

The Payment Systems Regulator Ltd

Minutes

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| Meeting: | PSR Board |
| Time & date of Meeting: | 22 November 2018 |
| Venue: | 12 Endeavour Square, London |
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| Present: | Andrew Bailey (until 2pm) Carole Begent Amelia Fletcher Noel Gordon Hannah Nixon Charles Randell (Chair) Simon Ricketts Christopher Woolard (from 11am) |
| In attendance: | Set out in Annex A |
| Apologies: | None |
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1 Private session with Managing Director and NEDs

2 Apologies, quorum and declarations of interest

- 2.1 The meeting was noted to be quorate and proceeded to business.
- 2.2 No interests in the items to be discussed were declared.

3 Minutes of the meetings held on 17 September 2018

- 3.1 Subject to minor amendment the minutes of the Board meeting held on 17 September were **approved**.

4 Matters Arising

- 4.1 The progress in respect of matters arising from previous meetings was **noted**.

5 Committee reports:

5.1 Minutes of the Audit Committee meeting held on 21 September 2018:

- 5.2 The Chair recognised Simon Ricketts for his work in liaising with the FCA's business and technology solutions (BTS) division and its CISO in relation to cyber security which is a provision to the PSR under the Service Level Agreement.
- 5.3 The minutes of the Audit Committee meeting on 21 September 2018 were **noted**.

5.4 Internal Audit Review: PSR Risk Management Review

- 5.5 The review compared the PSR's risk management framework to the international standard on risk management.
- 5.6 The PSR confirmed the findings were consistent with what they had expected and work had started to address the actions.
- 5.7 The Board concluded the risk framework and approach needed to be appropriate for a policy organisation of the PSR's size. For the first line, it was critical that the PSR selected a number of risk champions within the organisation and that the revised risk management framework was designed as something that would be used by the staff in the first line and so drive mitigating action.
- 5.8 The Executive committed to returning to the Board with a descriptor of risk tolerances and a proposed revised risk framework for the organisation.

6 PSR Panel update

- 6.1 In considering the report the Board **noted** the following:
- The level of challenge from the Panel was good and constructive.
 - Panel members have a wide range of expertise and experience which often raises comments that extend beyond the PSR's remit. As both the PSR and the FCA needed to be alive to expectations and perceptions regardless of their remits, the Board considered that the FCA payments team should continue to be an observer in PSR Panel discussions in order to ensure that issues which fell outside or on the boundary of the remits of one or other organisation were addressed.
 - In the last week, Panel members had hosted an all staff event where staff could engage with Panel members outside formal Panel meetings. The event received positive feedback from both staff and Panel members.

7 Report from the Managing Director

- 7.1 In considering the report the Board **noted** the following:
- The draft Contingent Reimbursement Model (CRM) code for Authorised Push Payment Scams had sparked a helpful debate on the key issues.
 - Work on ATMs was also developing well. The roundtable with senior representatives from the firms signed up to LINK had been successful, and firms had committed to sustaining a free to use ATM network. This would be supported with work looking at a longer-term solution to access to cash.
 - Progress had been made in creating an environment which encourages sharing of information and enabling staff to be more connected to the work of the PSR. The Board was reassured that suggested solutions went beyond processes and systems. Ms Nixon confirmed that senior management were visible and approachable within the building and the design of the building helped to facilitate an open working environment.

8 Update on LINK, ATMs and access to cash

- 8.1 The Board was updated on the PSR's two workstreams in this area: ensuring LINK upheld its commitments to maintaining the broad geographic spread of free to use ATMs, and its strategy on the longer-term debate on access to cash, including reviewing and responding to Natalie Ceeney's Access to Cash review.
- 8.2 The Board requested a regular update on the profile of protected ATM closures, LINK's response, and a brief summary of the external feedback the PSR is receiving. The Chair

noted that the information on ATM closures could helpfully be more targeted and less granular than the last report to the Board.

- 8.3 The Board **agreed** with the broad scope of the additional work being undertaken on access to cash. It **noted** that the debate would be informed by Natalie Ceeney's Access to Cash review. The PSR would continue engaging on the review and would continue this work to better understand the key issues involved.

