European Payments Council](#)

⁵³ Commerce Commission New Zealand (2024), “Retail Payment System – update on open banking progress”. Available at: [Retail-Payment-System-Update-on-open-banking-progress-10-December-2024.pdf](#)

		<ul style="list-style-type: none"> • Each bank agrees a different fee structure. Some banks use an ad valorem fee with a cap for large transactions. Others use a monthly fixed fee with a 100% discount on the per-transaction fee for the first 600 API calls per month, with fixed charges per-transaction being introduced beyond this amount. • ANZ presents its API call fee pricing as cost recovery only, and their pricing is regularly reviewed in consultation with third parties. • Westpac sets out plans for its pricing to evolve as the OBP ecosystem matures and may also change in response to any regulatory changes, which may mandate enhanced API functionality, data formats, service and performance levels or additional requirements. • BNZ only chares for successful API calls. If an API call is declined, cancelled or otherwise fails to complete there is no charge.
United Arab Emirates	Open Finance UAE ⁵⁴	<ul style="list-style-type: none"> • Open system. • Participation in the Open Finance Framework is mandatory for all ASPSPs with respect to the products and services within its scope. • There is a mandated license fee for ASPSPs participating in the Open Finance initiative, which varies for Tier 1 and Tier 2 ASPSPs. • PISPs pay a fee to ASPSPs, which is a percentage fee of the transaction value (ad valorem). The basis points (bp) of the ad valorem fee will change over time according to the following schedule (Year 1: 38bps, Year 2: 35 bps, Year 3: 32bps, Year 4: 29bps, Year 5: 25bps). • A nominal fee ceiling is in place for high value transactions (50 AED for high-value transactions above 20,000 AED) and a fee floor for low value transactions (free for volumes below 200 AED per merchant per day). • Open Finance Providers (which include PISPs and ASPSPs) are subject to applicable consumer protection laws, their implementing regulations, and any other issued regulations. This ensures that existing consumer protection measures apply to Open Finance activities.
Brazil	PIX ⁵⁵	<ul style="list-style-type: none"> • Open system. • PIX infrastructure is centrally managed by the Brazilian Central Bank. • Mandated participation for banks and payment institutions with over 500,000 transaction accounts. Non-mandatory participation for other participants. • Transactions can be performed between payment or financial institutions that comply with the scheme’s access rules. • A PIX transaction costs, on average, 0.22% of the total transaction value for merchants. • No fees to consumer payers. • No interchange / charging by sending bank.

⁵⁴ Open Finance UAE, “Commercial and Pricing Model”. Available at: [Commercial and Pricing Model - Open Finance UAE](#)

⁵⁵ Banco Central do Brazil, “What is Pix?”. Available at: [Pix En](#)

Sweden	Swish ⁵⁶	<ul style="list-style-type: none"> • Closed system. • Non-mandatory participation (set up through initial agreement between Sweden’s six largest banks). • Swish operates in a closed system in which banks have collectively set Swish, which takes on a role similar to a single PISP. There are no volume-based discounts or other incentives for PISP market entry in place. • Swish payments use Sweden’s instant payment system rails (called RIX-INST) which charges monthly fees as well as fees per payment instruction for the originator and beneficiary bank⁵⁷. • Swish protects customers against unauthorised transactions, in which case customers would be entitled to a refund. However, where a consumer has initiated a payment, there is no automatic entitlement to a refund for goods not received or disputed transactions.
Poland	BLIK ⁵⁸	<ul style="list-style-type: none"> • Closed system. • Non-mandatory participation. • BLIK was set up by an alliance of six Polish banks. The BLIK service is available from 20 banks and the BLIK network and takes on a role similar to a single PISP between the participating banks. • BLIK protects against unauthorised transactions but does not offer the same consumer protection as cards – i.e. there is no chargeback system in place.
Czech Republic	Cvak ⁵⁹	<ul style="list-style-type: none"> • Closed system. • Non-mandatory participation. Set up by four Czech banks and takes on a role similar to a single PISP between the participating banks. • Payment rails are operated by the national bank. The same fees apply for OBP as are usually charged by the national bank for the use of the payment rails. • Costs to merchants are set at 0.8% of the transaction value. • Cvak does not offer the same consumer protection as cards – i.e. there is no chargeback system in place.
Netherlands	iDEAL ⁶⁰	<ul style="list-style-type: none"> • Closed system. • Non-mandatory participation. iDEAL was introduced in 2005 by the largest banks in the Netherlands and takes on a role similar to a single PISP between the participating banks. • Does not offer the same consumer protection as cards – i.e. there is no chargeback system in place from iDEAL.

⁵⁶ Swish. Available at: [Swish - For an easier everyday since 2012](#)

⁵⁷ Riksbank, “Fees for the RIX payment system as of 1 March 2025”, Available at: [Fees for the RIX payment system as of 1 March 2025](#)

⁵⁸ Blik. Available at: [BLIK for you - Blik i jest!](#)

⁵⁹ Cvak. Available at: [Přijímejte bezhotovostní platby jednoduše a bez terminálu](#)

⁶⁰ iDEAL. Available at: [iDEAL | Paving online through your own bank](#)

Appendix D: Terms of Reference

Introduction

In its National Payments Vision, the Government set out its ambition that seamless account-to-account payments are developed as a ubiquitous payment method. This would provide consumers and merchants with more choice in how they pay and are paid for goods and services, and enable greater innovation and competition in payments while providing appropriate recourse when something goes wrong⁶¹. It has tasked the Financial Conduct Authority (“FCA”) as the lead regulator for Open Banking.

