

Payment Systems Regulator Panel Annual Report 2015-2016

Chair's Foreword

This has been the first full year of the Payment Systems Regulator Panel's existence. Our remit is wide ranging. Our statutory function is defined as 'to make representations to the PSR on the extent to which its general policies and practices are consistent with its general duties' - especially in relation to the promotion of competition, the development of existing payment systems, and innovation. In practice, we see our role as providing advice to the regulator as a 'critical friend' by adding as much value as we can to its ability to serve the public interest. We are able to cover any aspect of the PSR's work, including corporate objectives such as communications and the development of Key Performance Indicators, as well as advising on policy issues and the annual Business Plan.

In order to maximise our ability to add value to the PSR's work, our membership is drawn from a wide range of backgrounds, including organisations representing domestic consumers, small businesses, large corporate users, and Government users of payment systems, as well as payment providers, technology firms and sponsor banks. Members are expected to come to the table as individuals, drawing on their own personal experience and expertise, rather than as spokespeople for their employers. This policy of 'hats at the door' allows the PSR to benefit from clear, independent advice which goes beyond what the regulator could expect to receive, for example, from public consultation exercises. It also allows all members of the Panel to hear a range of views from colleagues and to develop a perspective that draws on candid opinions.

We meet four times a year, usually for a whole afternoon. Our early meetings were mainly taken up with getting to know the PSR - itself a fast evolving organisation - and its ways of working. But we were able to make significant input to some of the organisation's key corporate policies, and also to the two top priority projects in its first year business plan - access for agency banks and other bodies not directly participating in the payment schemes; and infrastructure ownership of the payment schemes. We have also helped with the regulator's thinking on the general role of competition versus collaboration in the payments landscape, and the impact of EU measures - notably the Payment Services Directive - on the regulator's objectives. In the year ahead, we look forward to engaging with the PSR on the development of its vision for the payments landscape.

Because of the diversity of the Panel's membership, we are not expected to reach unanimity on the subjects we discuss - though in practice there has been strong agreement on most issues, based on what Panel members consider to be a clear balance of public interest.

After each meeting, I submit a report to the main PSR Board, and the Panel subsequently receives a briefing outlining the Board's response to the issues raised.

One key objective for the Panel in late 2015 was to carry out an assessment of our effectiveness at the end of our first year. You can read the detailed conclusions in this report. There are plenty of action areas for us, and for the PSR - particularly in making better use of Panel members' expertise and in improving understanding amongst the Executive of how the Panel can add value. But in general I think we can claim to have made a good start. I would like to thank all my Panel colleagues for their contributions, and also the Panel Secretariat for their excellent support.

Stephen Locke
Chairman, Payment Systems Regulator Panel

Engagement with the PSR

Throughout the year, we have had a healthy level of engagement with the PSR Board and staff, although we still feel there is more scope for the PSR to extract maximum value from the Panel and make efficient and effective use of member expertise – both individually and collectively. This was one of the issues we identified in the effectiveness review we conducted in November 2015.

Panel Effectiveness Review

We held our first effectiveness review in November 2015 – asking PSR staff and Board members who had been involved with the Panel in some way, and members of the Panel themselves a series of questions via questionnaire. This followed up on the commitment we made when the Panel was launched, to review its effectiveness after its first year of operation. We focused on the value the Panel has added to PSR work and thinking, the structure and operation of the Panel, whether the Panel could have done anything differently and suggestions for the future relationship with the PSR.

We were satisfied with the results, which positioned the Panel in a reasonable place after its first year, whilst confirming plenty of opportunities for the year ahead. One of which we have already taken forward was to finalise a set of prioritisation criteria to ensure we are having the right conversations at the right time and to ensure the Panel can maximise its effectiveness in providing input to PSR thinking. We hope the criteria will encourage the PSR Board, ExCo and staff to put forward suggestions for our future agenda and we are looking forward to working with the PSR to implement the remaining actions and continue to improve the operation of the Panel.

Issues Panel has discussed in the past year

PSR Work Programme and Communications

Early in the year we discussed the draft Key Messages set out by the PSR staff. We felt this should recognise the PSR's widely differing audiences and the different objectives involved in each of these sectors whilst providing a clear message about the PSR's distinct status as an economic regulator.

