

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 11.45 – 16.30 17 November 2021
Venue: 12 Endeavour Square/MS Teams

Present: Charles Randell (Chair) Simon Ricketts
David Geale Tommaso Valletti
Chris Hemsley Aidene Walsh
Faith Reynolds

In attendance: Set out in Annex A

1. Apologies, quorum and declarations of interest

- 1.1 The meeting was noted to be quorate and proceeded to business.
- 1.2 No interests in the items to be discussed were declared.
- 1.3 The Board noted the announcement made by Amazon that morning that from 19 January 2022 it would no longer accept Visa credit cards issued in the United Kingdom.
- 1.4 The Managing Director updated the Board on the progress of the ongoing staff consultation which proposed changes to pay, grading and performance management, as part of the FCA's transformation programme.
- 1.5 The Managing Director also informed the Board about the tight employment market and challenges in onboarding staff. The Board requested some data to help predict staff attrition rates, including staff with specialist skills.

2. Potential future work on harms arising from Card Scheme Fees

- 2.1 The Board was asked to consider whether the PSR should complement its existing work on promoting competition with cards in retail payments with additional work which focused on the potential near-term harms arising from Card Scheme Fees. The Board noted that this had been prompted by Visa and Mastercard's recent increase in cross-border Interchange Fees and the findings of the Card Acquiring Market Review (CAMR) interim report, which highlighted the issues of high and increasing card costs.
 - 2.2 The Board carefully considered whether the PSR should proceed with additional work. After detailed discussion, the Board concluded that on the basis of the information and analysis
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before it, as supported by the findings of the CAMR interim report, there was evidence indicating that competition was not working effectively in retail card payments. The Board therefore agreed that the PSR should commence a programme of further work.

- 2.3 The Board noted that the precise regulatory tools that would be used by the PSR in connection with the work would be determined at a later stage, with reference to any potential harm uncovered.
- 2.4 The Board discussed the timing and communication of the work, noting the market sensitivity and commenting on the importance of providing clarity on what the work would entail.
- 2.5 The Board noted and discussed Amazon's decision to no longer accept Visa credit cards in the UK and the implications of this, which the PSR should discuss further with the Competition and Markets Authority.

Decision:	The Board agreed that the PSR should complement its work on promoting competition by undertaking additional work to investigate potential harms arising from Card Scheme Fees.
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3. FCA Update

- 3.1 Mr Geale briefed the Board on the business of the FCA that was of relevance to the PSR. Items discussed included:

- a) the progress of Strong Customer Authentication and its implementation by firms.

4. Engagement with PSR Panel

- 4.1 The Board welcomed the PSR Panel Chair to the meeting and discussed the key issues outlined in the Panel's risk report to the Board, including the continued rapid acceleration in the pace of change and complexity in the payments sector.
- 4.2 The Board noted the value of the Panel and its observations in assisting the Board to support and challenge the organisation, particularly given the current level of change and complexity in the payments sector. The Board agreed that it would be helpful for Board members to be provided with the opportunity to attend future Panel meetings.
- 4.3 The composition of the Panel was discussed; it was noted that the Panel could benefit from additional key stakeholder representation. The importance of open dialogue and communication channels between the Panel and key stakeholders was also noted, particularly in relation to the New Payments Architecture.

5. Managing Director's report

- 5.1 Mr Hemsley briefed the Board on a number of topical issues, including:
 - a) developments in relation to Open Banking.
 - b) Access to Cash. The Board was briefed on the recent activity and thinking of the industry-led Cash Action Group which the PSR and FCA had helped to establish.

- c) the progress of the recent consultation on a potential new Specific Direction to support the operator of LINK to maintain free-to-use ATMs in the UK.
- d) information recently received on the internal reorganisation of Pay.UK's Executive team, which aimed to build Pay.UK's capabilities, including for the New Payments Architecture.

6. PSR Annual Plan & Budget 2022-23

- 6.1 The Board was presented with the recommended budget, work programme and planning assumptions for 2022/23, and the proposed funding mechanism. The Executive had carefully scrutinised the plan and budget and was content that the proposals reflected the resources reasonably required by the organisation to effectively deliver the outcomes set out in the PSR Strategy. The Board noted that the Strategy had enabled the development of a more focused work programme than had been possible in previous years. The Board also recognised that the Plan involved some significant items of work that would require engagement with organisations with significant resources at their disposal, which may have implications for the resources required by the PSR. The Executive highlighted the current recruitment and people challenges which had been factored into the plan and budget.
- 6.2 The Board noted that the proposed funding mechanism for the budget involved fee increases for firms and sought further information on how these were apportioned. The Board also queried how the budget would accommodate any significant unplanned activity or work, commenting that supplementary fee increases would be undesirable.
- 6.3 The Board accepted that the resourcing and fee increases were necessary for the PSR to be in a position to effectively carry out its responsibilities over the next financial year, with reference made to the growing volume and complexity of the organisation's work. The Board was mindful, however, of the need to carefully explain the reasons for the increases to external stakeholders and asked the team to return with a proposed communications plan to accompany publication of the annual plan and budget.

