

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 24 January 2018
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present: Andrew Bailey
Carole Begent
Bradley Fried
Amelia Fletcher
John Griffith-Jones (Chair)
Noel Gordon (until item 6.2)
Hannah Nixon
Simon Ricketts

Apologies: Christopher Woolard

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 **Bradley Fried: mitigation of potential conflict of interest**
- 1.3 Bradley Fried (BF) recused himself from the discussion by leaving the meeting room.
- 1.4 Following BF's declaration at the meeting held on 13 September 2017 the Board sought to ratify the arrangements that had been put in place to mitigate any potential conflict between his executive role at investment firm Grovepoint Capital LLP and the firm's ownership of merchant acquirer Payzone UK Ltd (Payzone).
- 1.5 Whilst the Board acknowledged the potential conflict of interest it was satisfied, subject to the arrangements currently in place both at Payzone and the PSR, that this was not so great as to unduly restrict BF's effectiveness as a PSR Non-Executive Director or to necessitate him stepping down from the PSR Board.
- 1.6 The Board therefore **approved** that BF be permitted to participate in discussions and decision making relating to the general business of the PSR, including where work relating to merchant acquirers featured as a tangential part. However, when specific work or issues relating to merchant acquirers were under consideration the Board **approved** that the relevant papers would not be distributed to BF and that he would be asked to recuse himself from the discussion and decision making.
- 1.7 In follow up the Board agreed that a watching brief be kept on Payzone's strategy and that ongoing consideration be given to potential indirect conflicts with the PSR's work beyond that relating to merchant acquirers.

2 Minutes and Matters Arising

- 2.1 Bradley Fried re-joined the meeting.
- 2.2 The minutes of the Board meeting held on 22 November 2017 were **approved**.

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

3 Committee reports

3.1 The Board **noted** the minutes of the AuditCo meeting held on 15 November 2017.

3.2 Going forward the Board agreed that an accompanying note highlighting the key issues relating to the PSR would be useful.

3.3 The Board also considered ways in which the interface between itself and AuditCo could be reinforced.

4 PSR Panel update

4.1 The Board noted that the Panel continued to demonstrate a high level of engagement with the work of the PSR. It was noted that a number of the discussions at the last Panel meeting had fed in to the development of the PSR's policy development across a number of projects.

4.2 Induction of new members was progressing well and represented a diverse range of expertise and perspectives.

4.3 The Board **noted** the report from the PSR Panel.

5 Report from the Managing Director

5.1 In **considering** the report the Board **noted** the following updates, including feedback from the Managing Director and Chair's recent attendance in front of the Treasury Select Committee:

5.2 LINK interchange fee: LINK's final decision on interchange fee had now been received. Further analysis was being undertaken.

5.3 APP scams: Consultation feedback on the contingent reimbursement model (CRM) was expected to be published before the end of February along with the terms of reference for the co-ordinating body responsible for finalising and implementing the CRM (the steering group). The Board would be sighted on these documents ahead of publication.

5.4 The Board considered the benefits of an independent chair for the steering group therefore avoiding any potential concerns or perceptions associated with the independence of the chair being appointed to the role.

5.5 Simon Ricketts reported on his positive involvement in the recent INED recruitment processes for the Procurement and IT roles at the NPSO.

5.6 The Board highlighted the importance of developing competition in interbank and card systems and that this should be addressed by bidders and the NPSO in the forthcoming procurement process.

5.7 Future publications/consultations: A publication on *Payments Data* will be published by the end of April.

5.8 A schedule of forthcoming publications would be submitted as a part of future Board packs.

6 Specific items of business

6.1 Annual plan and budget 2018/2019

6.1.1 In **considering** the report the Board **noted** the following updates:

6.1.1.1 The headcount and budget figures had been further developed since the November 2017 meeting.

6.1.1.2 These figures had been subject to the same process and scrutiny as that applied to the FCA's.

6.1.1.3 The final state headcount figure would be built up to over the year and would be recruited on a needs basis.

6.1.2 The Board emphasised the importance of detailing the organisation's development and the accomplishments of the PSR in the accompanying narrative. Developing the existing references to Brexit and ATMs was also recommended as was the benefits to consumers arising from the PSR's work.

