

# Corporate Governance of The Payment Systems Regulator Limited

Adopted by resolution of the  
board on 27 September 2023

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# 1 Introduction

- 1.1** The purpose of this document is to summarise the corporate governance structure within the Payment Systems Regulator Limited (the PSR). The corporate governance structure defines the way in which the PSR is constituted, directed and controlled by its governing body, the Board. It specifies the distribution of rights and responsibilities from the Board to the committees to which it delegates, to various other committees carrying out particular regulatory functions and to executive level. In order to do this the document outlines how the PSR is constituted, the role of the Board, the Chair, the Managing Director, the Directors, and the Secretary and sets out which decisions are reserved specifically to the Board (the Schedule of Matters Reserved to the Board) and the process by which the Board delegates some other responsibilities to committees or individuals.

## 2 The PSR's constitution and history

- 2.1** The PSR is a company limited by shares (Company No. 8970864), incorporated on 1 April 2014. The PSR was set up by the Financial Conduct Authority (FCA) due to the requirements in the Financial Services (Banking Reform) Act 2013 (FSBRA). The PSR must comply with the requirements contained in Schedule 4 of FSBRA regarding how it is constituted.
- 2.2** The PSR is governed by a Board with members comprising: a Chair and a Managing Director appointed by the FCA acting with the approval of HM Treasury (Treasury); and other members appointed by the FCA.
- 2.3** FSBRA requires that the PSR has a number of accountability measures in place, including the requirement to report annually to the FCA on the extent to which the PSR has advanced its payment systems objectives.
- 2.4** The PSR is required to make and maintain effective arrangements for consulting participants in regulated payment systems and those who use, or are likely to use, services provided by regulated payment systems. One way it does this is through the operation of the Payment Systems Regulator Panel (the Panel). More information about the work of the Panel can be found on the [website](#).

## 3 The role of the Board

**3.1** The Board is the governing body of the PSR. It sets the PSR's strategic direction and ensures the long-term success of the PSR. It ensures through liaison with the FCA, pursuant to the latter's duty, to take such steps as are necessary to ensure that the PSR is, at all times, capable of exercising its functions and that the necessary financial and human resources are in place for the PSR to meet its statutory objectives.

**3.2** The Board's role includes:

1. Determining the matters that should be reserved to it for decision, which shall include the exercise of the PSR's functions of giving general directions and imposing generally imposed requirements under sections 54 and 55 FSBA and other matters as set out in the Schedule of Matters Reserved to the Board from time to time. The Schedule of Matters Reserved to the Board is set out in this governance document.
2. Making strategic decisions affecting the future operation of the PSR.
3. Overseeing the discharge by the executive management of the day to day business of the PSR.
4. Setting appropriate policies to manage risks to the PSR's operations and the achievement of its regulatory objectives.
5. Seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved.
6. Maintaining a sound system of financial control.
7. Taking specific decisions, outside those specified in the Schedule of Matters Reserved to the Board, which the Board or executive management consider to be of a novel or contentious nature or to be of such significance that they should be taken by the Board.
8. Maintaining high level relations with other organisations and authorities, including government, the Financial Conduct Authority, the Prudential Regulation Authority, the Bank of England and the Competition and Markets Authority.
9. Establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the Board and executive management, through periodic reporting.

**3.3** In order to discharge its duties effectively the Board normally meets at least six times a year. Additional meetings of the directors are held as required. The quorum needed for business to be carried out is four directors as set out in the Articles.

**3.4** The Board members may request information from any employee of the PSR, or of the FCA who is undertaking work in relation to the PSR, and this includes calling any employee to attend a Board meeting to answer questions on a particular matter.

**3.5** Any Board member who requires professional advice on a matter relating to their duties on the Board may make a request to the Secretary to have direct access to the PSR's professional advisers. If the Board member considers it essential to receive independent professional advice on a matter, this may be obtained at the PSR's expense within reasonable financial limits after reference to the Chair.

## 4 The role of the Chair and Managing Director

**4.1** The UK Corporate Governance Code (the Code) states that there should be a clear division of responsibilities at the head of any organisation between the running of the Board and the executive responsibility for the running of the organisation. No one individual should have unfettered powers of decision. The division of responsibilities between the Chair and Managing Director, which are clearly established, are set out in writing below and may only be changed with the agreement of the Board.

**4.2** The responsibilities of the Chair and Managing Director are not exercised by the same individual and are clearly defined. The Board will review the objectives for both the Chair and the Managing Director annually to ensure that there is a clear division between their duties.

**4.3** The key responsibility of the Chair is leading an effective Board, in particular through:

- facilitating the running of the Board
- ensuring that the Board meets with sufficient frequency
- fostering an open, inclusive discussion which challenges executives, where appropriate
- ensuring that the Board devotes sufficient time and attention to the matters within its remit
- helping to ensure that the Board and its members have the information necessary to perform its and their tasks
- maintaining and developing a productive relationship with the PSR Managing Director
- with the Managing Director, leading the communication of PSR policies with a wide range of consumers and other stakeholders
- evaluating the performance of the Board and individual directors
- acting as a focus for the accountability of the PSR, for example, giving evidence to Parliamentary select committees and communicating with Government ministers on significant issues

**4.4** The Chair has no executive responsibility for the day-to-day running of the PSR but undertakes their responsibilities as Chair by fostering the relationships between executive and non-executive directors. In addition, the Chair ensures that the PSR's strategy is formulated clearly and is well understood internally and externally.

**4.5** The Chair provides a source of counsel and challenge to the Managing Director on how the PSR is run. In particular, the Chair will be involved in discussions with the Managing Director on key issues in relation to the business of the organisation and in maintaining and developing a productive relationship with the PSR Managing Director. The Chair has an important externally facing role with stakeholders.

- 4.6** To enable the Chair to undertake their duties and represent the PSR publicly, the Managing Director ensures that the Chair is properly briefed on PSR business.
- 4.7** The Chair and Managing Director discuss all major issues and emerging policies through frequent meetings, and specifically discuss any contentious matters or those likely to set significant precedent.
- 4.8** The Managing Director is responsible for implementing the strategy agreed by the Board, in the formulation of which the Managing Director will have played a major part.
- 4.9** The Managing Director is responsible for the leadership of the organisation and managing it within the authorities delegated by the Board. All PSR staff, other than the Chair's immediate staff and the Company Secretary, ultimately report to the Managing Director.
- 4.10** The key responsibilities of the Managing Director include:
1. reporting regularly to the Board with appropriate timely and quality information so the Board can discharge its responsibilities effectively.
  2. informing and consulting the Chair on all matters of significance to the Board so that the Chair and the Board can properly discharge their responsibilities.
  3. developing and delivering the strategic objectives agreed with the Board.
  4. recommending to the Board significant operational changes and major capital expenditures where these are beyond the Managing Director's delegated authority.
  5. assigning responsibilities clearly to senior management and overseeing the establishment of effective risk management and control systems.
  6. recruiting, developing and retaining talented people to work at the PSR and, in particular, establishing a strong management team which is fairly and fully evaluated.
  7. communicating throughout the PSR the strategic objectives and the values of the PSR agreed with the Board, and ensuring that these are achieved in practice.
  8. sharing with the Chair and with other members of the PSR senior management the responsibility for communicating the PSR's messages externally.

# 5 The role of the non-executive directors (NEDs)

**5.1** The non-executive directors (NEDs) make up the majority of the Board and have a variety of skills and experience that are appropriate for the requirements of the PSR.

**5.2** The key responsibilities of NEDs are:

- constructively challenging and helping to develop the strategic direction of the organisation
- scrutinising the performance of the organisation in meeting agreed goals and objectives and monitoring reporting
- holding the Managing Director to account for the PSR's performance and providing appropriate challenge, leadership and mentoring to the Managing Director and executive team
- ensuring that the regulatory powers and responsibilities specifically reserved to the Board by legislation are exercised appropriately
- ensuring the PSR complies with all relevant good governance practices and legislative requirements and acts within the provisions of its Articles
- developing, promoting and acting at all times in the best interests of the PSR
- assisting in maintaining high-level relations with the PSR key stakeholders
- ensuring appropriate policies are in place to manage risks to the organisation's operations and the achievement of its strategic objectives
- devoting time to developing and refreshing their knowledge and skills
- working with the executive and other board members on key issues

**5.3** The Board appoints one of the NEDs to be the Deputy Chair to provide a sounding board for the Chair and to serve as an intermediary for the other directors when necessary.

**5.4** The key responsibilities of the Deputy Chair include:

- a. acting as a channel of communication between the NEDs and the Chair, if required
- b. meeting with the NEDs at least once a year to appraise the Chair's performance
- c. assisting the Chair to develop a formal internal Board effectiveness evaluation process, the themes to be discussed and agreed by the Board
- d. being available to key stakeholders and the public if they have concerns which contact through the normal channels of Chair, Managing Director or other senior executives has failed to resolve or where such contact is inappropriate
- e. taking a role in the recruitment of a new Chair
- f. taking a role in the recruitment and induction of new NEDs
- g. taking a role in the recruitment of senior executives, as appropriate



- h. deputising for the Chair as required
- i. taking a leading role on pieces of work as delegated by the Chair

**5.5** In the event of any conflict of interest arising, whether personal or professional, all appropriate steps will be taken to protect both the director and the PSR and to ensure that all decisions are taken without any suggestion of undue influence.

**5.6** The NEDs meet privately with the Chair which gives them an opportunity to discuss any concerns they may have without the executive present.

**5.7** The PSR, its directors and staff (including any officer or member of staff of the FCA who is, or who is acting as, an officer or member of staff or to whom any functions have been delegated), benefit from exemption from liability for damages for anything done or omitted in the discharge, or purported discharge of the PSR's functions (FSBRA Schedule 4, section 14). The PSR supplements this with indemnities in favour of individual directors.

## 6 The role of the Secretary

- 6.1** The Board is responsible for the appointment and removal of the Company Secretary, who is accountable to it through the Chair.
- 6.2** The Secretary provides a source of advice to Board members and is responsible for ensuring that Board procedures are followed and that applicable internal rules and regulations relating to the operation of the Board are met. In addition, the Secretary is responsible for maintaining this document and ensuring good information flows within the Board and its committees, as well as between senior executive management and NEDs. The Secretary will also arrange appropriate induction and training for all Board members.
- 6.3** The Secretary ensures that the business of the Board is compliant, where appropriate and applicable, with the UK Corporate Governance Code, the Companies Act, the Financial Services (Banking Reform) Act and all other relevant regulations and legislation.
- 6.4** The Secretary also keeps under review all legal and regulatory developments affecting the operations of the PSR and makes sure that the directors are properly briefed about them.

