

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 17 May 2017
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present: John Griffith-Jones (Chair) Noel Gordon
Carole Begent Hannah Nixon
Amelia Fletcher Christopher Woolard

Apologies: Andrew Bailey Bradley Fried
In attendance: Set out in Annex A

Quorum and Conflicts

The Meeting noted there was a quorum present and proceeded to business.

Minutes and Matters Arising

- 1.1 The minutes of the Board meeting held on 22 March 2017 were **approved** as a correct record of the meeting.
- 1.2 The Board **noted** the progress in respect of the matters arising from previous meetings.

2 Board Committee Reports

- 2.1 The Board was reminded that it had been agreed that Audit Committee minutes and PSR related internal audit reports would be circulated to ensure that there was oversight of PSR related issues. The tabled internal audit report on interfaces with the FCA was drawn to the Board's attention and noted.
- 2.2 The Board **noted** the minutes of the Audit Committee meeting held on 1 December 2016.

3 PSR Panel Update

PSR Panel Report

- 3.1 The Board received the PSR Panel report. Noel Gordon reported that he had attended a meeting of the panel and had been impressed with their level of engagement. The panel was keen to engage further with the PSR Board. It was agreed that it was good practice for Board members to attend panel meetings on an on-going basis and that arrangements should be made for them to be invited to upcoming meetings.
- 3.2 It was noted that the FCA were having discussions on the impact of Britain leaving the EU and that there did not appear to be a similar level of debate by the PSR. Responding, Hannah Nixon advised that there were fewer issues which could impact the PSR, although a close watching brief was being kept. The FCA, PSR and Treasury were working together and would ensure that there was consistent messaging as appropriate.
- 3.3 The Board **noted** the PSR panel report.

PSR Panel Annual Report

- 3.4 The Board received the PSR Panel Annual Report for 2016/17, which was due to be published at the same time as the PSR Annual Report.
- 3.5 Subject to minor comments the Board **noted** the Panel's Annual report.
- 3.6 The outcome of the discussions on panel membership would be brought to the July Board meeting.

4 Report from the Managing Director

- 4.1 The Board received Ms Nixon's report and noted that the launch of the PSR Annual Plan for the ensuing year had been well attended by a range of stakeholders. There was also significant interest in the 3 projects on which exploratory work was being undertaken by the PSR: competitive dynamics, data and consumer protection, and education.
- 4.2 The Board was advised that the PSR had established a complaints scheme modelled on that of the FCA, to deal with complaints about the conduct of individual staff. It was queried what the procedure would be if a complaint was made against a member of the Senior Leadership Team (SLT) and Ms Nixon confirmed that in such instances the pool of potential investigators would be augmented in consultation with the Company Secretary. Noting that the scheme had only been used once since its inception, the Board requested that nevertheless, it should be kept appraised of performance in this area periodically.

5 Update on monitoring of compliance with the Interchange Fee Regulation

- 5.1 The Board was reminded that the PSR is the main competent authority for monitoring and enforcing the Interchange Fee Regulation (IFR) and published guidance in 2016 stating that it would require parties to provide information to demonstrate compliance with the IFR.
- 5.2 The Board was provided with an update on the PSR's monitoring work, which is currently focused on the interchange fee caps. It discussed the themes emerging from the work to date, including from the initial qualitative information gathered through a notice issued in January 2017 to card schemes and a subset of issuers and acquirers.
- 5.3 The Board **noted** the update on the approach being taken to monitor compliance with the IFR. It supported the PSR's proactive approach, including to monitor compliance with Article 5 of the IFR.

6 Card acquiring market

- 6.1 The Board received an update on the status of the card acquiring market at its request following concerns raised by the PSR Panel.
- 6.2 The Board was advised that some features of the acquiring market could impact on the effective functioning of competition. However, the PSR considered that now is not the right time to review the acquiring market, principally because it is important to allow time for the full effects of two major regulatory interventions – the IFR and second Payment Services Directive (PSD2) to play out.
- 6.3 The Board **noted** the update and agreed that developments should be kept under review.

7 Infrastructure Market Review Remedies Decision

- 7.1 David Bailey, Director of Financial Market Infrastructure, Bank of England, was in attendance for this item.
- 7.2 The Board was reminded that the Infrastructure Market Review undertaken in 2016 had found problems in relation to competition and a subsequent consultation on proposed remedies was then held. Following the broadly positive response to the consultation it was now proposed to implement remedies having sought further comments from interested parties.
- 7.3 Flexibility had been built into the remedies for a procurement exercise which allowed the operators to apply to the PSR to delay a competitive procurement. The PSR would assess any applications made.

