Working Group Paper

Date of Meeting: 23 March 2015

Paper Number: PSFWG (15)03

Subject: Developing the Payments Strategy Forum terms of reference

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1 Introduction

1.1 *Our working assumption for the second working group discussion is that the Forum will be established along the lines of the preferred proposal put forward in the PSR's Consultation Paper. This is without prejudice to the final Policy Statement which will be published later in March. The working group can take any changes into account in its future discussions.*

1.2 Last month we covered the '**what**' – the objectives and scope of the proposed Forum. At this meeting we will turn to the '**how'**. This will include a discussion about *how* the Forum could operate in practice and *how* its membership could be configured to best achieve its objectives.

1.3 **Objectives of second Working Group meeting:**

To develop the Payments Strategy Forum terms of reference through:

a) getting your views on how the Forum could operate in practice

b) getting your views on how the membership of the Forum could be configured to best achieve its objectives

1.4 The first section of the slides below - '**what you said and what we did**' - provides our feedback on the changes we made to the terms of reference following your suggestions at the previous meeting.

1.5 The second section - '**how the Forum could work**' - illustrates how the Forum, as described in the terms of reference, could work in practice. These slides will be presented at the meeting.

1.6 The third section – '**membership of the Forum'** – summarises some of the responses to the consultation where they were relevant to membership of the Forum.

1.7 **Working Group members will be invited to provide their thoughts and views on these slides at the meeting. It would be very helpful if you could consider the specific questions we have set out in the pack.**

- What you said and what we did
- How the Forum could work
- Membership of the Forum

What you said	What we did
1. The top line of the objectives needed to refer more generally to a vision or goal for the sector	**Text discussed in the last meeting** The Forum will contribute to development of innovative and responsive payment systems and the services they support in the UK. **Proposed change** The Forum will develop a vision for the long term development of payments, which drives innovation and secures good outcomes for people and organisations that use payment systems.
2. The objectives and scope need to be clearer i.e. whether they are wide or narrow	**Text discussed in the last meeting** The Forum will focus on areas where collaboration between payment system operators, participants and/ or other stakeholders is necessary to bring about beneficial change. **Proposed change** The Forum will focus on areas where payment system operators, participants and/ or other stakeholders need to work together to bring about beneficial change. [*NB. We propose the scope to be narrow – The Forum will focus only on areas where collaboration is necessary*]
3. Use an alternative to the word 'collaboration'	**Text discussed in the last meeting** Identifying key priorities for the development of payment systems where collaboration is necessary to achieve good service-user outcomes effectively and in a timely manner **Proposed change** Identify key priorities for the development of payment systems where stakeholders need to work together to achieve good outcomes for those who use payments, effectively and in a timely manner.

What you said	What we did
4. Terms of reference needs to mention timing/ deliverables	**We have made the following additions (in bold) to the Forum's activities:** Seek to agree on priority areas where stakeholders need to work together to develop payment systems to achieve these outcomes. **The Forum will produce an initial set of agreed priorities within a year of its first meeting**. Where gaps exist, work to define and agree strategies for payment system development in line with its priorities. **These strategies should include high-level timelines and outcomes.**
5. Suggestions that the Forum should have statutory powers	**No change** – Ownership and accountability for delivery should remain the responsibility of Operators, other participants and collaborative industry bodies. Progress would be monitored by the Forum and the Forum would publish reports on progress from time to time. If the strategy-setting process was ineffective, or if industry delivery of agreed priorities that further our objectives was too slow, then we could take action. If necessary and proportionate, this could include making general or specific directions on industry participants.
6. Discussion about the term 'service-users'	'Service-users' has been amended to 'people and organisations that use payment systems and the services they support'. [a footnote in candidate brief explains that this includes but is not limited to payment service providers, businesses, consumers, retailers, charities, corporates, government]

What you said	What we did
7. Independence of the Chair (ToR)	The Forum will have a Chair who is independent of: • The PSR • The government, and • Payments industry interests There will be no other circumstances that impact on the ability of the chair to undertake their duties

