

Minutes

Meeting:	PSR Board	
Date of Meeting:	16 September 2014	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Amelia Fletcher	Sir Brian Pomeroy (Chair)
	Martin Wheatley	Chris Woolard
	Hannah Nixon	
Apologies:	John Griffith-Jones	
In attendance:	Set out in Annex A	

Quorum and Conflicts

Apologies had been received from Mr Griffith-Jones who was overseas on business. In the absence of Mr Griffith-Jones, Sir Brian Pomeroy took the Chair.

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.

1 Minutes and Committee Updates

1.1 Minutes of the Board meeting

The minutes of the Board meeting held on 16 July 2014 were approved.

1.2 Matters arising

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

2 Managing Director's Report

2.1 Ms Nixon presented her report and the following points were noted:

- contact had been taking place with a broad range of stakeholders and useful feedback had been received;
- a number of speaking engagements had been scheduled for the coming months and these would be used to deliver key messages relating to context, objectives, regulatory approach and process;
- a manager from the FCA Communications team had recently been seconded to the PSR and the stakeholder engagement and communications plan would be presented to the Board in October;

- it would be important to be clear that the PSR would be an evidence-based regulator and would prioritise issues on that basis; and
- the PSR was now beginning to recruit more permanent staff and throughout this process there would be a plan in place to ensure that there was appropriate knowledge retention which would include continuing use of contractors whom had been working on the project since inception.

3 Specific items of business

3.1 a) November Consultation on the PSR's regulatory approach

The Board considered the key policy proposals that it was intended would be included in the forthcoming Consultation Paper and the following points were noted:

- it was intended that the PSR would establish a cross-industry strategy forum for which they would provide the Secretariat and approve the appointment of a Chair but which would otherwise be run by industry. The purpose of the forum would be to encourage debate;
- it would be desirable for the strategy forum's membership to be of a manageable size but it was acknowledged that the large number of market participants meant that a 'shadow' industry forum was likely to evolve which would discuss the items to be included on the strategy forum's agenda;
- it would be important to distinguish the strategy forum from the statutory PSR panel which the PSR was required by statute to establish and consult, and which had a separate and distinct role;
- the merits of regular regulatory reporting for firms were discussed and the view was expressed that a strong ex-ante basis might not be the most suitable model. It was suggested that the PSR should propose a 'no surprises' model for reporting and consult on different reporting options;
- an Access Rule setting out criteria for direct access to payment systems had been developed in an effort to ensure that there was fair and open access. The Rule would become effective from 1 July 2015 and policies and processes would need to be reviewed on a periodic basis to ensure ongoing compliance;
- alternative wordings of the proposed Rule were discussed and it was agreed that Ms Nixon would circulate a draft to the Board members for agreement ahead of the forthcoming consultation;
- a range of inputs had been received from a broad stakeholder group in respect of indirect access to interbank payment systems. It was proposed that, with effect from 30 June 2015, sponsor banks would comply with an industry code of conduct, which the regulator would approve. A market review would also be launched in 2015/2016 to gather evidence and identify further options for improving the provision of Indirect Access services;
- the Board approved the proposals for consultation, subject to the points noted above; and
- the Board approved delegation of approval of the final Consultation Paper, including details of the policy's proposals, to the PSR's Managing Director.

b) Regulatory Tools – Decision-making for PSR policy matters and enforcement in relation to compliance failures

The Board considered the recommendations and proposals for decision-making and, in the ensuing discussion, the following points were noted:

- the Board agreed the proposed decision-making bodies as set out in the paper submitted to the meeting for policy matters with the Managing Director empowered to delegate further in certain circumstances;
- in respect of guidance, it was agreed that the Policy Committee could issue guidance which supported an existing rule but that new guidance (which did not support a pre-existing rule) must be agreed by the Board;
- in order to maintain public credibility the Board considered it important for enforcement matters in relation to compliance failures to be considered by an external body (similar to the FCA's Regulatory Decisions Committee) unless they were only minor in nature, were non-contested settlements or related merely to the publication of a compliance failure which had already been decided on by the appropriate decision-maker. For such cases consideration would be given to processes used by other regulators to see whether they might be appropriate for the PSR. The level above which the external body would be used would need to be defined in due course; and
- it was agreed that a paper setting out the revised proposals would be submitted to the Board in October and the decision-making process would then be included in the forthcoming consultation paper.

3.2 Formation of PSR Statutory Panel

The Board considered the proposals for the formation of the statutory advisory panel and noted the following points:

- membership would normally be restricted to one representative from each stakeholder group to ensure that the overall size of the Panel was not excessive (and ideally no more than 18 members);
- it was expected that the Panel might sometimes divide into sub-groups in order to produce reports on particular subjects;
- the Board agreed the proposed stakeholder groups for the composition of the Panel and considered prospective nominees as Chair of the Panel. It was noted that the appointment of a Chair would require Treasury approval. Following discussion it was agreed to seek the approval of Stephen Locke to be nominated as Chair;
- it was agreed that it was important that Government Banking Services, as the biggest user of payment systems, be represented on the Panel. The Board endorsed the specific proposals from the PSR with respect to representation of Government Banking Services, and representation of infrastructure providers, and the general approach proposed to engaging with the various agreed stakeholder groups to solicit nominees or expressions of interest as appropriate; and
- it was also agreed that various small business representative bodies would be asked to nominate some potential candidates from whom a member could be selected to represent smaller businesses.

3.3 CMA Market Investigation Reference Consultation – PSR response

Ms Nixon advised that:

- responses to the CMA's Consultation on personal current accounts and banking services to small and medium-sized enterprises – provisional decision on market

investigation reference had been requested by 17 September. A draft response had been produced and was submitted to the Board for consideration;

- the FCA would submit a substantive response to the CMA and it was considered appropriate for this to be referred to in the PSR's response; and
- following consideration, the draft response was agreed subject to some minor amendments, including the addition of reference to the FCA's submission.

3.4 Financial Update

The Board noted the financial update and noted that scheme operators had made a number of representations concerning the direction of travel and it was accordingly proposed to provide some indicative numbers ahead of the November consultation in order to assist them with their planning processes. After discussion this was agreed.

3.5 Risk Report

The Board noted the PSR Programme's risk log which comprised set-up risks and Day One risks. The risks would be reviewed ahead of the October Board meeting as that would be the final Board meeting before the publication of the Consultation Paper.

4 Any Other Business

There was none.

Assistant Company Secretary

Annex A: Attendees

Simon Brindley	Head of Department, General Counsel's Division
Nancy Johnson	Manager, PSR
Jana Mackintosh	Manager, PSR
Simon Miller	PSR Programme Manager
Claire Strong	Deputy Company Secretary
Gareth Thomas	Acting Head of Department, PSR

Relevant associates and technical specialists also attended the meeting.