Payment Systems Regulator

Annual Report 2023/24

HC 140

The Payment Systems Regulator Limited

Annual report and accounts 2023/24 (for the year ended 31 March 2024)

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Any enquiries related to this publication should be sent to us at:

The Payment Systems Regulator Limited
12 Endeavour Square
London, E20 1JN

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Foreword

Aidene Walsh (Chair)

This Annual Report and Accounts sets out what we have delivered over the last year. It also gives us an opportunity to reflect on how the organisation has evolved, given continued developments in the wider payments ecosystem.

We are at an exciting and hugely important time in payments, both domestically and internationally. We continue to see significant change and progress, with new companies, business models and technology emerging. In this complex and developing landscape, with the continuing risks for effective competition that we highlighted in our strategy, our role is to ensure that UK payment systems continue to meet the needs of businesses and consumers across the country, enable competition and promote innovation. This role is perhaps even more critical now than ever, as we see developments across the globe that arguably are advancing at a greater rate than here in the UK, reinforcing the need for innovation to support economic growth and productivity.

We recognise that, while an independent regulator, we are part of a broader ecosystem, where others have complementary responsibilities to deliver change. That is why effective collaboration with the government, businesses, financial services, payments system operators, innovators, representative bodies and other regulators has remained critical to ensure a co-ordinated approach to making progress in the development of UK payments systems. This is particularly the case given the breadth and significance of much of our work, and very relevant to issues we are tackling, such as fraud, where even more needs to be done to deliver wider accountability.

This past year has been one of our most intensive delivery periods against our strategy. We have continued to deliver on the timelines we set ourselves for our commitments in our strategy priority action areas.[1] We have continued our vital work to address fraud in payments. The fraud challenges we see in the UK are not unique – indeed they are now being seen in some of the newer instant payment systems globally. The reforms we are introducing are based on sound principles and are the right thing to do. We do recognise the challenges that accompany them for some parties and have worked closely with industry to support them as they deliver the changes needed.

We have also continued with our strong focus on supporting competition through driving forward our work on card fees, which has significant impacts on businesses and people. We have also continued to make important steps on open banking – enabling greater competition and supporting opportunities for innovators to grow and develop, creating value and adding services and taking steps toward an important, competitive third payment system of the type enjoyed in so many other countries.

1 These are access and choice, competition, consumer protection and unlocking account-to-account payments.

Foreword

Aidene Walsh (Chair)

(Continued)

Last year saw the Future of Payments Review, which provided an important statement of the key issues to be addressed to ensure the UK has a world-leading payments sector that delivers for all users. This led to a pause being placed on the New Payments Architecture. A key issue will therefore be to resolve the current delay in upgrading interbank infrastructure, so that it supports the future success of UK payments. We have pressed Pay.UK for further detail on its approach to investing to upgrade the capabilities of the current system, including to deliver additional capabilities around open banking. We look forward to continuing our work with all parties on this essential agenda.

We have also worked hard on effective and strategic stakeholder engagement over the last year; we recognise that there will always be more to do. In effecting change, in our role as an economic regulator, we will not always agree on everything, and indeed different stakeholders will have different measures of the success of our work. We will endeavour to ensure that our consultations and work are widely shared, that evidence continues to be incorporated into all our work and we will be even clearer to stakeholders about how we have listened to and considered their feedback.

During the past year, we have continued to grow and enhance our organisation at all levels, including our executive, recognising that our people are key to the successful delivery of our strategy. We have brought new members onto the PSR Board, providing valuable expertise, new perspectives and constructive challenges.

After more than five years in the PSR, Chris Hemsley left as Managing Director to take on a new opportunity. His contribution to the PSR and to improving UK payments has been significant, and I want to sincerely thank him for all that he has done during his tenure. I am delighted that David Geale has taken on the interim Managing Director role. David's time on the PSR Board, along with his leadership in both payments and retail banking in the Financial Conduct Authority (FCA), leaves him very well-placed to lead the PSR in its work across the payments ecosystem. Sheldon Mills, who replaces David as the FCA Non-executive Director, brings a wealth of experience in competition and consumer-focused financial regulation, along with outstanding engagement with industry. He will greatly support the PSR in delivering a strong impact – I look forward to working with both David and Sheldon in their new roles.

I also wanted to thank my board colleagues and the wider PSR team for their efforts and dedication this year. I am pleased with the progress the PSR made during 2023/24 and I am confident that we will continue to make the right advances in the coming year, helping to ensure the UK payments system is well-positioned to deliver now and into the future.


Welcome
Aidene Walsh
Chair

Foreword

David Geale (Interim Managing Director)

I am delighted to have taken on the role of interim Managing Director of the PSR, picking up the baton from Chris Hemsley. Chris played an important role in refocusing the PSR, increasing our impact and our emphasis on delivering strong outcomes. As a board member, I have seen the results. Last year was an important year for us and our commitment to delivery will continue this year as we take forward our ambitious strategy to improve outcomes in UK payments.

Aidene has noted the major strides forward that we have taken to tackle authorised push payment (APP) scams. We have created stronger incentives for firms to address fraud and protect the victims of these often life-changing crimes, including vulnerable consumers. We are working closely with industry to support implementation by 7 October 2024, but we are already seeing positive changes as firms carry out these new requirements. We have also shone a light on how firms tackle fraud. We published the first of what will become annual reporting on firms' treatment of victims, along with information showing how much money each payment firm sends and receives through APP fraud. This provided much-needed transparency for users and sharper incentives for firms to improve. We will continue to work with other regulators and the new government to encourage action from other parties in the chain that leads to scams.

We have also driven forward our agenda to support competition and choice. Through the Joint Regulatory Oversight Committee (JROC), we have continued to make progress on open banking. The opportunities that open banking offers continue to be substantial. That is why our work on unlocking Variable Recurring Payments (VRP), which provides more choice and control to users and supports financial inclusion, has been so important. I look forward to working with businesses as we continue these conversations on realising the potential of VRP. The consultation for the design of the new Future Entity for open banking was a major step towards developing a long-term model, providing a strong basis for the future development of open banking.

We reached an important milestone with the interim report on our market review of cross-border interchange fees, which signalled our determination to ensure that users are protected. The market review into card scheme and processing fees also made significant progress over the year, with the interim report delivered in May 2024. Cards are an important element of the UK payments landscape, and our work provides a firm basis for supporting competition and protecting users in the future.

I am highly aware that across our work, effective engagement with our stakeholders is essential to deliver positive outcomes in payments. Our executive and the wider team have significantly increased their outreach and presence in multiple areas. Further developing this approach to stakeholder engagement will be an important focus of this year.

Foreword

David Geale (Interim Managing Director)

(Continued)

We also saw new requirements on regulatory accountability. With increased parliamentary attention on us, we will do more to explain the work that we do, highlighting the benefits to the UK, the role of economic regulation in payments and the challenges of the future. I welcome the establishment of the Cost Benefit Analysis (CBA) Panel, a new independent panel of experts created to provide advice to both the FCA and the PSR in relation to CBA. We have continued to collaborate closely with other regulators. Building on my own experience, I want us to go further in deepening our close working relationships with both the Bank of England and the FCA over the coming year.

We have welcomed new members to our executive team, bringing new energy, and adding capability and resilience. We have also continued to develop the PSR team as a whole to ensure we are ready for future challenges. Our Supervision and Compliance Monitoring division has been established and is up to strength. With the help of our new team members, we have enhanced our approach to horizon scanning, helping us to ensure that we prioritise the issues of most significance for payments into the future, learning from the experiences in other countries.

I am very grateful for all the hard work and determination both Chris and I have seen from colleagues across the PSR. I am looking forward to building on our record of achievement, working with all stakeholders, including the new government. Throughout this work, we remain committed to helping ensure the UK has the reliable, competitive, innovative and good-value payments sector it deserves, helping to support growth in the economy.


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Who we are

The Payment Systems Regulator (PSR) is the economic regulator of payment systems in the UK, overseeing the main systems through which people and businesses make payments.

The PSR is publicly accountable to Parliament and the Treasury.

We report to the Treasury on our progress through our Annual Report. The Treasury then lays our report before Parliament.

The PSR is a regulator with competition powers in relation to participation in payment systems concurrent with specified functions of the Competition and Markets Authority (CMA).

Our role is to ensure payment systems work well for all people and businesses that use them, whether they are consumers, sole traders or large corporations. We support the operation of competitive markets to deliver the efficient, high-quality infrastructure the sector needs. We use our expertise and regulatory powers to address challenges such as lack of competition, limited innovation or poor outcomes for consumers. We want payment systems to be reliable, competitive, innovative, good value for money and to support economic growth.

Three key statutory objectives underpin everything we do. Our five-year strategy guides us in pursuing them. After a year of intensive delivery, we have made significant steps towards these goals.

Our vision is for payment systems that are accessible, reliable, secure and value for money.

Our five-year Strategy – which will help us deliver our vision – is firmly rooted in our statutory objectives, which underpin everything we do.

Statutory objectives

- to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them
- to promote the effective competition in the markets for payment systems and services between operators, payment services providers and infrastructure providers
- to promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems

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The PSR Strategy identifies four strategic outcomes we want to achieve

Outcomes			
Everyone has access to payment services that meet their needs.	Users are adequately protected when using payment systems and services so they can use them with confidence.	Payment systems enable effective competition in the provision of payment services.	Payment systems are efficient and commercially sustainable.

Our four priorities inform the work we do

Priorities			
Ensure users have continued access to the payment services they rely on, and support an effective choice of alternative payment options.	Ensure users are sufficiently protected when using the UK's payment systems.	Promote competition between and within payment systems; protecting users where that competition is not sufficient.	Act to ensure the interbank systems provide the infrastructure, rules and incentives that foster innovation and competition in payments.

How we made a difference in 2023/24

Protection

We are building stronger protections for people and businesses targeted by fraudsters, and victims are more likely than ever to get their money back.

In October 2023 we published the first set of authorised push payments (APP) fraud statistics, revealing how firms performed. This incentivises payment service providers (PSPs) to improve their anti-fraud measures, and helps consumers make better-informed decisions.

In December 2023, we finalised and published details of our reimbursement requirement. The industry is now preparing to reimburse the vast majority of victims of APP fraud from October 2024. This incentivises firms to do more to prevent fraud in the first place, and we are already seeing new products and approaches emerge. Our ongoing industry engagement includes fortnightly sessions (attended by approximately 200 participants) and bilateral meetings. Sessions include input from Pay.UK, the Bank of England and the Financial Ombudsman Service.

We remain committed to supporting industry and ensuring that businesses fully understand the policy requirements. We recognise that banks and other payment service providers form only one part of the complex web of systems that scammers exploit to target their victims. We want to see social media firms and other parties do more to support our initiatives, curbing fraudsters' ability to reach victims in the first place. We will continue to work with key firms to encourage action and drive transparency.

We worked with the Financial Conduct Authority (FCA), the Treasury, the Home Office, Ofcom, and other public bodies on our joint ambition to stop fraudsters operating in the UK. We helped shape the previous government's Fraud Strategy, of which our APP scam reimbursement policy is a key component.

In close collaboration with Ofcom, we initiated a project to gather data on businesses whose systems allow fraudsters to target victims.

October 2023 saw the deadline for the first group of PSPs to implement Confirmation of Payee (CoP), the name-checking service that seamlessly protects users from fraud and accidental misdirected payments without disrupting their payment experience. We are monitoring the progress of the second group of PSPs – an additional 300 – who must implement CoP by a deadline of 31 October 2024. This will raise CoP coverage to 99% of faster payments.

Competition

We are dedicated to improving competition within the payment sector.

Competition improves outcomes for users – whether they are customers or businesses – by enabling choice, improving services and lowering prices, and can create new opportunities for innovative business.

Over the course of 2023, we continued analysing evidence from stakeholders on Visa and Mastercard's increases to cross-border interchange fees. In December 2023, we published our interim findings. We provisionally concluded that the market is not working well for service users and that we cannot rely on competition to constrain Visa and Mastercard's interchange fees effectively. We proposed a time-limited cap on these fees, with a longer-term cap to follow once we have conducted further analysis to establish the appropriate level.

We have consulted widely on these findings so that we can publish our final report and, if we confirm that the market is not working well, consult on our proposed remedies in 2024/25.

We also analysed how well Visa and Mastercard's scheme and processing fees are working for merchants and end users. In June 2023, we published the third in a series of working papers, expressing our preliminary finding that competitive pressure does not appear to have prevented the schemes from increasing mandatory fees significantly. We published our interim findings in May 2024, and the window for stakeholders to give feedback is open until 30 July 2024. We intend to publish our final report in Q4 2024. Following this, if the report upholds the provisional finding that the market is not working well, we will consult on the implementation of any remedies.

Unlocking account-to-account payments

As people use cash less, digital payments have grown significantly.

New ways of making digital payments are becoming available to more people, such as Apple Pay and Google Pay. However, the bulk of these payments still go through the existing card systems. This means retailers may only have a limited number of payment options to offer their customers.

Account-to-account payments let people make a payment directly from their bank account to another. We think account-to-account payments have the potential to deliver new payment services that benefit people and businesses and offer them more choice in how they pay. Introducing an effective alternative to credit and debit cards should improve competition in the market, leading to better prices and payment services that meet more people's needs, as part of a world-class payments industry. The UK has long been a global leader in account-to-account based payments and through this work we want to ensure that momentum is sustained.

Variable recurring payments (VRPs) are a form of account-to-account payment that allow users to let authorised payments providers connect to their bank accounts to make payments on their behalf within agreed limits. This allows people more choice and greater control compared to existing products, such as direct debits.