The Panel welcomed the opportunity to comment on the PSR's Work Programme and look forward to the opportunity to influence this at an earlier stage in the process next year. The Panel was generally positive about the content of the Work Programme this time around noting only one obvious omission - Open Application Programming Interfaces (APIs). We feel that future Programmes will benefit from a greater focus on outcomes and a commitment to setting robust success measures so that the PSR can identify where it has been effective and where it has been less so.

The Payments Strategy Forum

We see the Forum as a critically important element in the delivery of outcomes for the PSR, drawing in a wide range of participants from within the payments sector and from user interests. As the body charged with advising the PSR on the development and delivery of policies that meet the public interest, the Panel has been keen to engage effectively with the Payment Strategy Forum. We have worked throughout the year on establishing a productive relationship with the Forum and Ruth Evans, its Chair. In early discussions we highlighted the importance of ensuring that not only users are represented but that the Forum had access to the technical payments expertise needed to understand and shape key developments. Since then we have been strongly supportive of the Forum's general goals. But we've fed back that the Forum had set itself some challenging objectives in only two years and, without resources of its own, risked being over reliant on the goodwill of its members. We look forward to working with the Forum in the year ahead as we both continue to develop our work with the PSR.

Innovation in Payment Systems

Innovation has been a consistent theme in Panel discussions throughout the year and we have been particularly interested in how the PSR has approached its innovation objective. We have suggested that the PSR's Innovation Project should not only look at barriers to innovation (mostly in the competitive domain), but also at the catalysts for innovation in the collaborative domain. The Panel also cautioned, drawing on experience in other parts of the financial services sector, that barriers are sometimes necessary to protect the public interest.

Competition between Schemes

Although we have only recently engaged on this topic, the Panel collectively feel this is a complex area and is of significant importance to the PSR. We had a lively debate on the issues surrounding competition at our January 2016 meeting and the Panel agreed that broadly the principal objective should be to promote competition between payment providers rather than the collaborative schemes.

Appendix 1 - Members of the PSR Panel between April 2015 – March 2016

Stephen Locke – Panel Chair

Member since: 1 December 2014

Meetings attended: 4/4

Stephen Locke is an independent adviser who has held a wide range of non-executive posts. Stephen is currently chair of London TravelWatch, chair of the Advertising Advisory Committee, and a member of the board of the Money Advice Service and of Transport Focus, where he chairs the organisation's Statistics Governance Group overseeing passenger and roads related research. Stephen has a wealth of experience in payment systems having sat as an independent non-executive board member of the Payments Council between 2007 and 2014. He also served as an independent entity non-executive member on the project boards overseeing the introduction of the current account switching-service and the mobile payments service Paym.

Mike Agate

Member since: 1 December 2014

Meetings attended: 4/4

Mike Agate is a chartered management accountant and chair of the economics, finance and taxation policy committee of the Federation of Small Businesses. He has his own management accountancy practice based in Buckinghamshire. Prior to starting his own business in 1992 he worked at director level in the publishing and music industries.

Mark Barnett

Member since: 1 December 2014

Meetings attended: 3/4

Mark Barnett is president of the UK and Ireland division of MasterCard, with overall responsibility for developing and executing the company's strategy in these markets. Prior to his current appointment, he was executive vice-president, consulting services for MasterCard Advisors with responsibility for helping financial institutions, merchants and governments make optimal use of the payments programmes. Prior to joining MasterCard, Mark led KPMG Consulting's activities in the payments industry in Europe.

David Brooks

Member since: 1 June 2015

Meetings attended: 3/3

David Brooks is head of finance operations at Sainsbury's. In this role he is involved in the supermarket's consideration of future payment strategies and emerging technology offerings. He also has wide experience of processing retail payments for customers and suppliers in large retail functions. He plays a leading role at the British Retail Consortium in shaping the direction of its Payments Action Group agenda.

David is passionate about promoting innovation and ensuring that fairness, transparency and consumer interests are a priority for the banking industry.

Rebecca Clements

Member since: 1 December 2014

Meetings attended: 3/4

As Head of Industry Engagement and Payment Change, Becky Clements is responsible for Metro Bank's payment and card change activity, as well as leading industry engagement and engagement with critical third party payment suppliers.

Becky has extensive experience of working with the payments industry and delivering long-term, sustainable value to both customers and the business. She also sits on both the

Advisory Panel and the Strategic Forum for the Payment Systems Regulator (PSR), as well as being a Director of Payments UK and Deputy Chair of the Simplifying Access to Markets Working Group.

