

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 20 January 2021 at 10:15 am
Venue: Meeting held by MS Teams videoconference

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

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.

2 Managing Director's report

- 2.1 Mr Hemsley briefed the Board on a number of topical issues, including:
 - a) The continued impact of the Covid pandemic on the operation of the PSR. While there had not been many instances of Covid infection amongst staff so far, caring responsibilities and school closures were having an impact. The Board recognised the strain this placed upon the executive and supported efforts to ensure work was conducted as efficiently as possible. The Board also recognised that it may be necessary to reprioritise work and reiterated the need to ensure such decisions and the reasoning behind them were clearly recorded.
 - b) The proposed consultation document on the next steps for the New Payments Architecture (NPA) Programme.
 - c) Access to Cash. The PSR was working closely with industry and the FCA to understand cash needs with an overall approach of seeking to protect access to cash while longer-term solutions were being developed. The Board stressed the importance of a system that had clearly defined roles for the organisations involved. The Board also outlined its own view of the future of cash, which was to ensure that choice was available whilst a demand remained, and that choices should not be forced on people less able to adapt to change. The Board also recognised the need to develop an effective engagement strategy with consumers.

- d) CA98 case. The Board was briefed on the most recent developments in relation to this project.
- e) Complaints against the PSR. It was noted that there had been slight increase in complaints and root causes were being investigated.

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 FCA's Transformation agenda
 - b) Working patterns and office expectations once working patterns recover from the Covid pandemic
 - c) Continuing work related to the pandemic, with a particular focus on firms' resilience and potential for failure
 - d) Brexit planning, noting that the end of the transition period proceeded largely without significant incident in the banking and payments sectors
 - e) Strong Customer Authentication and limits on contactless payments

4 PSR Business Planning & Budget 2021-22

- 4.1 The Board was presented with the proposed structure of the 2021/22 Annual Business Plan and Budget. The Board noted the key messages set out in the document and the description of the key projects being undertaken in support of the organisation's objectives. The Board emphasised the importance of having clear and measurable objectives and asked the team to ensure that the criteria by which success will be gauged are clearly articulated and embedded in the planning process.
- 4.2 The Board felt that, as the scope of the PSR was wide, it would be helpful to reference in the document those issues that the PSR did not plan to address in the year.

5 Interchange Fee Regulation annual update

- 5.1 The Board was briefed on the work carried out by the PSR over the previous year in its role as the main competent authority for monitoring and enforcing the Interchange Fee Regulation (IFR) in the UK.
- 5.2 The Board discussed the UK/EEA cross-border interchange fees caps that no longer exist under the EU IFR and the on-shored IFR following the end of the Brexit transition period. The Board noted that Mastercard had indicated that it intended to increase the card not present interchange fee for transactions where the card is issued in the UK but the merchant is based in the EEA, although it currently had no plans to increase the interchange fees where the card is issued in the EEA and the merchant is based in the UK

6 The PSR's current and future enforcement work

- 6.1 The Board received an overview of the PSR's enforcement work in 2020/21 together with an outline of anticipated activity in 2021/22. The Board were also invited to consider whether, in light of the PSR's ongoing strategy work, the enforcement team should begin work on developing a new, high-level enforcement approach to help direct its future decision-making and ensure that it is aligned with the overall PSR strategy.
- 6.2 The Board supported the enforcement team's proposal. It indicated that any strategic approach should cover decisions made both pre- and post- the opening of an enforcement investigation, i.e. in respect of whether enforcement action was the most appropriate way of resolving an issue of non-compliance. It also noted that enforcement is an important

regulatory tool and that the taking of formal enforcement action in suitable cases sends important messages to industry.

Decision:	The Board agreed that a high-level strategic approach to enforcement should be developed that will complement the overall PSR strategy
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7 Strong Customer Authentication (SCA)

- 7.1 This item was withdrawn from the agenda. The Board **noted** the paper.