Insight from recent consumer research we commissioned reflects this need. When people were asked about current bills and regular payments, 43% say they want 'greater control over when I pay and how much' and believe that VRP will help with this. The research also showed that younger people (aged 18-34), those with low financial resilience, those with fewer savings and those who may be more in debt are more likely to say they would use flexible payment options.

As part of the Joint Regulatory Oversight Committee (JROC), we established the VRP Working Group in June 2023. This aims to create an industry-led plan to make VRPs available to use for payments to regulated financial services firms, utilities and the government. In December 2023, the group produced a blueprint for achieving this. We asked industry to proceed with implementation, led by Pay.UK and Open Banking Limited. We then consulted on proposals to Faster Payments to support a phased rollout of these new payment functions.

Jointly with the FCA, as part of JROC, we developed proposals for the design of the 'Future Entity' that will oversee the development of new open banking regulatory standards. The JROC published these in April 2024 for consultation.

Meanwhile, we continued to monitor Pay.UK's progress towards delivering the New Payments Architecture (NPA). In November 2023, the Treasury published the independent Future of Payments Review, led by Joe Garner. This recommended that the government publish a National Payments Vision (NPV). The previous government accepted this recommendation and indicated the NPV would include consideration of the UK's priorities for payments and the role of the NPA. Pay.UK therefore paused the NPA programme in December 2023. In April 2024, we published our letter to Pay.UK, asking them to provide us with information that we will use to inform our approach to investment in the current FPS system. We are working with the Treasury, the Bank of England and Pay.UK to determine the next steps on improving the UK's payment infrastructure.

Access and choice

We have continued to work on helping more people make use of digital payments, while also helping protect access to cash by regulating the LINK cash machine network.

As a result of changes implemented by the Financial Services and Markets Act (FSMA) 2023, the Financial Conduct Authority (FCA) is now the lead regulator on access to cash. It will publish its final rules in the third quarter of 2024. We have worked closely with the FCA throughout the period, to ensure these rules are consistent with our ongoing role as regulator of LINK's ATM network.

We collected and analysed evidence on how Specific Direction 12 (SD12) was performing, producing our first review in July 2023. We issued SD12 in 2022 to ensure that LINK continues to maintain a broad geographic coverage of free-to-use cash machines in the UK and to meet service users' needs.

We found that SD12 was working well and should remain in place, but recommended that LINK improve transparency on its policies and processes, including its decision-making on interchange fees. In March 2024, we issued a call for further stakeholder views. We will be considering LINK's progress as part of our second review of SD12 in the coming year.

We reviewed industry progress on improving access to digital payments, and will publish the findings of consumer research we have commissioned on the barriers faced by cash-reliant or digitally excluded consumers in using digital payments.

Fnality, a payment system which uses Distributed Ledger Technology to transfer funds between its participants, began the initial phase of payment operations in December 2023 and is now subject to our regulation. It is the first new payment system to be designated for our regulation since our inception, and the first to use distributed ledger technology. We have continued to engage with Fnality throughout the year to ensure we understand their business model, and to assure ourselves that their access criteria remain proportionate and non-discriminatory.

Stakeholder engagement

The role of an economic regulator is to support the operation of competitive markets, and to incentivise firms to improve the quality of service that people and businesses receive. Where effective competition is not currently in place, economic regulation plays a direct role in protecting consumers.

As a regulator in a complex environment of interconnected responsibilities, it is critical to collaborate and engage with others so we can gather new insights and maintain strong relationships. Open dialogue with users across the value chain leads ultimately to stronger outcomes. As an independent regulator, inevitably we sometimes disagree with views expressed – but we always listen to and carefully consider the feedback we receive from stakeholders.

During 2023/24, we extended our outreach and discussed our work even more widely than we have in the past, hearing directly from stakeholders via formal consultations, working meetings, roundtables and industry events. These allowed us to listen to feedback, address the opportunities and challenges of our proposals and respond to ensure we establish proportionate regulatory outcomes. We also built stronger links with the wider regulatory community in the UK – including other economic regulators and the Digital Markets Unit – engaging with them on how we can mutually support the achievement of each other's statutory objectives.

We hosted eight events, including our flagship Annual Plan launch in May 2023. This allows stakeholders to meet PSR colleagues of all levels, including senior leaders, to talk about our work programme and the issues the industry cares about most.

As well as giving us an opportunity to keep our stakeholders updated on our work and intentions, these events also allow us to test ideas, hear concerns and discuss solutions. This helps enhance our decision-making.

We conducted our annual stakeholder perceptions survey as part of our continuing work on understanding what our stakeholders think about us. Four out of five stakeholders were positive about the overall direction of the PSR, with particular praise for the outcome-focused priorities contained in our strategy. Stakeholders commended our momentum and delivery across key workstreams, particularly those focused on consumer protection such as Confirmation of Payee and our work on APP scams. Stakeholders would, however, like to see greater clarity about our role and remit, especially in terms of avoiding overlap with other regulators. While they were increasingly positive about our communications to them, they want us to show that we are listening to them in return. They would like us to engage more informally rather than relying on formal communication routes. We welcome this feedback and are reflecting it in our future approach to stakeholder engagement.


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Strategy and analysis

We are nearing the midpoint of our five-year strategy. In July 2023, we published our first progress report on whether payment systems are delivering the outcomes we want to see. We found that most users have broad access to payment systems and that measures such as CoP are improving user protection, but that competition will take some time to produce benefits for users. We will be conducting a mid-strategy review this year, to assess whether our strategic outcomes and priorities remain the right ones, or whether we need to revise or refine them. We would normally publish a Strategy Outcomes report alongside this annual report, but we will now report on progress against our strategy in the mid-strategy review publication.

In 2023, we provided our expertise in payment systems to the Treasury team to support the production of the Future of Payments Review. We subsequently engaged with the Treasury as it developed its response to that review.

We responded to the Treasury's and the Bank of England's consultation on a central bank digital currency or 'digital pound'. We have continued to work closely with the Bank and the Treasury, offering our support as the project progresses.

We expanded our horizon-scanning process and developed a more systematic approach to engaging stakeholders, both nationally and internationally. This reinforces our ability to identify future issues and focus our efforts on areas where we can achieve the greatest impact. We are now better able to respond to emerging issues in the payments sector that are broader than our current focus yet, nonetheless, touch on the PSR's work, such as artificial intelligence and the creation of new payment systems. We recognise that developments in payments extend beyond the PSR's remit, meaning collaboration is critical. For example, as more big tech firms enter the payments space with products such as digital wallets, we are collaborating with the FCA to understand the risks and opportunities involved, and with the Digital Markets Unit in the CMA to ensure coherence across regulatory interventions.

We engaged internationally, sharing experiences and learning from others. Some highlights included the discussions we had with regulators in Australia, the Bank of Israel, the Bank of Thailand, the European Commission and regulators in New Zealand, Canada and Singapore, focusing on the future of payments and open banking. Given our continued interest in fraud prevention and competition in payments, we maintain close links with the European Commission on issues such as the regulation of big tech.

We published our draft framework explaining how we conduct cost benefit assessments, providing transparency on our approach on this important issue.

Supervision and compliance

It is vital that we maintain constructive relationships with industry and other regulators. To support this, we have established our new Supervision and Compliance Monitoring Division. We see supervision as key to stronger relationships with – and communicating our regulatory expectations and priorities to – payment system operators and other strategically important stakeholders. To build on our existing framework, we have also scaled up monitoring of compliance with our specific directions.

This more proactive approach to monitoring encourages regular and open dialogue with firms and has allowed us to satisfy ourselves that levels of compliance are currently high. The small number of firms who are non-compliant have put in place clear plans and short-term workarounds, while providing regular updates on progress.

Our risk-based approach requires positive engagement by firms, and we are pleased that their willingness to be open helps us ensure we are taking proportionate action where it is most needed. We use our enforcement powers where necessary, for example in cases of serious or persistent breaches of our regulatory requirements.

We held several bilateral meetings and roundtable events in 2023/24 on our approach to supervision, allowing us to consider a range of industry perspectives. We have received positive feedback on our open style of engagement and on our approach to strategic relationship management. We have published a call for views on our approach to supervision and will be setting out next steps on implementation in the first half of 2024/25.

Leadership

David Geale
Interim Managing Director

Alex Olive
General Counsel

Kate Fitzgerald
Head of Regulatory Policy

Natalie Golding
Chief Operating Officer and Head of People and Operations

Oliver Hanmer
Head of Supervision and Compliance Monitoring

Dan Moore
Head of Strategy, Analysis and Engagement

Our executive team is responsible for delivering our strategy, our regulatory and competition policy initiatives and key projects. It is also responsible for all operational, financial and resourcing issues and HR policies and initiatives.

We expanded our organisation so we now have the right resourcing model to deliver. We established a dedicated Supervision and Compliance Monitoring division, which builds on our previous approach to monitoring. We welcomed new executive colleagues and onboarded new staff in a range of key areas. Our growth will help us to implement our projects more effectively, build momentum and meet the challenges of the future. It has been reassuring to see that the PSR is seen as somewhere people want to join to really effect change in the market.

In June 2024, Chris Hemsley stood down as Managing Director. During his time in the role, he refocused the organisation, emphasising delivery on our strategic priorities and increasing our impact. David Geale has joined as interim Managing Director. David has been on the PSR Board for four years, and has a range of experience from his director roles in payments and retail banking at the FCA. David will help ensure that the PSR maintains continuity and energy over the coming financial year as we deliver our significant agenda.

Our achievements and impact during the year

2023/24 has been a year full of achievements, collaboration and progress towards our strategic objectives. We are meeting our commitments to make positive changes for people who use payment systems throughout the UK.

April 2023

Innovate Finance Global Summit
Aidene Walsh gave a speech about innovation from a regulatory perspective.

Payments Leaders' Summit
Kate Fitzgerald gave a speech about the evolution we want to see in payment systems.

May 2023

2023/24 Annual Plan event
We shared and discussed our plans for the year ahead with over 100 stakeholders.

June 2023

APP Scams Reimbursement Policy Statement
We explained how the reimbursement policy would work, including which consumers fell into its scope, and how the sending and receiving PSPs would share the costs. We published draft specific directions to Pay.UK and PSPs.

Payment leaders' breakfast roundtables
We brought together international senior industry experts to look at what we can learn to support regulation and innovation.

July 2023

2022/23 Annual Report and Accounts
We set out our achievements over the financial year.

Outcomes Progress Report
We reported on our progress towards our strategic outcomes for the first time.

Annual Review of Specific Direction 12
We found that SD12 was working well and that LINK is meeting users' need for access to cash. We recommended that LINK continue to improve transparency.

Legend

Policy | Engaging with others | Enforcing our powers

September 2023

Consultation paper on a specific direction to Faster Payments participants
We called for views on a proposed specific direction requiring PSPs to comply with our reimbursement scheme. This became Specific Direction 20.

SIBOS 2023 (Canada)
Kate Fitzgerald, our Head of Policy, took part, alongside the Deputy Secretary of the US Treasury, in a panel discussion on preventing financial crime.

October 2023

Payments Leaders' Summit
Chris Hemsley gave a speech on the future of open banking.

APP Scams Data – first report on PSPs' performance
We revealed how firms performed, helping consumers make better-informed decisions and incentivising PSPs to build stronger anti-fraud measures.

Open Banking Expo
Kate Fitzgerald delivered a speech giving a regulatory overview of the future challenges and opportunities for open banking.

High Court dismisses NoteMachine's legal challenge
NoteMachine was unhappy with the fees it receives when a customer takes out cash, and challenged our decision not to intervene. The High Court dismissed all grounds of challenge.

Payment Leaders breakfast roundtables
We brought together senior industry experts to discuss the role of AI in payments and implications for the regulation of the sector.

November 2023

Consultation paper on a proposed framework for reviewing generally applicable requirements
Following the passing of The Financial Services and Markets Act 2023, we consulted on the way we review our general requirements and directions.

December 2023

1LoD Fraud Risk
Chris Hemsley delivered a speech about what companies needed to do to get ready for the forthcoming APP fraud rules in 2024.

Cross-border Interchange Fees Interim Report
We provisionally concluded that the market is not working well for end users and that we cannot rely on competition to constrain Visa and Mastercard effectively.

Open Banking Update
As part of JROC, we published an update explaining our roadmap of 29 actions to deliver a new generation of payment methods.

Account-to-account variable recurring payments blueprint
As part of JROC, we explained our proposal for scaling VRP, so more consumers and businesses can benefit from innovative, flexible payment methods.

We explained how PSPs must collect, prepare, report and publish their APP scams data under Specific Direction 18.

Implementation of our reimbursement requirement for APP scam victims
We issued Specific Directions 19 and 20 and Specific Requirement 1, alongside a policy paper confirming PSPs must implement these protections by October 2024.

Legend

Policy | Engaging with others | Enforcing our powers

January 2024

Payments Regulation and Innovation Summit
Chris Hemsley gave a speech about our plans for the year ahead.

February 2024

RegTech Live
Kate Fitzgerald gave a speech on the need for innovation.

Draft Cost Benefit Analysis Framework
In the interests of transparency, we explained why, how and when we use CBAs.

March 2024

Call for Views on the Second Annual Review of SD12
Specific Direction 12 was designed to ensure that LINK maintains a broad geographic coverage of free-to-use cash machines in the UK. We are consulting to establish whether it is still working well.