8. Independence of the chair (candidate brief)	The Chair will be independent by:
	
	• Not being an employee, board or panel member of the PSR or FCA
	• Not being a minister of government or member of parliament or House of Lords
	• Not having been, **in the last two years,** an employee, executive director or a major shareholder, of:
	
	  • An Operator of a payment system designated by Treasury for regulation by the PSR
	  • A Central Infrastructure Provider to a designated Operator of a payment system
	  • An organisation who has appointed a director to any of the above
	
	• There being no realistic risk of the appointed individual being, or being perceived to be, lacking in independence from the views of particular participants in payment systems or particular constituencies of those participants.

What you said	What we did
9. Accountability of chair	**New text** The Chair is responsible for leadership of the Forum and for ensuring its effectiveness in all aspects of its role. It is the Chair's responsibility to prepare, publish each year and make available to the Managing Director of the PSR, an assessment of the Forum's delivery against its objectives, and any areas for improvement. In the first year, this will form part of the joint review which the PSR will undertake with the Chair. The Board of the PSR may invite the Forum Chair, from time-to-time, to provide an update on the work of the Forum.
10. Candidate brief should mention that the chair will manage the selection process for Forum members	**New text (Chair responsibilities)** Managing the selection process for Forum participants, supported by and in consultation with, the PSR.
11. How is chair appointed?	**A recruitment firm has been employed to identify candidates.** An appointments panel consisting of the PSR Managing Director, PSR head of regulatory policy and strategy, and a third external individual of independent standing will review the shortlist and appoint the successful candidate.

What you said and what we did

How the Forum could work

Membership of the Forum

Figure 1. Concept of the Forum ‘Board’ and ‘Assembly’

