

Specific Direction 9 requiring Visa Europe to review and adopt appropriate incident communication strategy and response plans

Specific Direction (Crisis communications: Visa)

May 2019

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1 Recitals

Whereas:

- 1.1** Visa Europe is designated by HM Treasury as a regulated payment system for the purposes of part 5 of the Financial Services (Banking Reform) Act 2013.
- 1.2** On 1 June 2018 the operator of Visa Europe (Visa) experienced an incident resulting in a partial failure to its authorisations. Authorisations were affected for around six hours and approximately 2.4 million of 27.6 million UK cardholder transactions attempted were affected. Consumers, merchants, acquirers and issuers were all impacted by the failure.
- 1.3** On 13 June 2018 Visa engaged Ernst and Young LLP (EY) to conduct an independent post incident review of aspects of the incident. The terms of reference for the review were agreed with the Bank of England and the Payment Systems Regulator (PSR). It included a review of the effectiveness of Visa's disaster recovery, its response to the incident and its communications with stakeholders.
- 1.4** On 5 October 2018 EY completed the review and issued its final report to Visa. The report set out a number of findings and observations including:
1. Visa's communications with internal and external stakeholders during the incident were not timely, regular or actionable.
 2. Visa should consider lessons learned from the incident relating to its role in maintaining the resilience of the payment processing 'ecosystem'.
- 1.5** On 14 November 2018 Visa provided the Treasury Select Committee with a summary of the findings and recommendations of the EY report and Visa's response to the report. Visa's response set out a summary of EY's findings in relation to its crisis communications:
- External communications were not timely or regular.
 - External communications were not actionable.
 - Remediation of communications issues identified in a previous incident were still to be completed.
 - Delays in communication approvals.
 - Internal communications were not timely, actionable or delivered through effective channels.
 - Methods used to communicate with clients were not effective or efficient.

- 1.6** Visa's summary of the report includes EY's recommendations that Visa:
- Review and enhance its crisis communication strategy and response plans to support more timely, regular and insightful communication to stakeholders. This should be supported by putting in place the processes and tools to support the execution of crisis communications and to ensure these are tested on a regular basis.
 - Considers its approach to, mechanisms and tools for internal communication during a crisis to improve the sharing of information to external-facing staff.
- 1.7** Visa's summary relating to its role in the payments processing ecosystem includes EY's recommendation that Visa leverage its influential role in the broader payments ecosystem, championing collaboration and encouraging improvements in the operational resilience of this ecosystem.
- 1.8** Visa's response to the EY findings and recommendations, as sent to the Treasury Select Committee (TSC), stated, among other things, that: 'Visa had accepted all of the recommendations in the EY report, in full, and is committed to implementing them in a timely manner.'
- 1.9** In relation to the findings made relating to its communications, Visa's response states that it is:
- Initiating a project in consultation with clients to further coordinate incident communications.
 - Updating its playbooks to include an improved communication approval process, enhanced frequency of communication and up-to-date channels of communication with relevant stakeholders.
 - Assessing the feasibility of rolling out an immediate information sharing mechanism.
- 1.10** In relation to the finding made in relation to its role in the payments ecosystem, Visa's response states that it has raised the issue of conducting a broader ecosystem crisis management exercise, including identification and assessment of operational solutions to improve ecosystem resilience, developed in collaboration with issuer and acquirer clients and other participants.
- 1.11** The 1 June incident caused a serious disruption to Visa's services, impacting not only Visa's direct participants, but consumers, merchants and the operators of other payment systems. The PSR considers that the findings of the EY report in relation to crisis communications provide evidence that the partial failure of Visa's systems caused further disruption than was necessary because Visa's crisis communications practices were deficient.
- 1.12** Visa's acceptance of the findings and recommendations of the EY report in relation to its crisis communications demonstrates its commitment to improving its crisis communications procedures. However, in order to ensure that Visa takes timely and effective measures to mitigate the impact of any future incident on the payments processing ecosystem, the PSR has decided to make a specific direction.

- 1.13** The PSR considers that improving crisis communications practices between Visa and its direct participants and relevant stakeholders within the payments processing ecosystem including other payment system operators will enable incident information to be passed on to service users further downstream, improve the flow of information and protect the interests of service users.

2 Powers exercised and purpose

- 2.1** The PSR makes this specific direction in accordance with section 54(2)(a) of the Act. In accordance with section 54(3)(c) of the Act this specific direction applies to the operator of the Visa Europe scheme ('Visa').
- 2.2** The PSR has had regard in particular to section 62(2)(a) (Duty to consider exercise of powers under the Competition Act 1998).
- 2.3** The purpose of this specific direction is to require Visa to:
1. Remediate underlying deficiencies in its crisis communications including with the wider payments ecosystem, have in place an effective communications plan and provide evidence of the same.
 2. Test its crisis communications process with its direct participants, and consider those participants' views on the effectiveness of the plan and provide evidence of the same.
 3. Ensure that it regularly reviews and maintains its crisis communications plan, annually testing its effectiveness with participants and reporting to the PSR on the outcomes of that testing and the implementation and timetable for any necessary improvements to the plan as a result.
 4. Ensure that its documented crisis communications plan is followed during any future incident as appropriate.