6.1.3 The Board **endorsed** the scope of the policy and strategy work and the approach to managing the organisation for 2018/19.

6.1.4 Additional comments on the annual plan narrative were invited offline and would be incorporated into a final draft. This would be circulated to Board members by email ahead of submission to the FCA Board on 22 February 2018 for approval.

6.1.5 In support of this the Board **approved** a written procedure to consider the final draft of the annual plan narrative during 2-8 February.

6.2 **ATMs**

6.2.1 The results of the two commissioned studies sought to establish the facts and issues in relation to access to cash and ATMs. The findings suggested that ATMs in rural areas were at higher risk of being isolated and supported the potential increased need for the financial inclusion programme.

6.2.2 LINK was proposing an incremental reduction to the interchange fee whilst maintaining its Financial Inclusion Programme (with enhanced premiums). This was accompanied by statements of its intent to maintain the current geographical spread of ATMs and address identified gaps.

6.2.3 The incremental nature of the reduction in interchange fee was intended to minimise any impact over time and LINK was considered to recognise and be committed to maintaining widespread free access to cash.

6.2.4 The Board **received** the update on the work associated with access to cash and ATMs and requested that any significant issues be brought to their attention going forward as required.

6.3 **Brexit**

6.3.1 The PSR's work in preparation for the UK's withdrawal from the EU including any accompanying risks and impact to its work were noted by the Board. These primarily focussed on the "onshoring" of the three main pieces of EU legislation that gave rise to its statutory functions and duties: namely the Interchange Fee Regulation, The Payments Account Directive and the Payment Services Directive.

6.3.2 The Board's feedback was also sought on the further work the PSR was planning to undertake to prepare for Brexit.

6.3.3 The team would continue to work closely with colleagues at HMT, the FCA and other regulators whilst generally keeping up to date on Brexit developments including monitoring the Brexit negotiations and progress of the EU (Withdrawal) Bill.

6.3.4 The Board **received** the update with any significant issues to be brought to their attention going forward as required.

7 Papers for noting

7.1 **PSR ExCo minutes:** The minutes were **noted**.

7.2 **Draft March 2018 agenda:** The draft agenda was **noted**.

7.3 **Forward Agenda 2018:** The forward agenda, which would be updated to include any additional items discussed during the meeting, was **noted**.

8 Board effectiveness review – findings report

8.1 The Board received the findings report from its first externally facilitated effectiveness review conducted by Independent Audit.

8.2 The report highlighted a number of existing strengths of a Board that was overall working well and a variety of areas which could merit Board discussion.

8.3 In considering the findings the Board **discussed** the following:

8.3.1 the future composition of the Board including consideration of NED succession

8.3.2 opportunities to strengthen links between Board members and the wider organisation including informal and networking events;

8.3.3 exercising oversight of a broad range of technologically demanding matters including consideration of specialist sub-groups;

8.3.4 increasing engagement with the relevant sub-committees, that perform duties on behalf of the PSR, such as AuditCo and RemCo; and

8.3.5 maintaining strong collaborative relationships with the FCA e.g. through greater operational integration.

8.4 Whilst a number of these issues were already being addressed others required further discussion by the Board and the incoming Chair.

8.5 In addition the Board noted the requirement within the Schedule of Matters Reserved to the Board to conduct an annual review of the Board and its committees and the recommendation of the UK Corporate Governance Code that such reviews be externally facilitated every three years.

8.6 The Board **approved** the publication of the findings report together with a response.

8.7 The Board thanked Independent Audit for their contribution and insights.

9 Any other business

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

John Griffith - Jones

PSR Chairman

Annex A: Attendees

Attending all, or substantially all, of the meeting:

Angela Attah	Deputy Company Secretary, FCA
Louise Buckley	Head of Department, Communications & Operations and Chief Risk Officer, PSR
Sarah Day	Assistant Company Secretary, FCA
Paul Smith	Head of Department, Regulatory Strategy & Policy, PSR

Attending for the following items:

6.1	David Godfrey	Director of Finance, FCA
6.2	Janet Duggan	Manager, PSR
	John Mowat	Manager, PSR
	Robin Rander	Technical Specialist, PSR
8	Catherine Stalker	Independent Audit
	Jonathan Hayward	Independent Audit