# 7 Delegation of authority by the Board

**7.1** The Board retains all decision-making powers except those which it has delegated to either a committee or an individual. The Schedule of Matters Reserved to the Board decision is set out later in this document.

**7.2** The Board has established certain standing committees to which it has delegated specific duties and decision-making responsibilities:

1. **The Audit Committee** is responsible for reviewing and providing assurance to the Board on matters including the effectiveness of the PSR's internal controls, risk management and mitigation strategies, the integrity of the financial statements in the annual accounts and the statements that relate to financial controls and internal risk, and for oversight of the external audit process.
2. **The Risk Committee** is responsible for supporting the Board in meeting its responsibilities for an effective system of risk management and appropriate assurance of the adequacy and effectiveness of the PSR's system of regulation.
3. **The People Committee** is responsible for approving, overseeing and reviewing the PSR's employment framework.
4. **The Enforcement Decisions Committee (EDC)** acts as decision maker in any particular case arising where the PSR proposes to impose a sanction under FSBRA. The EDC decides whether to impose a financial penalty and/or publish details of the compliance failure.
5. **The Competition Decisions Committee (CDC)** exercises decision making powers in Competition Act 1998 investigations on behalf of the PSR including decisions on whether there has been a competition law infringement and decisions on whether to impose a financial penalty in respect of an infringement. The functions of the CDC are carried out by the members of the respective FCA committee.

**7.3** Subject to provisions contained in the Articles, the Board may establish other committees, consisting of such members as they think fit, and delegate to those committees the exercise of specific powers, duties and decision-making responsibilities.

**7.4** The Managing Director may exercise any function of the PSR except where:

1. the function is a function reserved by FSBRA to the Board;
2. the function is contained in the Schedule of Matters Reserved to the Board or the terms of reference of the committees of the Board, or
3. it is considered by the Managing Director or any such committee with the appropriate delegated authority that the matter should be referred to the Board

- 7.5** When the Board exercises its powers to give general directions under FSBRA section 54 or to impose generally imposed requirements under FSBRA section 55, its decision allows subsequent technical or drafting amendments to be made to the text of the relevant instrument, if they are within the scope of the Board's decision, and agreed by the staff member responsible for the instrument and the General Counsel.

## 8 Further delegation of decision-making

- 8.1** The Managing Director may delegate authority (and, if they choose, the authority to make further delegations) to:
1. a committee, sub-committee, officer or member of staff of the PSR
  2. an officer or member of staff of the FCA
- 8.2** Where functions vested in the Managing Director are exercisable by him/her through a committee, that committee may similarly delegate that authority to one or more individuals or PSR committees. However, any new delegation must provide for:
1. decisions to be made at an appropriate level
  2. a clear line of accountability to the Board
  3. any person with authority to take a decision to be entitled
  4. instead to refer it to a person or committee which is more senior
  5. appropriate procedures for decision making to be in place
- 8.3** The nature and scope of delegations should be recorded centrally.
- 8.4** Existing delegations of authority to take decisions within the executive management structure remain in force until replaced by new delegations.
- 8.5** A person nominated by the Chair may discharge any function in any case of urgency where it is not practicable for the Board, Chair, Managing Director, or other executive Board member to discharge the function. Any decisions made or actions taken under this provision must be subsequently ratified by the Board.

# 9 Schedule of Matters Reserved to the Board

**9.1** The Board is committed to high standards of corporate governance and adopted this formal schedule of matters reserved to it for its decision.

## Legislative functions

**9.2** Discharge the PSR's legislative functions for:

1. giving general directions to participants in regulated payment systems (s54 FSBRA)
2. imposing generally imposed requirements in respect of system rules (s55 FSBRA)

As part of the functions set out above, the Board will also determine the general policy and principles by reference to which the PSR performs a particular function.

## Strategy and management

**9.3** Responsibility for the overall leadership of the PSR and setting the organisation's values and standards.

**9.4** Approve, amongst other things, the PSR's:

1. overall strategy
2. annual plan
3. annual budget

**9.5** Review performance against the PSR's strategy, objectives, annual plan and budget and ensure any necessary corrective action is taken.

**9.6** Determine the broad policy in relation to all aspects of remuneration.

**9.7** Oversee the discharge of the PSR's operations by the executive management ensuring:

1. competent and prudent management
2. sound planning
3. adequate accounting and other records
4. compliance with statutory obligations

**9.8** Approve the statements of responsibilities under the Senior Managers Regime for the Chair and the Managing Director and the division of responsibilities between them.

**9.9** Approve major changes to the PSR's corporate structure (e.g. the creation of a new divisions).

**9.10** Agree to cease to operate any material part of the PSR's operations.

## Financial reporting and controls

- 9.11** Approve the Annual Report and Accounts including the:
1. Strategic Report
  2. Directors' Report
  3. Corporate Governance statement
  4. Remuneration Report
  5. Financial Overview and Financial Statements
  6. report on the extent to which the PSR has met its aims and priorities and advanced its objectives in accordance with FSBRA
- 9.12** Approve any significant changes in accounting policies or practices.
- 9.13** Undertake a regular review of the significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

## Internal controls and risk management

- 9.14** Ensure maintenance of a sound system of internal controls and internal risk management including:
1. receiving reports on and reviewing the effectiveness of the internal risk and controls processes adopted by the Board to support its strategy and objectives
  2. undertaking an annual assessment of these processes
  3. approving an appropriate statement on internal controls and risk management
- 9.15** Ensure the maintenance of an effective risk management system which both identifies and, where feasible, seeks to mitigate risks to the statutory objectives.
- 9.16** Undertake an annual assessment of the effectiveness of the internal control and risk management processes (including financial, operational and compliance controls and risk management systems).
- 9.17** Regularly review the potential implications of legal action being taken against the PSR.

## Board membership and other appointments

- 9.18** Subject to the statutory requirements for the composition of the PSR's Board, make representation to the FCA on the balance and composition of the Board to ensure there is adequate succession planning within it.
- 9.19** Appoint one of the non-executive directors to be the Deputy Chair.
- 9.20** Appoint the chair and members of Board committees.
- 9.21** Plan for succession of Board members and members of the executive team.
- 9.22** Approve the creation of senior role including members of the executive team.

- 9.23** Appoint and remove the Company Secretary.
- 9.24** Subject to the requirements of FSBRA, review the performance of the external auditors and determine their remuneration.
- 9.25** Appoint the Chair (subject to HMT approval) and members of the payment systems regulator's panel(s).
- 9.26** Appoint the Chair and members of the Enforcement Decisions Committee (EDC).
- 9.27** Appoint the members of the Competition Decisions Committee (CDC).

## Policies

- 9.28** The Board has agreed that the PSR adopts the organisational policies of the FCA where relevant and appropriate. Should the PSR wish to adopt its own policy, the Board should be notified in advance of such a decision being taken.
- 9.29** Approve, and agree any revisions, to the following policies:
  - 1. Finance Policy (including the delegation of financial authorities).
  - 2. Codes of Conduct for non-executive directors and members of the Enforcement Decisions Committee and the Competition Decisions Committee.

## Corporate governance matters

- 9.30** Keep under review the PSR's overall corporate governance arrangements.
- 9.31** Approve, and agree any revisions to, this schedule of matters reserved to the Board for decision.
- 9.32** Approve the basis of permissible delegation of the Board's authority to any Committee or individual and review it periodically.
- 9.33** Establish Board committees and approve, and agree any revisions to, their terms of reference.
- 9.34** Receive reports from Board Committees on their activities.
- 9.35** On an annual basis, undertake a formal and rigorous review of its own performance, its committees and individual Directors (or report on why this has not occurred in any particular year).
- 9.36** Authorise conflicts of interest where permitted by the Articles of Association.

## Other

- 9.37** Approve the prosecution, defence and settlement of litigation, or an alternative dispute resolution mechanism, involving more than £2m or otherwise material to the interests of the PSR.
- 9.38** Discuss any novel or contentious matters which, in the opinion of the Board or executive management, it would be appropriate for the Board to consider.



- 9.39** Agree, and review on an annual basis, the operation of the Memorandum of Understanding between the PSR and the Financial Conduct Authority, the Prudential Regulation Authority and the Bank of England.
- 9.40** Agree, and review on an annual basis, all Memorandums of Understanding which are required by statute between the PSR and any third parties.

# 10 Terms of reference of the Audit Committee

## Purpose

- 10.1** The PSR Audit Committee (the Committee) is responsible for supporting the PSR Board in meeting its responsibilities for an effective system of internal control and financial reporting.
- 10.2** The Committee shall have oversight of the PSR and, unless required otherwise by regulation, carry out the duties below for the PSR.
- 10.3** The Committee shall monitor and assess the role and effectiveness of Internal Audit in the overall context of the risk management framework and the work of Finance and the external auditor in ensuring that the PSR achieves its statutory and operational objectives. This includes the effectiveness of the mitigation of harm and the safety and soundness of its own operations.
- 10.4** The Committee oversees the operation of the FCA Complaints Scheme in respect of complaints about the PSR on behalf of the PSR Board.
- 10.5** The Committee also provides assurance on any additional matters as instructed or delegated by the PSR Board.

## Duties

### Financial reporting

- 10.6** The Committee shall monitor the integrity of the PSR's financial statements, including its annual report and any other public statements relating to financial performance. It shall review and report to the Board on significant financial reporting matters, issues and judgements which those statements contain, having regard to the matters communicated to it by the National Audit Office (NAO).
- 10.7** In particular, the Committee shall review and challenge where necessary:
  - a. the application of significant accounting policies and any changes to them
  - b. the methods used to account for significant or unusual transactions where different approaches are possible
  - c. whether the PSR has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the NAO's views on the financial statements
  - d. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit or to internal controls
  - e. the consideration of any material environmental risks in the development of the PSR's financial statements

- f. Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the PSR Board.

## Narrative reporting

- 10.8** The Committee shall review the content of the PSR's annual report and accounts and advise the PSR Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the PSR's performance, business model and strategy and whether it informs the PSR Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the Code).

## Internal controls and risk management systems and policies

- 10.9** The Committee shall:
- a. keep under review the internal financial controls systems that identify, assess, manage and monitor financial risks
  - b. keep under review the governance and control framework in relation to the origination, procurement and implementation of contracts including, but not limited to, business technology contracts, ensuring environmental risks are considered as part of the framework
  - c. review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement
  - d. monitor and make recommendations to the PSR Board on the PSR's financial policies
  - e. keep under review other internal control and risk management systems
- 10.10** In its evaluation of risk management systems, the Committee shall liaise with the PSR Risk Committee and take account of its assessment.