Pay360
Chris Hemsley gave a speech at PAY360 about our work for the rest of 2024 and beyond.

Clarifying our requirements of Pay.UK
We wrote to Pay.UK explaining the steps we will take when deciding whether to approve their proposals for monitoring compliance with the reimbursement requirement.

How we met our commitments

This page shows how we met our commitments made in our Annual Plan for 2023/24.

Project	Strategic priorities	Annual Plan commitments	Progress
Authorised push payment (APP) scams		Publish the first set of APP scams data collected under our Measure 1 policy	October 2023
		Implement a reimbursement requirement for APP scam victims	December 2023
		Publish our final policy proposals on reimbursement in May 2023 and consult on the necessary legal instruments	June 2023 December 2023
		Work with UK Finance and Pay.UK on information-sharing among PSPs, to improve scam detection	Ongoing
		Work with other authorities on other measures to prevent fraud in the wider payments ecosystem	Ongoing
Confirmation of payee		Continue to monitor PSPs' implementation of SD17	Ongoing
		Continue to work and engage with payment system operators to consider different models for accessing CoP	Ongoing
Account-to-account payments		Publish plans for reaching our goals in the Joint Regulatory Oversight Committee (JROC) roadmap	April 2023
		Oversee the creation of a new entity to further develop open banking	Ongoing
		Engage with people and businesses to discover what changes would help them use account-to-account retail payments	Ongoing
		Work with account-to-account industry providers and other stakeholders to ensure account-to-account payments develop as quickly as possible	Ongoing
		Continue to work with the JROC to clarify the future regulation of open banking	Ongoing

Priorities key

Access and choice Protection Competition Unlocking account-to-account payments

Project	Strategic priorities	Annual Plan commitments	Progress
Card fees: cross-border interchange fees		Analyse the information we receive from the scheme operators, as well as acquirers, issuers and merchants	July 2023
		Publish an interim report for consultation to outline our preliminary findings and considerations around potential remedies, if any	December 2023
		Publish a final report, setting out our conclusions and reflecting on the feedback to our interim report	September 2024[1]
Card fees: scheme and processing fees		Analyse the information we receive from the scheme operators, as well as acquirers, issuers and merchants	June 2023
		Publish a set of working papers covering issues such as the competition faced by the schemes when they made recent fee changes, and the impact of fee changes on acquirers, issuers and merchants	June 2023
		Publish our interim report for consultation	May 2024[2]
The New Payments Architecture		Review Pay.UK's proposed NPA design, funding model, business case and CIS contract via our assurance process	Paused[3]
		Monitor Pay.UK's development of its strategy on the future of Bacs	Ongoing
		Engage with Pay.UK and its chosen CIS provider (following the completion of its competitive procurement) on how they intend to comply with our regulatory framework, and begin assessing their compliance statements	Paused

1 We postponed publication of this report (originally scheduled for December 2023) to allow us more time to further consider stakeholder representations before finalising our conclusions. Publication was then further delayed by the announcement of the general election.

2 We required more time to analyse large amounts of information and to test our thinking on some key points with the schemes, so the original deadline was moved from December 2023.

3 On 21 March 2024, we wrote to Pay.UK in recognition of its decision to pause the NPA programme, and the fact that Faster Payments would therefore need to remain operational longer than originally planned. We recommended that Pay.UK begin discussions with Vocalink to explore potential options for increasing Faster Payments' capability, and to determine an appropriate scope and cost for resilience-related investment.

Priorities key

Access and choice · Protection · Competition · Unlocking account-to-account payments

Project	Strategic priorities	Annual Plan commitments	Progress
ATM network regulation		Conduct an annual review of SD12 to identify how well LINK is meeting our requirements	July 2023
		Work with the FCA to develop our long-term approach to regulating the elements of cash that fall within our own remit	Ongoing
		Build our monitoring capability through our data-led framework to address any gaps in cash availability	Ongoing
Digital payments		Engage with industry to support innovations in cash access	Ongoing
		Set out how we intend to support the take-up of digital payment methods, including exploring how businesses can offer a wider set of variable payment options	Ongoing
Digital currencies and cryptoassets		Regulate the Sterling Fnality Payment System	Ongoing
		Play an active role in the discussions and development of a potential digital pound	Ongoing
		Continue to work as part of the Cryptoassets Taskforce, and contribute to the Central Bank Digital Currency Taskforce	Ongoing
		Monitor market developments to identify new payment systems that use cryptoassets	Ongoing
		With other regulators, monitor developments in cryptoassets markets, and contribute to appropriate policy responses	Ongoing
		Proactively contribute to the UK's developing approach to cryptoassets and stablecoins within the CATF	Ongoing
Enforcing our powers		Conclude the investigation stage of our current open cases	September 2023
		Identify when firms may not have followed our rules through our supervision and monitoring functions	Ongoing
		Conclude our review of our penalties guidance	October 2023

Priorities key

Access and choice · Protection · Competition · Unlocking account-to-account payments

Our organisation


PSR
Payment
Systems
Regulator

Statement on section 172(1) of the Companies Act 2006

Section 172(1) of the Companies Act 2006 requires directors to act in a way that they consider would promote the success of the company. Sub-sections 172(1) (a) to (f) list specific matters they must take into account. This section explores our board's consideration of these matters, including the engagement the board had with stakeholders during the year, and how this helped us deliver better outcomes for payment system users.

The likely consequences of any decision in the long term

Our directors recognise that the decisions they make today will affect the PSR's long-term success. Details of the board's particular areas of focus for 2023/24 can be found on pages 56-57. The board also considers feedback it hears from stakeholders such as:

- the PSR Panel, via reports from the panel chair presented to the board, and on policy proposals that have been shared with the panel
- consultation papers before confirming new or amended directions
- updates on engagement with regulated firms, trade associations, etc.
- the chair and MD giving evidence before the Treasury Select Committee.

We prioritised the Annual Plan commitments detailed in our Annual Plan & Budget 2023/24 and have specified how we progressed these commitments on page 32.

The interests of the company's employees

We offer attractive salary and benefits packages, with extensive opportunities to develop skills in economic regulation and financial services, along with broader professional skills. This reflects the value we place in our employees.

Our People Strategy's key components are:

- growing leadership, management and key skills
- building a high-performance organisation
- enabling a collaborative and engaging working environment.

In September 2023, the board engaged on our People Strategy, seeking assurance from the executive on a range of issues. The board agreed to prioritise talent management, career development and cross-team collaboration.

To nurture our talent and future leaders, we continue to provide access to a wide range of leadership development opportunities, including training, learning resources and coaching. These help our employees develop their skills and perform at their best. Our aim is to continue to develop diverse teams capable of dealing with the tough challenges we face in protecting end users and supporting competition and innovation in payment systems, while reflecting the society within which we operate.

Following a period of significant expansion during which we recruited a large number of new staff, we rolled out leadership and management development programmes. These will help ensure that more staff can reach their full potential, and that the organisation works together effectively.

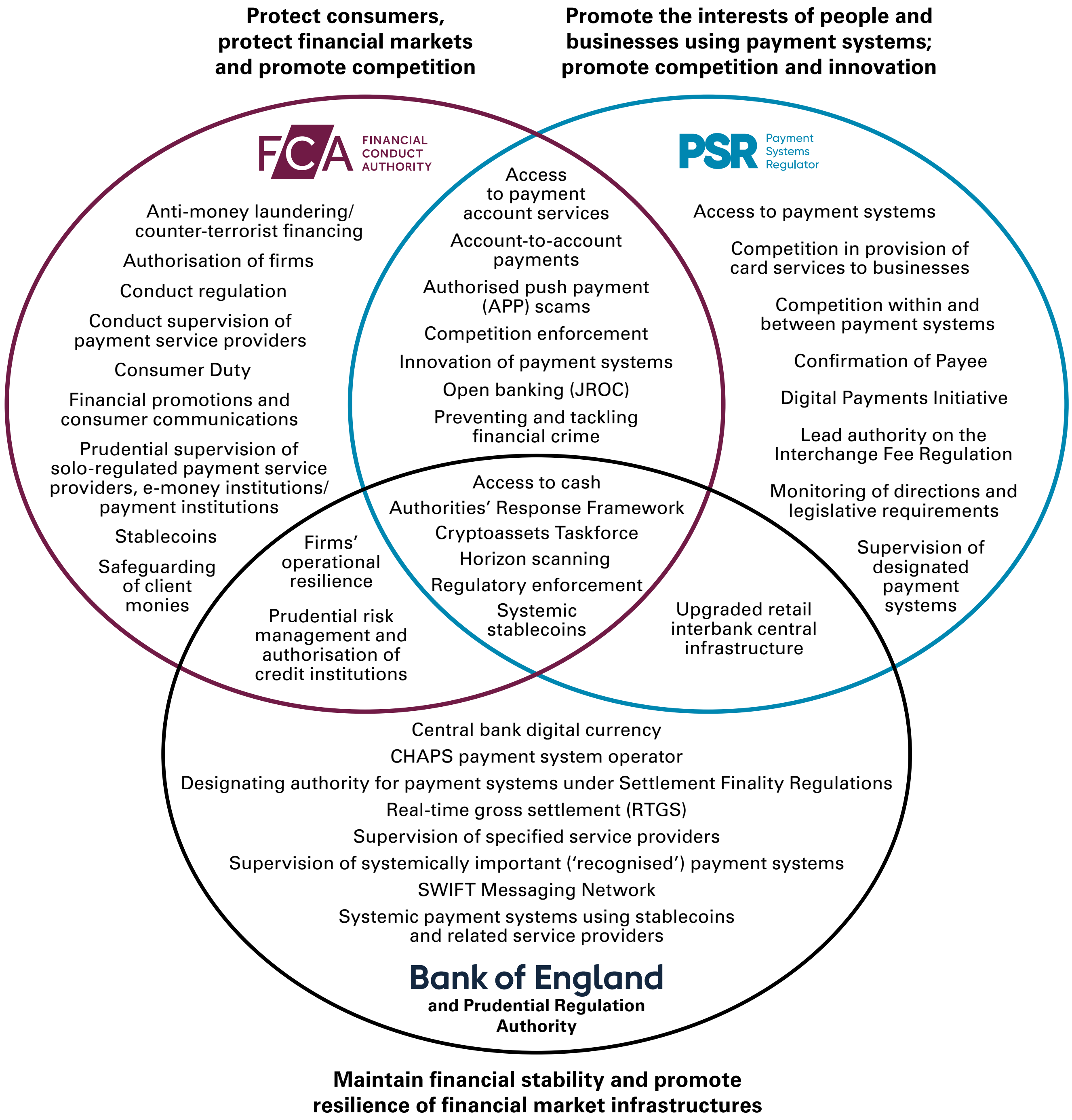
The need to foster the company's business relationships with suppliers, customers and others

Our key stakeholders include:

1. payment system operators (PSOs)
2. payment service providers (PSPs), including banks, building societies and third-party payment processors that facilitate payments
3. infrastructure providers
4. businesses that rely on these systems
5. industry bodies
6. consumers and consumer groups

We collaborate with PSOs, PSPs and others to ensure we can help build the right conditions for innovation to thrive, leading to the right outcomes for everyone. We work alongside other financial regulators, such as the Bank of England, the Treasury, the Financial Conduct Authority (FCA), the Competition and Markets Authority (CMA), the Digital Markets Unit, the UK Competition Network and the UK Regulators Network to foster secure and resilient ways to pay. We aim to provide informed and appropriate protection to end-users in a fast-changing world.

Figure 1 – How our work fits in with other financial regulators



To meet our objectives efficiently, we continue to use FCA operational services where appropriate to drive value for money for fee payers. We can take advantage of the scale, scope and established practices of the FCA through a provision of services agreement. The Audit Committee provides oversight of our financial and strategic control environment, including governance.

The impact of the company's operations on the community and the environment

The board, together with our executive, oversees our strategies for community engagement, diversity and inclusion and sustainability.

We are committed to diversity, equity and inclusion and all staff have a shared objective to ensure accountability. We seek to foster a diverse and inclusive workplace environment that:

- is free from discrimination and bias
- celebrates difference
- supports colleagues to be their authentic selves at work

Last year we further developed our relationships with organisations that help us advertise our vacancies to candidates from under-represented backgrounds. We successfully broadened our candidate pool and continued to meet our targets for building and maintaining a diverse workforce.

We are proud signatories of the Women in Finance Charter and the Social Mobility Pledge. We hold Level 2 Carer Confident accreditation from Carers UK.

We are committed to interviewing all disabled applicants who apply under the Disability Confidence Scheme and meet the minimum criteria for a vacancy.

We actively contributed to our local community through volunteering programmes and our work with our nominated local charity, St Mungo's, for which we raised £2,874.

Through our joint environmental strategy with the FCA, we are committed to running a sustainable operation that minimises our environmental impact. We work closely with the FCA to enhance our sustainability effects. The FCA and PSR Net Zero Transition Plan was published in July 2023.

There was an increase in employee sustainability engagement through webinars and events through the FCA and PSR employee network, Sustain, including an Earth Day 2023 event across the London, Leeds and Edinburgh offices. Over 400kg of unused personal IT equipment was collected for recycling and environmentally responsible disposal.

Read more about our environmental sustainability work in the FCA annual sustainability report.

We recognise and celebrate our diverse workforce and we support the creation and development of network groups aimed at sharing experiences, improving policy and fostering inclusion. We also provide support through our updated wellbeing framework, launched in 2024. An employee assistance programme offers colleagues physical and mental health support via a 24-hour confidential helpline, structured counselling and an online health portal.

