

Minutes

Meeting:	PSR Board	
Date of Meeting:	16 July 2014	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Amelia Fletcher	Sir Brian Pomeroy
	John Griffith-Jones (Chair)	Martin Wheatley
	Hannah Nixon	
Apologies:	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 PSR Board meeting held on 14 May 2014 were approved.

1.2 Matters arising

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

1.3 Managing Director's Introduction

Ms Nixon commented that:

- it was important to be clear how much it would be possible for the PSR to deliver initially given the tight timelines, complexity of payment systems and the need for an appropriate regulatory framework to ensure continued system resilience. Joining up with the relevant work in the wider FCA would also be important;
- this was new territory for regulation but the PSR had achieved a great deal in a short time with only a small number of staff. Ms Nixon extended her thanks to Ms Starks for her contribution as interim Managing Director of the PSR and the team for their work to date; and
- significant stakeholder engagement had already taken place and this would continue to be a main focus in the coming months. Recruitment would also be a focus with only ten permanent employees currently in place.

2 Policy papers

2.1 Narrative for Autumn Policy Proposal Consultation

Ms Starks noted that:

- the paper reflected the discussion at the recent Board awayday and was seeking a steer on the focus for the forthcoming consultation;
- as part of the dispute resolution process, industry would be encouraged to require intervention from the regulator only as a last resort. The criteria would also enable some categories of complaint to be prioritised;
- the perimeter of the PSR's responsibility was not tightly defined in statute so it would be important to be clear what it was intended that the regulator would do at an early stage;
- the FCA regularly reviewed barriers to entry into banking but wider research into barriers to entry into the financial services industry would also be useful; and
- the establishment of the statutory PSR panel was being progressed and it was expected that the panel would be in place by the time of publication of the consultation paper. The names of proposed members would be considered by the Policy Committee and the appointment of the Chair would require Treasury approval. These steps had been built into the timeline.

The Board agreed that it considered that the agreed direction of travel was appropriate.

2.2 Delivery timelines for Autumn policy proposal consultation

Ms Johnson introduced the paper and the following points were noted:

- a comprehensive timetable had been produced although it was noted that this was dependent on various other steps on the timeline and the publication date could be moved if the Board considered this necessary; and
- the Chairman asked Ms Nixon to consider the current membership of the Policy Committee and to propose any changes that she considered appropriate.

2.3 Payments Council Function Mapping

Mr Thomas briefed the Board on the role and responsibilities of the Payments Council.

2.4 PSR Regulatory and Implementation Tools

Ms Johnson introduced the paper and the following points were noted:

- the PSR would need to choose how it decided to take formal action, including in cases where a proposed exercise of power was resisted. The requirement in section 395 FSMA for there to be a decision-maker separate from the person "establishing the evidence on which a decision is based" did not apply to the PSR. Further consideration would be given to the most appropriate process for the PSR to use for decision-making, including in cases where the PSR exercised "concurrent powers" available to the competition authorities, and it would be important to communicate the process to the industry at an early stage;

- dispute resolution mechanisms would be encouraged alongside the PSR's formal powers to decide on applications for granting access to payment systems. It was hoped that many concerns could be addressed through mediation or by agreement, and not require a formal decision on an application. It was agreed that proposals for a decision-making and dispute resolution mechanism would be developed further and then submitted to the Board for agreement;
- it was agreed that the PSR should consider joining the statutory complaints scheme for the FCA and others;
- it was agreed that the Plan and Budget for 2014/15 would be in short form and would be submitted to the Board for approval in September 2014 and that the 2015/16 Plan and Budget would be submitted in January/February 2015;
- the Board endorsed the proposed approach of modelling Memoranda of Understanding with the FCA, PRA and Bank of England on existing Memoranda and noted that the finalised documents would be submitted to the Board for approval in the Autumn; and
- non legally-binding Regulatory Guidance, aligned where relevant with that of the FCA, would be drafted setting out how the PSR's objectives would be pursued.

2.5 Ofcom/PSR Collaborative Study on Innovation

The Board considered the progress of the collaborative study and the following points were noted:

- it was anticipated that the study would be published during the third quarter of 2014; and
- it was important for the PSR to collaborate with Ofcom;

The Board was content with the progress of the study and delegated sign-off and the timing of publication to Ms Nixon.

3 Operations

3.1 PSR Target Operating Model

Ms Nixon circulated a draft outline structure for the PSR and in the ensuing discussion, the following points were noted:

- it was difficult to determine the appropriate staffing level as the workload as at 1 April 2015, and then in steady state, was not yet clear;
- it would be important to achieve the right mix of skills, including economics expertise at an appropriately senior level; and
- full resourcing was unlikely to be achieved by 1 April 2015 but recruitment would be progressed during the first year of operation.

After consideration, the Board agreed the resourcing levels.

3.2 Setting Fees to Fund the PSR

Ms Johnson introduced the paper and noted that:

- the Financial Services (Banking Reform) Act required the FCA to determine how and on whom it would levy fees to recover the PSR's set-up costs and ongoing operating costs. The FCA would then collect the fees on behalf of the PSR;
- the funding proposals would be included within the FCA's annual fee consultation; and
- an amortisation period of three to five years to recover the PSR's set-up costs was considered but it was agreed that the views of Mr Godfrey, the FCA's Finance Director, would be sought.

Ms Starks left the meeting.

3.3 Financial Update

The financial update was considered and the Board noted that the Portfolio Oversight Board had approved funding of £4.65m for the Detail Design Phase from July to the end of October 2014. After consideration, the Board approved the detail design programme costs.

3.4 High Level Risk Report

The Board noted the report and the following points:

- the report indicated whether each risk fell within the remit of the Audit Committee or the Risk Committee; and
- there had been no significant change in the overall programme risk status since the last Board meeting.

4 Any Other Business

Mr Griffith-Jones advised that he would be unable to attend the next meeting of the Board and it was agreed that, in his absence, Sir Brian Pomeroy would chair the meeting.

Assistant Company Secretary

Annex A: Attendees

Nancy Johnson	Manager, PSR
Jana Mackintosh	Manager, PSR
Sean Martin	General Counsel, FCA
Mary Starks	FCA Competition Director
Gareth Thomas	Manager, PSR

Relevant associates and technical specialists also attended the meeting