

The Payment Systems Regulator Ltd

Minutes

Meeting:	PSR Board	
Date of Meeting:	21 January 2015	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Amelia Fletcher	Sir Brian Pomeroy
	John Griffith-Jones (Chair)	Hannah Nixon
Apologies:	Martin Wheatley	Chris Woolard
In attendance:	Set out in Annex A	

Quorum and Conflicts

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 meetings held on 2 April 2014, 14 May 2014 and 16 July 2014 were approved as correct records of the meetings and for publication.

The minutes of the Board meetings held on 16 September 2014, 15 October 2014 and 13 November 2014 were approved as correct records of the meetings and for publication, subject to any final comments being provided to the Secretary within a week of the meeting.

1.2 Matters arising

The Board noted progress in respect of matters arising from previous meetings.

2 Specific items of business

2.1 PSR Panel

Mr Locke, the Chair of the PSR Panel, attended and provided a report on the progress of the recently established PSR Panel. He reported on the Panel's first meeting and explained that whilst members came from a range of backgrounds, they had been appointed for their knowledge and experience of the sector and there was unanimous commitment to adding value to the work of the PSR.

The Board noted the different roles of the Statutory Panel and the Strategy Forum and agreed that this would need to be clarified further as the two groups developed. The Board considered the terms of reference of the Panel. It discussed confidentiality requirements and the protocols for sharing information and agreed the Panel should receive a presentation on this issue. The Board discussed the Panel's public profile and how the PSR would respond to representations made. It agreed that this would be done

on an annual basis except in extremis in order to maintain effectiveness. The Board noted that, in response to a request from Andrea Leadsom, MP, Mr Locke had agreed to provide her with an informal update on the progress of the Panel.

The Board approved the terms of reference.

The Board approved the appointment of Colin Tyler as a member of the Panel from 1 February for a three year term, subject to a review of the Panel membership and operation after a year.

3 Managing Director's Report

Ms Nixon presented her report. The Board noted in particular that the senior management team had now been appointed and the PSR's first year staff survey results were positive. It noted the PSR Executive Committee had been meeting since December and the interface with the FCA was being tested in some areas where the processes of a large organisation were being mapped onto the PSR.

Ms Nixon explained that following the publication of the consultation paper, the senior team had been re-focusing its attention on the strategic direction of the PSR, to that end, the stakeholder engagement that had happened so far had helped the team understand what was important to stakeholders.

Ms Nixon highlighted that it was possible that the PSR's responsibilities might increase and the senior team was keen to ensure that the PSR articulated itself in an appropriate way with regard to its duties as an economic regulator and the interaction with the FCA. The Board agreed it would be important to discuss the positioning of the PSR and asked for an item on the next meeting agenda to do so.

The Board noted the PSR's intention to have a complaints scheme although at present it was not required to do so in law. The Executive was looking at different options for the operation of the scheme and oversight of investigations.

The Board noted a conflict of interest for the consultants PA Consulting, and the action the PSR management had taken to move the relevant individuals from the PSR Programme with effect from 23 January and to find a replacement.

4 Specific items of business (continued)

4.1 Early feedback on stakeholder responses to policy consultation

The Board noted the overview of the responses to the PSR consultation paper. The Board noted the preliminary examination of the responses showed most respondents supported the proposed approach and specific proposals. There had been some exceptions which included the card systems operators on the proportionality of applying a number of proposals to card systems. There was also some opposition to PSR principles, the perceived influence of FCA conduct regulation and concern about the overlapping jurisdictions and interactions between regulators (FCA, CMA, BoE, PRA, PSR).

The Board noted the Executive would review the responses in detail and provide further analysis and the Day 1 policy proposals to the next meeting.

4.2 Approach to regulatory and operational risk

The Board noted the proposed approach to operational and regulatory risk for the PSR which was underpinned by the three lines of defence model. The Board noted that Ms Nixon was keen for the risk model to be a tool that enabled PSR staff to own the risks and deliver against the PSR's objectives as a result.

The Board agreed that, at this early stage in its existence, the PSR should review external risks in detail and oversee the operation and interaction between the first and second line of defence at the Board meetings, rather than delegating this to a Risk Committee. It also agreed there should be co-ordination between the FCA and PSR risk framework which would also be considered by the PSR Board.

The Board noted that the FCA Risk team would provide support via the second line of defence and the challenge on resources as a result. The Board noted the issues to be resolved and asked the PSR team to expedite the setting up of the governance structure, risk framework training and development of the risk appetite.

4.3 Memorandum of Understanding between PSR/FCA/BoE/PRA

The Board noted the draft MOU between the PSR, Bank of England, Prudential Regulatory Authority and the FCA which was a statutory requirement.

The draft had been agreed at working level and was being circulated to the relevant governing bodies for approval prior to sharing with the eight designated payment systems for information in February and it being laid before Parliament by the Treasury in March.

The Board noted that the MOU would be amended to add references to the urgent action protocols to paragraph 38 and also suggested that the PSR should consider setting up a 24-hour duty officer for emergency purposes.

The Board agreed that it should be the body that reviewed the working of the MOU on an annual basis.

The Board agreed the MOU, subject to any minor amendments by the other relevant bodies and delegated authority to Ms Nixon to approve any minor amendments made by the other relevant authorities or at working level.

4.4 Information sharing

The Board noted the paper in relation to information sharing and recognised the need for this to be worked into an information policy that was easily understandable by staff. The Executive undertook to provide a version of this to the next Board meeting.

4.5 PSR Approach to Designation

The Board noted the proposed framework for the PSR to consider when it might recommend that the Treasury designate systems for regulation. To date the PSR had taken a neutral stance on providing a view in relation to the Treasury's designation of systems, however believed there might be occasions in future where it might be appropriate to highlight actual or potential issues where designations might benefit competition and consumers.

The Board agreed it was not necessary to reserve these decisions to the Board, however asked Ms Nixon to inform it should the Executive decide to make any representations to the Treasury on this issue.

4.6 Risk update

The Board noted the risk update and that in future this (consisting of high and medium-high risks) would be included in the Managing Director's report. The Board asked to see the whole risk log on a six-monthly basis.

4.7 Financial update

The Board noted the finance report and that the budget for 2014/15 was on track. In future this would be included in the Managing Director's report. It also noted that Ms Nixon would need to review the position for 2015/16 in the light of any proposed scope increases and revert to the Board if she believed there needed to be any changes to the agreed budget.

4.8 Competition Concurrency

The Board noted that the PSR was planning to consult on the draft guidance to its concurrent competition powers in parallel with the FCA consultation on the same issue and that the PSR had developed guidance using the FCA's guidance as a starting point. The approach was not exactly the same, but very similar, and the consultation would highlight areas of divergence. The PSR and FCA would consider joint responses.

The Board agreed the consultation paper for publication.

5 Papers for noting

The Board noted the minutes of the Executive Committee meetings held on 1 and 16 December 2014.

6 Any Other Business

There was none.

Claire Strong

Deputy Company Secretary

Annex A: Attendees

Simon Brindley	Chief Counsel of Banking, Credit & Competition, General Counsel's Division
Stephen Locke	Chair of the PSR Panel (for item 2.1)
Rebecca Tabor	Manager, Practitioner Panels Secretariat Team (for item 2.1)
Grahame Tinsley	Manager, Payment Systems Regulator (for item 4.2)
Emma Smithies-Barnett	Manager, Regulatory Business Partners (for item 4.2)
Nancy Johnson	Manager, Payment Systems Regulator (from item 4.3)
Claire Strong	Deputy Company Secretary

Associates, contractors and technical specialists attended for relevant items.