In this context, UK Finance, with support from Deloitte and Linklaters, is initiating the development of a proposal for a commercial model for the future development of Open Banking Payments⁶². This initiative responds directly to the Government’s call for an industry-led approach as set out in the National Payments Vision (NPV), and seeks to set out a vision for a sustainable commercial model⁶³.

Objectives

The objective of UK Finance’s work will be to develop and propose a sustainable commercial model for Open Banking Payments that supports the NPV’s ambition that seamless account-to-account payments are developed as a ubiquitous payment method, which “would provide greater choice to consumers and merchants in how they make and receive payments, which in turn is likely to spur innovation and downward competitive pressure on the cost of payments.”⁶⁴

This means a model that:

- Drives widespread adoption of open banking payments⁶⁵.

⁶¹ The Garner Review recommended ‘addressing the consumer protection gap’ for Open Banking – for example by establishing a basic level of consumer protection and clarity on liability for payments made via Open Banking (para 3.36 National Payments Vision)

⁶² The government supports an industry-led approach to the development of this model and expects it to be delivered quickly and in a way that supports effective competition (para 3.29 National Payments Vision)

⁶³ Establishing a sustainable ‘commercial model’ for Open Banking is critical for its development. (para 3.27 National Payments Vision)

⁶⁴ Para 3.8 National Payments Vision

⁶⁵ The commercial model is not the sole condition - For account-to-account payments to take-off, the underlying payments infrastructure needs improved functionality. (Para 3.9 National Payments Vision)

- Recognises the role of all participants across the Open Banking payments value chain
- Incentivises investment in the delivery of services⁶⁶
- Promotes innovation and competition in the sector and delivers value to both consumers and merchants
- Prioritises appropriate customer protection and a clear liability framework
- Ensures the ecosystem is (and continues to be) innovative (for example, is open to/attracts new entrants).

UK Finance is committed to a transparent process to developing this proposal, with open, transparent, and inclusive input from UK Finance Members and wider stakeholders and in line with UK competition law.

Scope and Deliverables

This work will be delivered in a three-phase, structured approach, with each phase delivering clear parts of the required analysis as set out below:

- **Phase 1 (to be delivered mid-March 2025):** The aim of this phase will be to outline the economic case for different commercial. This will include: Identification of different commercial models for Open Banking payments, prioritising commercial VRP, consideration of key learnings, models and adoption from other markets, including consideration of proposals for the Multi-Lateral Agreement 1.0 commercial framework currently being developed by Open Banking Limited, and assessment against a specifically developed Value Framework in line with the policy and commercial objectives for Open Banking. At the end of this phase, UK Finance will publish an “Initial Findings Paper” setting out its initial analysis and proposed short-listed options for the commercial model. No decisions regarding actual implementation will be made during Phase 1.
- **Phase 2 (to be delivered end of May 2025):** The aim of the second phase will be to outline a preferred commercial model for Open Banking Payments, prioritising commercial VRP. This will be evidenced by independent quantitative analysis of the short-listed commercial models options and the economic and commercial impacts in line with the Value Framework outlined in Phase 1. At the end of this phase, UK Finance will publish a Report setting out the results of analysis of

⁶⁶ The provision of any additional or ‘premium’ services beyond the scope of the CMA Order should be subject to a commercial model whereby data holders are incentivised to innovate and invest. (Para 3.28 National Payments Vision)

commercial model options and identifying a proposed commercial model for Open Banking Payments.

- **Phase 3 (to be delivered end of June 2025):** The aim of the final phase will be to outline the required implementation steps for the preferred commercial model. This will include identifying dependencies and development of a roadmap for implementation. At the end of this phase, UK Finance will publish a short Report setting out its proposed implementation roadmap.

UK Finance expects to complete its work to develop a proposed commercial model for Open Banking Payments by Q2 2025. Throughout this process and following it, UK Finance will look to ensure alignment with the FCA's work on its Payments Forward Plan expected at the end of 2025.

Stakeholder engagement plan

UK Finance will prioritise an open and transparent engagement process through each phase of its work according to the competition protocols developed by Linklaters.

As such, each phase will involve open consultation with UK Finance members as part of a Steering Group and in line with UK competition law. This Steering Group, comprised of UK Finance and 13 firms will have recurring, scheduled engagement with its advisers throughout the process, providing strategic direction and input to the development of the commercial model. Jana Mackintosh, Managing Director, UK Finance will chair the Steering Group. UK Finance will provide the Secretariat.

In addition, UK Finance will also set up a wider meeting of stakeholders, including other UK Finance members, trade bodies, market participants and merchant/end users representatives. It will engage with the FCA and PSR, and public bodies such as Open Banking Limited and Pay.UK, and the Government, through a regulatory co-ordination group and regular bi-laterals to provide input throughout the process on interim and final outputs of each phase.

Contact

If you have any questions on the above or wish to feed into UK Finance process, please contact UK Finance at [insert email address].