## Compliance, whistleblowing and fraud

- 10.11** The Committee shall review:
- a. the adequacy, effectiveness and security of the PSR's internal whistleblowing arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
  - b. the PSR's procedures for detecting fraud
  - c. the PSR's systems and controls for the prevention of bribery and corruption and receive reports on non-compliance
  - d. reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the PSR's anti-money laundering systems and controls

## Internal Audit

- 10.12** The Committee shall:
- a. review and approve the role and mandate of Internal Audit ensuring it is appropriate for the needs of the PSR
  - b. in close liaison with the PSR Risk Committee, review and approve the internal audit universe and internal audit plan (including review of its annual budget) to ensure it is aligned to the key risks of the PSR.
  - c. receive regular reports on work carried out by Internal Audit
  - d. review the findings, recommendations, and any other relevant reports of Internal Audit
  - e. review and monitor the PSR executive's responsiveness to the findings and recommendations of Internal Audit
- 10.13** The Committee shall ensure that:
- a. Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate
  - b. there is open communication between different functions of the PSR and Internal Audit and that Internal Audit evaluates the effectiveness of these functions as part of its internal audit plan
  - c. Internal Audit is equipped to perform in line with appropriate professional standards for internal auditors
  - d. the Chief Internal Auditor has direct access to the Chair of the PSR and the Chair of the Committee, providing independence from the executive and accountability to the PSR Board and the Committee
- 10.14** The Committee shall carry out an annual assessment of the effectiveness of Internal Audit and as part of this assessment shall:
- a. meet the Chief Internal Auditor, without the presence of the executive, to discuss the effectiveness of the Internal Audit function
  - b. review and assess progress to complete the annual internal audit work plan
  - c. determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the PSR
  - d. review the actions taken by the executive to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function
  - e. consider whether an independent, third-party review of processes is appropriate

## External Audit

- 10.15** The Committee shall oversee the PSR's relationship with the NAO, including:
- a. approving the NAO's remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted

- b. approving the NAO's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit

**10.16** The Committee shall:

- a. agree with the PSR Board a policy on the employment of former employees of the NAO, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy
- b. monitor the NAO's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partner and staff
- c. monitor the level of fees paid to the NAO in the context of the relevant legal, professional and regulatory requirements, guidance and the Ethical Standard

**10.17** The Committee shall:

- a. evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the NAO's communications with the Committee
- b. meet regularly with the NAO (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, without the executive being present, to discuss the NAO's remit and any issues arising from the audit
- c. discuss with the NAO the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team
- d. review the findings of the audit with the NAO. This shall include, but not be limited to:
  - i. a discussion of any major issues which arose during the audit
  - ii. the NAO's explanation of how the risks to the audit quality were addressed
  - iii. key accounting and audit judgments
  - iv. the NAO's view of their interactions with senior executives
  - v. levels of errors identified during the audit

**10.18** The Committee shall:

- a. review any representation letters requested by the NAO before they are signed on behalf of the PSR
- b. review the management letter and the executive's response to the NAO's findings and recommendations
- c. review any other relevant reports by the NAO

**10.19** The Committee shall review the effectiveness of the external audit process, including an assessment of the quality of the audit, the handling of key judgements by the NAO and the NAO's response to questions from the Committee.

**10.20** The Committee shall seek to ensure co-ordination of the external audit with the activities of Internal Audit.

## Complaints

- 10.21** The Committee shall:
- a. monitor the effectiveness of the investigation of complaints against the PSR
  - b. review the outcomes of upheld complaints and ensure the executive has appropriate processes in place to address the root causes of such complaints
  - c. monitor the resources available to the complaints investigation function to ensure that they are capable of investigating complaints effectively

## Chair's expenses

- 10.22** The Committee shall review the expenses incurred by the Chair of the PSR, by an annual summary, showing separately travel, entertainment and any other significant items of expense.

## Potential implications of legal action

- 10.23** The Committee shall make recommendations to the PSR Board on the potential implications of any legal action taken against the PSR, based on litigation reports received from the PSR's General Counsel and the Human Resources team.

## Reporting responsibilities

- 10.24** The PSR Audit Committee Chair shall submit a written report to the Board on its proceedings after each meeting on the nature and content of its discussion, recommendations, approvals given, and actions to be taken.
- 10.25** The PSR Audit Committee shall make whatever recommendations to the PSR Board it deems appropriate on any area within its remit.
- 10.26** The PSR Audit Committee Chair shall report annually to the PSR Board on how the Committee has discharged its responsibilities.
- 10.27** The PSR Audit Committee shall prepare a report on its activities to be included in the Annual Report. The report should include:
- a. an explanation of how the Committee has addressed the effectiveness of the external audit process
  - b. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the NAO
  - c. all other information requirements set out in the Code.

## Membership and committee proceedings

- 10.28** The PSR Audit Committee shall be comprised of the same members as that of the FCA Audit Committee. This shall include at least 3 members, one of whom must be a PSR non-executive director.

- 10.29** Members of the PSR Audit Committee shall be appointed by the PSR Board, taking into account the recommendation of the FCA Board.
- 10.30** All members of the Committee shall be independent Non-Executive Directors of either the FCA or the PSR, at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. A majority of members will be FCA Non-Executive Directors.
- 10.31** The Chair of the PSR shall not be a member of the PSR Audit Committee.
- 10.32** Only members of the Committee have the right to attend committee meetings. However, the following individuals will be invited to attend meetings on a regular basis or as required:
- a. Managing Director
  - b. Chief Operating Officer
  - c. Chief Internal Auditor
  - d. one or more representatives of the NAO
- 10.33** Other individuals, including the Chairs of the FCA and PSR, may be invited by the Chair of the PSR Audit Committee to attend all or part of any meeting.
- 10.34** The PSR Board shall appoint the Chair of the PSR Audit Committee, taking into account the recommendation of the FCA Board. In the absence of the appointed Chair, the members present shall elect one of themselves to chair the meeting.
- 10.35** The Chair of the Committee shall meet with other Board Committee Chairs to ensure appropriate co-ordination and prioritisation of meeting agendas.

## Secretary

- 10.36** The Company Secretary, or their nominee, shall act as the Secretary of the Committee.

## Quorum

- 10.37** The quorum necessary for the transaction of business shall be two members.

## Frequency of meetings

- 10.38** The PSR Audit Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

## Notice and proceedings of meetings

- 10.39** Meetings of the PSR Audit Committee shall be called by the Secretary at the request of any of its members or at the request of any of the following:
- a. the audit lead at the NAO
  - b. the Chief Operating Officer
  - c. the Chief Internal Auditor

- 10.40** Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the PSR Audit Committee and any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and, as appropriate, other attendees at the same time.
- 10.41** The notices, agendas and supporting papers shall normally be distributed in electronic form.
- 10.42** Meetings may be held by telephone or other electronic means that allows those participating in the meeting to communicate with each other.

## Minutes of meetings

- 10.43** The Secretary shall minute the proceedings and resolutions of all meetings of the PSR Audit Committee, including recording the names of those present and in attendance.
- 10.44** Minutes of meetings shall be agreed with the Chair of the PSR Audit Committee and presented for approval at a subsequent Committee meeting. Minutes will be made available to all members of the Board and other individuals unless it would be inappropriate to do so in the opinion of the Chair of the Committee.

## Authority

- 10.45** The PSR Audit Committee is authorised to:
- a. seek any information it requires from any PSR employee of the PSR to perform its duties
  - b. obtain, at the PSR's expense, outside legal or other professional advice on any matter within its terms of reference
  - c. request the attendance of any employee of the PSR at a meeting of the Committee as and when required
  - d. publish in the Annual Report details of any issues that cannot be resolved between the Committee and the Board

## Other matters

- 10.46** The PSR Audit Committee shall:
- a. have access to sufficient resources to carry out its duties, including access to a Secretariat for help as required
  - b. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
  - c. give due consideration to relevant laws and regulations, the provisions of the Code and any other applicable rules, as appropriate
  - d. be responsible for co-ordination of the internal and external auditors
  - e. oversee any investigation of activities that are within its terms of reference
  - f. arrange for periodic review of its own performance and at least once a year review its terms of reference and recommend any changes it considers necessary to the Board



g. work and liaise as necessary with all other PSR Board committees.

**10.47** The PSR Audit Committee may hold private sessions as the Chair of the PSR Audit Committee deems appropriate.

# 11 Terms of reference of the People Committee

## Purpose

- 11.1** The role of the PSR People Committee (the Committee) is to oversee and review the PSR's employment framework and its processes for engagement with its workforce and make recommendations to the PSR Board as appropriate.
- 11.2** For the avoidance of doubt, the activities of the PSR People Committee do not affect the responsibilities of the PSR Board in relation to the PSR's People Strategy and culture.

## Duties

### General

- 11.3** The PSR People Committee shall carry out the duties below:
- a. review the PSR's employment framework as it applies to the workforce, which includes policies on all aspects of remuneration, performance and reward, pension offering. The objective of the PSR's employment framework and associated policies is to ensure that the workforce is provided with appropriate incentives to encourage enhanced performance and is, in a fair and responsible manner, rewarded for their contribution to the success of the PSR.
  - b. monitor the application of the PSR's employment framework to ensure it is transparent, fair and consistent across the PSR.
  - c. monitor risks to the PSR arising out of the application of the employment framework and communicate these to the PSR Risk Committee or PSR Board as appropriate.
  - d. oversee and review the PSR's policies and processes for engagement with its workforce.

### Remuneration policy

- 11.4** In relation to the remuneration policy, the PSR People Committee shall:
- a. review the remuneration policy for the PSR Managing Director in accordance with the Principles and Provisions of the UK Corporate Governance Code (the Code).
  - b. review and provide input on remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to the PSR's purpose and values, clearly linked to the successful delivery of the PSR's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.
  - c. when reviewing the remuneration policy and practices for members of the executive team, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

- d. when reviewing remuneration policy, take into account all other factors which it deems necessary or appropriate, including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate management of the quality required to run the PSR successfully without paying more than is necessary, having regard to views of stakeholders.
- e. review the PSR's redundancy policy.
- f. review the policies covering the involvement of the PSR Chair and Managing Director in relation to the treatment of fees arising from any outside appointment offered to them.
- g. review the policy for authorising claims for expenses for the PSR Chair and Managing Director.
- h. make recommendations to the FCA People Committee on the appropriate level of remuneration for Non-Executive Directors.
- i. review the PSR's recommendations for the annual budget for remuneration.

## Executive remuneration

- 11.5** The approval of the remuneration or compensation packages or arrangements following the severance of the service contract of the PSR Managing Director is the responsibility of the FCA People Committee following advice given by the PSR Chair.
- 11.6** The PSR People Committee shall do such other things as it considers necessary for its role and such other matters as the PSR Board may require in relation to its role, from time to time.