9 Interchange Fee Regulation – Annual Update

- 9.1 The Board received an update on work throughout the year in relation to the IFR.
- 9.2 The Board noted that in relation to IFR business rules, monitoring work had begun by making specific enquires and is now complaints led. This approach was in line with the PSR's guidance. However, the PSR was not ruling out further active monitoring in the future.
- 9.1 The Board questioned how the PSR would track any enforcement cases and ensure cases proceeded at an effective pace. Clear target timetables, monitored through a combination of trackers and monthly meetings would highlight if key milestones were not met. The Board was keen for the PSR to take any lessons learned through its work to be taken on board as it further develops its monitoring and enforcement role.

10 EU Withdrawal – wider impact on the payment sector

- 10.1 The Board was updated on the PSR's work preparing for EU withdrawal. With the exception of the IFR, the PSR is not the primary authority with responsibility for legislation that is affected by EU withdrawal so that it is liaising with HMT, the FCA and the Bank of England to monitor developments, share knowledge and help ensure a joined-up approach to payments. The Board was keen to ensure there was no duplication in efforts between the regulators but also that issues where the PSR has a clear interest were highlighted.
- 10.2 The Board noted that in the event that the UK left the EU without a transitional arrangement, the Temporary Permissions Regime (TPR) would give EU firms the ability to continue to undertake business in the UK, for a temporary period. TPR would therefore provide a bridge for EU firms to gain full authorisation in the UK in a 'no deal' scenario. The FCA has surveyed firms regarding their intentions post exit. The majority of larger firms were aware of the need to notify for entry into TPR and efforts were underway to ensure smaller firms were also aware. It was noted that the FCA was therefore considering further communication but this needed to be proportionate.
- 10.3 The Board **noted** that communications may need to be increased as negotiations develop, and requested an update on the PSR's preparedness and the potential impact on its objectives in the event of a no-deal at the next meeting. The Chair asked the Executive to ensure that they participated where appropriate in work being done by the FCA Communications team.

11 Update on market review into card-acquiring services

- 11.1 The PSR team updated the Board on the proposed market review into card-acquiring services, including on stakeholders' feedback on the draft Terms of Reference consultation and the proposed next steps.
- 11.2 The Board noted the specific issues that the team plans to examine through the market review. The Board noted that some stakeholders had suggested that the market review should be widened in scope. The Board welcomed the team's position on the scope of the market review and the approach to examining the whole customer journey.
- 11.3 The PSR team informed the Board that it was considering if it would be useful to engage more with stakeholders to further explain the scope and the approach in the final Terms of Reference.

- 11.4 The Board noted that the PSR's thinking may evolve as the PSR reviews the evidence it receives.
- 11.5 The FCA's payments team also welcomed this review and would consider how it could support the PSR's work, including on remedies if needed.

13 Initial discussion of 2019/20 annual plan and budget

- 13.1 The PSR considered it had been a positive year and that it had made a real difference in a number of areas. However, it acknowledged that due to delays in recruitment and unexpected events, resources had been stretched. The Executive highlighted that the organisation was at a different point in its life cycle to previous years, when it had been focused on policy setting and is now determining policy, undertaking monitoring, and moving into a phase where enforcement work is more likely. It was therefore important that the annual plan and budget allowed the PSR to deliver its objectives and critical projects.
- 13.2 The Board recognised that most other public body organisations were delivering flat-real or declining budgets and challenged the PSR to consider what it would be able to deliver against a flat-real budget if it needed to. Ms Nixon clarified that the PSR was focused on ensuring value for money and maintaining a lean workforce but highlighted that the scope of the PSR's work had increased.
- 13.3 The Board requested the PSR prepare a budget for presentation at the next meeting detailing two options; on the basis of an incremental headcount and what could be delivered in a flat-real and flat headcount scenario.

