

Minutes

Meeting:	PSR Board	
Date of Meeting:	14 May 2014	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Amelia Fletcher	Mary Starks
	John Griffith-Jones (Chair)	Martin Wheatley
	Sir Brian Pomeroy	Chris Woolard
In attendance:	Set out in Annex A	

Quorum and Conflicts

The Meeting noted there was a quorum present and proceeded to business.

Members were asked to declare conflicts of interest at the start of any relevant items.

The Chair welcomed Ms Nixon to her first Board meeting since the announcement of her appointment as Managing Director designate. The Board noted that Ms Nixon's appointment would take effect from 14 July 2014.

1 Minutes and Committee Updates

1.1 Minutes of the Board meeting

The minutes of the PSR Board meeting held on 2 April 2014 were approved.

1.2 Matters arising

The Board noted the progress in respect of the matters arising.

2 Managing Director's Report

Ms Starks provided a general update and the following points were noted:

- addressing and engaging on the identified key strategic policy questions would be key to the effective development of the PSR's proposed policies and approach for formal consultation in Autumn 2014 and the creation of policy in April 2015;
- the Treasury would need to designate which schemes were in scope in order to clarify where the PSR's powers should be applied. It would be important that the inclusion or exclusion of systems did not result in the creation of an uneven playing field;
- an informal advisory network was being developed and a formal advisory panel would be established later in the year once the designated bodies were known. Although it was felt that a more specialist payments group would be needed as an advisory panel

for the PSR, it was agreed that the Practitioner Panel could provide useful input and should be kept advised of developments;

- considerable progress had been made in recruitment during the last month but further assistance would be required particularly in respect of the more senior roles. It was noted that some work had been outsourced in each of the workstreams; and
- work was ongoing on the PSR's target operating model, focusing particularly on interfaces with the FCA. This work would be developed into a budget to be submitted to the Project Oversight Board in June, with a steady state budget to be submitted around September, after which the PSR would be in a position to consult on fees.

3 Policy Papers

3.1 Plan for addressing and engaging on key policy questions

Ms Starks introduced the paper and, in the ensuing discussion, the following points were noted:

- the scope for competition between payment systems was discussed and it was noted that collaboration was often more efficient for institutions than operating on an entirely separate basis. It would accordingly be important to understand where collaboration would give a better outcome for users than competition so that the PSR could make appropriate decisions;
- the link between access and competition was important and a helpful starting point would be to consider what the payment systems should deliver for consumers. This should include an infrastructure which enabled low cost, efficient payments, innovation and competition between retail banks.
- it would be important to understand where any blockages were at each stage. Costs relating to security and resistance of the networks were a significant barrier to entry. The PSR needed to decide how it should engage with key stakeholders on security issues, although it was noted that the PSR would not lead on issues in this field;
- in respect of the incentives to innovate in UK payments and the role of the regulator in encouraging innovation, it was noted that three studies were currently being carried out to support this work. One would report on global innovation and another would consider the infrastructure. A UK-based study was also being carried out jointly with Ofcom into the role of communications providers in payments;
- innovation, ultimately for the benefit of consumers, was an objective of the PSR. The PSR had certain powers to mandate investment, although the circumstances in which the PSR might wish to mandate a particular development, rather than facilitate innovation driven by the industry needed to be considered further;
- the Board considered the role of the Payments Council;
- the PSR had powers to force divestment of interests in payment systems. Discussions with the Treasury were ongoing on this matter. The Board was not yet ready to consider divestment further at this stage until further work had been done in this area. It was agreed that this should be discussed further at the June meeting;
- the largest workstream related to access to UK payment systems, with the most significant issues being the costs of technology and of obtaining access to the infrastructure;

- direct and indirect access were discussed, including the possibility of widening direct access. It was agreed to develop this option alongside others to be considered;
- discussions would also be held with key stakeholders in respect of access to settlement accounts; and
- the design of a dispute resolution system was discussed, and it was noted that the volume and complexity of complaints was a risk. The question of whether to impose obligations to supply was also raised. Access could be required to be given to any party requesting it as long as they fulfilled certain criteria but it would be important to ensure that access was given on fair terms.

3.2 Stakeholder feedback

The Board noted the paper setting out the positions and attitudes of the PSR's stakeholders. It was noted that there was currently no international stakeholder engagement. It was agreed that consideration would be given to whether there were any additional stakeholders with whom it would be particularly helpful to engage.

3.3 Feedback from Call for Input

The Board noted the key messages in responses to the Call for Inputs.

4 Forward agenda and Policy Plan

The Board noted the forward agenda.

5 Operations

5.1 Financial update

The Board noted the financial update and the following key points:

- the Define Phase of the PSR Programme had approved funding of £3.7m with a target to complete in May 2014. This phase was now expected to complete by the end of June without any impact on the Programme completion date of 1 April 2015 or the anticipated Programme costs, excluding IS development costs, of £13.3m;
- extending the Define phase by one month to the end of June would require interim funding, approval for which would be sought from the Portfolio Oversight Board;
- it would be important to advise firms of the likely cost at as early a stage as possible to enable them make appropriate plans for this expenditure; and
- the start-up costs were expected to be recouped over a period of approximately five years and the Outline Business Case would be submitted for consideration to the PSR Board meeting in July.

5.2 High level risk report

The Board considered the high level risk report and the following points were noted:

- most of the identified risks appeared to fall within the remit of the Audit Committee and, as Chair, Sir Brian Pomeroy believed that the Committee would have capacity to consider the risks. An update would be sought at least annually;

- Ms Starks and Mr Thomas were asked to give further consideration to which risks were internal and so should be considered by the Audit Committee and which fell within the remit of the Risk Committee but it was agreed that the risk log would be submitted to both Committees initially so that they could understand the entire risk landscape; and
- a periodic update on all risks would also be provided to the Board to ensure that Directors were kept informed of the most significant risks and any changes to the risk profile.

6 Any Other Business

There was none.

The meeting closed at 11.50am.

Assistant Company Secretary

Annex A: Attendees

Regina Finn	Lucerna Partners
Jana Mackintosh	Manager, PSR
Hannah Nixon	PSR Managing Director designate
Simon Pearce	FCA Company Secretary
Gareth Thomas	Manager, Competition Department, FCA

Relevant associates and technical specialists also attended the meeting.