## Reporting responsibilities

- 11.7** The PSR People Committee Chair shall submit a written report to the Board on its proceedings after each meeting on the nature and content of its discussion, recommendations, approvals given, and actions to be taken.
- 11.8** The PSR People Committee shall make whatever recommendations to the PSR and FCA Boards it deems appropriate on any area within its remit where action or improvement is needed.
- 11.9** The PSR People Committee shall prepare a report on its activities to be included in the Annual Report. The report should include:
  - a. a description of its work in line with the requirements of the Code.
  - b. a report on the directors' remuneration policy and practices.
  - c. identifying any external remuneration consultancy that has been engaged, alongside a statement about any other connection it has with the PSR or individual directors.

## Membership and committee proceedings

- 11.10** The PSR People Committee shall be comprised of the same membership as that of the FCA People Committee.

- 11.11** Members of the PSR People Committee shall be appointed by the PSR Board, taking into account the recommendation of the FCA Board.
- 11.12** Only members of the PSR People Committee have the right to attend committee meetings.
- 11.13** The FCA's Chief People Officer will be invited to attend every meeting.
- 11.14** The following individuals may also be invited to attend meetings:
- a. the PSR Chair, if not a member
  - b. the PSR's Managing Director
  - c. the PSR's Chief Operating Officer
- 11.15** Other individuals, including external advisers, may be invited by the Chair of the PSR People Committee to attend for all or part of any meeting.
- 11.16** The PSR Board shall appoint the Chair of the PSR People Committee, taking into account the recommendation of the FCA Board. In the absence of the appointed Chair, the members present shall elect one of themselves to chair the meeting.

## Secretary

- 11.17** The FCA Company Secretary, or their nominee, shall act as the Secretary of the PSR People Committee.

## Quorum

- 11.18** The quorum necessary for the transaction of the business of the PSR People Committee shall be three members.

## Frequency of meetings

- 11.19** The PSR People Committee shall meet at least four times a year and otherwise as required.

## Notice of meetings and proceedings of meetings

- 11.20** Meetings of the PSR People Committee shall be called by the Secretary at the request of any of its members
- 11.21** Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the PSR People Committee and any other person required to attend, no later than 5 full clear working days before the date of the meeting.
- 11.22** Notice, agendas and supporting papers may be sent in electronic form.
- 11.23** Meetings may also be held by any electronic means such as telephone or videoconference that allows all members and attendees to hear all the proceedings of the meeting.

## Minutes of meetings

- 11.24** The Secretary shall minute the proceedings and decisions of all meetings of the PSR People Committee, including recording the names of those present and in attendance.
- 11.25** The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interests, advise how to manage them and minute the outcome accordingly.
- 11.26** Draft minutes of meetings of the PSR People Committee shall be agreed promptly with the Chair of the Committee and circulated promptly thereafter to all members of the Committee.

## Authority

- 11.27** The PSR People Committee is authorised, in respect of its functions, to:
- a. seek any information it requires from any PSR employee, and call any employee to attend a meeting of the PSR People Committee, in order to perform its duties
  - b. obtain, at the PSR's expense, remuneration consultancy, legal, accounting or other professional advice on any matter within its terms of reference
  - c. commission or purchase, at the PSR's expense, any reports, surveys or information which it deems necessary.

## Other matters

- 11.28** The PSR People Committee shall:
- a. have access to sufficient resources in order to carry out its duties, including access to the Central Secretariat for advice and assistance as required
  - b. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
  - c. give due consideration to all relevant laws and regulations, the provisions of the Code and associated guidance and any other applicable rules or codes of practice, as appropriate
  - d. ensure that a periodic evaluation of its own performance is carried out
  - e. review its terms of reference at least annually, or as otherwise required by the PSR Board, and recommend any changes it considers necessary to the PSR Board for approval
  - f. work and liaise as necessary with other PSR Board committees, ensuring the interaction between committees and with the PSR Board is reviewed regularly.

# 12 Terms of reference of the Risk Committee

## Purpose

- 12.1** The Risk Committee (the Committee) is responsible for:
- supporting the Board in meeting its responsibilities for an effective system of risk management and appropriate assurance of the adequacy and effectiveness of the PSR's system of regulation (including policy, supervision, enforcement, competition and associated support function activities)
  - providing advice on the extent to which the framework for the oversight and control of current and future internal and external risks supports the Board in deciding on how best to advance the PSR's statutory objectives
  - providing assurance on any additional matters as instructed or delegated by the Board

## Duties

- 12.2** The Committee shall challenge, advise and make recommendations to the Board on the PSR's risk culture, risk strategy and risk management framework.
- 12.3** The Committee shall:
- review and report to the Board on the maturity of the PSR's risk culture and the adequacy and effectiveness of processes to embed this within and across the organisation.
  - review and report to the Board on the adequacy and effectiveness of the PSR's risk appetite, tolerances and strategy in supporting the delivery of the PSR's statutory objectives.
  - review and report to the Board on the adequacy and effectiveness of the PSR's risk management framework and taxonomy and processes that identify, assess, manage, mitigate, monitor and report risks within agreed tolerances, including long term emerging risks
  - receive regular reports on the PSR's risk profile, covering current and future, regulatory, governance, legal, people, strategy, reputational, operational and data & information risks as appropriate and seek assurance that it is consistent with ensuring the delivery of the PSR's statutory objective
  - seek assurance from the executive that the principal risks have been appropriately identified, assessed, prioritised and have appropriate mitigations in place to ensure they are managed within Board approved risk tolerance
  - receive reports on the operation, resourcing and effectiveness of the PSR's decision making committees and make recommendations to the Board as appropriate.

**12.4** The Committee shall review and approve the role and mandate of the risk management and compliance functions ensuring they are appropriate for the needs of the organisation.

**12.5** The Committee shall:

- review the findings, recommendations and any other relevant reports of the Chief Risk Officer
- review and monitor the executive's responsiveness to the findings and recommendations of the Chief Risk Officer
- meet the Chief Risk Officer, without the presence of the executive, to discuss the effectiveness of the system of risk management.
- ensure the Chief Risk Officer has direct access to the Chair of the PSR and the Chair of the Committee, providing independence from the executive and accountability to the Board and the Committee

## Reporting responsibilities

**12.6** The Committee Chair shall report to the Board on the Committee's proceedings after each meeting.

**12.7** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.

**12.8** The Chair of the Committee shall formally report annually to the Board how the Committee has discharged its responsibilities.

**12.9** The Committee shall prepare a report on its activities and the PSR's risk strategy and management to be included in the Annual Report of the PSR.

## Membership and Committee Proceedings

**12.10** The Committee shall comprise at least three members, one of whom must be the PSR member of the Audit Committee.

**12.11** The Chair of the Committee shall be appointed by the Board.

**12.12** Members of the Committee shall be appointed by the Board, in consultation with the Committee Chair.

**12.13** All members of the Committee shall be independent non-executive directors.

**12.14** The Chair of the PSR may be a member of the Committee but shall not chair it.

**12.15** Only members of the Committee have the right to attend committee meetings. However, the following individuals will be invited to attend meetings on a regular basis:

- the Chair of the PSR (if not a member)
- the Managing Director
- the Chief Risk Officer

- 12.16** Other individuals may be invited by the Committee Chair to attend all or part of any meeting.
- 12.17** In the absence of the Committee Chair at any meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 12.18** The Committee Chair shall meet with the chairs of the FCA's Audit and Risk Committees to ensure appropriate coordination and prioritisation of meeting agendas.

## Secretary

- 12.19** The Company Secretary, or their nominee, shall act as the Secretary of the Committee.

## Quorum

- 12.20** The quorum necessary for the transaction of business shall be two members.

## Frequency of meetings

- 12.21** The Committee shall meet at least three times a year at appropriate times to coincide with key dates in the risk review process and otherwise as required.

## Notice and proceedings of meetings

- 12.22** Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the Chief Risk Officer if they consider it necessary.
- 12.23** Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than 5 working days before the date of the meeting.
- 12.24** Supporting papers shall be sent to Committee members and, as appropriate, to other attendees at the same time.
- 12.25** The notice, agendas and supporting papers shall normally be distributed in electronic form.
- 12.26** Meetings may be held by telephone or other electronic means that allows those participating in the meeting to communicate with each other.

## Minutes of meetings

- 12.27** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 12.28** Minutes of meetings shall be agreed with the Chair of the Committee and presented for approval at a subsequent Committee meeting. Minutes will be made available to all members of the Board and other individuals upon request, unless it would be inappropriate to do so in the opinion of the Chair of the Committee.



## Authority

**12.29** The Committee is authorised:

- to seek any information it requires from any employee of the organisation to perform its duties
- to obtain, at the organisation's expense, outside legal or other professional advice on any matter within its terms of reference
- to request the attendance of any employee of the organisation at a meeting of the Committee as and when required
- to publish in the Annual Report details of any issues that cannot be resolved between the Committee and the Board

## Other matters

**12.30** The Committee shall:

- have access to sufficient resources to carry out its duties, including access to a Secretariat for help as required
- be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- oversee any investigation of activities that are within its terms of reference
- work and liaise as necessary with all other Board committees
- arrange for periodic review of its own performance and at least once a year review its terms of reference and recommend any changes it considers necessary to the Board

**12.31** The Committee may hold private sessions as the Chair of the Committee deems appropriate.

# 13 Terms of reference of the Enforcement Decisions Committee

## Background and purpose

- 13.1** The Board of the Payment Systems Regulator (PSR) has authorised a pool of persons (EDC members) to be appointed to the Enforcement Decisions Committee (EDC) to act as decision-makers in cases where the PSR considers that a compliance failure has occurred and recommends the following sanction(s):
- Publication of the details of a compliance failure by a participant in a regulated payment system under section 72 FSBRA; and/or
  - Requiring a participant in a regulated payment system to pay a penalty in respect of a compliance failure under section 73 FSBRA.
- 13.2** The compliance failure may be a failure to comply with one or more PSR directions (general or specific) given under section 54 of the Financial Services (Banking Reform) Act 2013 (FSBRA); PSR requirements imposed by the PSR under section 55 FSBRA; and/or PSR requirements to grant access to a regulated payment system imposed under section 56 FSBRA. The Board of the PSR has also authorised the EDC members to act as decision-makers in respect of compliance failures relating to certain EU payments legislation for which the PSR is a competent authority. These are described at Annex A of these Terms of Reference.
- 13.3** The purpose of the EDC is to ensure the PSR's enforcement process operates fairly, so that those who investigate compliance failures in any individual case are separate from those who decide whether a compliance failure has occurred and, if so, what sanction, if any, should be imposed.
- 13.4** The EDC exercises decision-making powers on behalf of the PSR Board. The EDC is accountable to the Board in respect of its procedures and general arrangements, but this does not affect its independence in relation to its decisions.
- 13.5** The EDC decides whether to issue warning notices and decision notices imposing sanctions in individual compliance failure cases. Such sanctions include any penalties that should be imposed under section 73 FSBRA and/or the publication of details of the compliance failure and/ or of the penalty imposed (sections 72(1) and (2) FSBRA). Information on the sanctions for compliance failures relating to certain EU payments legislation for which the PSR is a competent authority is set out in Annex A of these Terms of Reference.
- 13.6** An EDC Panel will be appointed to be the decision-makers each time the PSR considers that there is a compliance failure and that the compliance failure should be sanctioned. This means that there may be more than one EDC Panel in place at any one time.