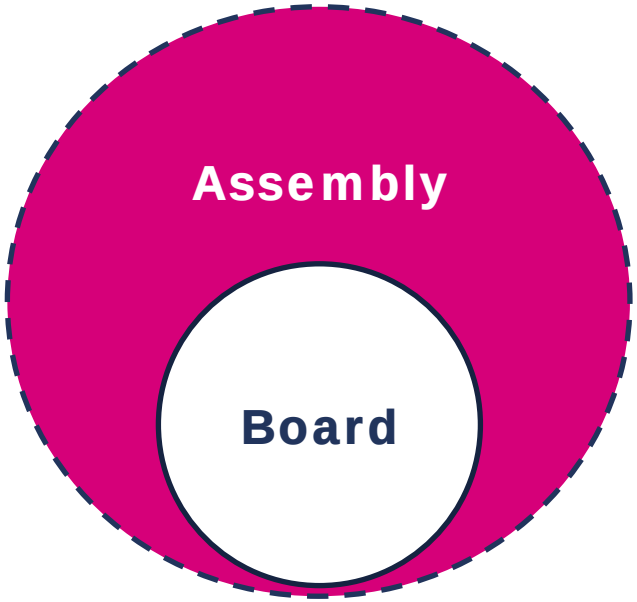


Figure 2. The different functions of the Board and Assembly