This year's pay gap data is available on our website.

The desirability of the company maintaining a reputation for high standards of business conduct

The board is committed to providing strategic leadership and direction within a framework of robust corporate governance and internal control. We believe our culture, values and standards help us achieve our statutory objectives.

The PSR values define the behaviours that demonstrate what our organisation stands for.

Integrity

We are professional, honest and responsible.

We respect our colleagues and stakeholders and we have the courage to make evidence-based decisions and do as we say.

Unity

We act as a community, being supportive and respectful to each other.

We have a positive attitude and communicate well.

Knowledge

We encourage and support each other.

We strive to develop ourselves and our team, learn new things and take on the lessons learned from every piece of work.

Purpose

We think strategically, looking ahead and prioritising our work.

We are proactive and take pride in what we do.

Engagement

We are open with each other and take part in what's happening around us.

We recognise and celebrate success together with enthusiasm.

We use our values as key elements for assessment for recruitment, and as part of our ongoing performance discussions. We also measure positive behaviours against our values for our At Our Best recognition awards, which reward individuals and teams for significant achievements and positive impacts.

The need to act fairly as between members of the company

As a wholly owned subsidiary of the FCA, the PSR has only one member.

Risks and uncertainties facing the PSR

We live in an era of change and uncertainty. Many factors influence UK payments, such as changes to payment systems themselves or developments in UK and international law. These factors create both risks and opportunities, which could affect our ability to achieve our strategic outcomes and statutory objectives.

Key external risks – global trends and UK change

The UK payment systems are a vital, ever-changing part of our economy, processing over 45 billion transactions each year, worth around £109 trillion. We are committed to ensuring that payments work well for customers and business. We work actively towards promoting effective competition and innovation in the markets for payment systems and services. In particular, we focus on the infrastructure used to operate those systems. We continue to develop our horizon-scanning activities to identify signals and trends in industry, understand the merchant voice and consumer behaviour and stay abreast of international developments. We have engaged widely, including meeting with key regulators in New Zealand, Singapore, Thailand and Australia, to test strategic ideas and ensure we can respond to risks, issues and opportunities as they emerge.

Our analysis so far suggests that key future risks and opportunities include developments in artificial intelligence, digital ID and the increasing influence of large technology companies in the payments space.

The trend for globally interoperable domestic payment systems continues. Countries increasingly want to ensure that their domestic payment systems can communicate with each other, unlocking faster cross-border payments. Some domestic systems, such as India's Unified Payments Interface (UPI), are even becoming globally attractive thanks to their seamless cross-border capabilities. For example, countries accepting UPI payments include Singapore, Malaysia, UAE, France, Nepal, Mauritius, Sri Lanka and the UK.

Our analysis of political, economic, social, technological, legal and environmental (PESTLE) factors helps us contextualise broader cross-cutting strategic themes and identify risks. Some of the factors drawing from the PESTLE that we are tracking include:

1. **Political:** We engage closely with government to understand regulatory developments, and to contribute proactively to relevant initiatives from the newly elected government.
2. **Social and economic:** Consumer and merchant behaviour continues to change. It is critical that we protect end users of payments in this environment, while continuing, through our work, to support competition and opportunities for innovators. While cash remains important, most consumers demand more digital solutions and merchants seek to meet their customers' needs. Our work on fostering competition helps ensure users of payment systems have access to innovative, good-value products.
3. **Technological:** Innovation from FinTech and other financial service companies is providing new products and new economic opportunities. Digital business models continue to evolve, and customers are accessing payments in new ways. These bring many benefits, but also could lead to risk of harm, such as new business models which restrict competition and increased risk of fraud from new sources. It is important that PSR continues to engage with these technological developments to understand both the opportunities and risks.
4. **Infrastructure:** The UK payments infrastructure is at a pivotal point. The required update to the Faster Payments System (FPS) – intended to future-proof the UK's main retail interbank payment systems – is currently paused. Earlier this year we opened a discussion with Pay.UK on the implications of this decision, given that the pause will mean that Faster Payments will probably be operational for significantly longer than originally planned. We continue to work closely with Pay.UK on this issue.

Key internal risks and examples of mitigations

Our risk management framework provides a structure for documenting, assessing, managing and reporting risks. Our chief risk officer reports regularly to our executive and board committees on key risks, trends, themes and controls. We have an established governance framework that we continue to develop, to ensure it remains robust as we grow. We are focusing on maturing our risk management culture and enhancing our control environment. We will also revisit our risk appetite to ensure that it remains appropriate as we grow.

Over the course of the year, the internal risk profile has been broadly static (=) for most key risk themes during 2023/24, except for public confidence. In this area, we are increasingly delivering impactful projects that call for sophisticated stakeholder engagement and influencing, which we will continue to evolve and adapt. Our key risks are as follows:

Information

Key risks:

Now that the organisation has grown, we can improve our information and knowledge management to maximise efficiency and limit risk. We need to ensure that information is appropriately available and appropriately protected. Our approach to information management must be fit for purpose.

Key controls:

- reviewing our records management system to identify improvements
- providing ongoing awareness and training on appropriate information handling, storing and disclosure
- promoting knowledge management tools and resources

People

Key risks:

Our risks in this area are mainly associated with our growth as an organisation. We need to ensure that we have the right skills and capabilities to achieve our goals. Examples include:

- the new requirement for supervision and compliance monitoring
- developing our stakeholder engagement capability
- onboarding new colleagues also demands resources
- the need to flex resources to respond to threats of litigation

Key controls:

- analysing both our supervisory requirements and the threat of litigation arising from our work programme
- enhancing our external stakeholder strategy
- investing in project-delivery upskilling
- adhering to the administration priority
- building a mechanism to prioritise emerging demands

Systems ⇄

Key risks:

As we grow, we need to ensure that systems and processes evolve with new requirements and an expanded workforce. We are considering increased automation to reduce inefficiency. We need to introduce new processes, considering value for money, through identifying the right solutions and implementing them promptly.

Key controls:

- working to identify the full suite of systems requirements across the organisation
- working with the FCA to identify ways to streamline technology implementations
- working with the FCA under the provision of service agreement, to ensure our security measures are fit for purpose and properly implemented

Public confidence ↑

Key risks:

We are delivering major projects that call for increasingly sophisticated stakeholder engagement and influencing. Regulating in a fast-paced industry means that we need to stay informed of domestic and international developments and innovation.

Key controls:

- enhancing our domestic stakeholder engagement strategy and investing in strategic international engagement
- focusing on communications and engagement on our supervisory work

Whistleblowing received by the PSR

In the current reporting period (1 April 2023 to 31 March 2024), we have the following to report:

- We received three disclosures of information for assessment as a potentially qualifying disclosure. We treated all of them as qualifying disclosures from workers, that fell within our remit as a prescribed person.
- None of these disclosures fell within matters in respect of which the PSR is prescribed.

Further information about the PSR and whistleblowing can be found at www.psr.org.uk/psr-approach-to-whistleblowing/

Financial overview

Analysis of performance during the year

Table 1 – Income and costs

Total	2024 £'000	2023 £'000	Year-on-year change
Fee income	26,718	18,048	8,670
Interest and other income	620	126	494
Total income	**27,338**	**18,174**	**9,164**
Staff costs	(15,533)	(12,112)	(3,421)
Administrative costs	(7,236)	(8,883)	1,647
Total operating costs	**(22,769)**	**(20,995)**	**(1,774)**
Profit/(loss) for the year	**4,569**	**(2,821)**	**7,390**

For 2023/24, we set a budget of £27 million, based on the planned work for the year and reaching our anticipated scale. We came in under budget for several reasons. Buoyant market conditions led to our workforce growing at a slower pace than we planned. Specific risks we had budgeted for did not crystallise, and we reprioritised or rescheduled planned spending on key projects.

On 31 March 2024, we had an accumulated surplus held in reserves of £6.9 million, up from £2.3 million in March 2023. We will use up to £3.0 million of reserves in 2024/25. This will reduce the annual funding requirement and minimise the burden on fee payers. We will continue to hold the remainder in reserves to address any risks, uncertainties (for example, workstreams arising from the National Payments Vision) or new priorities that may arise.

The chart below shows a breakdown of our operating costs. Overall, year-to-date operating costs have increased by £1.8 million, from £21.0 million in March 2023 to £22.8 million in March 2024. This is largely due to expanding our workforce to deliver our key objectives.

Our staff costs make up 68% of our cost base. We had 160 full-time-equivalent employees at the end of this financial year, compared to 120 on 31 March 2023.

Growing our team has strengthened all aspects of the PSR, in particular bolstering our regulatory policy capacity and establishing our supervision, compliance and monitoring capability.

We raised our fees in 2023/24, to ensure we had the resources we needed to continue delivering the work we had committed to, and to focus on our supervisory and compliance functions.

Our other income is made up of interest on bank deposits, primarily due to rises in interest rates throughout the year. We also recovered costs from the judicial review by NoteMachine.

The year-end cash position is £14.6 million, up from £9.1 million in 2023. The FCA collects fees on our behalf and pays the balance over on a weekly basis. As of 31 March 2024, the FCA had invoiced £10.7 million of on-account fees, collecting £10.1 million and remitting £4.8 million to us.

Analysis of total income and operating costs

Income

Table 2 – Income breakdown 2023/24

Total income	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Fee income	26,718	18,048	17,203	16,848	15,624
Interest and other income	620	126	29	88	64
TOTAL	**27,338**	**18,174**	**17,232**	**16,936**	**15,688**

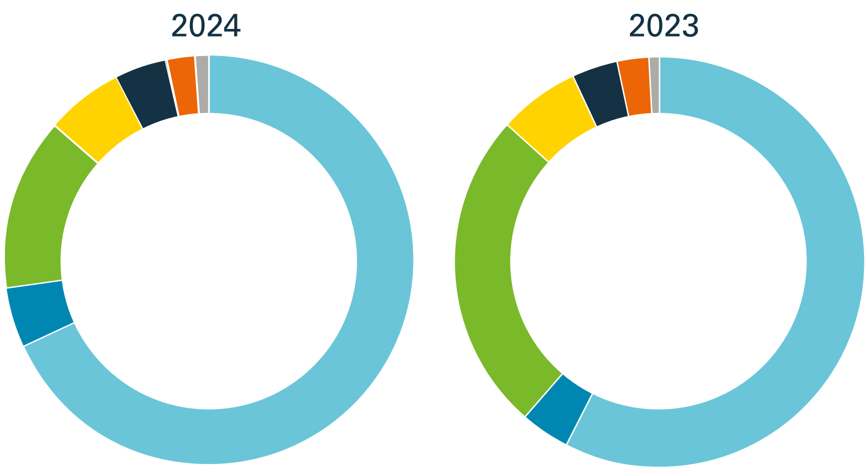
We do not receive funding from the UK government. We are funded by fees from the participants in the regulated payment systems. We currently regulate using an 80:20 volume-to-value ratio calculation and the 2023/24 fees were gathered using this method. The Financial Services and Markets Act 2000 (FSMA 2000) enables the FCA to raise fees, and the Financial Services (Banking Reform) Act 2013 (FSBRA) allows it to raise fees on our behalf to recover the costs of carrying out our statutory functions.

Operating costs

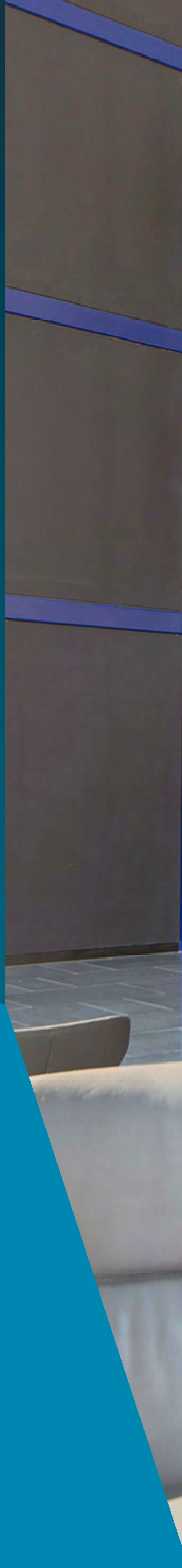
Table 3 – How we spend our money

Operating costs	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Staff costs	15,533	12,112	10,842	11,208	10,410
IT running costs	1,051	799	957	1,046	981
Professional fees	3,138	5,327	2,700	1,062	2,286
Accommodation and office services	1,393	1,346	1,350	1,359	1,251
Recruitment, training and wellbeing	888	718	166	403	444
Travel and hospitality	31	17	8	3	42
FCA staff recharges	509	536	559	598	589
Other costs	226	140	141	153	128
TOTAL	**22,769**	**20,995**	**16,723**	**15,832**	**16,131**

Figure 2 – Analysis of operating costs



Directors' Report




FINANCIAL
CONDUCT
AUTHORITY
PSR
Payment
Systems
Regulator

The directors present their report for the year ended 31 March 2024.

Some information that fulfils the requirements of the Directors' Report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' Report by reference.

Details of the directors who held office during the year can be found in Table 4 in the Corporate Governance Statement (page 58).

The directors explain in their statement on section 172 (page 38) and the Corporate Governance Statement (page 56) how they have performed their duty to promote the success of the PSR, under section 172(1) of the Companies Act 2006. These statements include details of how the directors have engaged with employees and external stakeholders.

Our Annual Plan and Budget for 2024/25 explains our programme of work for the next 12 months and can be found on our website.

The PSR has no branches or subsidiaries outside of the UK.

