

Minutes

Meeting: PSR Board
Time & date of Meeting: 21 March 2019
Venue: 12 Endeavour Square, London

Present: Carole Begent
Amelia Fletcher
Noel Gordon
Hannah Nixon
Charles Randell (Chair)
Simon Ricketts
Christopher Woolard

In attendance: Set out in Annex A

Apologies: Andrew Bailey

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 Minutes of the meetings held on 30 January 2019

- 2.1 The minutes of the Board meeting held on 30 January were **approved**.

3 Matters Arising

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

4 Committee Report from the Audit Committee meeting held on 9 January 2019

- 4.1 The Board were updated on the discussions at the PSR and FCA Audit Committee relevant to the PSR's work. This included the FCA's continuing technology procurement and records management for GDPR compliance. The Board noted the need for the Audit Committee to more explicitly consider how the PSR is involved in FCA procurement of services that impact the PSR going forward.

5 PSR Panel Report

- 5.1 The Board welcomed the PSR Panel's report of their meeting on 14 February. They noted the Panel's caution around the volume of changes in the market, the PSR's role in implementing the Customer Authentication Standards and the strong interest in the Access to Cash review. The Board suggested the FCA Payments team attend Panel meetings to support discussions where there is a clear overlap between the PSR and FCA's roles and responsibilities.

6 Report from the Managing Director

- 6.1 The Board noted the Managing Director's report and discussed the following:

- a) The Code of Conduct for APP Scams had been published and would be adopted by the end of May 2019. They noted the need to maintain momentum with the industry to ensure the voluntary commitment made through UK Finance was fully embedded and a long-term solution for funding was in place.
 - b) The staff survey had shown an increase of 16% in the Trust Index based on last year's figures. The PSR had focused on improving the areas identified by staff over the last year, including career development, collaboration and transparency and strategy. The Board congratulated the senior leadership team for the significant progress that had been made. It recognised there was always more that could be done and the senior leadership team would be meeting to identify where further improvements can be made for staff.
 - c) The Board was updated on the arrangements for the interim joint Managing Directors, and how roles and accountabilities would be taken forward. Internal and external communications were being prepared regarding the transition. The key message was that the PSR would be in business as usual mode, and that key policy changes and decisions would continue. There was some risk in capacity of the interim Managing Directors so the PSR was exploring possibilities for their current formal responsibilities to be reallocated, including some SMCR roles. The Board emphasised the need for external stakeholders to see strong leadership maintained in the interim period.
 - d) The priorities for the remainder of the year included engaging with PAY.UK and LINK to ensure that the PSR was confident in the processes to procure new systems for the New Payments Architecture, the follow up to the Access to Cash report's recommendations and the long term funding solution to the 'no blame' scenario on APP scams.
 - e) The Board received an update on the antitrust case.
- 6.2 In her final Managing Director's report, Ms Nixon reflected on her time at the PSR. She noted how much the PSR had achieved in its first four years, and was pleased with the collaborative and open approach it had taken. She recognised the PSR's ability to make a difference to the payments landscape and encouraged the PSR to keep momentum on the issues it still had to resolve. The Chairman thanked Ms Nixon for her significant contribution to the achievements of the PSR

7 Draft 2019/20 to 2021/22 Three-year strategic PSR Internal Audit Plan

- 7.1 The Board considered that it would be of better value to the PSR to have an internal audit on operationally focused topics and proposed PSR's procurement of services through the FCA's framework as a possible topic.
- 7.2 The Board also suggested bringing forward the payments review, currently planned for 2021/22, to reflect the transformational policies and decisions currently being implemented and to provide assurances that the PSR is delivering on what it set out to achieve.
- 7.3 The Board discussed the effectiveness of the risk register in informing which reviews Internal Audit should carry out and suggested this be further aligned with the audit programme going forward.

8 EDC Chair's Annual Report

- 8.1 There was nothing to report on cases being considered for the PSR. Induction programmes and training sessions on technical payments issues had been on-going for new and existing members and the Committee was remaining engaged with the PSR on areas that may impact the work of the EDC to ensure its knowledge was up-to-date.

- 8.2 The Board questioned how the Committee addressed diversity of the new members. Whilst gender and age diversity had improved, it was noted that other aspects of diversity were lacking. The EDC Chair agreed to keep this at the forefront of future recruitment.

9 Update on competitive procurement for central infrastructure (NPA and LINK) and the approach to assuring competitive outcomes

- 9.1 The Board was provided with an update on PAY.UK's progress in the competitive procurement of the NPA central infrastructure, the PSR's approach to assuring competitive outcomes in the NPA and the PSR's approach to assuring competitive outcomes in LINK's central infrastructure procurement.
- 9.2 The Board emphasised the importance of clarifying to the market as soon as possible the PSR's views on assuring competitive outcomes. It also noted the importance of remaining coordinated with the Bank of England throughout the process and proposed inviting representatives of the Bank to a future Board meeting to support alignment and development of thinking.
- 9.3 It was agreed that although PAY.UK, as the procurement body, should be the principal party with which bidders deal, there may be circumstances where it was appropriate for the PSR to provide an opportunity for bidders to engage directly with the PSR to ensure its expectations were sufficiently understood. If this happened, it was important to ensure there were, in advance, clear rules of engagement and transparency to provide equality of access to the PSR.
- 9.4 Board members also noted PAY.UK's foundation strategy for 2019-21. They commented in particular that it was important for the stakeholder engagement strategy to be comprehensive in scope and inclusiveness of stakeholders.