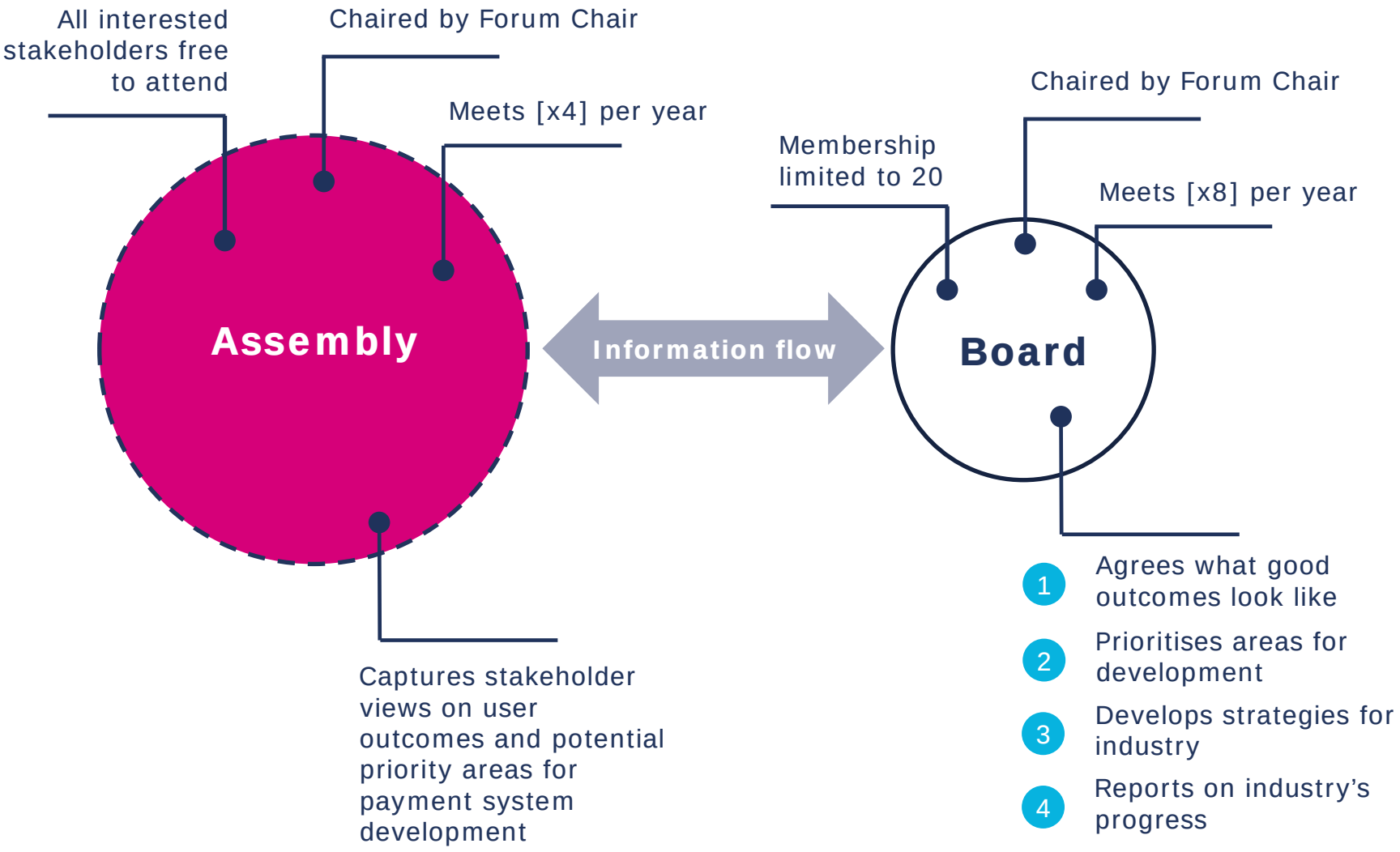


Figure 3. Information flows between the Assembly and Board

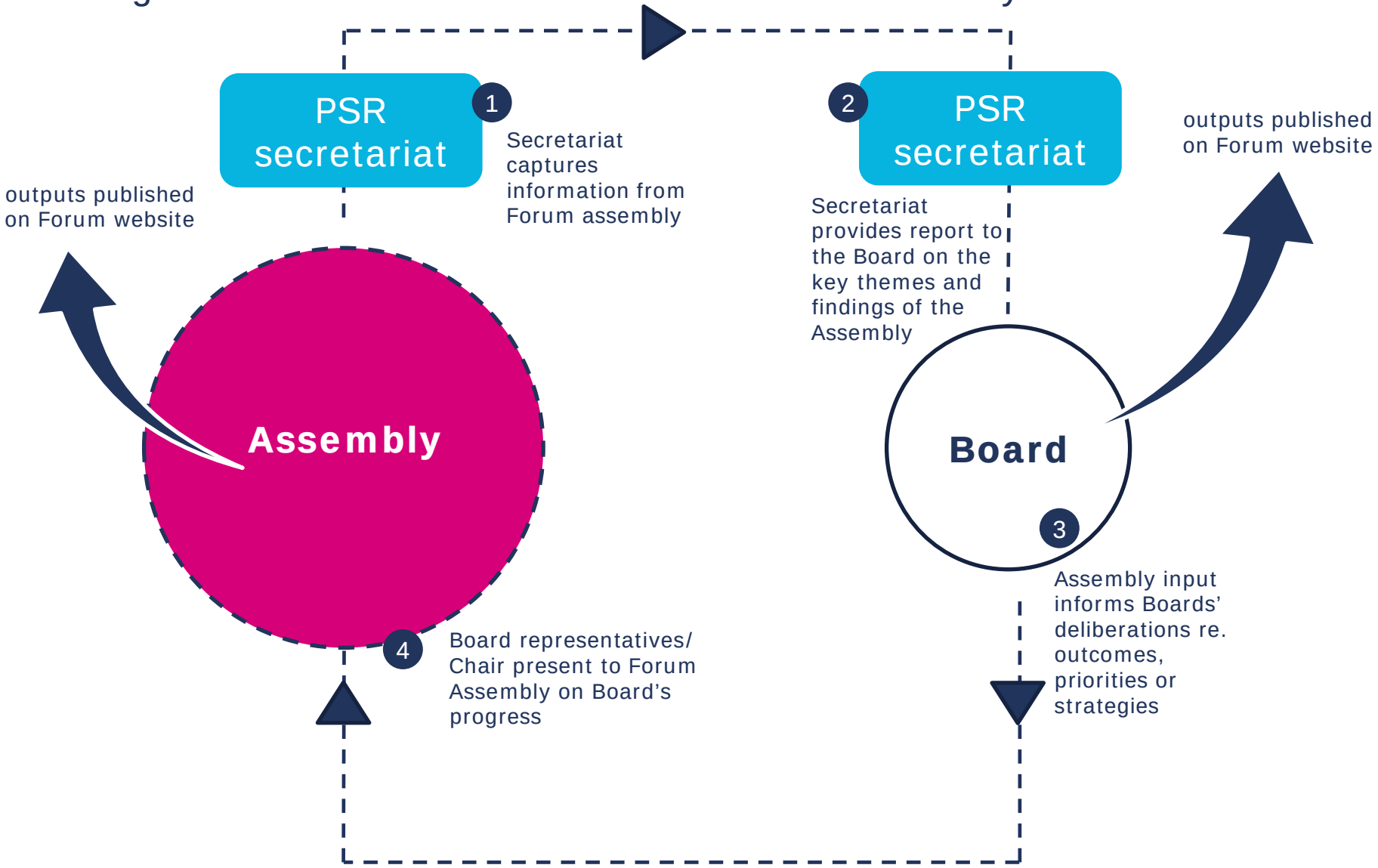