Directors' responsibilities

In accordance with applicable law and regulations, the directors are responsible for preparing the Annual Report and the financial statements. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have chosen to prepare financial statements in accordance with International Financial Reporting Standards, as adopted by the United Kingdom. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards, as adopted by the United Kingdom, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that show, with reasonable accuracy, the financial position of the company and enable the directors to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

As far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware
- they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and establish that the auditor is aware of that information

The directors are responsible for maintaining and ensuring the integrity of the corporate and financial information on the company's website. UK legislation that applies to preparing and distributing financial statements may differ from legislation in other jurisdictions.

The directors confirm that the annual report and accounts are, as a whole, fair, balanced and understandable.

Going concern and key financial risks

As a subsidiary of the FCA, the financial resilience of the PSR is closely connected to that of the FCA. Therefore, in preparing the FCA and PSR financial statements, the FCA Board directors have performed a going concern assessment, which covered the period from 1 April 2024 to 31 March 2026. This included a robust assessment of the key emerging and principal risks, taking into consideration the FCA's Business Plan 2024/25 and the PSR's Annual Plan & Budget 2024/25. The risks and uncertainties identified are set out below:

1. **Liquidity risk:** The FCA is currently well-placed from a liquidity perspective, with cash and deposits of £311.7 million on 31 March 2024 and an available overdraft facility of £100 million. This is enough to meet its short-term payment obligations and fund its ongoing operations. The PSR has cash and deposits of £14.6 million, which are ring-fenced within the FCA total.
2. **Cash flow risk:** This can be assessed by looking at the following three key areas:

- The FCA's current liquidity position reflects:
  - cumulative exceptional project costs (£0.8 million)
  - the continued cash contributions to reduce the pension scheme deficit
  - the funding of capital expenditure, which is recovered over the useful economic lives of the assets rather than when the expenditure is incurred
  - the potential to make ex gratia compensatory payments to remedy complaints under the Complaints Scheme

- The FCA's net retirement pension obligation of £40.3 million at 31 March 2024 reflects:
- the triennial valuation of the FCA Pension Plan at 31 March 2022, updated based on year-end market conditions
- the effectiveness of the plan's low-risk strategy to minimise the impact of market fluctuations on funding levels

- The FCA's strong fee covenants are underpinned by its statutory powers to raise fees to fund its own and the PSR's regulatory activities. Of the firms on which the FCA currently levies its fees, the top 100 are estimated to be responsible for 48.3% of those fees (compared with 48.9% in 2023). Of the firms on which the PSR currently levies its fees, the top 10 are estimated to be responsible for 60.8% of those fees (compared with 67.6% in 2023).

3. **Credit risk:** This falls into two main categories:

- **The collection of fees from the financial services industry:** The FCA has a strong record in terms of collecting fees with bad debt experience averaging 0.6% of total income (excluding interest and finance income), compared with 0.7% in 2023.
- **The placement of fees as deposits with various counter parties:** The FCA only invests with financial institutions which, among other things, meet its minimum credit rating as assigned by credit rating agencies. The FCA also spreads its deposits across a number of counterparties to avoid the concentration of credit risk.

4. **Significant accounting:** The directors considered the following key sources of estimate uncertainty:

- the assumptions underpinning the measurement and valuation of intangibles and right-of-use assets, lease liabilities and dilapidation provisions.[1]
- the assumptions underpinning the pension assets and obligations.[2]
- the assumptions relating to provisions and contingent liabilities under the Complaints Scheme.[3]

The FCA and PSR's risk committees oversee our respective work on identifying and mitigating risk relating to their own organisations. The associated procedures are described in more detail in the section on internal controls on page 63.

It is the FCA Board directors' opinion that the FCA is well-placed to manage any possible future funding requirements pertaining to its regulatory activity, and has sufficient resources to continue its business for the foreseeable future. They conclude that using the going concern basis is appropriate in preparing its financial statements. There are no material uncertainties related to events or conditions that may cast significant doubt about the FCA's ability to continue as a going concern.

The PSR directors conclude we have adequate resources (cash liquidity and the support from the FCA) to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1 Notes 8, 9, 13 and 19 of the FCA Financial Statements.
2 Note 18 of the FCA Financial Statements
3 Note 19 of the FCA Financial Statements

Events after the reporting period

There were no material events after the reporting period.

Directors' indemnities

Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were in force during the course of the financial year that ended on 31 March 2024 and remain in force at the date of this report.

Under the Financial Services (Banking Reform) Act 2013 (FSBRA), we have the benefit of an exemption from liability in damages for anything done or omitted in relation to the exercise or purported exercise of our statutory functions, provided that such acts or omissions are in good faith and do not infringe section 6(1) of the Human Rights Act 1998. This is supplemented with indemnities given by the PSR for the protection of individual employees, including directors.

Political donations

The PSR is independent of government. As such, the PSR did not give or receive any money for political purposes in the UK, nor did it make any political donations to political organisations or to any independent election candidates or incur any political expenditure during the year.

Auditor

FSBRA requires the company's accounts to be examined, certified and reported on by the Comptroller and Auditor General.

Accordingly, the Comptroller and Auditor General was auditor throughout the year.

By order of the board on 3 September 2024.

Sarah Day
Company Secretary

Corporate governance

Corporate Governance Statement for the year ended 31 March 2024

Introduction

This section of the report details the board's composition and governance structure. It explains the board's role, its performance, ongoing professional development and succession planning.

The PSR is funded by the regulated payments industry through statutory fee-raising powers. We are independent of government, but accountable to government and Parliament through obligations set out in the Financial Services (Banking Reform) Act 2013 (FSBRA). We consult with industry participants and users on our practices and policies and how our objectives may be best achieved, including through engagement with the PSR Panel (page 67).

The PSR is a wholly owned subsidiary of the Financial Conduct Authority (FCA). We share operational functions and support with the FCA through a provision of services agreement, which is reviewed annually. All PSR staff are employed by the FCA and designated to the PSR.

This report sets out how we are governed in line with the principles of the UK Corporate Governance Code (the Code). The board considers that we maintain high standards of corporate governance and comply with the Code as far as is appropriate, recognising that parts of the Code are not applicable to the PSR. The statutory framework set out in FSBRA enables us to raise fees to recover the costs of carrying out our statutory functions. The board therefore considers the requirement to include an explanation of how it has assessed the prospects of the PSR and any related disclosures under provision 31 of the UK Corporate Governance Code not applicable.

The role of the board

The board is our governing body. It sets our strategic direction and ensures our long-term success. The board is appointed by and liaises with the FCA, following the obligations set out in FSBRA, to take necessary steps 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.

The Managing Director is responsible for implementing the strategy agreed by the board, as well as leading the organisation and managing it within the authorities delegated by the board.

The board's role includes:

- making decisions on matters that are reserved to it under FSBRA, which are:
  - giving general directions under section 54
  - imposing generally imposed requirements under section 55
  - making technical standards in accordance with section 97A
  - making EU Exit instruments under the Financial Regulators' Powers (Technical Standards) (Amendment etc.) (EU Exit) Regulations 2018
- monitoring achievement of its regulatory objectives
- determining the matters that should be reserved for its decision, which are set out in the Schedule of Matters Reserved to the Board
- making strategic decisions affecting the future operation of the PSR
- overseeing the discharge by the executive management of the day-to-day business of the PSR

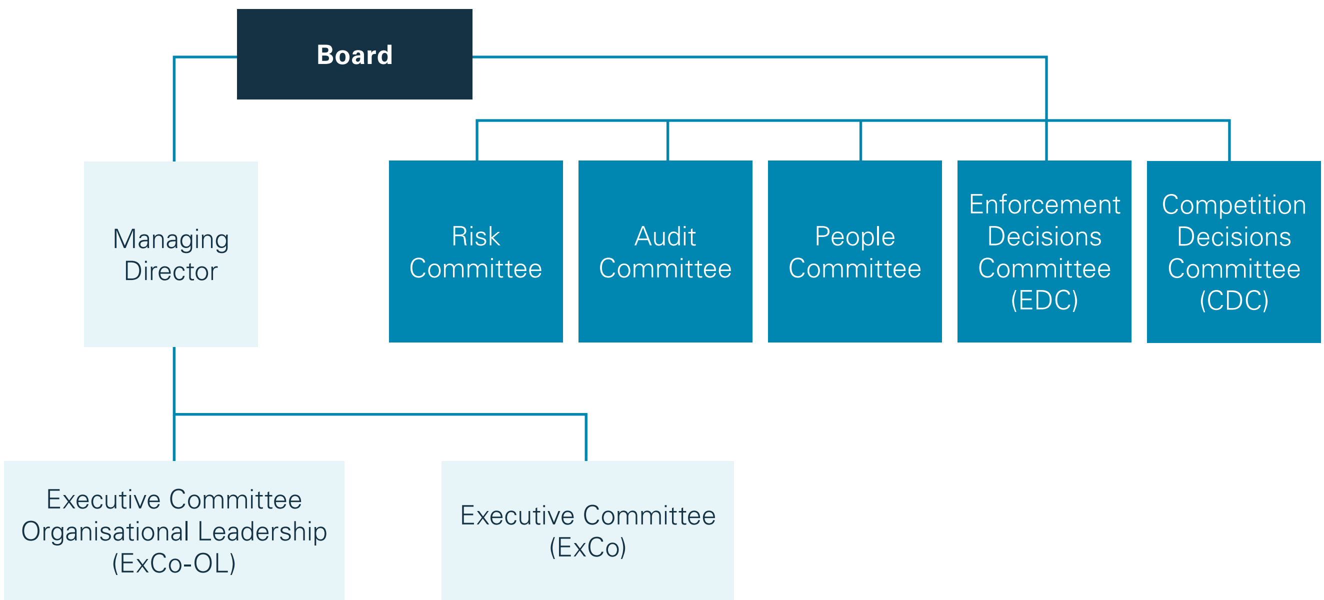
- setting appropriate policies to manage risks to the PSR's operations and the achievement of our regulatory objectives
- seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved
- maintaining a sound system of financial control
- taking 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
- maintaining high-level relations with other organisations and authorities, including government, the FCA, the Prudential Regulation Authority, the Bank and the CMA
- establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the board and executive management through periodic reporting

The board is supported by a number of committees so that it can perform its functions efficiently and make effective decisions. These committees are shown in Figure 3 and their activities are described in more detail on pages 63-67. There are mechanisms in place to ensure that board committees are accountable to the board. For example, the chairs of board committees report on the work by their committee at the following board meeting.

Our executive committees also play an important role in our overall corporate governance as shown in Figure 3.

Our website gives more details on our governance arrangements as detailed in our Corporate Governance of the PSR Limited document.

Figure 3 – The PSR's governance framework



Senior Managers and Certification Regime

The Senior Managers and Certification Regime (SM&CR) does not formally apply to us. However, as a matter of best practice, we have set out a formal description of the core responsibilities of the members of our board and those carrying out senior management functions.

Our website has more details on how we apply the SM&CR to ourselves.

Members of our board

The composition of our board is set out in FSBRA and, in line with those requirements, the board currently comprises:

- the chair, appointed by the FCA with the approval of the Treasury
- the managing director, appointed by the FCA with the approval of the Treasury
- other members, who are all non-executive directors (NEDs), appointed by the FCA

The directors who served during the year are shown in Table 4.

Table 4 – Board members during the reporting year

Name	Original appointment date	Expiry of current term/ date membership ceased
Aidene Walsh[4] Chair	01/06/20	25/01/26
Chris Hemsley[5] Managing Director	02/09/19	07/06/24
Simon Ricketts[6] Non-executive Director	01/07/17	30/06/24
David Geale[7] Non-executive Director	14/02/20	07/06/24
Tommaso Valletti[8] Non-executive Director	01/04/20	04/11/25
Faith Reynolds Non-executive Director	12/04/21	11/04/24
Joanna Whittington Non-executive Director	01/09/23	31/08/26
Edward Knapp Non-executive Director	18/09/23	17/09/26
Lara Stoimenova Non-executive Director	07/03/24	06/03/27

4 Aidene Walsh was appointed as permanent Chair of the PSR in January 2023.
5 Chris Hemsley stood down as Managing Director in June 2024.
6 Simon Ricketts was appointed for a final one-year term in May 2022
7 David Geale was an employee of the FCA and was appointed for a second three-year term in December 2022. David stood down as a non-executive director to take up the role of interim Managing Director in June 2024.
8 Tommaso Valletti was first appointed as a non-executive director (NED) of the PSR in April 2020, whilst concurrently a NED of the FCA. Tommaso's first term as a PSR NED was therefore aligned to his term as an FCA NED. He was appointed for a further 3-year term as a PSR NED in May 2022. He stood down as a NED of the FCA in November 2022.

A majority of our board members are non-executive and bring extensive and varied experience to the board and its board committees. Simon Ricketts continued as the Deputy Chair during the year.[9]

The board sought to build its capacity during the year, welcoming Joanna Whittington, Edward Knapp and Dr Lara Stoimenova, who bring a wealth of experience in economic regulation and regulatory policy, risk and technology. Faith Reynolds stood down from the board when her term ended in April 2024.

The board is committed to ensuring that diversity is a central feature of its membership. Its gender balance continues to be good, but we still have work to do on increasing the representation of people from a minority ethnic background and considering wider diversity characteristics. No analysis of board diversity data is published, given the very small dataset and the need to protect individual privacy. However, the board pays particular attention through the recruitment process to ensure that board members have the appropriate balance of relevant skills and experience.

