

The Payment Systems Regulator Ltd

Minutes

Meeting: PSR Board
Time & date of Meeting: 22 November 2017
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present: John Griffith-Jones (Chair)
Andrew Bailey *from item 6.5*
Carole Begent
Amelia Fletcher
Noel Gordon
Hannah Nixon
Simon Ricketts
Christopher Woolard

Apologies: Bradley Fried

In attendance: Set out in Annex A

The Board agreed to reorder the agenda and take the twice yearly discussion of strategic risks and the annual plan 2018/19 items after lunch.

1 Apologies, quorum and declarations of interest

- 1.1 Apologies had been received from Bradley Fried.
- 1.2 The meeting was noted to be quorate and proceeded to business.
- 1.3 No interests were declared in respect of the items to be discussed.

2 Minutes and Matters Arising

- 2.1 The minutes of the Board meeting held on 13 September 2017 were **approved**.
- 2.2 The progress in respect of matters arising from previous meetings was **noted**.

3 Committee reports

- 3.1 The Internal Audit Report on Information Handling & Classification was **noted**.
- 3.2 The three year Internal Audit plan was noted to be in development and due to be submitted to the Board in March 2018. Whilst Internal Audit was only resourced to conduct one review a year specifically focussed on the PSR in practice some reviews conducted by Internal Audit are group wide and so cover the PSR where appropriate e.g. the recent review of the FCA's readiness for the General Data Protection Regulation (GDPR).
- 3.3 On this basis the Board requested sight of reports from these group wide reviews as advised by the Chief Risk Officer.
- 3.4 Any additional reviews would be scheduled on a needs basis.

4 PSR Panel update

- 4.1 When taken together the suite of recommendations for appointments to the Panel was noted to represent the best mix of backgrounds and personal qualities. It was noted that the diversity of the Panel, particularly for gender diversity, would be slightly improved.
- 4.2 The Board noted that the position regarding the two short term re-appointments of representatives of the Payment System Operators would be revisited in early 2018 following the current changes in the sector and once senior NPSO staff have been appointed.
- 4.3 The recommendations for the appointment of new panel members and the re-appointment of existing panel members (as set out in the paper) were **approved**.

5 Report from the Managing Director

- 5.1 The Board acknowledged the changing focus of the organisation towards implementation and enforcement of policy as well as policy development; and the accompanying change in mind set and approach this required.
- 5.2 In **receiving** the report the Board **noted** the following updates:
 - 5.2.1 **APP scams:** Work in this area had raised the organisation's profile particularly in the consumer space with the November publication having generated largely positive press coverage.
 - 5.2.2 **Sibos:** The PSR had conducted a number of successful roundtables as well as attending a number of fringe events. The UK was widely recognised as an example of good regulation by delegates. The value of the PSR's ongoing attendance at the conference was being evaluated.
 - 5.2.3 **Sweden & Finland:** Both countries were noted to be utilising the same payments technology as that available in the UK. However culturally the aspiration of moving towards a cashless society was more openly discussed by central banks and government facilitated by high rates of public digital literacy.
 - 5.2.4 **NPSO:** Simon Ricketts was noted to be involved in the current recruitment of the COO and CRO.
 - 5.2.5 **Link Procurement Exemption and SD4 Compliance Position:** A resolution was being sought that ensured a competitive procurement process would be delivered on time. HMT were supportive of the position taken.

6 Approach to regulation of the NPSO and NPA, and the future of the Forum

- 6.1 The Board acknowledged, and supported, the considerable work undertaken by the team to reach this point and thanked Simon Ricketts and Noel Gordon for their involvement in the development of the accompanying success measures and their review of the assurance architecture.
- 6.2 The Board was pleased to hear that considerable work had been ongoing to ensure that there would be a smooth handover of the New Payments Architecture (NPA) work from the Forum to the NPSO. It also noted that the Forum's risk work had been largely validated by the independent review conducted by Ernst and Young. The team explained that the NPSO would take formal ownership of this work following the December handover event.
- 6.3 The PSR would continue to liaise closely with the NPSO, and monitor the establishment and delivery of the NPA and other Forum deliverables, beyond the handover of the blueprint to reinforce key messages as and when required. This process would include writing an open letter to the NPSO in the New Year.

- 6.4 The Board recognised the benefit of retaining the expertise of existing Payments Strategy Forum and Payment community members through the development of the NPSO Advisory Council model. It noted that it would be important for the new model to be open to the full range of interested stakeholders. The Councils were due to be in place by March 2018.
- 6.5 The Board **noted**:
- 6.5.1 the success measures and assurance architecture for the design and delivery of the NPA, which was requested at the July Board meeting.
 - 6.5.2 the broader thinking undertaken about aspects of the NPSO's functions that the PSR may have an interest in the future.
- 6.6 The Board **approved**:
- 6.6.1 the proposed approach to the PSR's regulatory response to support the successful delivery of the NPSO and NPA, which involves a 'multi stage approach'.
 - 6.6.2 the publication of an open letter setting out the issues the PSR thinks the NPSO should consider relating to the development and operation of the NPA and the governance of the system.
 - 6.6.3 seeking a response to the open letter from the NPSO with the intention that this also be published.
 - 6.6.4 the recommendation to close the Payments Strategy Forum once it has concluded its work and handed over to the NPSO at end 2017.