Figure 4. How the PSR could work with the Forum

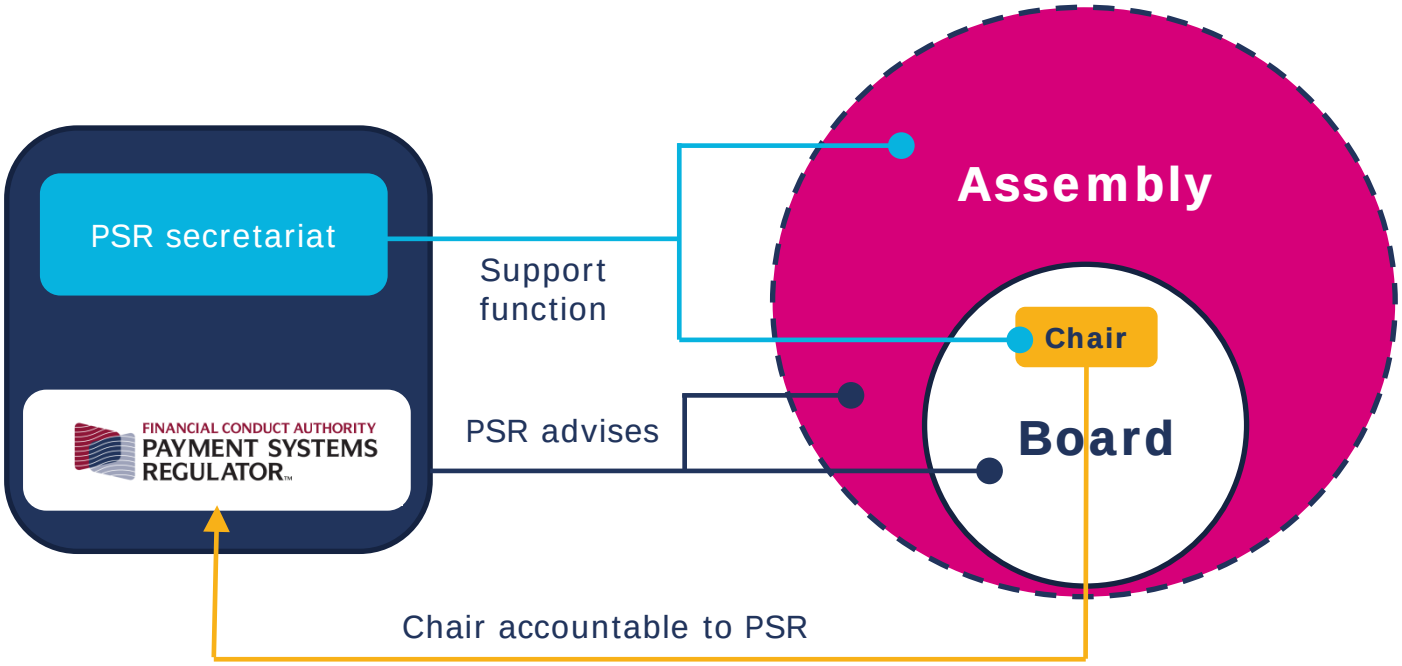