As an executive member of the board, Chris Hemsley was appointed by the FCA, with the approval of the Treasury.[10] Chris Hemsley stood down as Managing Director on 7 June 2024. David Geale took on the role on an interim basis.[11]

9 The Deputy Chair role was previously referred to as the Senior Independent Director.
10 Chris Hemsley was appointed Managing Director on 2 September 2019, for a five-year period with a six-month notice period.
11 David Geale was appointed interim Managing Director on 10 June, for a period of nine months.

Board meetings and activities of the board

There is a clear division of responsibility between the executive running of the organisation and the running of the board. The chair leads the board and agrees on strategy. The managing director implements this strategy and leads and manages the organisation, within the parameters set by the board.

The board meets regularly to address a formal schedule of matters. The board also addresses a small number of matters by written procedure. Such matters are noted at subsequent meetings and recorded in the minutes.

Details of the number of board meetings held and attendance at those meetings are set out in Table 5. The table reflects the number of meetings available for each member to attend, given that some members' terms began or ended part way through the reporting year.

Table 5 – Attendance at board meetings for 2023/24

Name	Scheduled board meetings	Additional board meetings
Aidene Walsh	5/5	2/2
David Geale	5/5	1/2
Chris Hemsley	5/5	2/2
Edward Knapp[12]	4/4	0/0
Faith Reynolds	5/5	1/1
Simon Ricketts	5/5	2/2
Lara Stoimenova[13]	1/1	0/0
Tommaso Valletti	5/5	2/2
Joanna Whittington[14]	3/4	0/0

The board met on seven occasions during the year. The non-executive directors also met privately throughout the year without members of the executive present.

The chair works closely with the company secretary to ensure that the board's agendas reflect our business priorities, and that the board and board committees consider the right matters at the appropriate time. Papers for board meetings are normally circulated one week in advance.

Internal processes ensure that matters presented to the board and executive committees have undergone internal stakeholder review and external stakeholder engagement, as appropriate.

12 Edward Knapp was appointed as a non-executive director on 18 September 2023.
13 Lara Stoimenova was appointed as a non-executive director on 7 March 2024.
14 Joanna Whittington was appointed as a non-executive director on 1 September 2023.

At meetings, the board considers a number of standard agenda items including:

- a report from the managing director detailing progress against the Annual Plan and updates on strategic and topical issues
- reports from the chairs of board committees
- reports from the chair of the PSR Panel
- updates from the FCA

The board also considers specific items on strategy, policy and other issues as required.

Non-executive directors provide rigorous challenge on strategy, performance, responsibility and accountability. They hold the executive to account and ensure that the decisions of the board are robust and aligned to our strategy.

The board addressed many issues during the year. The principal topics included:

- development, approval and delivery of our Annual Plan and Budget
- broadening our engagement with stakeholders
- development and publication of the authorised push payments (APP) scams policy package
- progress of the New Payments Architecture
- development of open banking
- progress and publication of the cross-border interchange fees market review interim report
- progress on the scheme and processing fees market review
- our approach to the supervision of designated payment system operators
- internal and external risk and strategy (pages 42-45)
- our risk framework and approach, our responsibilities and our reporting mechanisms[15]
- approving the annual report and accounts
- reviewing our organisational culture
- reviewing the performance objectives and overall performance of the managing director

A record of the board's activities can be found in our published minutes on our website

15 Prior to the establishment of the Risk Committee.

Company secretary and independent advice

Each director has access to the advice and services of the company secretary, who advises the board on company law and corporate governance matters and ensures the board follows appropriate procedures. The company secretary is also responsible for providing access to external professional advice for board members, if required.

Succession

The board considers that all the non-executive directors bring strong independent oversight and continue to demonstrate independence. However, the board recognises the recommended term within UK Corporate Governance Code (the Code) and is mindful of the need for suitable succession.

Succession planning remains a key agenda item for the board. It monitors the skills and experience of its members, identifies where gaps exist to inform future appointments, and makes representations to the FCA Board as required. Preparations are therefore underway to identify a successor to replace Simon Ricketts, who will be standing down from the board in June 2024.

Board induction and training

On joining the board, members receive background information on the PSR and our activities. They receive an induction pack which includes information on our governance arrangements, the board's role and responsibilities, its committees and officers, and other relevant information. Structured meetings and briefings with a range of key people across the PSR are also organised, to ensure board members have a thorough induction to the board and to the business of the PSR. There is also a systematic continuing professional development programme for board members, including regular briefings on strategic and topical issues, individual meetings with the chair to discuss and give feedback on individual performance, and membership of relevant professional organisations offering insights and training to support board member's ongoing effectiveness.

Board effectiveness

Reviews of board effectiveness are conducted annually. In accordance with good corporate governance practice, we commission an external evaluation every three years. The last external evaluation took place in 2021, facilitated by Advanced Boardroom Excellence. A summary is published on our website.

This year, the board conducted an internal evaluation of its own effectiveness and agreed a number of actions to take forward including practical housekeeping changes to Board processes and to enhance Board engagement across the business and with external stakeholders. The board concluded that the review showed good progress on improving its efficiency and focus. We are preparing for the next external review, due before the end of 2024.

Conflict of interests

All board members are required to declare relevant interests in accordance with the conflict of interests policy for non-executive directors, which was refreshed in March 2024. The board took appropriate steps to manage any potential conflicts of interest that arose during the year.

A register of interests is maintained by the company secretary.

Internal controls

Our internal control framework remains robust and includes these key features and improvements:

- **The senior managers' regime:** A summary of our governance and accountabilities, updated in January 2024.
- **An updated risk management framework (RMF):** In 2023, we started a project to review and enhance our risk management. This will produce a new RMF, including risk taxonomies, a reporting cadence and a refreshed risk appetite.
- **Internal audit:** We continue to benefit from independent assurance on the effectiveness of our processes, projects and controls to the executive, and the board via the Audit Committee.
- **The control room:** Providing central co-ordination supporting the owners of insider lists in managing insider information.

Acknowledging the recent expansion of our organisation and activities/responsibilities, we will consider whether any additional controls and approaches are needed to maintain an appropriate controls regime.

Committee structure of the PSR

The board delegates specific duties and decision-making responsibilities to certain standing committees. This committee structure has evolved during the year to ensure it continues to support the board effectively.

Risk Committee

The Risk Committee was established in August 2023 to advise the board on maintaining an effective risk management system and on the adequacy and effectiveness of the PSR's system of regulation. Before 2023, the board handled these activities directly.

The Risk Committee is responsible for reviewing and managing risks to the PSR's statutory objectives, the appetite for such risks and the appropriate mitigation of the potential impact of such risks.

This year, the committee's principal areas of activity included:

- reviewing and approving its terms of reference
- reviewing and providing steers on the risk management framework
- reviewing the biannual report from the chief risk officer

Table 6 – Meeting attendance by Risk Committee members during the reporting year

Name	Scheduled meetings
Simon Ricketts (Chair)	3/3
David Geale	3/3
Edward Knapp	3/3
Aidene Walsh	2/3

Simon Ricketts stood down from the board at the end of June 2024, and therefore as Chair of the Risk Committee and as a member of the Audit Committee. In preparation for this, Edward Knapp was appointed as Chair of the Risk Committee, and as a member of the Audit Committee, with effect from 1 May 2024.

The committee met on three occasions during the year, with the managing director and chief risk officer in regular attendance.

The committee held private sessions with the chief risk officer at each meeting during the year, without wider management present. The committee also held private sessions on its own, without management present.

Audit Committee

The Audit Committee is responsible for reviewing and providing assurance to the board on matters including:

- the effectiveness of internal controls and risk management and mitigation strategies
- the integrity of the financial statements in the annual accounts
- the integrity of statements relating to financial controls and internal risk
- oversight of the external audit process

During the year, the audit committee's principal areas of activity included:

- reviewing the annual internal audit plan
- reviewing internal audit reports
- reviewing the internal financial controls systems and monitoring financial risks
- monitoring the integrity of the financial statements
- reviewing significant financial reporting judgements contained within the financial statements
- reviewing the National Audit Office's (NAO) audit plan and reports
- reviewing the effectiveness of the NAO's audit process based on the quality of the audit, the handling of key judgements and the responses to questions from the Audit Committee

The membership of the Audit Committee is aligned to the membership of the FCA's Audit Committee.

Table 7 – Meeting attendance by Audit Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Liam Coleman (Chair)	7/7	1/1
Bernadette Conroy	7/7	1/1
Simon Ricketts	7/7	1/1
Bryan Zhang[16]	1/1	0/1

The Audit Committee also oversees the relationship with the NAO. Information on fees paid to the NAO is disclosed in the financial statements on page 95).

The Audit Committee met on seven occasions during the year, with meetings scheduled to coincide with the risk reporting and external audit cycles. It held an additional, eighth meeting as part of the year end process. Where necessary, meetings were attended by the managing director and chief operating officer, the chief internal auditor and representatives from the NAO.

In addition, the Audit Committee held private sessions with the chief operating officer, the chief internal auditor and representatives from the NAO throughout the year, without wider management present. The Audit Committee also held private sessions on its own without management present.

16 Bryan Zhang was appointed to the committee from February 2024.

People Committee

The People Committee is responsible for overseeing and reviewing our employment framework.

During the year, the committee's principal areas of activity included:

- considering and monitoring the approach to hybrid working
- considering the performance objectives of the managing director
- considering and responding to the employee survey
- approving the annual budget for pay and performance awards
- approving the remuneration of executives within its remit

The membership of the People Committee is aligned to the membership of the FCA's People Committee.

Table 8 – Meeting attendance by People Committee members during the reporting year

Name	Scheduled meetings
Alice Maynard (Chair)	6/6
Liam Coleman[17]	0/1
Bernadette Conroy	6/6
Ashley Alder	5/6
Richard Lloyd	4/6
Aidene Walsh[18]	3/5

The People Committee met on six occasions during the year.

An overview of the remuneration framework that applied during 2023/24 is set out in the Remuneration Report (pages 68-75). The functions of the PSR's Nomination Committee are carried out by the board.

Our website has more details on our governance arrangements.

17 Liam Coleman stood down from the committee from July 2023.

18 Aidene Walsh was appointed to the committee from August 2023.

The PSR Panel

The PSR Panel is independent of the PSR. It contributes towards the effective development of our strategy and policy and offers advice and early input on our work.

The panel comprises members drawn from PSOs, PSPs, infrastructure and technology providers and service users, including representatives of consumers and large and small businesses.

In 2023/24, PSR staff engaged with the panel and discussions included:

- views on narrative and messaging for our annual work programme 2024/25
- an update on access to cash including ATM provision and supporting consumers to use a range of digital payment methods
- feedback on our work to unlock variable recurring payments
- the digital payments initiative stakeholder research findings and how industry offerings can better align to consumer needs
- views on our consultations addressing the impact of cross-border interchange fees and APP scams
- our approach to horizon scanning

Further information on the panel, including a list of members, can be found on our website.

Appointments to the panel during the year have been made in accordance with the PSR Statement of Policy on Panel Appointments.

The FCA Consumer Panel

The FCA Consumer Panel is made up of independent members with experience of consumer affairs in financial services. In 2023/24, the PSR met with the Consumer Panel on their views related to APP scams.

Competition Decisions Committee

The Competition Decisions Committee (CDC) acts as the decision maker in any investigation where we are considering imposing a sanction under the Competition Act 1998. In individual cases, a panel of three CDC members will be appointed to decide on behalf of the PSR whether there has been an infringement of competition law, whether to impose a penalty and whether to give directions.

Enforcement Decisions Committee

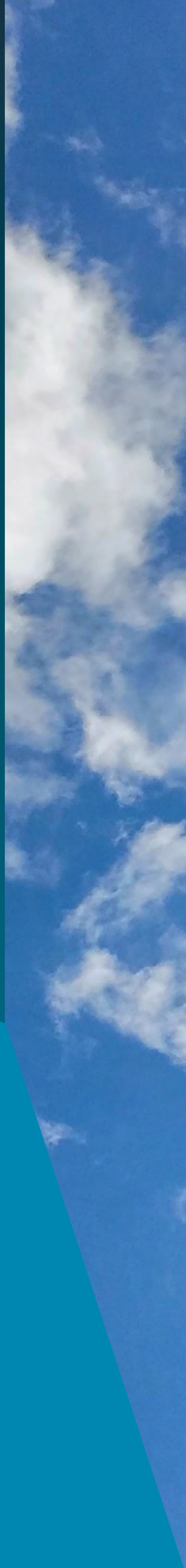
When we cannot reach a settlement with a non-compliant party, the Enforcement Decisions Committee (EDC) makes regulatory decisions under FSBRA or other legislation such as the Interchange Fee Regulation. The EDC is separate from PSR staff who investigate whether there has been a compliance failure.

In individual cases, a panel of three EDC members will be appointed to decide on behalf of the PSR whether there has been a compliance failure, whether to impose a financial penalty and whether to publish details of the compliance failure.

By order of the board on 3 September 2024.

Sarah Day
Company Secretary

Remuneration report



Directors' remuneration (audited)

Tables 9 and 10 set out the remuneration paid or payable to any person that served as a director during the financial years ending 31 March 2024 and 31 March 2023.

The remuneration figures shown are for the period served as directors.

We follow the same remuneration principles as the FCA. The FCA's annual report provides further information.

The Treasury is responsible for determining the remuneration of non-executive directors, in accordance with the Financial Services and Markets Act (FSMA).