7.4 In conclusion the Board **approved** the remedies in principle and agreed that the executive should continue discussions of the drafting with Amelia Fletcher. Once they had reached a consensus with her they should sign off the final wording.

8 Twice yearly discussion of all risks

8.1 The Board was advised that the risk register continued to be a live document and was reviewed by the SLT monthly.

8.2 The Board **noted** the risk register and that it would next be presented at the November meeting.

9 Feedback from the stakeholder reputation survey 2017

9.1 Representatives of Britain Thinks (who conducted the independent survey for the second year) attended the meeting for this item and took the Board through the methodology used and their high level findings.

9.2 The Board agreed that it was helpful to have an overview of the perceptions of its many stakeholders and discussed some of the specific findings.

9.3 The Board **noted** the report and thanked the representatives of Britain Thinks for attending to present their findings.

10 Employee survey results

10.1 Louise Buckley introduced the 2017 PSR employee survey results stating that given the stage in PSR's development, the results were felt to be broadly fair. It was noted that the people strategy was being developed building on the organisation's strengths and would focus on pastoral care of its people. The survey results would inform this work.

10.2 The Board **noted** the report.

11 Review of draft 2017 annual report and accounts

11.1 Receiving the draft PSR annual report and accounts, the Board noted that the auditors had indicated that they would be giving an unqualified audit opinion on the PSR accounts.

11.2 The Chair suggested that the annual report be clearer about the levies and underspend for the year and a number of other suggested changes and comments were made. It was agreed that any further comments be forwarded outside the meeting.

11.3 The Board noted the PSR draft annual report and accounts and the timeline for final approval and laying before Parliament.

12 Which? Super Complaint – PSR update

12.1 The Board received an update on the follow on work of the PSR in response to the Which? super complaint on authorised push payment (APP) scams. There were two elements to the work – one involving the PSOs and the other involving PSPs - and each was discussed in turn.

12.2 The final terms of reference for the project looking at the role of payment system operators had been published and information was currently being collated to inform the project.

12.3 In response to a question it was confirmed that the technical solutions being built into the software would be ready in time to be incorporated into the new systems.

12.4 PSR was also monitoring the Financial Fraud Action (FFA) UK work in response to the complaint and had met with them several times.

12.5 The FCA led project regarding the sending and receiving of payment service providers (PSPs) was the subject of a separate update at the meeting (see minute 13 below). The Board stressed the importance of drawing the two pieces of work together.

12.6 It was reported that Which? had recently issued a press release asserting lack of progress by industry. The PSR had responded to state that it was still on track with the agreed timelines.

12.7 The Board **noted** the update.

13 Which? Super Complaint – FCA update

- 13.1 The FCA presented an update on its work in response to the Which? super complaint which involved working with firms to tackle concerns around both sending and receiving banks in relation to authorised push payment fraud and examine evidence received from the super complaint and address any firm specific issues.
- 13.2 The work on a firm by firm basis, and peer comparison to assess firms' performance using the information gathered by Which? and the PSR, was nearing completion, although the quality of the data was variable. The work was due to be completed by the end of June 2017.
- 13.3 Sector wide issues were also being assessed to understand the steps needed to improve the standards expected of both sending and receiving banks and the FCA Sector team was engaging with other parts of the FCA as appropriate. The FCA also anticipated having a role in the promotion to industry of guidelines being drafted by the FFA.
- 13.4 The Board discussed how the work of the PSR and FCA in response to the super complaint could be drawn together. It was agreed that a joint Project Board led by Hannah Nixon should be established and would report to the September meeting of the Board with updates being included in the Managing Director's report until that time. A joint narrative and communications timeline would be worked on by the project group

14 Minutes of Executive Committee meetings

- 14.1 The Board **noted** the PSR Executive Committee minutes.

15 Forward Agenda

- 15.1 The Board **noted** the forward agenda, subject to discussions at this meeting.

16 Any other business

- 16.1 There being no further business, the meeting closed.

John Griffith - Jones

PSR Chairman

Annex A: Attendees

Attending all, or substantially all, of the meeting:

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

Attending for the following items:

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|----|-----------------|-----------------------------------|
| 7 | Janet Duggan | Manager, PSR |
| 8 | Grahame Tinsley | Manager, PSR (also item 11) |
| 9 | Indrani Gardner | Manager, PSR |
| | Cordelia Hay | Research Director, Britain Thinks |
| | Ben Shimshon | Founding Partner, Britain Thinks |
| 11 | Alex Nicoll | Manager, Financial Accounting/P2P |
| 12 | Dora Guzelevea | Manager, PSR |
| 13 | Alison Walters | Manager, General Insurance Sector |

Relevant associates and technical specialists also attended the meeting.