

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 13 September 2017
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present: John Griffith-Jones (Chair) Noel Gordon
Andrew Bailey Hannah Nixon
Carole Begent Simon Ricketts
Amelia Fletcher Christopher Woolard
Bradley Fried

Apologies: None
In attendance: Set out in Annex A

1 Apologies, quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 Bradley Fried **declared** that he had resumed an executive role at investment firm Grovepoint Capital. During his absence the firm had acquired cash machine operator Payzone, however, he had had no involvement in this decision and would not have any role in the operator's ongoing operation. The Board agreed that this did not constitute a conflict in respect of any of the matters to follow but would be mindful of the declaration going forward.

2 Minutes and Matters Arising

- 2.1 The minutes of the Board meeting held on 5 July 2017 were **approved** as a correct record of the meeting subject to any outstanding comments being forward to the Secretary.
- 2.2 The Board **noted** the progress in respect of the matters arising from previous meetings.

3 PSR Panel update

- 3.1 The Board was updated on progress in relation to appointments to the Panel. In considering the desirable knowledge, skills and experience of potential applicants the Board noted the current absence of any merchant acquirers on the Panel.
- 3.2 The Board **noted** the PSR Panel update.

4 Report from the Managing Director

The Board **received** the report and **noted** the following updates:

- 4.1 **New Payment Systems Operator (NPSO):** Key milestones had been achieved in the establishing the NPSO including the appointment of its first Chair and selection of a preferred candidate for Chief Executive Officer (subject to Bank of England (BoE) approval). Three independent non-executive director appointments had also been proposed by the Chair with additional appointments expected to be proposed towards the end of the year.

- 4.2 Whilst it was noted that the PSR had no formal role in these appointments the Board expressed the importance of ensuring that there was large scale IT programme and procurement expertise on the NPSO Board.
- 4.3 **New Economic Secretary to the Treasury:** The Managing Director had met with Stephen Barclay MP.

5 PSR/FCA work on authorised push payment (APP) scams

- 5.1 It was reported that good progress was being made in implementing the agreed work programme to address issues identified following the Which? Super-complaint. This programme was being overseen by a joint PSR and FCA steering group with part of the work being undertaken by the financial services industry (originally as represented by FFA UK, but now by UK Finance) under the oversight of the PSR.
- 5.2 In response to a previous enquiry from the Board, UK Finance's provisional H1 2017 APP scam statistics were tabled at the meeting to give an initial sense of the scale of the issue in relation to other types of fraud. In considering this the Board noted the importance of considering the potential for additional fraud initiated via Account Information Service Providers (AISPs) and Payment Initiation Service Providers (PISPs) following the introduction of PSDII.
- 5.3 Some of the initiatives being implemented to help address consumer harm, particularly the best practice standards on how Banks respond to reported scams, should begin to reduce the impact of APP scams over the short term. Targeted FCA supervision in this space would also seek to provide additional deterrent. The PSR would support industry initiatives for legislative change (where the PSR agreed with the proposals) to address legal barriers that may be inhibiting PSP's prevention and response to APP scams.
- 5.4 It was noted that industry proposed the concept of a model that sets out the circumstances when PSPs would be responsible for reimbursing APP scam victims that have acted appropriately. This was an example of a voluntary contingent reimbursement model, where reimbursement depends on whether the PSPs involved have met the required standards, such as measures and processes that help prevent and respond to scams, and whether the victim has taken the requisite level of care. The PSR intended to consult on a contingent reimbursement model and how it should be designed and implemented.
- 5.5 The accompanying communication approach is split into two waves: the first, in September, is to mark the anniversary of the Super-complaint being submitted, recognise the level of interest in the work, and confirming that an update will be published in November 2017. This would then be followed by a second wave in November to provide an update and assessment of the work undertaken in response to the actions we required to be undertaken in our December 2016 response to the super complaint, and a consultation on the contingent reimbursement model (the November publication).
- 5.6 The Board **approved:**
- 5.6.1 the issue of the November publication
 - 5.6.2 the two stage communication approach (September and November 2017) and that authority be delegated to the Managing Director to approve the November publication.

6 BoE taking on the operation of the High Value Payment System (CHAPS)

- 6.1 The Board noted that, as previously discussed, the BoE will be taking on the operation of CHAPS in Quarter 4 2017 and that once this move takes place the PSR will be unable to regulate the BoE as operator of CHAPS or as the infrastructure provider to the system.

6.2 In response a series of recommendations had been considered with regards to the ongoing relationship between the PSR and BoE as the operator of the CHAPS payment system. These recommendations had been developed with, and were endorsed by, the area of the BoE that will operate the CHAPS system.

6.3 The Board **approved** that:

6.3.1 confirmation be sought from HMT that the designation of the CHAPS payment system will continue and that the PSR thereby retains regulatory powers in relation to participants of the CHAPS system (excluding the BoE as it is not a participant for the purposes of FSBRA)

6.3.2 the PSR should enter into formalised and regular engagement with the BoE on the operation of the CHAPS payment system

7 PSD2 final approach

7.1 The Chair reported that the FCA Board had received its own report on the implementation of the directive at its meeting on 12 September 2017. It was noted that in light of responses from the consultation on the draft PSR Approach Document minor amendments and additions had been made.

7.2 The Board **agreed** to:

7.2.1 publish the Approach Document and relevant chapters of the Policy Statement

7.2.2 delegate authority to Paul Smith to sign off any changes to the Approach Document or Policy Statement as requested by the Board

7.2.3 delegate authority to the Executive Committee to approve the Powers and Procedures Guidance and relevant sections of the Policy Statement for publication

7.2.4 appoint the Enforcement Decisions Committee (EDC) to decide, in contested cases, whether compliance failures have occurred and whether to impose a financial penalty and/or publish details of compliance failures under the Payment Systems Regulations 2017.

7.3 The Approach Document and Policy Statement would be published alongside those of the FCA on 18 September 2017.

8 Role specification for Chair & Senior Independent Director (SID)

8.1 Subject to some amendments proposed by the Board, the Board **approved** the role specifications for the Chair and SID which had been updated to incorporate the recommendations from the 2015 Board effectiveness review and align them where appropriate with those of the FCA.

9 Papers for noting

9.1 **Minutes of Executive Committee meetings**

9.1.1 The Board **noted** the PSR Executive Committee minutes.

9.2 **Forward Agenda**

9.2.1 The Board **noted** the forward agenda, subject to discussions at this meeting. The date of the next meeting was noted to be 22 November 2017.

10 Any other business

10.1 There being no further business, the meeting **closed**.

John Griffith - Jones

PSR Chairman

Annex A: Attendees

Attending all, or substantially all, of the meeting:

Louise Buckley	Head of Department, Communications and Operations
Sarah Day	Assistant Company Secretary
Simon Pearce	Company Secretary
Paul Smith	Head of Department, Regulatory Strategy and Policy

Attending for the following items:

5	Toby Parker	Manager, PSR
	Dora Guzeleva	Manager, PSR
	Rebecca Irving	Manager, Retail Banking, FCA
	Jessica Wiltshire	Associate, Retail Banking, FCA
6	Nick Davey	Technical Specialist, PSR
	Andrew Hauser	BoE, Executive Director for Banking, Payments and Financial Resilience

Relevant associates also attended the meeting.