

The Payment Systems Regulator Ltd

Minutes

Meeting:	PSR Board	
Date of Meeting:	27 January 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Carole Begent	Hannah Nixon
	Amelia Fletcher	Sir Brian Pomeroy (from 11.50am)
	John Griffith-Jones (Chair)	Christopher Woolard
In attendance:	Set out in Annex A	

Quorum and Conflicts

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

1 Minutes and Matters Arising

1.1 Minutes of the Board meeting held on 27 November 2015

The minutes of the Board meeting held on 27 November 2015 were approved as a correct record of the meetings.

1.2 Matters arising

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

John Griffith Jones reported that since the last meeting he had met with the executive directors to discuss appropriate governance arrangements for approving market reviews. The Board agreed that the Executive Committee would be the decision maker for market reviews unless the issue was sufficiently novel and contentious that it required a decision from the Board.

The Board also noted that recruitment for an additional non-executive director had commenced and the Board would receive an update in March.

1.3 Minutes of the Executive Committee meetings held on 3 November 2015, 3 December 2015 and 15 December 2015

The Board noted the minutes of the Executive Committee meetings.

2 Board Committee Reports

There were no updates.

3 Report from the Managing Director

The Board received and discussed the report from the Managing Director and noted the following points:

- 2016/17 would be another defining year for the PSR and would build on the previous year of engagement with stakeholders;
- Bank of England's Real Time Gross Settlement System (RTGS) would be reviewed by the Bank of England. The review would look at ways to increase standards, competition and innovation of payment systems; and
- The PSR Senior Management Regime map would be considered by the FCA Board. The Chairman agreed to feedback to the PSR Board on any issues raised by the FCA Board on the PSR Senior Management Regime map to ensure the FCA and PSR were consistent.

4 Specific items of business

4.1 Final sign-off: Annual Plan and Budget for 2016/17

The Board noted the final draft of the Annual Plan which had been developed from earlier drafts and noted that the design would be similar to last year's plan.

The Board also noted that the Plan had been shared with the PSR Panel and the PSR was required to consult with the Treasury and had held relevant discussions.

The Board suggested that the Plan should explain that the activities for 2016/17 would build on the work which had started in the first year of operation and should include a Risk Outlook which focused on the important environmental developments shaping payment systems. The Board was keen that the Plan explained what the PSR would do during the year and that activities may need to reprioritise in the light of any unexpected new developments. Ms Nixon said that the delivery of the Annual Plan objectives would be actively monitored.

The Board noted the reduction in the budget for 2016/17 budget and requested that the Treasury was informed.

The Board approved the Annual Plan and Budget and delegated authority to Ms Nixon to authorise any further changes before publication. The Board requested that it was provided with a copy of the final Plan for information at its March meeting. The Plan and Budget would be submitted to the FCA Board in February for approval.

4.2 Single Euro Payment Area (SEPA), standardisation and interoperability

The Board received a presentation on the European Single Euro Payments Area (SEPA) focusing on objectives of SEPA, timelines for migration to SEPA, standards and interoperability.

4.3 Infrastructure market review: interim report and provisional findings

The Board considered the provisional conclusions and potential remedies to be included in the Infrastructure Market Review Interim Report for consultation in February.

The Board noted that the provisional conclusions and potential remedies were for consultation allowing parties to comment on the various potential remedies. The consultation would enable the next stage of the review to explore such matters as implementation, detail and proportionality of the proposals.

The Board also noted that in accordance with PSR guidance, the final report would explain the detailed thinking on how the remedies were effective, comprehensive and proportionate.

The Board noted the following provisional findings:

- Competition in the provision of central infrastructure services was currently not competitive; and
- competition in the provision of gateway solutions was effective.

The Board noted the following potential remedies:

- Requiring use of competitive procurement processes;
- A common international messaging standard be adopted for FPS, BACS and LINK to facilitate greater choice of infrastructure provider;
- Divestment by the PSPs of their interest in VocaLink to address potential bidders' perception of the likelihood of winning any potential tender as well as the inertia arising from the common ownership.
- Put in place measures that ensure the separation of the ownership of the functions of LINK from VocaLink.

The Board noted engagement between the Bank of England and the PSR.