10 Update on long run access to cash services

- 10.1 The Board was updated on activities since the Access to Cash Review Final Report (the Ceeney Review) had been published. There had been a reasonable amount of press interest, Natalie Ceeney had given evidence to the Treasury Select Committee and had also attended a subgroup meeting with the PSR Panel. The PSR had also been engaging with Ms Ceeney on the recommendations. She had asked that the PSR take forward recommendation one (to provide a guarantee for consumers' and small businesses' access to cash), coordinate with other regulators to ensure a joined up systematic approach to cash as a payment system and have cash in mind throughout its future policy work.
- 10.2 The broader social context of cash as a payment system was discussed and the Board emphasised the need for Government to take the lead in the debate on the social policy questions. The PSR should work with Treasury to provide evidence and analysis in order for a working set of principles to be developed.
- 10.3 The Board **approved** the PSR's proposed approach to taking this issue forward setting out the questions the work programme should address, including the approach to the PSR's public profile on this topic.
- 10.4 The Board welcomed continued engagement with Ms Ceeney on the long-term future of access to cash and on the follow up to the report. The Board also highlighted the importance of joining up with the FCA (e.g. considering the FCA's work around bank branch closures) and other authorities.

11 Joint working and collaboration between the PSR and FCA

- 11.1 The PSR and FCA were coordinating and sharing resources on areas where their remits overlapped, and were looking ahead at opportunities to work together to support both organisations' objectives. This would include the PSR working with teams across the

FCA, not solely the payments team. The Board distinguished between sharing evidence and having a mutual understanding of the questions and logic, but emphasised that the two organisations had different powers, governance procedures and responsibilities which might require different decisions or actions to be taken.

11.2 The teams expressed a willingness to try new ways of working and continue developing good working relationships to allow effective collaboration. They agreed that more could be done to share resources on individual projects to ensure approaches were aligned and to give unified messages to industry. Additionally, from a strategic perspective the Board encouraged the PSR and FCA to start, wherever possible, with a joint view of the outcome to be achieved, and to then assess which organisation would be best placed to take it forward.

11.3 The Board discussed how the external world saw the relationship between the FCA payments team and the PSR, which had worked well on previous projects to provide a united front. The Board emphasised the importance of demonstrating externally the best of coordination and prioritisation across the PSR and FCA and encouraged this work to continue.

12 Confirmation of Payee: follow-up to consultation and next steps

12.1 The Board discussed the proposed next steps following the consultation on Confirmation of Payee. They noted that fraud and crime may be driven towards people that hold accounts not covered by the first tranche of Confirmation of Payee implementation, including building societies and smaller banks. It was noted that the proposed direction would be addressed to the big six banks, who accounted for 90% of the transactions. Other firms able to introduce Confirmation of Payee could do so to similar timescales as contemplated by the proposed direction. They recommended the PSR and FCA work together to monitor any unintended consequences and potential harm for users.

12.2 The Board **approved** the following:

- a) Consulting (with the draft text of the proposed directions) on giving specific directions as part of the PSR's response document to the first stage consultation, with the response document to be published by the end of May 2019.
- b) Consulting on the basis that directions will be given to the 6 largest PSPs based on combined FPS and CHAPS transaction volumes in 2017/2018.
- c) Consulting on the basis that the directed PSPs must respond to CoP requests by 31 December 2019 and send CoP requests by 31 March 2020.
- d) Delegation to the Executive Committee (ExCo) for signing-off the response document and the draft specific directions for consultation
- e) Delegation to ExCo for signing-off the response to the second consultation and giving of the final directions.

13 EU Withdrawal – wider impact on the payment sector

13.1 The Board was updated on the PSR's preparation work for EU Withdrawal. They noted that post-onshoring, the Interchange Fee Regulation caps would apply to a smaller set of transactions, but that it would be for the Treasury to change the legislation after the UK had left. The scope to make changes to the legislation would depend on the nature of the relationship the UK had negotiated with the EU.

13.2 The Board agreed to discuss EU withdrawal again at the next meeting depending on the outcome of the negotiations.

14 Decisions of the Board

14.1 The Board **approved** the re-appointment of David Gaselee and Conor Langford to the PSR Panel for a term of three years, from 1 May 2019 to 30 April 2022.

14.2 The Board **approved** NED Conflict of Interest Policy.

15 Items for noting

15.1 The following papers were **noted**:

- a) PAY.UK Foundation Strategy 2019-21
- b) ExCo Minutes
- c) Draft Agenda for 11 June 2019
- d) 2019 meeting dates and forward agenda

16 Any other business

16.1 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:

Louise Buckley	Chief Operating Officer
Chris Hemsley	Head of Department, Regulatory Strategy & Policy
Allyson Milano	(Interim) 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:

7	Neil Whalley	Manager, Internal Audit
	Joel Scott	Technical Specialist, Internal Audit
8	Tim Parkes	Chair, EDC
	Beverley Walker	Manager, FCA Corporate Services
9	John Mowat	Manager, Policy
	Gala Poole	Manager, Policy
10	Matthew Cherry	Chief Economist
11	Maha El Dimachki	HoD, FCA Retail Banking Payments
	Alex Roy	Manager, FCA Strategy & Competition
12	Nick Davey	Technical Specialist, Policy
13	John Mowat	Manager, Policy