In 2023/24:

- The fee for the chair of the PSR was £75,000 per annum. This fee covers all duties, including service as a non-executive of the FCA and membership of any board committee.
- The fee for a non-executive director of the PSR as a standalone role remained at £15,000 per annum.
- An additional fee of £5,000 per annum was payable to any non-executive director who was also appointed to chair a committee of the board.

Non-executive directors receive a fee for their service (see Table 10) and are not eligible to be considered for salary reviews, core or flexible benefits or pension contributions.

Table 9 – Chair and managing director

	Basic salary		Other benefits		Total FCA Remuneration (excluding pension)		Pension		Total FCA Remuneration	
	23/24 £'000	22/23 £'000	**23/24 £'000**	22/23 £'000	**23/24 £'000**	22/23 £'000	**23/24 £'000**	22/23 £'000	**23/24 £'000**	22/23 £'000
Chair										
Aidene Walsh[1]	**75**	46	**–**	–	**75**	46	**–**	–	**75**	46
Executive Director										
Chris Hemsley[2]	**227**	217	**13**	16	**240**	233	**32**	28	**272**	261

Table 10 – Non-executive directors

	Fee paid	
	2023/24 £'000	2022/23 £'000
David Geale[3]	**–**	–
Edward Knapp[4]	**8**	–
Charles Randell[5]	**–**	1
Faith Reynolds[6]	**15**	15
Simon Ricketts[7]	**28**	25
Lara Stoimenova[8]	**1**	–
Tommaso Valletti[9]	**15**	11
Joanna Whittington[10]	**8**	–

Notes

Chair

1. Aidene Walsh was appointed to the PSR Board on 1 June 2020. She then became interim Chair of the PSR Board on 1 April 2022. The fee for the interim Chair of the PSR was £40,000 per annum. Aidene was subsequently confirmed as the permanent Chair from 26 January 2023. The fee for the permanent Chair of the PSR is £75,000 per annum. This fee covers all duties, including service as a Non-executive Director of the FCA. Aidene was appointed to the FCA Board on 29 August 2023 in accordance with the Financial Services & Markets Act (FSMA).

Managing director of the PSR

2. Chris Hemsley was appointed as Managing Director of the PSR on 2 September 2019. Chris is a member of the FCA Pension Plan and is entitled to receive an annual pension contribution equivalent to 12% of his salary. From April to May 2023 Chris voluntarily contributed an additional 1% of his salary into the pension plan. From June 2023 Chris voluntarily contributed an additional 2% of his salary into the pension plan. These were matched by the FCA, under the standard terms of the FCA Pension Plan. Chris stepped down as Managing Director of the PSR and as a voting member of the PSR Board on 7 June 2024.

Non-executive directors of the PSR

3. David Geale was appointed to the PSR Board on 14 February 2020. David does not receive a fee for his Non-executive Director role on the PSR Board. David was appointed as interim Managing Director of the PSR with effect from 10 June 2024.
4. Edward Knapp was appointed to the PSR Board on 18 September 2023.
5. On 31 March 2022, Charles Randell stepped down as Chair of the PSR Board and continued as a Non-executive Director, until he stepped down on 31 May 2022.
6. Faith Reynolds was appointed to the PSR Board on 12 April 2021. Faith stepped down from the PSR Board on 10 April 2024.
7. Simon Ricketts was appointed to the PSR Board on 1 July 2017. He became a member of the FCA Audit Committee on 1 April 2019 and received an additional fee of £10,000 per annum. Simon was appointed the Chair of the Risk Committee on 9 August 2023 and received an additional fee of £5,000 per annum. Simon stood down from the board at the end of June 2024.
8. Lara Stoimenova was appointed to the PSR Board on 7 March 2024. Fees were earned in this period but subsequently paid in April 2024.
9. Tommaso Valletti was appointed to the FCA Board on 5 November 2019 and then to the PSR Board on 1 April 2020. Tommaso stepped down from the FCA Board on 4 November 2022 but remained on the PSR Board.
10. Joanna Whittington was appointed to the board on 1 September 2023.

Fair pay disclosure (audited)

Remuneration ratios

Remuneration ratios represent the difference between the highest-paid director and the full-time equivalent remuneration of the employee at the 25th percentile, 50th percentile (median) and the 75th percentile (collectively 'the employee percentiles') of the total workforce at the reporting period end date (excluding the highest-paid director) expressed as a multiple. Remuneration ratios are based on both the total remuneration of the highest-paid director and of the employee percentiles, as well as the salary component of the total remuneration.

Remuneration ratios have been calculated using the annualised salary and benefits paid (on a full-time equivalent basis) to employees in March 2024, on the basis that it provided the most accurate means of identifying the employee percentiles of the remuneration of the total workforce for the reporting period.

Definitions are below:

- Remuneration is total remuneration and includes salary, performance pay or bonuses and benefits, whether monetary or in-kind. It does not include severance payments or employer pension contributions.
- Total workforce includes employees, temporary staff, contractors and other short-term resource.

The remuneration of the highest-paid director and the remuneration of the organisation's total workforce for 2023/24 and 2022/23 are presented in Table 11.

Table 11 – Remuneration ratios

	Total remuneration		Salary component	
	2023/24	2022/23	2023/24	2022/23
Highest paid director's total remuneration	£240,954	£233,026	£227,175	£218,629
25th percentile remuneration of total workforce	£61,361	£58,855	£56,541	£52,416
25th percentile remuneration ratio	3.9:1	4.0:1	4.0:1	4.2:1
50th percentile/median remuneration of total workforce	£83,068	£80,087	£75,000	£73,500
50th percentile remuneration ratio	2.9:1	2.9:1	3.0:1	3.0:1
75th percentile remuneration of total workforce	£112,309	£103,967	£102,375	£95,940
75th percentile remuneration ratio	2.1:1	2.2:1	2.2:1	2.3:1

The total remuneration of the highest-paid director disclosure differs between:

1. The directors' remuneration, which is based on actual amounts paid, including pension but excluding taxable benefits paid by the PSR but fully funded by the director.
2. The remuneration ratios in the above, which are based on a full-year equivalent and excludes pensions contributions.

The managing director of the PSR was the highest-paid director for 2023/24.

Excluding the highest-paid director, remuneration ranged from £24,656 to £292,262 (2022/23: £36,560 to £211,826).

In 2023/24, two employees (2022/23: nil) received remuneration in excess of the highest-paid director. All figures are based on full-time equivalent basis.

Change in remuneration

Table 12 compares the percentage change in salary and benefits between 2023/24 and 2022/23 of the highest-paid director and of the total workforce average per full time equivalent (FTE).

Table 12 – Change in remuneration

% Change in remuneration	Salary and benefits 2023/24 vs 2022/23	Salary and benefits 2022/23 vs 2021/22
Highest-paid director	3.4%	4.6%
Total workforce average per FTE	4.8%	(2.5%)

The change in the remuneration between 2023/24 and 2022/23 is largely due to the outcome of the 2023 pay review.

The 2.5% decrease in the salary and benefits of the total workforce average per FTE in 2022/23 is primarily due to an increase in FTE at the associate level and the decrease in the one-off payments made during this year. This was, however, offset by eligible employees opting to consolidate the manager allowance of 7.6%, which was formerly a flexible benefit, into their salary.

Senior pay disclosure (audited)

In addition to the managing director reported under directors' remuneration, Table 13 below sets out the remuneration paid or payable to any person that served as a voting member of the Executive Committee during the year ending 31 March 2024. Voting members of the Executive Committee are members of the FCA Pension Plan and entitled to receive an annual employer pension contribution of 8% to 12% of their salary, depending on their age. In addition, contributions are matched up to 3%, depending on their age.

Table 13 – Senior pay disclosure

	Basic salary		Other benefits		Total FCA remuneration (exc. pension)		Pension		Total FCA remuneration	
Name	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000
Carole Begent[1]	–	100	–	9	–	109	–	15	–	124
Louise Buckley[2]	–	88	–	8	–	96	–	12	–	108
Kate Fitzgerald[3]	**197**	125	**22**	12	**219**	137	**28**	18	**247**	155
Natalie Golding[4]	**109**	–	**7**	–	**116**	–	**14**	–	**130**	–
Oliver Hanmer[5]	**111**	–	**7**	–	**118**	–	**15**	–	**134**	–
Genevieve Marjoribanks[6]	–	63	–	6	–	69	–	12	–	81
Dan Moore[7]	**32**	–	**2**	–	**33**	–	**4**	–	**37**	–
Alex Olive[8]	**133**	–	**8**	–	**141**	–	**19**	–	**160**	–
Natalie Timan[9]	**80**	144	**5**	12	**86**	156	**10**	17	**95**	173

1. Carole Begent stepped down as General Counsel and Head of Regulatory and Competition Enforcement and a voting member of the Executive Committee on 18 October 2022. Between April and October 2022, Carole received an annual pension contribution equivalent to 12% of her salary and also voluntarily contributed an additional 3% of her salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. Carole received £102,000 as severance payments and benefits for her remaining period of employment in the year ended 31 March 2024.
2. Louise Buckley stepped down as Chief Operating Officer and a voting member of the Executive Committee on 18 October 2022. During April and October 2022, Louise received an annual pension contribution equivalent to 12% of her salary and voluntarily contributed an additional 3% of her salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. Louise received £97,700 as severance payments and benefits for her remaining period of employment in the year ended 31 March 2023.
3. Kate Fitzgerald was appointed a voting member of the Executive Committee and Head of Policy from 1 September 2022. Kate received an annual pension contribution equivalent to 12% of her salary and also voluntarily contributed an additional 2% of her salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.
4. Natalie Golding was appointed a voting member of the Executive Committee and Chief Operating Officer and Head of People and Operations from 3 July 2023. Natalie received an annual pension contribution equivalent to 12% of her salary and also voluntarily contributed an additional 1% of her salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.
5. Oliver Hanmer was appointed a voting member of the Executive Committee and Head of Supervision and Compliance Monitoring from 26 June 2023. Oliver received an annual pension contribution equivalent to 12% of his salary and also voluntarily contributed an additional 2% of his salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.
6. Genevieve Marjoribanks stepped down as Head of Policy and a voting member of the Executive Committee on 31 August 2022. Genevieve received an annual pension contribution equivalent to 12% of her salary and voluntarily contributed an additional 3% of her salary into the pension plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.
7. Dan Moore was appointed a voting member of the PSR Executive Committee and Head of Strategy and Intelligence from 15 January 2024. Dan received an annual pension contribution equivalent to 12% of his salary. From February 2024, Dan also voluntarily contributed an additional percentage of his salary into the pension plan. This was matched at 1% by the FCA, under the standard terms of the FCA Pension Plan.
8. Alex Olive was appointed a voting member of the Executive Committee and General Counsel from 12 June 2023. Alex received an annual pension contribution equivalent to 12% of her salary. From July 2023, Alex also voluntarily contributed an additional percentage of her salary into the pension plan. This was matched at 1% by the FCA from July 2023 to January 2024 and at 2% from February 2024, under the standard terms of the FCA Pension Plan.
9. Natalie Timan stepped down as Head of Strategy, Analysis and Monitoring and a voting member of the Executive Committee on 31 October 2023. Natalie received an annual pension contribution equivalent to 12% of her salary.

Financial statements


12
Endeavour
Square

For the year ended 31 March 2024
Company number: 8970864

The certificate and report of the Comptroller and Auditor General to the members of the Payment Systems Regulator Limited and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of The Payment Systems Regulator Limited (PSR) for the year ended 31 March 2024 under the Financial Services (Banking Reform) Act 2013. The financial statements comprise the PSR's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows and for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the PSR's affairs as at 31 March 2024 and of the profit for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 '*Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the PSR in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Financial Services (Banking Reform) Act 2013

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the PSR's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of the PSR's ability to continue to adopt the going concern basis of accounting included considering the PSR's funding arrangements and performing an assessment of whether any conditions exist which may cast significant doubt on the PSR's ability to continue to operate. I confirmed that the PSR continues to hold a statutory power to raise levies to meet its funding requirements and that no events or conditions exist which may cast significant doubts on the PSR's ability to continue its operations.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the PSR's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the PSR's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have not identified any key audit matters throughout the course of my audit.

In this year's report there was one change to the risks identified compared to my prior year report, namely:

- The recognition, completeness and disclosure of penalties received and receivable is no longer significant as no penalties were issued in 2023-24.

There has been no change to the risk of management override of controls, which remains a presumed significant risk of material misstatement under ISAs (UK), and is considered separately in our section on fraud later in this certificate.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the PSR's financial statements as a whole as follows:

Framework of authorities	PSR
Materiality	£410,000
Basis for determining materiality	2.0% of forecasted gross expenditure of £20,482,000 (2022-23: 1.9% of gross expenditure of £20,995,000)
Rationale for the benchmark applied	Expenditure is the key area of interest for Parliament (and, indeed, more broadly for the firms regulated by the PSR) because the budgeted amount for the financial year determines the Annual Funding Requirement for the PSR, which forms the basis of the fees invoiced to regulated firms. This represents the size of the regulatory cost that the PSR imposed upon the financial services sector. The account is primarily composed of payroll and other operating costs. Forecasted gross expenditure was used as the materiality basis in 2023/24, which reflected the increase in PSR's funding requirement this year and captured our assumption of expenditure moving in line with income, given that PSR issues fees to recover its costs. We have revised the materiality percentage applied upwards (from 1.9% to 2% of the materiality base to the percentage materiality set) given the low Parliamentary and public interest in this body's financial statements.

Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2023-24 audit (2022-23: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other materiality considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in Note 9, Related Party Transactions, to the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £8,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

There were no unadjusted audit differences reported to the Audit Committee.