Becky joined Metro Bank in 2014, prior to that she worked at RBS, where she held a number of different positions including running the payment center for Adam & Company and Coutts & Co.

Becky also headed up the Global Transactions Payment Change UK & EMEA, where she was responsible for all change and strategic initiatives affecting any of the payment infrastructure for RBS UK, ABNA Netherlands, Coutts and Ulster Bank.

Chris Dunne

Member since: 1 December 2014

Meetings attended: 4/4

Chris Dunne is payment services director at VocaLink. He is responsible for the core payments infrastructure business including Bacs and Faster Payments, and public and regulatory affairs. Chris joined VocaLink in 2004 and previously was director of customer services and strategy director. Prior to VocaLink, Chris spent eight years at Reuters in a number of roles before being appointed as head of strategy for the Treasury services division.

John Howells

Member since: 1 December 2014

Meetings attended: 4/4

John Howells is CEO of LINK Scheme, the UK's cash machine network. John's previous roles include being a director of Ernst & Young's financial services business and board level responsibility for Capgemini's Department for Work & Pensions advisory business. His early career was with Gemini Consulting's financial services strategy practice.

Pamela Meadows

Member since: 1 December 2014

Meetings attended: 4/4

Pamela Meadows is a representative of consumer rights and a member of the financial services consumer panel. She is interested in the impact of payment systems on end-users – receiving salaries, pensions and benefits, paying bills, making major purchases, taking holidays and shopping. Outside the panel Pamela does research and consultancy related to the labour market (including pensions) and the economics of social disadvantage (including financial exclusion) and value for money studies.

Brendan Peilow

Member since: 1 December 2014

Meetings attended: 2/4

Brendan Peilow is a director of the Government Banking Service which represents the government as a major user of UK payment systems. Separately, Brendan is also the Crown representative for banking as part of the Cabinet Office Crown Commercial Services. Brendan is a fellow of The Chartered Institute of Bankers and prior to his retirement in 2009 was a career banker with Lloyds Banking Group. At Lloyds, Brendan held senior positions in personal and corporate banking as well as international wealth management. He is an ambassador for Opportunity International, a micro-finance charity.

Paul Rodgers

Member since: 1 December 2014

Meetings attended: 4/4

Paul Rogers is chair and founder of Vendorcom, The Cards & Payments Community. Paul is passionate about cards and payments, particularly promoting innovation, ensuring that thought leadership is recognised and that all stakeholders in the industry have access to authoritative information on new developments, standards and regulation. Paul is recognised for his independence, authority and pragmatism in dealing with the wide range of issues facing the retail and payments industries and a regular contributor to industry journals and national press.

Carlos Sanchez

Member since: 1 December 2014

Meetings attended: 3/4

Carlos Sanchez is CEO and co-founder of Orwell Group, a UK based financial services organisation specialising in cash management and banking. Carlos was previously an executive director at Goldman Sachs in London, acting as financial advisor for the European corporate market in investments. Prior to this, Carlos was CEO at RBC Dexia in Milan and CEO of Dexia Investor Services Bank France, country head of Fund Services division in France and head of operations of Dexia Private Bank France.

Craig Tillotson

Member since: 1 December 2014

Meetings attended: 4/4

Craig Tillotson is CEO of Faster Payments Scheme Limited and also of the Mobile Payments Service Company, the operating company for mobile payments service, Paym. Prior to this he worked internationally with the global consulting firm AT Kearney as an associate director in their communications, media and technology practice. Previously, Craig has held board and other senior roles with Vodafone, T-Mobile and McKinsey & Company.

In 2012 Craig was appointed by the Department for Culture Media & Sport as a non-executive expert member of the communications consumer panel and Ofcom's advisory committee on the old and disabled.

Colin Tyler

Member since: 1 December 2014

Meetings attended: 4/4

Colin Tyler is the CEO of the Association of Corporate Treasurers (ACT). Prior to joining ACT in 2011 Colin's career spanned a number of corporate treasury roles. Most recently he was divisional finance director of City Link Ltd and before that worked in Guinness and Amersham International. He was also director of treasury, tax and risk management, then business services director, at Rentokil Initial.

Colin is also a member of the Institute of Chartered Accountants of England and Wales and Treasurer of the FICC Markets Standards Board (FMSB).