8 Authorised Push Payment (APP) scams - Call for Views

- 8.1 The Board noted that, since May 2019, the industry-led Contingent Reimbursement Model (CRM) Code has been a key initiative for the protection of APP scam victims via repatriation or reimbursement of funds. The Board was informed, however, that although the CRM Code has improved outcomes for consumers, analysis indicated that it had not gone far enough in reducing the APP scam losses being suffered. Rates of repatriation or recovery had settled at about 45% and a reason for this appeared to be that the provisions of the Code were open to interpretation or difficult to apply in practice.
- 8.2 The Board was briefed on the work being conducted to reduce the frequency and impact of APP Scams. It was informed of the proposal to issue a Call for Views on four possible measures for the Faster Payments Scheme (FPS) and Bacs systems that could help prevent APP scams and protect consumers who fall victim to them.
- 8.3 The Board discussed the level of recovery for consumers and noted that rates varied widely across firms. The Board also noted that cases assessed by the Financial Ombudsman Service (FOS) showed very high rates of finding in favour of consumer. The Board also recognised a number of industry concerns, such as some industry participants' perception of the approach of the FOS to such cases, the principle that consumers should take responsibility for their own actions and that the problem is much wider than just the banks' systems. It would be necessary to make clear in the proposed Call for Views that the PSR had taken account of these arguments in framing its proposals.

9 Stakeholder perceptions survey and stakeholder engagement actions

- 9.1 The Board was briefed on and discussed the key findings from the 2020 stakeholder perceptions survey. It noted that, despite the difficult backdrop of Covid-19, the PSR's reputation was positive and broadly stable, although industry stakeholders were keen to see more from the PSR in terms of delivering against actions. The PSR had updated and adapted its engagement approach, taking a digital-first approach which proved particularly useful during the pandemic and this had been well-received. Stakeholders were keen to see the effect of the PSR's vision in practice and felt that delivery of key workstreams such as NPA and access to cash was key.

10 New Payments Architecture (NPA) Consultation paper

Decision:	The Board agreed to publish the NPA Consultation Paper after taking account of the points raised in discussion
Decision:	The Board agreed to delegate authority to the Managing Director to sign off (i) any non-material changes to the Consultation Paper made after the Board meeting, including any outstanding confidentiality claims made by Pay.UK, and (ii) any changes needed to address Board comments

11 Minutes and matters arising

- 11.1 The minutes of the Board meeting held on 18 November 2020 were approved.
- 11.2 The progress in respect of the matters arising from previous meetings was noted.

12 PSR Panel Update

- 12.1 The Board noted the report from the Chair of the PSR Panel.

13 Items for noting

- 13.1 The following papers were **noted**:
 - a) Minutes of meetings of the Executive Committee that took place on 10 and 24 November 2020
 - b) Draft agenda for the PSR Board Meeting on 17 March 2021

14 Any other business

- 14.1 There being no further items of business to discuss, the meeting closed.

Charles Randell
Chair

Annex A: Attendees

Attending all, or substantially all, of the meeting:

Carole Begent	General Counsel & Head of Regulatory & Competition Enforcement
Louise Buckley	Chief Operating Officer and Head of Strategy
Genevieve Marjoribanks	Head of Policy
Allyson Milano	Assistant Company Secretary
Simon Pearce	Company Secretary
Kim Turner	Private Secretary to the Managing Director
Ian Runacres	Private Secretary to the Chairman

Attending for the following items:

4	Anita Kelly-Metelewa Toby Parker	Manager, Operations Manager, Communications
5	Hilary Plattern	Manager, Regulatory Policy & Strategy
6	Justine Davidge Maria Tavares de Pina Sara Santomauro	Technical Specialist, Legal Manager, Legal Manager, Legal
8	Gala Poole Janet Duggan	Manager, Regulatory Policy & Strategy Manager, Legal
9	Toby Parker Louis Myers Cordelia Hay	Manager, Communications Manager, Communications BritainThinks

Other relevant associates were also in attendance.