Audit scope

The scope of my audit was determined by obtaining an understanding of the PSR and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual and HM Treasury directions made under it.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report, the Corporate Governance Statement and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the PSR's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of the PSR and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report, the Corporate Governance Statement or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- a corporate governance statement has not been prepared.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the PSR's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 48-53;
- Directors' statement that the financial statements are fair, balanced and understandable set out on page 51;
- Directors' confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 51-52;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 63; and
- The section describing the work of the audit committee set out on page 65.

The directors have not provided an assessment of the entity's prospects, the period this assessment covers and why the period is appropriate as required by provision 31 of the UK Corporate Governance Code. The directors have set out the reasons for omitting these disclosures on page 56.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the PSR from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Companies Act 2006 and the Financial Services (Banking Reform) Act 2013; and

- assessing the PSR's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Financial Services (Banking Reform) Act 2013.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the PSR's accounting policies;
- inquired of management, the internal audit division and those charged with governance, including obtaining and reviewing supporting documentation relating to the PSR's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the PSR's controls relating to the PSR's compliance with the Companies Act 2006 and the Financial Services (Banking Reform) Act 2013;

- inquired of management, the internal audit division and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the PSR for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and the posting of unusual journals. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the PSR's framework of authority and other legal and regulatory frameworks in which the PSR operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the PSR. The key laws and regulations I considered in this context included Companies Act 2006, the Financial Services (Banking Reform) Act 2013, the UK Corporate Governance Code and relevant employment law and taxation legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the accounting policies related to the PSR; and
- I used analytical procedures to identify any unusual or unexpected relationships.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
4 September 2024

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive income for the year ended 31 March 2024

	Notes	Total 2024 £'000	Total 2023 £'000
Income			
Fee income		26,718	18,048
Other income		620	126
Total income	**4**	**27,338**	**18,174**
Operating costs			
Staff costs	5	(15,533)	(12,112)
Administrative costs	6	(7,236)	(8,883)
Total operating costs		**(22,769)**	**(20,995)**
Total comprehensive profit/(loss) for the year		**4,569**	**(2,821)**

Statement of changes in equity for the year ended 31 March 2024

	£'000
At 1 April 2022	**5,141**
Total comprehensive loss for the year	(2,821)
At 1 April 2023	**2,320**
Total comprehensive profit for the year	4,569
At 31 March 2024	**6,889**

Statement of financial position for the year ended 31 March 2024

	Notes	Total 2024 £'000	Total 2023 £'000
Current assets			
Cash and cash equivalents		14,641	9,104
Trade and other receivables		50	80
Intragroup receivable		4,807	2,923
Total assets	**7**	**19,498**	**12,107**
Current liabilities			
Trade and other payables		(10,979)	(8,581)
Intragroup payables		(1,630)	(1,206)
Total liabilities	**8**	**(12,609)**	**(9,787)**
Total assets less total liabilities		**6,889**	**2,320**
Accumulated surplus		**6,889**	**2,320**

The financial statements were approved by the board on 24 June 2024, and were signed on its behalf on 3 September 2024 by:

Aidene Walsh
Chair

David Geale
Interim Managing Director

The Company is exempt from the requirement of Part 16 of the Companies Act 2006 as stipulated in Schedule 4, paragraph 8 (5) of the Financial Services (Banking Reform) Act 2013.

Statement of cash flows for the year ended 31 March 2024

	Notes	Total 2024 £'000	Total 2023 £'000
Net cash generated/(used) by operating activities	**3**	**5,129**	**(1,774)**
Investing activities			
Interest received on bank deposits		408	126
Net cash generated in investing activities		**408**	**126**
Net increase/(decrease) in cash and cash equivalents		**5,537**	**(1,648)**
Cash and cash equivalents at the start of the year		9,104	10,752
Cash and cash equivalents at the end of the year		**14,641**	**9,104**

Notes to the financial statements

1. General information

The Payment Systems Regulator (PSR) was incorporated in England and Wales under the Companies Act 2006 on 1 April 2014 as a private company, limited by shares (a single share with a £1 nominal value, wholly owned by the Financial Conduct Authority (FCA)). The nature of the PSR's operations is set out in the financial overview.

The registered office is 12 Endeavour Square, London, E20 1JN.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the PSR operates.

2. Core accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with UK-adopted International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies applied in preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Changes in accounting policy

There are no new or amended IFRS or International Reporting Interpretations Committee (IFRIC) interpretations that have been adopted.

Income

The core principle of IFRS 15 Revenue from Contracts with Customers is that 'an entity recognises reven-ue to depict the transfer of promised goods or services to customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services'.

The standard requires an entity to identify the contract(s) with a customer and the performance obligation related to the contract. It further requires for the transaction price to be determined and allocated to the performance obligations in the contract. Revenue can only be recognised under the standard when the entity satisfies a performance obligation.

The implication of adopting IFRS 15 directly has been assessed, but – given the nature of the PSR's activities and that IFRS 15 relates to commercial organisations – it was not considered appropriate. Accordingly, management has applied International Accounting Standards (IAS) 8 (10) to use its judgement in developing and applying an accounting policy that provides information that is relevant and reliable.

In doing so, management has broadened the definition of a contract to include legislation and regulation. In this circumstance, a 'contract' is the underlying statutory framework set out in Financial Services (Banking Reform) Act 2013 (FSBRA). This framework enables the PSR to raise fees to recover the cost of carrying out its statutory functions. The performance obligation under the 'contract' is the granting of the ability to operate and remain authorised during the course of the year.

The PSR's revenue streams are categorised as either **fee income** or **other income**.

Fee income includes the annual periodic fees which are levied and measured at fair value when recognised. The Financial Services and Markets Act 2000 (FSMA) enables the FCA to raise fees, and FSBRA enables the FCA to raise fees on behalf of the PSR to recover the costs of carrying out its statutory functions. Fees are recognised at the later of:

- the fee year to which they relate (invoices on account), or
- the invoice date

Other income satisfies the core principles and conditions set out to recognise revenue. Resulting contract assets and liabilities are included in *Current assets* within Intragroup receivables and as *Fees received in advance* in Current liabilities.

Retirement benefit costs

Money Purchase Section (defined contribution)

The PSR is a member of the Money Purchase Section of the FCA Pension Plan, a defined contribution plan where the company pays contributions at defined rates to a separate entity.

Payments to the Money Purchase Section of the Plan are recognised as an expense in the statement of comprehensive income, as they fall due.

Prepaid contributions are recognised as an asset to the extent that a cost refund or a reduction in future payments is available.

3. Notes to the cash flow statement

	Notes	Total 2024 £'000	Total 2023 £'000
Profit/(loss) for the year from operations		4,569	(2,821)
Adjustments for:			
Interest received on bank deposits	4	(408)	(126)
Operating cash flows before movements in working capital		**4,161**	**(2,947)**
(Increase)/decrease in receivables	7	(1,854)	33,001
Increase/(decrease) in payables	8	2,822	(31,828)
Net cash generated/(used) by operating activities		**5,129**	**(1,774)**

4. Income

FSBRA enables the FCA to raise fees on behalf of the PSR to recover the costs of carrying out its statutory functions. Fee income represents the annual periodic fees receivable for the financial year, is recognised in the year it is levied and is measured at fair value.

	Total 2024 £'000	Total 2023 £'000
Fee income	26,718	18,048
Interest on bank deposit	408	126
Other income	212	–
Total income	**27,338**	**18,174**

5. Staff information

Staff costs (including executive directors) comprise:

	Total 2024 £'000	Total 2023 £'000
Gross salaries and taxable benefits	12,287	9,461
Employer's national insurance costs	1,412	1,131
Employer's defined contribution pension costs	1,424	1,085
Permanent staff costs	**15,123**	**11,677**
Secondees	–	142
Contractors	410	293
Short-term resource costs	**410**	**435**
Total staff costs	**15,533**	**12,112**

Staff numbers comprise:

The average number of employees by headcount and full-time equivalent (including executive directors and fixed-term contractors) during the year is presented below:

	Total 2024		Total 2023	
	Headcount	**FTE**	**Headcount**	**FTE**
Permanent staff	140	135	102	98
Parental, long-term sick and other leave	5	5	5	5
Short-term resource	3	2	4	3
Total	**148**	**142**	**111**	**106**

As at 31 March, the number of employees by headcount and full-time equivalent (including executive directors and fixed-term contractors) was:

	Total 2024		Total 2023	
	Headcount	**FTE**	**Headcount**	**FTE**
Permanent staff	160	155	123	118
Short-term resource	5	5	2	2
Total	**165**	**160**	**125**	**120**

Exit packages

Redundancy and other departure costs incurred in accordance with the redundancy policy are set out below. A compulsory redundancy is any departure resulting from a restructure or other change leading to a role ceasing to exist. Other departures are those mutually agreed with the individual concerned. Long-term ill health settlements are credited back to the PSR by our insurers. Ex-gratia payments are classified as Special Payments (Note 6) and excluded from the table.

Exit package cost band £'000	Number of compulsory redundancies 2024	Number of other departures agreed 2024	Number of long-term ill health settlements 2024	Total 2024	Number of compulsory redundancies 2023	Number of other departures agreed 2023	Number of long-term ill health settlements 2023	Total 2023
0–10	–	–	–	–	–	–	–	–
>10–25	–	–	–	–	–	–	–	–
>25–50	–	–	–	–	–	–	–	–
>50–100	–	–	–	–	–	1	–	1
>100–150	–	–	–	–	–	1	–	1
>150–200	–	–	–	–	–	–	–	–
Total number	–	–	–	–	–	2	–	2
Gross costs £000	**–**	**–**	**–**	**–**	**–**	**198**	**–**	**198**

6. Administrative costs

Administrative costs include:

	Total 2024 £'000	Total 2023 £'000
IT running costs	1,051	799
Professional fees	3,138	5,327
Accommodation and office services	1,393	1,346
Recruitment, training and wellbeing	888	718
Travel and hospitality	31	17
FCA staff recharges	509	536
Other costs	226	140
Total	**7,236**	**8,883**

Losses and special payments

There are no losses and special payments to report for 2023/24, by value and by type where they exceed £300,000 for the year to 31 March 2024 only (no comparative figures required).

Auditors

The Comptroller and Auditor General was appointed as auditor on 1 April 2014 under FSBRA. The auditor's total remuneration for audit services is set out below.

	Total 2024 £'000	Total 2023 £'000
Fees payable to the National Audit Office for the audit of the financial statements	35	28

7. Current assets

	Notes	Total 2024 £'000	Total 2023 £'000
Cash at bank		2,141	9,104
Cash deposits		12,500	–
Cash and cash equivalents		**14,641**	**9,104**
Prepayments and accrued income		50	79
Trade debtors		–	1
Intragroup receivable – FCA	9	4,807	2,923
Total current assets		**19,498**	**12,107**

Cash and cash equivalents comprise cash and short-term fixed-rate bank deposits with a maturity date of 12 months or less. The carrying amount of these assets approximates to their fair value.

Intragroup receivable consists of fees and penalties collected by the FCA on behalf of the PSR but not remitted to the PSR at 31 March.

8. Current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Notes	Total 2024 £'000	Total 2023 £'000
Fees received in advance		10,105	7,520
Trade creditors and accruals		854	449
Penalties payable		20	612
Trade and other payables		**10,979**	**8,581**
Intragroup payable – FCA	9	1,630	1,206
Total current liabilities		**12,609**	**9,787**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 7.5 days (2023: 10).

Intragroup payable consists of amounts due from the PSR to the FCA under the provision of services agreement between the two companies which sets out the services that are supplied and the respective costs at 31 March. These costs are based on the charges the FCA incurs, without margins.

Penalties issued and not yet collected as at 31 March are included in both current assets and current liabilities and are subject to an assessment of recoverability. Once total penalties collected during the year exceed this amount, a liability to the Treasury arises.

Financial penalties resulting from enforcement action pursuant to FSBRA are paid to the Treasury after deducting enforcement costs. Penalties issued and collected under the Competition Act 1998 are paid in full to the Treasury.

	Notes	Total 2024 £'000	Total 2023 £'000
Penalties payable at 1 April		612	33,261
Penalties issued and collected under CA98 during the year		–	–
Penalties issued and collected under FSBRA during the year		–	10,220
Penalties paid to the Treasury during the year		–	(42,869)
Penalties rebated to fee payers		(592)	–
Penalties payable at 31 March		**20**	**612**
Penalties payable at 31 March are comprised of:			
– Retained to be rebated to fee payers		2	594
– Payable to the Treasury		18	18
		20	**612**

9. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is set out on page 74.

Transactions with the FCA

The FCA provides certain services to the PSR, which are set out in the provision of service agreement. Summarised as:

	Total 2024 £'000	**Total 2023 £'000**
Accommodation and office services	1,392	1,392
Staff costs	509	534
IT costs	908	757
Other costs	76	33
	2,885	**2,716**

As at 31 March 2024, the intragroup receivable from FCA was £4,807,000 as disclosed in note 7 (2023: £2,923,000 intragroup receivable as disclosed in note 7).

As at 31 March 2024, the intragroup payable to FCA was £1,630,000 as disclosed in note 8 (2023: £1,206,000 intragroup payable as disclosed in note 8).

10. Events after the reporting period

There were no material events after the reporting period. The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

The Payment Systems Regulator Limited
12 Endeavour Square
London, E20 1JN

Telephone: 0300 456 3677
Website: www.psr.org.uk

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