Robert White

Member since: 1 December 2014

Meetings attended: 4/4

Robert White is Santander's director of payment industry oversight. With over 18 years' experience at Abbey National/Santander his responsibilities include overall governance and control for payment and card operations across the UK bank, as well as defining the strategy for the interbank and cards environment. Prior to Santander, Robert worked for Manchester Airport plc, developing the business model for the terminals business strategy.

Robert is also a director of Bacs Payments Schemes Limited, Faster Payments Scheme Company and Mobile Payments Service Company.

Sian Williams

Member since: 1 December 2014

Meetings attended: 3/4

Sian Williams is head of national services at Toynbee Hall. She joined in 2009 as head of financial inclusion, prior to which she served 15 years as a diplomat with the Foreign & Commonwealth Office. She also serves as a trustee for the Money Advice Trust, including on the audit and risk committee, and sits on a wide range of advisory panels concerned with financial inclusion and well-being.

Sreeram Yegappan

Member since: 1 December 2014

Meetings attended: 4/4

Sreeram Yegappan is a director at Cognizant Technology Solutions in its banking and financial services division. Previously Sreeram was area vice-president at L&T Infotech, responsible for strategic banking clients in the UK. Sreeram has completed research work for India's capital markets regulatory arm - Securities & Exchange Board of India. He offers both strategic vision and execution experience in a wide variety of functional and technical domains.

Dr Steve Perry

Member between: December 2014 until January 2016

Meetings attended: 4/4

Dr Steve Perry joined Visa in 1990 and is chief officer, digital. He is responsible for delivering Visa's digital business in terms of products and services in 37 markets. Steve was previously chief commercial officer for Visa Europe where he was responsible for business plans and strategies across 23 countries. Prior to that, he was chief financial officer, Visa Europe. He is a member of the Visa Europe executive leadership team and prior to joining Visa was group economist for the TSB group.

Steve is presently non-executive chair of technology start-up TheySay Analytics and a non-executive director of the charity bank CAF Bank. He is also executive chairman of Visa Monitise Alliance.

Simon Newstead

Member between: December 2014 until December 2015

Meetings attended: 3/3

Simon Newstead is head of market engagement and executive committee member of the RBS payments business - responsible for managing RBS' engagement with payment schemes, infrastructures/standards bodies and regulators on key payments and payments-related topics; supporting a coordinated debate on strategic payments issues across the bank; and for enhancing engagement with RBS clients on strategic payments issues.

Outside his role at RBS, Simon is a board member of the Euro Banking Association, chair of the UK Payments Council's PSD working group and member of the European Banking Federation's Payments Regulatory Expert Group (PREG).

Kevin Brown

Member between: December 2014 until August 2015

Meetings attended: 1/2

Kevin Brown is an independent adviser specialising in the payments industry and draws on his experience as a career international banker for over 30 years. Previously Kevin was head of global transaction services at RBS and responsible for defining RBS strategy on payment industry issues and market infrastructures.

Appendix 2 - Payment Systems Regulator Panel Terms of Reference

1. The Payment Systems Regulator Panel ('the Panel') is established by the Payment Systems Regulator ('PSR') under the Financial Services (Banking Reform) Act 2013. The Panel represents the interests of participants in regulated payment systems and those who use, or are likely to use, services provided by regulated payment systems.

Scope

2. The Panel makes representations to the PSR on the extent to which its general policies and practices are consistent with its general duties, and how its payment systems objectives may best be achieved, as required under the Financial Services (Banking Reform) Act 2013. See Appendix 1 for the general duties.
3. In considering the PSR's work, the Panel will focus on the PSR's objectives of promoting effective competition, promoting development and innovation and ensuring that payment systems are operated and developed in the interest of all those who use payment systems. The Panel will also have regard to the regulatory principles as attached in Annex 2.
4. The Panel's views are independent of the PSR. It does not carry out responsibilities on behalf of the PSR, but provides input and advice on development of PSR activities.

The Panel's Duties

5. The Panel will:
 1. Meet regularly (usually between four and six times a year) and be available at other times to be consulted by the PSR on specific high-level issues.
 2. Identify key issues which the Panel thinks the PSR should be considering when the PSR presents proposals to the Panel for consideration.
 3. Be proactive in bringing to the attention of the PSR, new or additional issues to be considered or research to be carried out by the PSR to assist the PSR in fulfilling its objectives.
 4. Maintain the confidentiality of information provided to the Panel when indicated by the PSR.
6. In fulfilling these duties, the Panel may:
 1. Request access to all information from the PSR which it reasonably requires to carry out its work. This will generally not include confidential information about specific regulated firms, individuals or markets.
 2. Have access to and engage regularly with the PSR Chairman, Board, Managing Director and senior executives of the PSR.