- 13.7** The EDC members and EDC Panels are separate from the PSR's executive management structure. All EDC members, including the Chair and Deputy Chair, are appointed for fixed periods by the Board. The Board may remove an EDC member only in the event of that member's misconduct or incapacity, or with the member's agreement.
- 13.8** The FCA Corporate Services Decision-Making Committees Secretariat (the Secretariat) shall provide administrative services to the EDC, EDC members and EDC Panels in accordance with the Protocol.

## Duties of the EDC members

- 13.9** Each EDC member has agreed to comply with the Code of Conduct of the EDC ("the Code of Conduct"), including its confidentiality obligations.
- 13.10** Each EDC member must make him or herself reasonably available to attend training relevant to their role as an EDC member regardless of whether they are currently sitting on an EDC Panel.
- 13.11** EDC members can be a member of more than one EDC Panel at any one time.
- 13.12** The EDC is a committee of the Board and, in discharging their functions, EDC members must have regard to:
- the PSR's statutory general duties, including its statutory payment system objectives and regulatory principles (where the matter before the EDC concerns a compliance failure relating to FSBRA and the PSR's regulatory requirements made thereunder);
  - the PSR's functions or duties in connection with or arising under EU payments legislation as transposed, implemented or otherwise enacted in the UK (where the matter before the EDC concerns a compliance failure relating to such EU payments legislation) ;
  - the PSR's published guidance documents, including in particular (in connection with FSBRA) the Powers & Procedures Guidance (PPG), the Penalties Guidance, the Objectives Guidance, and/or any other relevant published guidance, including guidance on the PSR's functions in relation to EU payments legislation (as appropriate);
  - as appropriate, the PSR's published Policy Statements; any general or specific directions issued under section 54 FSBRA; any generally applicable or specific requirements issued under section 55 FSBRA; any orders issued requiring the granting of new access under section 56 FSBRA; any variations of existing access agreements, fees or charges required under section 57 FSBRA; any disposal(s) of interests in payment systems operators and/or infrastructure providers required under section 58 FSBRA; the text of any EU payments legislation for which the PSR is a competent authority (see further Annex A); the text of any UK transposing or implementing measure, or statutory instrument otherwise giving effect to such EU payments legislation; and/or any regulatory requirements put in place by the PSR in the discharge of the PSR's functions as a competent authority; and
  - any prior compliance failures relating to FSBRA which have been sanctioned through the imposition of a penalty under section 73 FSBRA and/or through the publication of details of the compliance failure and/or penalty imposed under section 72(1) and/or (2) FSBRA; and/or any prior compliance failures relating to EU payments legislation for

which the PSR is a competent authority which have been sanctioned through the imposition of sanctions under the relevant legislation assigning those sanctioning powers to the PSR (see further Annex A of these Terms of Reference).

## Conflicts of interest

- 13.13** On appointment by the Board as an EDC member, EDC members must disclose to the Secretariat and the Chair any information (including interests and/or relationships) in relation to conflicts of interest and keep the Secretariat and the Chair informed of any relevant developments (including further interests they acquire) after their appointment as an EDC member.
- 13.14** Each member of the EDC shall comply with the rules and procedures laid down in the Code of Conduct in relation to conflicts of interest.
- 13.15** The Secretariat will record and document all disclosures of potential conflicts of interest and the steps taken to manage them.

## Procedures

- 13.16** The EDC will conduct itself in the manner and may adopt such procedures as the Chair considers suitable and appropriate to enable the EDC to determine fairly and expeditiously any matters which EDC Panels are considering.

## Appointment of EDC Panels

- 13.17** Each EDC Panel is composed of three EDC members. Individual EDC Panels are appointed by the Chair of the EDC (or, in his/her absence, by the Deputy Chair). Either the Chair or Deputy Chair must be a member of each EDC Panel, chairs that EDC Panel's meetings and counts towards that EDC Panel's quorum.
- 13.18** When appointing EDC members to an individual EDC Panel, the Chair will take into account the relevant expertise of those individual EDC members in relation to the specific compliance failure, their availability and any reported conflicts of interest.
- 13.19** If an EDC member has a potential conflict of interest in any matter in which she/he is asked to participate as part of an EDC Panel, she/he must disclose the conflict to the Secretariat and the Chair (including interests and/or relationships). The Chair will decide whether it is appropriate for that EDC member to act on the EDC Panel for the matter in question.
- 13.20** Where appropriate in light of the specific nature of the case, the Chair will ensure that the EDC Panel includes a lawyer.

## Quorum and participation

- 13.21** All three members of an EDC Panel must be present to form a quorum.
- 13.22** The Chair may exceptionally agree that an EDC Panel meeting can be held by teleconference, videoconference or other similar facility which provides the necessary level of privacy. Decisions in relation to the issuing of a warning notice and/or of a decision

notice may also be taken in writing including email or other electronic means. The EDC Panel meets in private.

**13.23** Decisions in relation to the issuing of a warning notice and/or of a decision notice require at least two members of an EDC Panel to be in agreement.

## Functions of the EDC Panels

**13.24** The functions of individual EDC Panels are to decide, based on their review of the facts and arguments presented in individual cases submitted to the EDC:

- whether to issue a warning notice proposing to impose a sanction(s) on the subject in respect of a compliance failure. In making this decision, the EDC panel will first need to be satisfied that a compliance failure has occurred.
- whether to issue a decision notice imposing a sanction/sanctions in respect of the compliance failure.

**13.25** The EDC will decide whether to issue a warning notice based on the evidence and legal assessment submitted by the case team. In exercising its functions, the EDC will consider the draft warning notice and recommendations submitted by the case team, along with the key supporting documents.

**13.26** In deciding whether to issue a decision notice, the EDC will also consider any written and/or oral representations made by the party/parties (including in respect of whether there has been a compliance failure), and the case team's response to those representations.

**13.27** The abovementioned EDC functions will require the EDC Panel, at each of the warning notice and decision notice stages, to decide on the appropriate sanction(s) in respect of a given compliance failure, namely (in respect of FSBRA) ;

- a. whether to publish details of the compliance failure
- b. whether to impose a penalty in respect of the compliance failure and the appropriate amount of any penalty (or proposed penalty) in respect of that compliance failure, having regard to the PSR's Penalties Guidance in force at the time when the compliance failure occurred; and
- c. whether to publish details of any penalty imposed .

**13.28** Individual EDC Panels may decide on any combination of paragraph 13.26(a), (b) and/or (c) sanctions in a given compliance failure case, taking into account the recommendations made by the case team.

**13.29** EDC Panels do not have a role in individual cases before the case team submit a draft warning notice to the EDC. Once a draft warning notice has been submitted to the EDC, the appointed EDC Panel may liaise and work with the case team with a view to deciding whether it should issue a warning notice. Once a warning notice is issued by an EDC Panel, paragraph 13.38 applies.

**13.30** Each EDC Panel will consider whether it is appropriate to provide the recipient of warning notice with any underlying material where it is likely to be necessary for the recipient to understand the case against it. The case team may make representations and legal

submissions to the EDC Panel where the case team considers that such material cannot be disclosed at all or must be subject to redactions for reasons of confidentiality.

**13.31** Where an EDC Panel decides that the sanction(s) in respect of a compliance failure will include the publication of details of the compliance failure and/or of details of the penalty imposed, the EDC Panel will decide whether the entire decision notice will be published (and if so, subject to which, if any, redactions for confidentiality), or whether an abridged or alternative text setting out the relevant and non-confidential details of the compliance failure and/or penalty imposed should be published. Publication will be on the website.

**13.32** EDC Panels do not take any of the following decisions:

- Closing a case on grounds of administrative priority.
- Settling a case.

## Interaction between EDC proceedings and settlement discussions

**13.33** Settlement discussions with the PSR may be initiated at any time. The EDC Panel will be informed when settlement discussions are initiated and in progress, and EDC proceedings will be paused whilst settlement discussions continue.

**13.34** The EDC Panel will not be engaged in any settlement discussions or informed about the content or progress of the discussions, other than being advised that they have concluded successfully or have failed to conclude. In particular, any concessions or admissions made to the case team or PSR Settlement Decision-Makers during settlement discussions will not be shared with the EDC Panel .

**13.35** If settlement discussions are initiated (before or after a warning notice has been issued by the EDC), the matter is taken forward by the PSR Settlement Decision-Makers (rather than by an EDC Panel). If settlement discussions are successful, the PSR Settlement Decision-Makers may decide to issue a warning notice and decision notice (including the imposition of any sanction) .

**13.36** If settlement discussions break down, the matter will be referred to the EDC for it to decide whether to issue a warning notice and decision notice on whether a compliance failure has occurred and what sanction(s) to impose.

## Case team and party liaison

**13.37** The Chair, supported by the Secretariat, will act as the main liaison point for the case team, or he/she may designate another member of the EDC Panel in any particular case to act as the main liaison point for the case team.

**13.38** The recipient of a warning notice may continue day-to-day contact with the case team (under the guidance of the PSR official overseeing the case) whilst the EDC Panel makes its decisions.

**13.39** Once a warning notice has been issued by the EDC Panel, the Secretariat will ensure that relevant communications between the EDC Panel and either the case team or the recipient of the warning notice are copied or otherwise notified to the other party.

## Legal, technical and economic input

- 13.40** The EDC Panel may seek its own legal, technical, economic and/or other relevant expert advice from PSR staff unconnected to the case team, if it considers that is required in order to enable the EDC Panel to reach its decisions. In such a case, the Chair and the PSR will discuss the advice which is being sought and the PSR will make appropriate PSR staff unconnected to the case team available to the EDC Panel. In exceptional cases where the necessary additional expertise cannot be provided by PSR staff unconnected with the case, the Chair may, with the agreement of the PSR, seek expert advice from external sources, including from the FCA. Such advice will be paid for by the PSR.