Decision	The Board approved the recommended budget, the accompanying work programme and planning assumptions for 2022/23.
Decision:	The Board approved the mechanism for funding the budget (a hybrid of fee increases and a drawdown on PSR reserves) but was mindful of the need to explain the reasoning for the resourcing and fee increases to external stakeholders and agreed that an effective communications plan should accompany the Annual Plan & Budget, which should be brought to the Board for discussion.

7. PSR Strategy – Proposed changes for final document

- 7.1 The Board noted the outcome of the consultation on the proposed PSR Strategy, and the recommended changes to the approach based on stakeholder feedback. The Board noted that these were not significant changes; respondents had broadly welcomed the Strategy and agreed with the overall approach and four outcomes.
- 7.2 The Board approved the key changes to the Strategy and provided some minor drafting comments for incorporation into the final document.
- 7.3 The Board welcomed the PSR's intention to commit to an annual review of progress against the four strategic outcomes.

Decision:	The Board approved the key changes proposed to the final Strategy document, as outlined in the paper.
Decision:	The Board agreed to the PSR Executive Committee considering the final version of the Strategy document.
Decision:	The Board agreed to the Chair and the PSR Managing Director approving the final version of the Strategy for publication.

8. Regulatory framework for NPA central infrastructure services

- 8.1 The Board was asked to consider and agree to the direction of travel on the regulatory framework for the New Payments Architecture (NPA) central infrastructure services (CIS), which would be finalised and published in December 2021.
- 8.2 The Board was supportive of the direction of travel overall and agreed to delegate approval of the final policy positions, the December policy statement and illustrative directions to the Executive Committee.
- 8.3 The Board discussed the importance of interactions between Pay.UK and the CIS provider being transparent and impartial. The Board therefore suggested that the regulatory framework could benefit from a stronger requirement on Pay.UK to ensure its governance model would uphold and facilitate independence in its engagement with the CIS provider. The Chairman asked for further information on the remedies that would be available to the PSR in circumstances where it had concerns around the engagement between the two organisations.
- 8.4 The Board sought further information on the progress made by Pay.UK to prepare for the CIS tender, noting that while there had been developments, this was partly due to the PSR's continuing proactive involvement and oversight.

Decision:	The Board agreed with the direction of travel on the regulatory framework which the PSR is aiming to introduce.
Decision	The Board agreed to delegate to the Executive Committee approval of the final policy positions, the December policy statement setting out the decisions on the regulatory framework and illustrative directions that would apply to the New Payments Architecture central infrastructure services.

9. Minutes and Action log

- 9.1 The Board **noted** the summary of decisions taken in writing since the last meeting.
- 9.2 The progress in respect of the matters arising from previous meetings was noted.

Decision:	The minutes of the Board meeting held on 15 September 2021 were approved.
Decision:	The Board agreed to close the actions proposed for closure.
Decision:	The Board approved the requests for extension of action deadlines.

10. Item for decision

Decision:	The Board approved the re-appointments of Simon Polito, Lesley Ainsworth and David Thomas to the Enforcement Decisions Committee and Competition Decisions Committee for a second term of three years, ending on 12 December 2024.
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11. Items for noting

11.1 The following papers were **noted**:

- a) The report of the Joint Audit Committee and Risk Committee Chairs dated 29 July 2021.
- b) The report of the Audit Committee Chair dated 7 September 2020.
- c) Minutes of the meeting of the Executive Committee that took place on 31 August 2021
- d) Minutes of the meeting of the Executive Committee that took place on 28 September 2021
- e) Draft agendas for the PSR Board Meetings on 06 January and 19 January 2022

Charles Randell
Chair

Annex A: Attendees

Attending all, or substantially all, of the meeting:

Carole Begent	General Counsel & Head of Regulatory & Competition Enforcement
Natalya Browning-Smith	Assistant Company Secretary
Louise Buckley	Chief Operating Officer and Head of Strategy
Richard Lloyd	Non-Executive Director, FCA Board (items 1-3)
Genevieve Marjoribanks	Head of Policy
Simon Pearce	Company Secretary
Natalie Timan	Head of Strategy Analysis and Monitoring
Kim Turner	Private Secretary to the Managing Director
Ian Runacres	Private Secretary to the Chairman

Attending for the following items:

4	Ruth Wandhofer	PSR Panel Chair
5	James Jamieson	Technical Specialist, Regulatory Policy and Strategy
	John Mowat	Manager, Regulatory Policy & Strategy
	Maria Tavares de Pina	Manager, Legal
6	David Godfrey	Director, Finance
	Anita Kelly-Metelewa	Manager, Communications, Operations and HR
	John Mowat	Manager, Regulatory Policy & Strategy
7	Nicole Coates	Technical Specialist, Regulatory Policy and Strategy
	Benjamin Woodside	Manager, Regulatory Policy & Strategy
8	Janet Duggan	Manager, Legal

Gala Poole	Manager, Regulatory Policy & Strategy
Paul Rowe	Technical Specialist, Regulatory Policy and Strategy

Other relevant Associates were also in attendance