7 Review of existing directions

- 7.1 The review sought to ensure the suite of Directions remained relevant and proportionate since their initial consultation and subsequent policy statement in 2014 and 2015 respectively.
- 7.2 The Directions were noted to apply to all existing designated PSOs and would apply to the NPSO once active. The revisions were not expected to increase the cost of regulation on firms.
- 7.3 The Board **approved** the preparation and launch of a public consultation on the review of General Directions (GDs) 1 to 6 and Specific Directions (SD) 1. This would set out the review options and state the PSR's preferred options as presented to the Board.
- 7.4 A consultation on the new Directions would be launched in January 2018 with recommendations re: the final approach, including retained, revised or repealed Directions to be submitted to the Board in Q1/2 2018.

8 Direct Debit Facilities Management

- 8.1 The proposed approach sought to secure Direct Debit scheme rule changes, to address barriers to customers of facilities management (FM) service providers from being able to switch providers. The detail of the changes would be the responsibility of the Bacs Payment Schemes Limited (BPSL) – the operator of the Direct Debit scheme – and would need to be implemented within a timely manner.
- 8.2 The Board **approved** the recommended approach to:
- 8.2.1 secure changes to the rules of the Bacs payment system Direct Debit scheme re: the bulk change process (as set out in the paper)
 - 8.2.2 ensure that BPSL provides, within a reasonable time, a proposed project plan and timetable for the PSR's approval.

9 Twice yearly discussion of strategic risks

- 9.1 The revised format strategic risk register sought to better articulate the organisation's high levels risks in terms of harm and was supplemented by both operational and project level risk registers.
- 9.2 The Board recognised the Strategic Risk Register as a useful management tool and was satisfied that the executive were suitably risk aware. However the Board considered that a higher level summary of the key risks, including both those being addressed and those that are appearing on the horizon (so may not be fully articulated yet), would better support future Board discussion. Such a summary could potentially signpost to the Strategic Risk Register for greater detail as appropriate.
- 9.3 Subject to further revision of the format of the report to the Board, the Board **noted** the content of the Strategic Risk Register.

10 Annual plan 2018/2019

- 10.1 The proposed plans built on the discussions from the Board's September 2017 away day. The plan for policy work next year focused on continued implementation of key work streams, such as improving access, infrastructure competition and the work of the Payment Strategy Forum. It also identified the importance of continuing to progress the exploratory work, the need to ensure the organisation effectively horizon scans, and the likely increase in competition and enforcement work given the increasing number of EU Directives the PSR was responsible for.
- 10.2 Whilst there was a strong, ongoing focus on value for money it was acknowledged that the organisation had run particularly lean during the current financial year due to an unanticipated increase in incoming business which had resulted in the slowing of some projects. The proposed plans and accompanying initial budget and headcount proposals sought to address this balance and allow such projects to be resumed alongside additional activities.
- 10.3 In reflecting on these additional activities the Board acknowledged the benefits and potential cost saving of proactive vs. reactive work. While supporting the overall proposals for the policy work plan, the Board considered that further financial analysis and challenge was required to be confident of the overall value for money ahead of final discussions at its January 2018 meeting.
- 10.4 Early engagement with HMT was also advocated.
- 10.5 The Board agreed to revisit the need for any decisions to be taken by written procedure or to be delegated to the Managing Director at its January 2018 meeting.

11 PSR regulatory fees: review of our approach to allocation and collection

- 11.1 Feedback from firms had indicated that the current approach to fee allocation required review. Whilst the need to change the approach was largely supported by firms there was a difference in opinion as to how best to do this. The proposals therefore sought to introduce a more proportional and sustainable method, taking into account both the volume and value of transactions by fee payers, whilst being aligned with the guiding principles consulted on in August 2017. In considering these proposals the Board recognised the impact of varying the volume to value ratio on fees for different firms.
- 11.2 The move to direct billing would see the FCA invoicing and collecting fees directly from fee payers and was expected to significantly reduce the administrative burden on operators of payment systems and PSPs.
- 11.3 The Board **approved** the following:
 - 11.3.1 To change the fee collection method to direct billing

11.3.2 The guiding principles

11.3.3 A consultation in December 2017 proposing the allocation method referred to as option 4 in CP17/30 including the use of an 80-20% volume to value ratio

11.3.4 To delegate sign off of the December 2017 publication to the Managing Director, or her nominee.

12 Updating of and Revisions to Code of Conduct for Members of the PSR's EDC and CDC

12.1 The revised Code sought to include members of the PSR's Enforcement Decision's Committee (EDC) and PSR's/FCA's Competition Decisions Committee (CDC) and had been approved by the FCA Board at its September 2017 meeting.

12.2 The revised Code of Conduct was **approved**.

13 Papers for noting

13.1 **Minutes of Executive Committee meetings:** The minutes of the PSR Executive Committee meetings were **noted**.

13.2 **Draft January 2018 agenda:** The draft agenda was **noted**.

13.3 **Forward Agenda:** The forward agenda, which would be updated to include any additional items discussed during the meeting, was **received** and **noted**.

14 Any other business

14.1 With no further items of business to discuss the meeting **closed**.

John Griffith - Jones

PSR Chairman

Annex A: Attendees

Attending all, or substantially all, of the meeting:

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

Attending for the following items:

3	Lalitha Henry	Director, Internal Audit
	Jonathan Roffey	Internal Audit
6	Dora Guzeleva	Manager, PSR
	David McPhee	Technical Specialist, PSR
7	Matthew Cherry	Manager, PSR
	Emma Gibson	Manager, PSR
8	Nicole Coates	Technical Specialist, PSR
	Nick Davey	Technical Specialist, PSR
	Ian Ellis	Technical Specialist, PSR
9	Dora Guzeleva	Manager, PSR
	Ian Ellis	Technical Specialist, PSR
10	Fod Barnes	Senior Advisor
11	Diane Pinto	Manager, PSR
12	Dora Guzeleva	Manager, PSR
	Janet Duggan	Manager, PSR