## Oral representations meeting

- 13.41** The Chair will consider a request by a recipient of a warning notice for a meeting at which to make oral representations to the EDC Panel and will consider whether, and when, such a meeting should take place. The Chair will also determine the format and timing of any such meeting. The Chair may decide that a multi-party hearing should take place and/or whether any third parties should be present. Both the recipient of the warning notice and the case team may make oral representations at any such meeting.
- 13.42** During the oral representations meeting, the EDC Panel may ask questions about the written representations made by the recipient of the warning notice, as well as questions of clarification. There is no obligation on the recipient of the warning notice to respond, and it may choose to respond to questions in writing after the hearing.
- 13.43** The Secretariat will record the oral representations meeting, and will provide a copy of the recording if requested by either the case team or the party/parties.

## Notice of meetings

- 13.44** The Secretariat will make the arrangements for each EDC and EDC Panel meeting, including confirming the availability of each EDC member.
- 13.45** Unless otherwise agreed with the Chair, confirmation of the arrangements for each EDC Panel meeting shall be forwarded to each EDC Panel member and any other relevant person as soon as practicable before the date of the meeting. The Secretariat will also provide copies of the papers to be considered at the meeting to those who need them.

## Minutes of meetings

- 13.46** The Secretariat will make and retain appropriate records of the meetings held by EDC Panels and of the decisions taken by EDC Panels.

## Resources

- 13.47** The EDC shall have access to sufficient resources in order to carry out its duties including, in particular, the Secretariat.

## ANNEX:

# EU payments legislation for which the PSR is a competent authority

**13.48** The Board of the PSR has authorised EDC members appointed to the EDC to act as decision-makers in any case of compliance failures arising in relation to the following EU payments legislation for which the PSR is a competent authority.

Legislative instrument(s)	Nature of the compliance failure(s) relevant to the EDC	Nature of the sanction(s) available to the PSR where the EDC acts as decisionmaker
The Payment Card Interchange Fee Regulations 2015 (the 'PCIFRs'), which designate the PSR as the competent authority for Regulation (EU) 2015/751 of the European Parliament and the Council of 29 April 2015 on interchange fees for card-based payment transactions (the 'Interchange Fee Regulation' or 'IFR')	<p>Where a regulated person (that is, any persons on whom an obligation or prohibition is imposed by any provision of the IFR):</p> <ul style="list-style-type: none"> <li>• fails to comply with an obligation or prohibition imposed by the IFR; or</li> <li>• fails to comply with a direction given by the PSR under Regulation 4 of the PCIFRs.</li> </ul>	<ul style="list-style-type: none"> <li>• The publication of details of the compliance failure (under Regulation 5 of the PCIFRs);</li> <li>• the imposition of a financial penalty for the compliance failure (under Regulation 6 of the PCIFRs); and</li> <li>• the publication of details of any financial penalty (under Regulation 5(b) of the PCIFRs).</li> </ul>



Legislative instrument(s)	Nature of the compliance failure(s) relevant to the EDC	Nature of the sanction(s) available to the PSR where the EDC acts as decisionmaker
<p>Part 3 and Schedule 4 of the Payment Account Regulations 2015 (the 'PARs'), which designate the PSR as the competent authority for the designation of payment account switching services as 'alternative arrangements', further to Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (the 'Payment Account</p>	<p>Where the operator of a switching service which has been designated as an alternative arrangement:</p> <ul style="list-style-type: none"> <li>• fails to comply with a PSR direction given under Schedule 4, paragraph 8 of the PARs for the purpose of ensuring that the switching service continues to meet the requirements of Regulation 15(2) of the PARs; or</li> <li>• fails to comply with a PSR notice to provide information given under Schedule 4, paragraph 7 of the PARs.</li> </ul>	<ul style="list-style-type: none"> <li>• The imposition of financial penalties under schedule 4, paragraph 9 of the PARs.</li> </ul>

# 14 Terms of reference of the Competition Decisions Committee

## Background and purpose

- 14.1** The Competition Act 1998 (Competition and Markets Authority's Rules) 2014 (CMA Rules) require separation between: (a) the person who oversees an investigation and decides to issue a notice setting out a proposed finding of infringement of the prohibitions contained in Chapter I or Chapter II of the Competition Act 1998 (CA98) and/or Article 101(1) or 102 of the Treaty on the Functioning of the European Union (the Statement of Objections), and (b) the person who decides whether any supplementary Statement of Objections is required, whether there has in fact been such an infringement (other than in settlement cases) or whether there are no grounds for action and whether to impose a penalty under the CMA Rules.
- 14.2** The Board of the Payment Systems Regulator (PSR) has authorised a pool of persons to be appointed to the Competition Decisions Committee (CDC) that can act as decision-makers in any particular CA98 investigation. In individual cases, a CDC Panel comprised of three CDC members will be appointed to exercise decision-making powers on behalf of the PSR in relation to:
- issuing a Supplementary Statement of Objections (if necessary);
  - issuing an infringement decision (or decision that there are no grounds for action);
  - determining whether to impose a penalty for an infringement of CA98; and/or
  - deciding whether to give directions when it has found an infringement of CA98.
- 14.3** A CDC Panel will be appointed each time the PSR has come to the provisional view that a conduct under investigation amounts to an infringement and has issued a Statement of Objections. This means that there may be more than one CDC Panel in place at any one time.
- 14.4** The CDC and CDC Panels are separate from the PSR's executive management structure. All members of the CDC are appointed for fixed periods by the Board. The Board may remove a member of the CDC, but only in the event of that member's misconduct or incapacity or with the member's agreement.
- 14.5** The FCA Corporate Services Decision-Making Committees Secretariat (Secretariat) shall provide administrative services to the CDC, CDC members and CDC Panels in accordance with the Protocol .

## Duties of the CDC members

- 14.6** Each CDC member has agreed to comply with the Code of Conduct of the CDC.
- 14.7** Each CDC member must make him or herself reasonably available to attend training in relation to CA98 regardless of whether they are currently sitting on a CDC Panel.
- 14.8** CDC members can be a member of more than one CDC Panel at any one time.

## Functions of the CDC Panel

- 14.9** The CDC Panel's functions in a given case are:
- to decide whether to issue any supplementary Statement of Objections;
  - based on its review of the facts and arguments presented, to decide whether to issue an infringement decision (other than in settlement cases) or 'no grounds for action' decision;
  - to give notice of and decide on the appropriate level of any penalty for an infringement, having regard to the penalty guidance in force for the time being under s38 CA98, based on a proposal put forward by the case team; and
  - if it has found an infringement of CA98, to decide whether to impose directions under s32 or s33 CA98.
- 14.10** In exercising its functions, the CDC Panel will consider the Statement of Objections, the key documents on the case file, the written and/or oral representations of the party/parties (including attending the oral hearing, described below, or, where a member of a CDC Panel changes after the oral hearing, reviewing the transcript of the oral hearing), and any representations received from third parties on the Statement of Objections issued by the PSR.
- 14.11** The CDC Panel does not take any of the following decisions:
- Closing a case on grounds of administrative priority (including if this decision is taken following the issuing of a Statement of Objections);
  - Accepting commitments under s31A CA98;
  - Issuing interim measures under s35 CA98;
  - Settling a case (even if the case settles following the issuing of the Statement of Objections, including taking the infringement decision following any such settlement); and
  - Imposing a penalty under s40A CA98 relating to failures of parties to comply with the PSR's information-gathering powers in CA98 investigations.
- 14.12** The CDC Panel does not have a role in a case before the issuing of a Statement of Objections.
- 14.13** In addition, it is the case team and PSR who are responsible for resolving any issues raised by parties relating to access to file and redaction of confidential information, both in relation to disclosure to addressee(s) of a Statement of Objections and in relation to the publication of any final infringement decision. Such issues are subject to parties' rights to raise complaints with the PSR's Procedural Officer.

## Appointment of the CDC Panels

- 14.14** The CDC Panel in a given case is appointed by ExCo from the CDC members on recommendation from the Procedural Officer once the PSR has issued a Statement of Objections setting out its provisional finding of infringement against one or more parties.
- 14.15** The Procedural Officer shall report to the Board if his recommendation referred in 14 above is rejected by ExCo.
- 14.16** ExCo will designate one of the three appointed CDC panel members to be the Chair of that CDC Panel. The Chair will not have a casting vote.
- 14.17** Each CDC Panel will typically include at least one lawyer and one economist.

## Conflicts of interest

- 14.18** Each member of the CDC shall comply with the rules and procedures laid down in the Code of Conduct in relation to conflicts of interest. The Secretariat will record and document information disclosed in relation to conflicts of interest and the steps taken to manage them.

## Role and Procedures of the CDC

### Duties of the CDC Panel in individual cases

- 14.19** The CDC Panel takes a decision based on all the relevant information available to it, including the views of PSR staff about the relative quality of the evidence. The CDC Panel will direct the case team in the drafting of any supplementary Statement of Objections, draft penalty statement, and/or infringement decision or 'no grounds for action' decision.
- 14.20** Before deciding whether to issue an infringement or 'no grounds for action' decision and/or to issue a draft penalty statement, the CDC Panel may ask the case team to:
- provide a further explanation of the Statement of Objections or any aspect of any PSR staff recommendation (for example, in relation to penalties) or accompanying papers;
  - explain or provide any other additional information about the matter;
  - investigate any matter further; and/or
  - issue a supplementary Statement of Objections under its direction.
- 14.21** The CDC is accountable to the Board in respect of its general arrangements, but this does not affect its independence in relation to its decisions. In this context, the Chair of each CDC Panel will prepare an annual report on the work of that CDC Panel.

### Case team and party liaison

- 14.22** The Chair of the CDC Panel in any particular case will be the main liaison point for the PSR case team.

- 14.23** The party or parties under investigation will not engage with the CDC directly; day-to-day contact will continue to take place through the case team (under the guidance of the Case Sponsor overseeing the investigation).

### Legal, economic and technical input

- 14.24** The CDC will be advised by PSR case team and its legal, economic and technical advisers, though it may choose to obtain advice from a new adviser from within the PSR or externally if it feels that this is required in order to reach its final view on the decisions it has to take. In such a case, the Chair and the Case Sponsor will discuss what advice is being sought and the Case Sponsor will make appropriate PSR staff team available to the CDC Panel. Where external advice is sought, this will be agreed with and for by the PSR.

