

The Payment Systems Regulator Ltd

Minutes

Meeting:	PSR Board meeting	
Date of Meeting:	8 December 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Noel Gordon (by telephone)
	Carole Begent	John Griffith-Jones (Chair)
	Bradley Fried	Hannah Nixon
	Amelia Fletcher	Christopher Woolard
In attendance:	Set out in Annex A	

Quorum and Conflicts

The Meeting noted there was a quorum present and proceeded to business.

1 Which? Super complaint

At a Board meeting on 9 November 2016, the directors had considered the Which? Super complaint (Super Complaint) on Authorised Push Payment fraud and scams (APP Fraud), and the key considerations and components of the proposed response. The Special meeting had been convened to consider the PSR's full Super Complaint response, and the scale of the potential fraud.

The Board received reports on: the research conducted, evidence collated, and the key findings including the results of the interactions with stakeholders (including the Home Office's Joint Task Force, the British Bankers Association (BBA), and Financial Fraud Action UK (FFA)). The Board further received a draft of the Executive Summary (Annex B) of the response to the Super Complaint, and the details of the proposed approach to communication. A report from the FCA, detailing a number of commitments to further develop a hostile climate to financial crime to address the issues identified by PSR in their investigation of the Super Complaint was also presented.

A summary of the main components of the Super Complaint response was outlined, including the PSR and FCA's joint commitment to undertake a programme of work to further the understanding and addressing of issues around incentives for Payment Service Providers to prevent and respond more effectively to APP Fraud.

The Board noted that there was a lack of robust data on APP Fraud. The PSR had commissioned a TNS survey that estimated that APP Fraud victims (2 per cent of the UK adult population per year) amounted to half of credit/debit card fraud victims (4 per cent of the UK adult population per year). In contrast, data collected from banks suggested approximately forty thousand instances of APP scams in the past 12 months totalling around GBP150 million. Feedback from stakeholders suggested an escalating problem.

An investigation of the banks' procedures and processes to prevent APP Fraud showed that the way PSPs currently work together in responding to reports of APP scams needs

to improve. There was also some evidence to suggest that some PSPs could do more to identify fraudulent incoming payments and to prevent accounts falling under the influence of scammers. It was noted that there were a number of forthcoming initiatives (led by industry and the Joint Fraud Taskforce) designed to deter fraudsters and protect (including funds repatriation) and educate potential victims.

The Board discussed the scale of the APP Fraud, whether the proposed actions would be effective in addressing a problem which had signs of escalating. The Board considered the extent to which the receiving bank was obliged to investigate the scammer accounts, and pursue monies that had already left their customers' accounts on a 'best endeavours basis'. The Board also considered the banks' regulatory obligations to prevent financial crime and chase funds. It was noted that the FCA Handbook doesn't impose rules on this per se, though the banks were under a regulatory obligation to establish and maintain effective systems and controls to reduce the risk of financial crime and money laundering. They also have obligations under legislation, such as the Money Laundering Regulations 2007, which require them to follow, among other things, Know Your Customer processes.

It was noted that the proposed actions in response to the Super Complaint would encourage all banks to do more to safeguard customers and that there was scope for improvement.

After due consideration, the Board approved the proposed response to the Super Complaint subject to the various points raised in the discussion being reflected in the document. The Board also requested that the updated Executive Summary be circulated to directors in time for them to comment on it ahead of publication on 16 December, if they so wished.

2 Any other business

There being no further business, the meeting closed.

Marion Amersekere
Assistant Company Secretary

Annex A: Attendees

Marion Ameresekere	Assistant Company Secretary
Philippa Broadway	Manager, Early Intervention, FCA
Louise Buckley	Head of Department, Communications and Operations
Janet Duggan	Manager, PSR
Graeme McLean	Head of Department, FCA
Toby Parker	Manager, PSR
Celia Rooney	External counsel, on behalf of the PSR
Simon Pearce	Company Secretary
Paul Smith	Head of Department, Regulatory Strategy and Policy
John Spicer	Manager, PSR

Relevant associates and technical specialists also attended the meeting