The Board also discussed that the aims of the remedies were to create incentives in the market to increase innovation and functionality to make markets work better. The detailed design and cost analysis of the impact of the proposed remedies would be considered in consultation with the industry.

The Board requested that the Second Line of Defence review the infrastructure review interim report and consultation to provide assurance to the PSR Senior Leadership Team. The Board also requested that the PSR consider sharing the report with the FCA.

The Board noted that the review was an insightful piece of work and agreed the potential remedies but advised that the language in the document should reflect the preliminary nature of the conclusions.

The Board agreed to publish the provisional conclusions and remedies and agreed the communication plan. The Board delegated authority to Hannah Nixon to approve non material amendments to the final draft of the Infrastructure Market Review Interim report.

4.4 Indirect access market review: Draft interim report and provisional findings

The Board was presented with a draft of the interim conclusion of the indirect access market review. The Board noted that based on the evidence, competition in the provision of indirect access was working well for many service-users. It was noted, however, that the PSR had concerns which included the limited choice in indirect access providers (IAP) and a number of quality-related issues.

The Board also noted that the two key factors impacting competition were financial crime regulation affecting the risk appetite of indirect access providers (IAPs) and the barriers to IPSPs switching IAPs. There were a number of developments occurring which have the potential to improve outcomes for IPSPs, including potential new entries

to the market and the PSR's work on direct access. The Board noted that a report on financial crime was being prepared by the FCA and the relevant section of the indirect access market review interim report and findings in relation to financial crime should be shared with the FCA.

The Board noted that the IAP Code of Conduct had been published and the provisions in the Code provided adequate support during the transition process.

The Board supported the proposed findings, conclusions and possible remedies but advised that a balanced message was communicated.

4.5 Regulatory remit - gaps and overlaps

The Board noted that at its Away Day in September 2015 it had discussed boundary issues in relation to the PSR's regulatory remit and requested a follow up paper. The paper presented to the Board discussed the initial summary of work conducted on boundaries issues relating to PSR designations, access, financial inclusion and resilience. The Board noted the potential gaps in relation to particular issues or overlaps where more than one regulator had an interest or role.

The Board discussed and noted the following:

- In relation to designations of regulated payment systems, the PSR would further develop its approach to assessing evidence and information when considering potential candidates for designation. The PSR could at any point request the Treasury to designate a payment system. The Bank of England also followed a similar process for systems to be recognised under the Banking Act;
- The Board discussed the PSR's role in relation to incidents and crisis situations. The PSR would not be a lead authority on anything relating to resilience but considered how it should be included on the Authorities Response Framework for payments issues;
- To date, there had not been one authority leading on financial inclusion and distributional issues relating to ATMs.
- The PSR would continue to work with other regulators, where appropriate, on matters relating to resilience and access. Issues of fraud and financial crime fall within the remit of the FCA.

The Board discussed concerns that certain systems were not recognised as designated and therefore were not being regulated.

The Board requested a joint paper from the FCA and PSR executive to consider the over or underlap of the organisations respective responsibilities in respect of payment systems, in particular resilience-

4.6 Guidance on voluntary redress schemes in competition cases

The Board agreed to adopt the CMA Guidance on the approval of voluntary redress schemes for infringements of competition law published in August 2015. The PSR would apply the PSR's Administrative Priority Framework to decide whether or not to consider a redress scheme instead of the CMA's Prioritisation Principles (CMA16), as envisaged in the CMA Guidance. The Board also agreed to publish the notice of adoption and for the Head of Department (Legal) to sign off the publication of the notice.

5 Forward Agenda

The Board noted the forward agenda.

6 Any Other Business

There was none.

Assistant Company Secretary

Annex A: Attendees

Claire Strong	Deputy Company Secretary
David Bailey	Director, Financial Market Infrastructure, Bank of England (item 4.3)
Toby Davies	Director, Banking Payments and Financial Resilience, Bank of England (item 4.3)
Dora Guzeleva	Manager, PSR (items 4.2 and 4.3)
Nancy Johnson	Manager, PSR (items 4.4)
Jana Mackintosh	Manager, PSR (item 4.4 and 4.5)
Toby Parker	Manager, PSR (item 4.1, 4.3 and 4.4)
Grahame Tinsley	Manager, PSR (item 4.1)

Relevant associates and technical specialists also attended the meeting.