Figure 5. How the Forum could inform its thinking

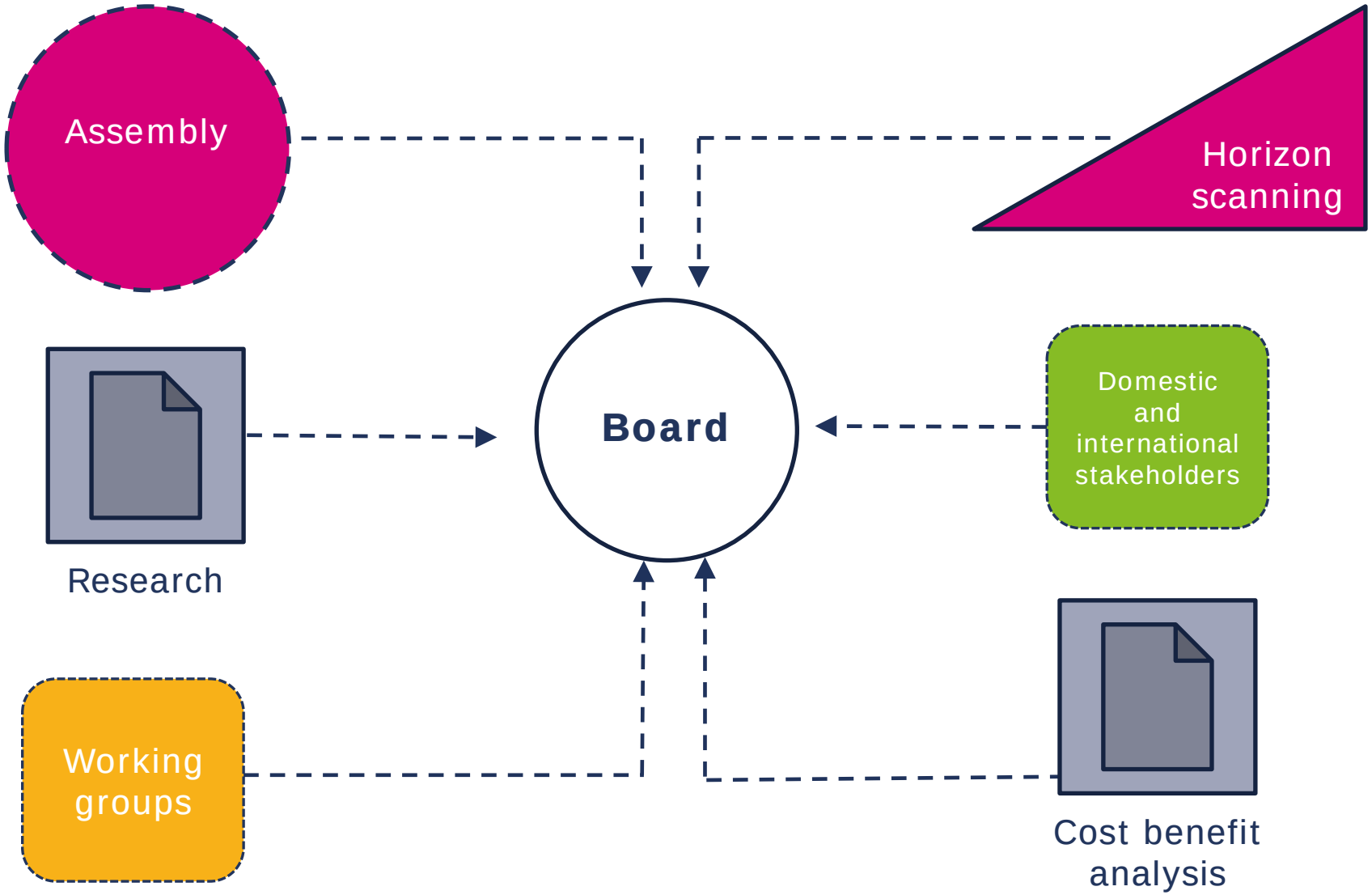
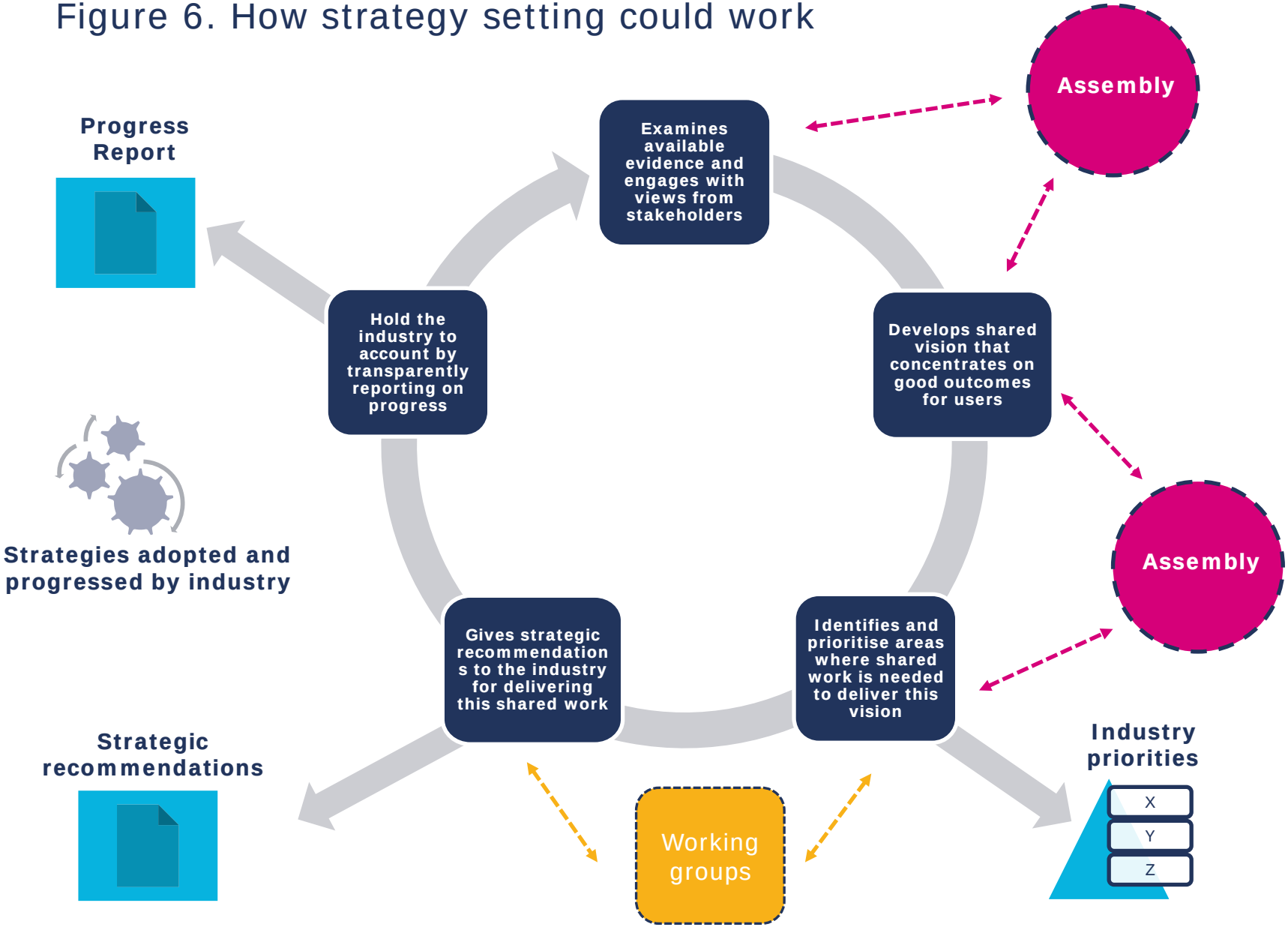