### Oral hearings and report of the Procedural Officer

- 14.25** Addressee(s) of the Statement of Objections are invited to make oral submissions to the CDC Panel, but they are not obliged to do so. Any oral hearing will be chaired by the Procedural Officer, in accordance with the CA98 Rules.
- 14.26** The CDC Panel will indicate to the case team any matters it wishes to cover at the oral hearing and discuss other relevant issues with the case team (which could include considering a multi-party hearing or if interested third parties should be present).
- 14.27** During the oral hearing, both the CDC Panel and PSR staff present may ask questions about the addressee's written representations or questions of clarification. There is no obligation on the addressee to respond, and it may respond to questions in writing after the hearing.
- 14.28** Following the oral hearing, the Procedural Officer will report to the CDC Panel, indicating any procedural issues that have been brought to the attention of the Procedural Officer during the investigation and confirming whether the parties' right to be heard has been respected, including an assessment of the fairness of the procedure followed in the oral hearing.

### Quorum

- 14.29** The CDC Panel is composed of three CDC members, who are appointed to act as decision-makers in any particular case. At least two members must be present to form a quorum.
- 14.30** Decisions require at least two members of the CDC Panel to be in agreement. Dissenting opinions will not be published.

### Notice of Meetings

- 14.31** The Secretariat shall make the arrangements for each meeting, including confirming the availability of each CDC member.
- 14.32** Unless otherwise agreed, confirmation of the arrangements for each meeting shall be forwarded to each CDC member and any other relevant person as soon as practicable before the date of the meeting, together with the papers to be considered at the meeting.
- 14.33** Attendance at meetings may be by telephone or similar facility. Decisions may also be taken in writing including email or other electronic means. The CDC Panel meets in private.

## Minutes of Meetings

- 14.34** The Secretariat will make and retain appropriate records of the decisions taken by the CDC and CDC Panels.

## Resources

- 14.35** The CDC shall have access to sufficient resources in order to carry out its duties including, in particular, the Secretariat.

## PSR Executive Committee Structure

- 14.36** Our executive committees also play an important role in our overall corporate governance as set out below.

The Companies Act 1948 to 2006 Company Limited  
by Shares

# Articles of Association<sup>1</sup> of the Payment Systems Regulator Limited

(Approved on 22 October 2015)

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<sup>1</sup> These Articles of Association should be read in conjunction with Schedule 4 to the Financial Services (Banking Reform) Act 2013 which governs the constitution of the Payment Systems Regulator.

# Part 1: Introduction

## 1 Defined terms

1.1 In these Articles, unless the context requires otherwise:

Term or abbreviation	Description
<b>Act</b>	means the Companies Acts as defined in section 2 of the Companies Act 2006, in so far as they apply to the Company.
<b>Address</b>	means a physical address or, in relation to Electronic Form, any number of electronic mail address(es), which has been notified to the Secretary for the purpose of receiving and sending documents.
<b>Authenticated Document</b>	relates to the Directors' and/or Members' agreement to a resolution. Directors/Members can either sign a paper copy of the resolution or signify agreement to an electronic version. For the document to be valid it must originate from an Address agreed with the Company.
<b>Company</b>	means The Payment Systems Regulator Limited.
<b>Board</b>	means the governing body of the Company appointed pursuant to Schedule 4, paragraph 2 of the Financial Services (Banking Reform) Act 2013.
<b>Chair</b>	means the person who for the time being holds such office pursuant to Schedule 4, paragraph 2, sub-paragraph 2(a) of the Financial Services (Banking Reform) Act 2013.
<b>Common Seal</b>	means the common seal of the Company.
<b>Conflict</b>	means a situation in which a Director has or can have a direct or indirect interest that conflicts or possibly may conflict, with the interests of the Company.
<b>Director</b>	a person appointed to the Board pursuant to Schedule 4, paragraph 2 of the Financial Services (Banking Reform) Act 2013.
<b>Document</b>	includes, unless otherwise stated, any document sent or supplied in Electronic Form.
<b>Electronic Form</b>	has the meaning given in section 1168 of the Act.



<b>Term or abbreviation</b>	<b>Description</b>
<b>Eligible Director</b>	means a Director who would be entitled to vote on the matter at a meeting of directors (but excluding in relation to the authorisation of a Conflict pursuant to Article 8, any director whose vote is not to be counted in respect of the particular matter).
<b>Eligible Member</b>	means a Member who would have been entitled to vote on the resolution on the circulation date of the resolution (as defined in section 289 of the Act).
<b>Member</b>	means a shareholder of the Company.
<b>Present or Present in Person</b>	means any Member or Director who is present in person or deemed to be present by virtue of some other form of communication, for example, conference telephone or video link or similar communications equipment whereby all persons participating in the meeting communicate with each other.
<b>Secretary</b>	means any person appointed to perform the duties of the Secretary of the Company.
<b>Treasury</b>	means His Majesty's Treasury.
<b>United Kingdom</b>	means Great Britain and Northern Ireland.
<b>Writing</b>	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination or methods, whether sent or supplied in Electronic Form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these Articles shall bear the same meaning as in the Act as in force on the date when these Articles become binding.

## 2 Objects

### 2.1 The Company's objects are:

- a. to carry out any functions conferred on the Company by or under any provision of any European or United Kingdom legislation, as amended from time to time, and to carry out such other functions or exercise such powers as, from time to time, may be carried out or exercisable by the Company;
- b. to carry out any other function or exercise any other power as may, in the Company's view, assist or enable it to carry out the functions and powers referred to above or which the Company considers incidental, desirable or expedient.

## 3 Powers

3.1 In pursuance of the objects set out in Article 2, the Company has the power to:

- a. buy, lease or otherwise acquire and deal with any property real or personal and any rights or privileges of any kind over or in respect of any property real or personal and to improve, manage, develop
- b. construct, repair, sell, lease, mortgage, charge, surrender or dispose of or otherwise deal with all or any part of such property and any and all rights of the Company
- c. borrow and raise money in such manner as the Directors shall think fit and secure the repayment of any money borrowed, raised or owing by mortgage, charge, lien or other security on the Company's property and assets
- d. invest and deal with the funds of the Company not immediately required for its operations in or upon such investments, securities or property as may be thought fit
- e. subscribe for, take, buy or otherwise acquire, hold, sell, deal with and dispose of, place and underwrite shares, stocks, debentures, debenture stocks, bonds, obligations or securities issued or guaranteed by any government or authority in any part of the world
- f. lend and advance money or give credit on such terms as may seem expedient and with or without security, to enter into guarantees, contracts of indemnity and suretyships of all kinds to receive money on deposit or loan upon such terms as the Company may approve and to secure or guarantee the payment of any sums of money or the performance of any obligation by any company, firm or person including any holding company or subsidiary
- g. lobby, advertise, publish, educate, examine, research and survey in respect of all matters of law, regulation, economics, accounting, governance, politics and/or other issues and to hold meetings, events and other procedures and co-operate with or assist any other body or organisation in each case in such way or by such means as may, in the opinion of the Directors, affect or advance the principal object in any way
- h. pay all or any expenses incurred in connection with the promotion, formation and incorporation of the Company and to contract with any person, firm or company to pay the same
- i. enter into contracts to provide services to or on behalf of other bodies
- j. provide and assist in the provision of money, materials or other help
- k. open and operate bank accounts and other facilities for banking and draw, accept, endorse, issue or execute promissory notes, bills of exchange, cheques and other instruments
- l. incorporate subsidiary companies to carry on any activity
- m. do all such other lawful things as are incidental or conducive to the pursuit or to the attainment of any of the objects set out in Article 2

## 4 Not for distribution

**4.1** The income and property of the Company shall be applied solely in promoting the objects of the Company as set out in Article 2.

**4.2** No dividends or bonus may be paid or capital otherwise returned to the Members, provided that nothing in these Articles shall prevent any payment in good faith by the Company of:

- a. reasonable and proper remuneration to any Member, Director, officer or servant of the Company for any services rendered to the Company
- b. reasonable out-of-pocket expenses properly incurred by any Director

## 5 Winding up

**5.1** On the winding-up or dissolution of the Company, any assets or property that remains available to be distributed or paid to the Members shall not be paid or distributed to such Members in their capacity as such but shall be transferred to another body (charitable or otherwise):

- a. with objects similar to those of the Company; and
- b. which shall prohibit the distribution of its or their income to its or their members, such body to be determined by the Members at the time of winding-up or dissolution

## 6 Liability of Members

**6.1** The liability of each Member is limited to the amount, if any, unpaid on the shares held by them.

## Part 2: Directors and Secretary

### 7 Directors' terms of service

- 7.1** The terms of service of the Directors are to be determined by the Board subject to approval of the FCA and will be notified to the Directors by the Company Secretary.
- 7.2** The Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees or general meetings of the Company or otherwise in connection with the discharge of their duties.

### 8 Directors' conflicts of interest

- 8.1** The Directors may, in accordance with the requirements set out in this Article, authorise any Conflict proposed to them by any Director which would, if not authorised, involve a Director (an Interested Director) breaching his duty under section 175 of the Act to avoid conflicts of interest.
- 8.2** Any authorisation under this Article 8 shall be effective only if:
- a. the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of these Articles or in such other manner as the Directors may determine;
  - b. any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and
  - c. the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.
- 8.3** Any authorisation of a Conflict under this Article 8 may (whether at the time of giving the authorisation or subsequently):
- a. extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
  - b. provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the Directors or otherwise) related to the Conflict;
  - c. provide that the Interested Director shall or shall not be entitled to vote in respect of any future decision of the Directors in relation to any resolution related to the Conflict;
  - d. impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the Directors think fit;
  - e. provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a Director of the Company) information that is confidential to a third party, he shall not be obliged to disclose that information to the Company, or to use it in relation to the Company's affairs where to do so would amount to a breach of that confidence; and
  - f. permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the Directors and be excused from reviewing papers prepared by, or for, the Directors to the extent they relate to such matters.

- 8.4** Where the Directors authorise a Conflict, the Interested Director shall be obliged to conduct himself in accordance with any terms and conditions imposed by the Directors in relation to the Conflict.
- 8.5** The Directors may revoke or vary such authorisation at any time, but this shall not affect anything done by the Interested Director prior to such revocation or variation in accordance with the terms of such authorisation.
- 8.6** A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the Directors in accordance with these Articles or by the Company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.
- 8.7** Subject to sections 177(5) and 177(6) of the Act, a Director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors before the Company enters into the transaction or arrangement in accordance with the Act.
- 8.8** Subject to sections 182(5) and 182(6) of the Act, a Director who is in any way, whether directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other Directors as soon as is reasonably practicable in accordance with the Act, unless the interest has already been declared under Article 8.7.
- 8.9** Subject, where applicable, to any terms and conditions imposed by the Directors in accordance with Article 8.4, and provided he has declared the nature and extent of his interest in accordance with the requirements of the Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company:
- a. may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
  - b. shall, subject to any other relevant restriction at law or under these Articles, be entitled to vote, for the purposes of any proposed decision of the Directors (or committee of Directors) in respect of such existing or proposed transaction or arrangement in which he is interested;
  - c. shall, subject to any other relevant restriction at law or under these Articles, be entitled to vote at a meeting of Directors (or of a committee of the Directors) or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which he is interested;
  - d. may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
  - e. may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; and
  - f. shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he (or a person connected with him (as defined in section 252 of the Act)) derives from any such transaction or arrangement or from any such office or

employment or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.