14 Twice yearly discussion of risks

- 14.1 The Chair of the PSR Panel outlined three key risks the Panel thought the PSR should consider further:
- The pace and extent of change in the payments industry, although not solely driven by the PSR, has continued to increase which has added strain on many firms, in an already demanding landscape
 - Regulatory boundaries – given the PSR's success, its public profile has continued to grow. Whilst this is a positive outcome, the PSR should be alive to the public perception and expectations. It runs the risk of being held accountable in areas where it lacked power or jurisdiction.
 - Communication – recognising there had been a lot of positive communication, the Panel challenged the PSR to further develop its messaging and how it communicates with different stakeholder groups.
- 14.2 The Board encouraged the PSR to continue developing its cross-regulatory relationships to mitigate risks and coordinate on work where roles and jurisdictions overlap.
- 14.3 The Board also **recommended** the PSR formally log the impact of the EU withdrawal as a key risk. Although the PSR isn't directly responsible for the majority of the regulations impacted by EU withdrawal, it is affecting payments and is having a significant impact on firms' workload and resources which the PSR needs to understand.
- 14.4 In light of comments made during the discussion, the Board **recommended** the PSR consider how it further deepens its understanding of the challenges the industry is facing and how it responds to regulatory requirements given legacy infrastructure and the level of change resulting from both technology developments and the layering of requirements from multiple regulators.

15 PSR's refreshed communications strategy

- 15.1 The PSR team explained that as the organisation has evolved, its communications strategy also needed further development to reach new audiences and to communicate about different work streams. The key outcome was to build and maintain trust in the PSR, and to do this the strategy would focus on story-telling and bringing the communications team further into the organisation to support the PSR's work. The strategy aimed to deliver this through better planning and more engaging content and two-way engagement with stakeholders.
- 15.2 The Board was positive about the strategy, in particular, being open and putting messages out in a compelling way that people can understand. They also welcomed the focus on content, tone and style.
- 15.3 On the consumer engagement strategy, the Board agreed in principle with the strategy and noted the following;
- To keep in mind that smaller organisations won't be able to maintain separate relationships with the FCA and PSR and to join up where sensible.
 - To understand the consumer impact of payments regulation and to be alive to how people engage with payments as real people, rather than economic units.
 - To keep communications for end users and consumers simple and effective.

16 EDC/CDC appointment

- 16.1 The Board noted the strong field of candidates for the roles. In respect of diversity, the Board was particularly disappointed by the lack of BAME diversity, both amongst those that applied and as a consequence, amongst those selected. While recognising the step forward in gender diversity that the appointments provided, the Board noted the relative lack of female candidates with economics expertise. Diversity needed to receive continued focus in future recruitment exercises.
- 16.2 The Board **approved** the following appointments to the EDC/CDC:
- Simon Polito
 - Lesley Ainsworth
 - Tim Tutton
 - David Thomas

17 Papers for noting

- 17.1 The following papers were **noted**:
- Update on PAY.UK and the NPA
 - ExCo minutes
 - Draft agenda: 30 January 2019
 - Forward agenda

18 Any other business

- 18.1 The Chair noted that, as an external Board evaluation had been conducted last year, it was proposed that an internal evaluation would be conducted this year. He explained that he would discuss proposed arrangements with the Senior Independent Director and circulate a proposal by the end of the year, in order to ensure the evaluation was concluded by the end of the financial year.

With no further items of business to discuss the meeting **closed**.

Charles Randell

Chair

Annex A: Attendees

Attending all, or substantially all, of the meeting:

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|-----------------|---|
| Louise Buckley | Chief Operating Officer |
| Matthew Cherry | Acting Head of Department, Regulatory Strategy & Policy |
| Allyson Milano | Interim Assistant Company Secretary (FCA) |
| Simon Pearce | Company Secretary |
| Sofia Ylieskola | Private Secretary to the Chair |
| Kim Turner | Private Secretary to the Managing Director |

Attending for the following items:

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| 5ii | Lalitha Henry | Director, FCA Internal Audit |
| 8 | Janet Duggan | Manager, Legal |
| | John Mowat | Manager, Policy |
| 9 | John Mowat | Manager, Policy |
| 10 | John Mowat | Manager, Policy |
| | Janet Duggan | Manager, Legal |
| 11 | John Mowat | Manager, Policy |
| | Robin Rander | Technical Specialist, Policy |
| 13 | Jane Gosling | Manager, Operations |
| 14 | Fod Barnes | Senior Advisor |
| | Jane Gosling | Manager, Operations |
| | Stephen Locke | Chair, Panel |
| 15 | Toby Parker | Manager, Communications |
| 16 | Allegra Bell | Manager, FCA Corporate Services |

Other relevant Associates also attended the meeting.