Figure 6. How strategy setting could work



Questions for working group

1. Is the division of the Forum into Board and Assembly (**figure 1**) the best way to achieve broad stakeholder representation while ensuring focussed discussion can drive progress towards strategy development? If not, what other mechanisms would better enable the Forum to achieve its objectives?

2. Are the functions of the Assembly and Board (**figure 2**) the right ones?

3. In your experience, what are the challenges of facilitating input from a diverse range of stakeholders? How can the Forum overcome these challenges?

4. How could we ensure that input of the Assembly is central to the deliberations of the Board? Could the Assembly play a role in challenging the positions of the Board?

5. How best could the Forum inform its thinking (**figure 5**) so it is in a position to agree strategic priorities?

6. What are your views on the end-to-end process of prioritising and strategy setting (**figure 6**)?

What you said and what we did

How the Forum could work

Membership of the Forum

What did consultation responses say about membership?

challenge of broad representation vs. workability

There will be a challenge to represent the views of a broad range of stakeholders While ensuring the Forum is still effective

Marshalling the views of diverse payments stakeholders will be a demanding task

The Forum will need to drive strategy without excluding outlying stakeholders

forum needs to balance voices

All stakeholders need to be considered in Forum plans

Danger that it becomes 'big bank focused'

A need to balance the voices of small and big voices alike

some suggestions

...membership could reflect PSR panel...

...sector specific working groups...

...constituency representation...

...plenary with a steering group to take decisions...

Interbank and Card Operators?

A range of PSPs?

Emerging payment players?

Consumer groups?

Advocates for relevant businesses or merchants?

Charities and voluntary sector organisations?

Corporates?

Infrastructure providers?

Technology providers?

Innovators?

Government as a user?

7. Who should be represented on the Forum?

8. What balance of stakeholder groups is the right one to achieve the Forum's objectives?

9. What are the trade-offs between seniority of members and frequency of meetings?