Membership

7. The PSR Board appoints Panel members, with HM Treasury's approval required for the appointment or dismissal of the Chair. Members will normally be appointed for a two or three year term, and will usually serve a maximum of two three-year terms.
8. The PSR will appoint to the Panel such persons representing participants in regulated payment systems and those who use, or are likely to use, services provided by regulated payment systems.
9. Members are appointed in an individual capacity on the basis of their experience and current role, and not as representatives of specific constituencies or organisations. They are expected to understand the general viewpoint of their sector and be able to contribute constructively in Panel discussions towards the development of the PSR's strategic thinking from that perspective. There is no express requirement on Panel members to consult with colleagues or related organisations on the issues discussed by the Panel, although they are free to do so (subject to confidentiality) if they wish to. Nor is the business of the Panel a substitute for formal public consultation processes by the Payment Systems Regulator with the sector or interests concerned. It may from time to time be appropriate for Panel members to discuss the general issues on Panel agendas on an informal basis, as a means of enhancing members' input to the Panel. But Members will also be required to respect the requirements of confidentiality: to enable the Panel to function effectively and provide early input to PSR policy development and other decisions, Panel members will often not be able to share the details of discussions which take place with those outside the Panel and PSR. Any such confidentiality requirements will be clearly flagged by the Secretariat.

PSR and Financial Conduct Authority Duties

10. Under the Financial Services (Banking Reform) Act 2013, the PSR must consider representations made to it by the Panel, and must from time to time publish in such a manner as it thinks fit, responses to the representations.
11. The PSR will provide the Panel with early access to appropriate information in order for the Panel to fulfil its duties and will ensure secretariat support is provided to the Panel to enable it to operate effectively.
12. The PSR Board will consider any proposals from the Panel for additional funding for specific projects (including research) which the Panel considers necessary in order for it to fulfil its duties under these terms of reference.

Accountability

13. The Panel will publish an annual report on its work, which will be presented to the PSR Board.

Appendix 3

The Financial Services (Banking Reform) Act 2013:

Section 49: Regulator's general duties in relation to payment systems.

1. In discharging its general functions relating to payment systems the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payment systems objectives.

2. The payment systems objectives of the Payment Systems Regulator are—
 - (a) the competition objective,
 - (b) the innovation objective, and .
 - (c) the service-user objective.

3. In discharging its general functions relating to payment systems the Payment Systems Regulator must have regard to
 - (a) the importance of maintaining the stability of, and confidence in, the UK financial system
 - (b) the importance of payment systems in relation to the performance of functions by the Bank of England in its capacity as a monetary authority, and
 - (c) the regulatory principles in section 53 [*see Appendix 2*].

4. The general functions of the Payment Systems Regulator relating to payment systems are—
 - (a) its function of giving general directions under section 54 (considered as a whole), .
 - (b) its functions in relation to the giving of general guidance under section 96 (considered as a whole), and .
 - (c) its function of determining the general policy and principles by reference to which it performs particular functions

Appendix 4

The Financial Services (Banking Reform) Act 2013:

Section 53: Regulatory principles

The regulatory principles referred to in section 49(3)(c) are as follows:

- a) the need to use the resources of the PSR in the most efficient and economic way;
- b) the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction;
- c) the desirability of sustainable growth in the economy of the United Kingdom in the medium or long term;
- d) the general principle that those who use services provided by payment systems should take responsibility for their decisions;
- e) the responsibilities of the senior management of persons subject to requirements imposed by or under this Act, including those affecting persons who use services provided by payment systems, in relation to compliance with those requirements;
- f) the desirability where appropriate of the PSR exercising its functions in a way that recognises differences in the nature of, and objectives of, businesses carried on by different persons subject to requirements imposed by or under this Act;
- g) the desirability in appropriate cases of the PSR publishing information relating to persons on whom requirements are imposed by or under this Act, or requiring such persons to publish information, as a means of contributing to the advancement by the PSR of its payment systems objectives;
- h) the principle that the PSR should exercise its functions as transparently as possible.