

The Payment Systems Regulator Ltd

Minutes

Meeting:	PSR Board	
Date of Meeting:	11 May 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Carole Begent	John Griffith-Jones (Chair)
	Amelia Fletcher	Hannah Nixon
	Bradley Fried	Christopher Woolard
	Noel Gordon	
In attendance:	Set out in Annex A	

Quorum and Conflicts

The Meeting noted there was a quorum present and proceeded to business. The Board welcomed Bradley Fried and Noel Gordon to their first meeting as non-executive directors.

1 Minutes and Matters Arising

1.1 Minutes of the Board meeting held on 9 March 2016

The minutes of the Board meeting held on 9 March 2016 were approved as a correct record of the meeting.

1.2 Matters arising

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

2 Board Committee Reports

There were no updates.

3 Report from the PSR Panel

The Board received the report from the Panel and noted the topics from the Panel's April meeting, including extracting maximum value from the Panel and the approach to success measures by the PSR.

The Board acknowledged Stephen Locke's work in establishing the Panel.

4 Report from the Managing Director

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

- The activities around the PSR's first anniversary had been received well, both internally and externally

- Update on the infrastructure market review
- The PSR was engaging with the Treasury and other relevant regulators on matters of resilience

5 Specific items of business

5.1 Twice yearly discussion of all risks and review of operation of the 1st and 2nd line of defence.

The Board noted the strategic risk framework, which followed the broad principles of the FCA's framework and had developed substantially since the Board last reviewed it. The Board considered how risks outside the perimeter of the PSR were monitored and agreed that the communication risks in the register should be reviewed. The Board noted that an escalation policy was in place as well as an emergency response framework with regulatory counterparts.

The Board also commented on its risk appetite approach, taxonomy and grading of risks and agreed that Noel Gordon should discuss this further with the PSR. The Board also agreed to invite Second Line of Defence to attend the next Board consideration of PSR risks.

5.2 Draft Annual Report 2015/16

The Board reviewed the latest draft of the Annual Report and noted the changes made since the last consideration at the March meeting.

The Board made some drafting comments and requested that the team ensure the survey results were included in the report.

The Board noted that there had been an underspend in 2015/16 and an approach to handling this in the future should be established. The Board also asked Hannah Nixon to consider how the additional surplus should be treated and whether this should be explained in the Annual Report/Accounts.

The Board noted that the Director's report, Corporate Governance statement and Financial Statements would be considered by the Audit Committee in May and the Finance team was not aware of any significant issues raised by the auditors.

5.3 PSR panel recruitment process

The Board discussed the paper outlining the process for recruiting members to the PSR Panel, including objectives of the recruitment strategy and the recruitment process for specific groups. The Board also noted the succession plan for members whose terms end in 2017.

The Board noted that the process allowed for a wider approach to advertising for payment service providers, technology firms and sponsor bank groups, if required.

The Board agreed with the proposals outlined and asked for information about the process, reflecting its comments, to be published on the website.

5.4 PSR Panel Annual Report

The Board received the PSR Panel's first Annual Report which highlighted the role of the Panel and its work during its first year. The Board suggested that the report should clarify the Panel's view that there were circumstances in which barriers to innovation in payments systems sometimes arise from the need to protect the public interest.

The Board noted that the Panel's report would be published by the Panel at the same time that the PSR's Annual Report is published.

5.5 Direct Debit liability

The Board received an update on UK Direct Debit in relation to access and liability and in particular concerns raised about open-ended/unlimited liability associated with the Direct Debit Guarantee, claims of there being increasing levels of refund rights 'abuse' and fraudulent refund requests and concerns around the refund process and originators' limited ability to dispute refunds. The Board would receive an update in the Autumn.

5.6 Infrastructure market review – update

The Board received an update on progress in relation to the infrastructure market review and the consultation responses received.