**8.10** For the purposes of this Article 8:

- a. a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and
- b. an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

## Powers and Duties of the Directors

### 9 Exercise of powers and validity of Directors' acts

**9.1** Subject to the provisions of the Act, the Financial Services (Banking Reform) Act 2013, other applicable legislation, and these Articles the activities of the Company shall be managed by the Directors who may exercise all powers of the Company as they see fit. No alteration of these Articles shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made. Any defect in appointments shall not affect the validity of any act of the Board, of any member of the Board or of any committee of the Board or of the Company itself.

**9.2** All acts done by any meeting of the Directors or of any committee, or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in any appointment relevant thereto or that any person was disqualified from acting in any capacity, or had vacated office or was not entitled to vote, shall be as valid as if all relevant appointments had been duly made and any such person was qualified and had continued as a Director and had been entitled to vote.

**9.3** The Directors may act notwithstanding any vacancy in their body.

### 10 Delegation of function and powers

**10.1** The Directors shall themselves perform any function and exercise any power of the Company which is required by law to be performed or exercised by them. Where any function or power of the Company is not required by law to be so performed or exercised, the Directors may delegate its performance or exercise to committees or sub-committees, consisting of such member or members (whether or not of their body) as they think fit or such persons as may be prescribed for the purpose, to any officer or servant of the Company or to any other body or person who is able and willing to perform the function or exercise the power. Any committee or sub-committee so formed, and any other delegate,

shall, in the discharge of the functions and in the exercise of the powers so delegated, comply with any written requirements that may be imposed, whether generally or specifically, by the Directors.

- 10.2** The Directors may revoke any delegation in whole or part, or alter its terms and conditions at any time.

## Decision making by Directors

### 11 Proceedings of Directors

- 11.1** The Directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings, as they think fit.

### 12 Records of decisions to be kept

- 12.1** The Directors must ensure that the Company keeps a record, in Writing, for at least ten years from the date of the decision recorded, of all resolutions, decisions and proceedings at all meetings of the Company, and of the Directors, and of committees. Such record shall include the names of the persons Present at each meeting.

### 13 Chair

- 13.1** The Chair shall preside as chair at every meeting of the Board. In the event that the Chair, or failing him a person nominated by him, is not Present or is unwilling to act within fifteen minutes after the time appointed for the holding of the meeting, the Directors Present shall elect one of the non-executive Directors Present to be chair of the meeting.

### 14 Unanimous decisions

- 14.1** A decision of the Directors is taken in accordance with this Article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.
- 14.2** Such a decision may take the form of a resolution in Writing, where each Eligible Director has signed one or more copies of it, or to which each Eligible Director has otherwise indicated agreement in Writing.
- 14.3** A decision may not be taken in accordance with this Article if the Eligible Directors would not have formed a quorum at such a meeting.

### 15 Casting vote

- 15.1** If the number of votes for and against a proposal are equal, the Chair or other Director chairing the meeting has a casting vote.
- 15.2** Article 15.1 shall not apply in respect of a particular meeting (or part of a meeting) if, in accordance with the Articles, the Chair or other Director is not an Eligible Director for the purposes of that meeting (or part of a meeting).

## 16 Calling a meeting of Directors

- 16.1** A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
- 16.2** Notice of any Directors' meeting must indicate:
- a. its proposed date and time;
  - b. where it is to take place; and
  - c. if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 16.3** Notice of a Directors' meeting must be given to each Director but this notice need not be in writing.
- 16.4** It shall not be necessary to give notice of a meeting to a Director who is absent from the United Kingdom.

## 17 Quorum for Directors' meetings

- 17.1** The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be four Eligible Directors; and
- 17.2** The quorum for meetings of committees of the Board may be fixed by the Directors, and unless so fixed shall be three Eligible Directors.

## 18 Participation and presence at meetings

- 18.1** Directors are deemed to be participating in any meeting of the Directors or any committee thereof as long as they are Present in Person.

## 19 Committee proceedings

- 19.1** Except where a chair is appointed, a committee may elect a chair of its meetings. If no such chair is appointed or elected, or if at any meeting the chair (or any deputy) is not Present within five minutes after the time appointed for holding the same, the members Present may choose one of their number to be chair of the meeting.
- 19.2** Aside from Article 19.1, committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.
- 19.3** The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

## 20 Directors' written resolutions

- 20.1** Any Director may propose a Directors' written resolution.
- 20.2** The Secretary must propose a Directors' written resolution if a Director so requests.
- 20.3** A Directors' written resolution is proposed by giving notice of the proposed resolution to the Directors.



- 20.4** Notice of a proposed Directors' written resolution must indicate:
- a. the proposed resolution, and
  - b. the time by which it is proposed that the Directors should adopt it.
- 20.5** To be valid, a proposed Directors' written resolution must be given to all persons entitled to receive notice of a meeting of the Directors or a committee, either by means of oral communication (such as telephone) or in Writing to an agreed Address.
- 20.6** Any decision which a person giving notice of a proposed Directors' written resolution takes regarding the process of adopting that resolution must be taken reasonably in good faith.
- 20.7** A proposed Directors' written resolution is adopted when a response to the proposed written resolution by Authenticated Document which identifies the resolution to which it relates and signifies unambiguous agreement to the terms of the resolution has been received by the Secretary from Directors entitled to vote comprising a simple majority and constituting a quorum.
- 20.8** The Directors' written resolution shall be as valid and effectual as if it had been passed at a meeting of Directors or of a committee duly convened and held.
- 20.9** All written resolutions shall be noted at the next meeting of the Directors where the decision and any comments will be formally recorded in the minutes.
- 20.10** In Articles 7 to 10, 12, 17 to 20 and 29, "committee" includes "sub-committee".

## Secretary

### 21 Appointment and termination of the appointment of the Secretary

- 21.1** There shall be a Secretary who shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by the Board at a meeting of the Directors duly convened in accordance with these Articles and any such appointment may not be made or terminated by any committee of the Board. The Secretary may also be an executive officer or Director of the Company.

### 22 Validity of acts done by one person acting as both Director and Secretary

- 22.1** A provision of the Act or these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

## Part 3: Members

### 23 Arrangements for shareholders and general meetings

**23.1** The arrangements in the model articles shall apply, subject to the provisions of articles 4, 5 and 6.

### 24 Company resolutions in writing

**24.1** A written resolution may be passed to resolve any business which could have been passed by the Company in a general meeting.

**24.2** The Secretary of the Company must send the written resolution to every Eligible Member to the Address provided by the Member. The resolution must be accompanied by:

- a. a statement informing the Member how to signify agreement to the resolution; and
- b. the date by which the resolution must be passed.

**24.3** A Member signifies his agreement to the proposed written resolution when the Company receives an Authenticated Document, identifying the resolution to which it relates and indicating unambiguous agreement to the resolution.

**24.4** A written resolution is deemed as passed when the required majority of Eligible Members have signified approval in Writing and shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

# Part 4: Administrative arrangements

## 25 Cheques, notes and receipts etc

**25.1** All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

## 26 Accounting records

**26.1** The Directors shall cause accounting records to be kept in accordance with the Act and any requirement or direction given by the Treasury under Schedule 4, paragraph 7 of the Financial Services (Banking Reform) Act 2013.

**26.2** The books of account shall be kept at the registered office of the Company, or, subject to the Act and any requirement or direction given by the Treasury under Schedule 4, paragraph 7 of the Financial Services (Banking Reform) Act 2013, at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

## 27 Methods of communication to be used

**27.1** Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Act provides for Documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Company.

**27.2** Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.

**27.3** A Director may agree with the Company that notices or Documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than that set out in these Articles.

## 28 Deemed Delivery of Documents

**28.1** This Article applies to Directors and Members where the Company has sent information to an Address.

**28.2** Where notices, documents or information are sent by post to an Address in the United Kingdom, and the Company is able to show that it was properly addressed, prepaid and posted, it is deemed to have been received by the intended recipient 48 hours after it was posted.

**28.3** Where notices, documents or information are sent or supplied in Electronic Form, and the Company is able to show that it was properly addressed, it is deemed to have been received by the intended recipient 3 hours after it was sent.

**28.4** Where notices, documents or information are sent or supplied by means of a website, secure portal, or through access to the Company's systems it is deemed to have been received by the intended recipient:

- a. when the material was first made available on the website, secure portal, or Company system; or
- b. if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website, secure portal or Company's system.

## 29. The Common Seal

**29.1** The Directors shall provide for the safe custody of the Common Seal, which shall only be used by the Company of the Directors or of a committee authorised by the Directors. The Directors may decide by what means and in what form any common seal is to be used. The Directors may determine who shall sign any instrument or class of instruments to which the Common Seal is or shall be affixed and unless otherwise so determined any such instrument or class of instruments shall be signed by a Director and shall be countersigned by the Secretary, or by a second Director.

## 30. Notices

**30.1** Notice of general meetings given to or by any person pursuant to the Articles shall be in Writing.

**30.2** Any notice given to or by any person pursuant to the Articles in Writing shall be to an Address for the time being notified for that purpose to the person giving the notice.

**30.3** The Company may give any notice to a Member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by giving it in Electronic Form to an address for the time being notified to the Company by the Member. A Member whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices may be given to him, or an address to which notices may be sent in Electronic Form, shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the Company.

**30.4** A Director or Member Present at any meeting of the Company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

## 31. Indemnity

**31.1** Subject to Article 31.2, but without prejudice to any indemnity to which a relevant Director or other officer is otherwise entitled:

- a. each relevant Director or officer shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant Director or officer in the actual or purported execution and/or discharge of his duties, or in relation to them including any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant Director or other officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the company's affairs; and
- b. the Company may provide any relevant Director or other officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in article 31.1 and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.

**31.2** This article does not authorise any indemnity to the extent that such indemnity would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law and any such indemnity is limited accordingly.

**31.3** The Directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant Director or officer in respect of any relevant loss.

**31.4** In this article:

- a. "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company or any pension fund of the Company; and
- b. "relevant Director or other officer" means any current or former Director, or Secretary or other officer of the Company and such other persons as the Company may from time to time determine.

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12 Endeavour Square  
London E20 1JN  
Telephone: 0300 456 3677  
Website: [www.psr.org.uk](http://www.psr.org.uk)

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