Direction

NOW the PSR gives the following specific direction to the operator of Visa Europe:

3 Requirement to remediate the findings of the EY report in respect of its crisis communications

3.1 By 30 September 2019, or such later date as the PSR may notify in writing, Visa must:

1. Remediate the underlying deficiencies in its crisis communications including with the wider payments ecosystem. This must include:
 - a. Reviewing its crisis communications plans to ensure that its crisis communications, both internal and external, are prompt and meaningful and inform participants and stakeholders of major incidents affecting them in a timely, actionable way, delivered through effective channels.
 - b. Setting out Visa's criteria for which incidents will trigger the use of the crisis communications plan (a 'major incident').
 - c. Reviewing the crisis communications approval process and establishment of an effective crisis communications approval mechanism allowing for timely approvals during an incident. This should include setting out roles and functions of members of staff responsible for crisis communications.
 - d. Establishing principles and protocols for providing information to stakeholders during incidents. This will include defining those categories of stakeholders to be notified during an ongoing incident and maximum timescales for communication to those stakeholders. Visa must take into account other payment system operators in the payments processing ecosystem when identifying relevant stakeholders and when considering the appropriate communication approach to relevant stakeholders.
 - e. Proactively communicating those principles and protocols to the relevant stakeholders.
 - f. Ensuring that channels of communication with relevant stakeholders are kept up to date.
 - g. Creation of a schedule for communication during an incident and for post-incident follow-up and debrief actions.
 - h. Establishing the circumstances under which media comment will be made, considering a wide range of needs including those of consumers, merchants, regulators and participants directly and indirectly affected by a major incident.
 - i. Establishing processes and tools to support regular testing of the crisis communications strategy and response plans.

2. Review its approach to mechanisms and tools for internal communication. This must include:
 - a. Establishing principles and protocols for communication and coordination across regulatory and client facing teams and other functions during an incident.
 - b. Considering its approach to mechanisms and tools for internal communication to improve information sharing with external-facing staff.
3. Provide the PSR with:
 - a. A copy of Visa's crisis communications plan, showing any changes made since January 2019.
 - b. A report and supporting evidence to demonstrate that Visa has completed the requirements at 3.1(1) and 3.1(2) to the PSR's satisfaction.
4. Satisfy the PSR in relation to:
 - a. The criteria for a major incident triggering Visa's crisis communications plan as required at 3.1(1)(b).
 - b. The categories of relevant stakeholders to be notified during a major incident as required at 3.1(1)(d).

4 Requirement to assess its crisis communications plan

4.1 By 30 September 2019, or such later date as the PSR may notify in writing, and at least every twelve months thereafter, Visa must assess its crisis communications plan.

4.2 This assessment must include:

1. Testing the crisis communications plan by simulating an incident with a representative sample of Visa's participants.
2. Eliciting feedback from the participants in the incident simulation.
3. Assessing whether revisions are required to the crisis communications plan, taking into account participant feedback.
4. Making the required revisions to the plan.

4.3 By 30 November each year, or such other date as the PSR may notify in writing, beginning in 2019, Visa must provide the PSR with a report on the assessment of its crisis communications plan. This report must satisfy the PSR that Visa has completed the requirements of 4.1 and 4.2.

The report must include:

1. Evidence of which participants Visa involved in the test of the remediation action and how they were selected.
2. Details of how Visa elicited feedback from participants and a summary of any such feedback.
3. Details of any revisions made as a result of the assessment and/or feedback, details of any outstanding actions and a timescale for completion of such actions.

5 Requirement to use its crisis communications plan in any future major incident

- 5.1** Visa must, in the event of a major incident, follow the procedures set out in its most recent crisis communications plan.
- 5.2** Visa must, in the event of a major incident, notify the PSR as set out in its communications schedule.
- 5.3** Visa must, within one month of the major incident and the use of the crisis communications plan, provide the PSR with its assessment of the effectiveness of the plan and details of the implementation and timetable for any necessary revisions to the plan.
- 5.4** Visa may depart from the procedures in the crisis communications plan only in cases where the circumstances of the major incident justify it. Visa must report such cases to the PSR within one month of the major incident, explaining the circumstances and the reasons why it has not followed the crisis communications plan.

6 Monitoring requirements

- 6.1** Visa must provide any additional information as the PSR may require from time to time for the purposes of monitoring compliance with this specific direction.

7 Application

- 7.1** This specific direction applies to the operator of the Visa Europe scheme.

8 Commencement and duration

- 8.1** This specific direction comes into force on 31 May 2019.
- 8.2** This specific direction shall cease to be in force five years after the date on which it comes into force, unless, prior to that date:
- it is varied, revoked or extended by the PSR; and
 - the operator of Visa Europe is notified of this change in writing.
- 8.3** The PSR may review this specific direction at any point prior to the date on which it ceases to be in force.

9 Citation

- 9.1** This specific direction may be cited as SD9 (Crisis communications: Visa).

10 Interpretation

- 10.1** The headings and titles used in this specific direction are for convenience and have no legal effect.
- 10.2** The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament except where words and expressions are expressly defined.

- 10.3** References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.
- 10.4** In this specific direction, the word 'including' shall mean including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word and the word 'include' and its derivatives shall be construed accordingly.
- 10.5** In this specific direction:
- **Act** means the Financial Services (Banking Reform) Act 2013.
 - **Major** incident is an incident, as defined in Visa's crisis communications plan, which will trigger the activation of that crisis communications plan.
 - **Operator** has the meaning given by section 42(3) of the Act.
 - **Participants** has the meaning given by section 42(2) of the Act.
 - **Payments processing ecosystem** means the different payments systems and their respective users/providers.
 - **Payment system** has the meaning given by section 41 of the Act.
 - **Payment Systems Regulator** or **PSR** means the body corporate established under Part 5 of the Act.
 - **Regulated payment system** means a payment system designated by HM Treasury under section 43 of the Act.
 - **Visa** means the operator of the Visa Europe scheme, the regulated payment system designated by HM Treasury under section 43 of the Act in March 2015.

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