5.7 Interchange Fee Regulation draft guidance - Phase 2

The Board noted and discussed the proposed draft guidance for Phase 2 which set out the PSR's approach to monitoring and enforcing compliance with the IFR (Phase 2). The Board noted that the consultation would not explicitly seek stakeholders' views on matters of law, but would seek views on the proposed approach to monitoring and enforcement.

The Board agreed the following:

- the approach to monitoring and enforcing compliance with the Phase 2 IFR provisions should be consulted ahead of 9 June 2016
- the draft Guidance should not pre-empt the final regulatory technical standards (RTS) on the separation of scheme and processing activities under Article 7(1)(a) of the IFR (which would be adopted by the European Commission). Rather, guidance should state that the RTS would describe the requirements for separation and explain how the PSR would monitor compliance with those RTS
- the draft Guidance recognised the practical implementation challenges posed by acquirers unblending their merchant service charges (MSCs)
- the draft guidance should establish a reactive PSR approach to monitoring compliance by card issuers with certain obligations under Article 8 (Co-badging) and Article 10 (Honour All Cards Rule)
- the draft guidance recognised the PSR, and those of the PSR and Trading Standards (and others), respective roles in relation to monitoring and enforcing compliance by merchants with their obligation (under Article 10(4)) to display information on the cards that they do or not accepted;

The Board agreed that the PSR should return to the Board with consultation results in September for approval of final guidance.

5.8 Payments Strategy Forum

Ruth Evans, Payments Strategy Chair, presented to the Board her reflections on the work of the Forum, its current status and emerging solutions. The Board noted the following:

- The Forum was expected to produce its draft strategy by the 13th July, which would be launched at a 2nd Payments Community event, followed by a six week consultation period. The final strategy would be published in Autumn 2016
- There had been good engagement with relevant stakeholder communities to date
- Emerging solutions aimed at addressing service user detriments and how these should be progressed were being considered by the Forum and would form the basis of the draft strategy

The Board noted the key points and agreed the recommendations in the supporting paper and advised they were pleased with the progress of the Forum. In addition to the proposed next steps the Board was keen to understand the position of major interested parties before publication of the draft strategy.

5.9 Payments Strategy Forum discussion

The Board reflected on the previous discussion about the Payment Strategy Forum.

6 Decisions of the Board

6.1 General directions 2&3

The Board approved changes to General Directions 2 and 3.

6.2 Annual review of Memorandum of Understanding: Payment Systems Regulator/Financial Conduct Authority/Bank of England/Treasury

The Board agreed to publish the summary statement of the review of the Memorandum of Understanding between the Payment Systems Regulator, Financial Conduct Authority, Bank of England and the Treasury.

6.3 Payment Account Regulations

The Board approved the final Payment Account Regulations guidance for publication.

7 Papers for noting

7.1 PSR ExCo minutes

The Board noted the PSR ExCo minutes.

7.2 Forward Agenda

The Board noted the forward agenda.

8 Any Other Business

There was none.

Assistant Company Secretary

Annex A: Attendees

Claire Strong	Deputy Company Secretary
Andrew Bailey	CEO, PRA and CEO-elect, FCA (item 5.8)
Louise Buckley	Head of Department, Communications and Operations (all except item 5.8)
Ruth Evans	Payments Strategy Forum Chair (item 5.9)
David Godfrey	Director, Finance Directors office (item 5.2)
Andrew Hauser	Director for Banking, Payments and Financial Resilience, PRA (item 5.6)
Stephen Locke	Chair PSR Panel (items 5.3 & 5.4)
Jana Mackintosh	Manager, PSR (item 5.5)
Paul Smith	Head of Department, Regulatory Strategy and Policy (all except 5.8)
Kyle Snookes	Manager, Management Accounting (item 5.2)
John Spicer	Manager, PSR (item 5.6)
Grahame Tinsley	Manager, PSR (items 5.1 & 5.2)

Relevant associates and technical specialists also attended the meeting.