

## **Payment Systems Regulator Panel Annual Report 2016-2017**

### **Chairman's Foreword**

This has been the second full year of the Panel's existence. Our function is to act as a 'critical friend' for the PSR Board and Executive, by drawing together a wide range of external perspectives, including payment systems operators, banks, technology providers and consumers of all kinds – domestic, small business, large corporates and government. We generally offer our opinions to the Board well before decisions are reached. Increasingly, we seek to influence the Executive's thinking at its formative stages, as well as when proposals have reached their near final form. After each of our meetings, I prepare a short report to the Board on the main issues arising.

The Panel is not required to produce unanimity, but it has been remarkable how often opinions round the table have coalesced, based on a clear understanding of the public interest and a long-term view of what is best for the UK economy and payment service users. In this process we have been helped a lot by the Executive team, ably led by Hannah Nixon, who produce succinct and very clear papers outlining key points for discussion; and by the willingness of Panel members to give us their frank personal views, setting aside the requirements of the 'day job'. For a sector such as payments, where a very high degree of collaboration and co-operation is effectively 'built into the architecture' there are clear advantages of a single panel, even if it is on the large side at 19 members plus the Chair: having a wide diversity of perspectives round the table allows everyone to hear the full range of arguments.

During the year we engaged with the PSR on a wide range of topics, including corporate priorities as well as major policy issues and responses to external events. We have particularly welcomed the PSR's use of the Panel at the early stages in its thinking, for example in identifying priorities for the annual work programme, and in planning major research projects. We have also had very constructive relationships with the Payments Strategy Forum, which operates separately from the PSR but whose work has covered many areas of concern to industry and other stakeholders. Other key areas have included Payment System Operator Consolidation; access to, and governance of, the inter-bank payment schemes; and the regulatory response to the Which? Super-Complaint on the risks consumers face in making inter-bank transfers. You can read more about our work on pages [2] to [4] of this report.

I would like to thank all my Panel colleagues for their contributions during the year, and especially Colin Tyler, a representative of large corporate users, who retired at the end of December 2016. I would also like to welcome David Gaselee and Conor Langford, representatives of, respectively, the banking and payment card sectors – both joined us at the beginning of April 2016.

None of the Panel's work would be possible without the excellent support we have received from Paul Smith and his colleagues, who have effectively championed the role of the Panel within the PSR; and from Graham Collett, Allyson Milano and Judy Wakeford in the Secretariat, whose work has been a model of efficiency and thoughtfulness.

Stephen Locke  
Chairman, Payment Systems Regulator Panel

## **Engagement with the PSR Board and Executive**

We have continued to build the right kind of relationship between the Panel and the PSR Board and Executive throughout the year. This has included a presentation to staff and a chance for them to meet Panel members as well as the Chairman. We feel that staff are now more comfortable using the expertise on the Panel and understand the value independent, well informed perspectives can add to the PSR's work. We have welcomed increased senior level support from within the PSR which has also boosted the quality of the staff's engagement with the Panel, including more informed and open discussions. We are beginning to see the results, in terms of succinct, clear papers identifying key issues for discussion, and through informal contacts as well as full Panel meetings. We hope this will provide a template for future interactions so enabling the Panel to provide the PSR Board and Executive with genuinely useful and timely feedback on their varied policy initiatives.

## **Improving Panel Effectiveness**

The Panel has spent time this year looking at ways it can improve its own effectiveness and better support the staff and its work streams. We have discussed how the Panel can often help in problem solving mode as well as providing its main function as a critical friend and sounding board to the PSR. As a result, we have developed a number of new ways of working with staff, in addition to formal Panel meetings. This has had a significant impact on the way staff engage with the Panel and the use they make of the expertise available.

Specifically, we have introduced a "subject champion" programme whereby staff can contact Panel members who have declared expertise in a particular subject matter. This is not a substitute to full Panel discussion but a complement to it, allowing staff to sound out early thoughts and areas to focus on, and to engage in more detailed discussion outside a formal Panel meeting. We have also increased the number of informal sub-group meetings we have with staff outside of the formal meeting schedule. This allows more flexibility to bring issues to the Panel that are time sensitive, such as the development of the organisation's work plan, and to get more detailed input from a knowledgeable sub-set of the membership on any particular issue.

These initiatives are still developing but we have already seen some benefits and look forward to working with the staff on these further in ways that promote the Panel's efficiency and effectiveness.

## **Issues Panel has discussed in the past year**

### **PSR Work Programme and Communications**

The Panel's remit covers all of the PSR work, not just individual policy topics. We were pleased to have had very early interactions with the PSR on the full range and balance of its proposed work programme for 2017/18. Our first discussion, right at the start of the process, explored what we thought potential barriers may be for the PSR to address and what themes the PSR should prioritise, both in its 2017-18 Annual Plan and more broadly in the next three to five years.

This was followed up with a more focused conversation in December 2016 where the Panel commented on the PSR's proposed themes and priorities for 2017/18. We felt in particular that the PSR should focus on developing the long term mechanisms needed to create innovative and self-sustaining regulation and on tracking the journey towards simplification of payments systems. The main risk, and opportunity, to the payments market is the impact of Brexit, whose form and impact is still inevitably uncertain. We hope to be able to unpack some of the issues and complexities, and consider potential solutions with the PSR, as they arise in the coming months.

### **Payment Systems Operator Consolidation**

The planned consolidation of the existing PSOs – including BACs, Faster Payments, Cheque and Credit Clearing - by creating a new entity 'NPSO' into which they can be absorbed – is a key focus for the PSR and a regular discussion topic for the Panel. To date we feel strongly, and have raised with the PSR Board and the Chair of the PSO Delivery Group, that there should be a strong focus on the people that are affected by this process. There is a vast amount of expertise stored in the staff of the existing PSOs which would be difficult to replace and invaluable to the newly merged organisation. The consolidation exercise must take this into account. We have also highlighted the risk of scope creep with the project, as it will take shape amid a constantly changing payments landscape, and there is an ambitious timetable.

We are keen to continue an open dialogue with the PSR and the PSO Delivery Group, and to offer the Panel's services, as the process develops throughout the year.

### **Which? Super-Complaint**

The Panel has increasingly been consulted by the Executive on a timely basis on topical and significant issues the PSR are facing, which we greatly welcome. The Which? super-complaint on the risks and lack of redress faced by consumers making electronic transfers between bank accounts is a key example of this, and we had a highly engaged discussion of the issues and possible solutions. All members, including those representing the industry and consumers, agreed that the serious detriments highlighted in the report merited further investigation. We especially highlighted the constraints on data sharing and ownership, some limitations of technical capacity to identify potentially fraudulent transfers, and the need to identify and encourage best practice. We were therefore pleased when the PSR decided to conduct a follow up, including further research, which underlined our concerns. This has provided an opportunity for the PSR to foster collaboration among industry and regulators to deliver a solution and we will continue to work with the PSR to that end as it progresses.

## **Payment Strategy Forum**

The work of the Forum has been of major ongoing interest to the Panel and we have welcomed Ruth Evans, PSF Chair, to our meetings on a regular basis to share and discuss the proposed recommendations, the final strategy and plans for implementation. We have challenged the Forum's approach on a number of issues including consultation arrangements, funding, implementation and the extent to which the PSR would need to keep a reserve power to mandate the key recommendations if there is insufficient progress. We hope to keep this line of dialogue open as implementation progresses.

## **Access and Governance**

The Panel has been regularly engaged on the development of the PSR's work on access and governance of the PSOs from the outset. This is a critically important issue for the future openness and level of competition in the payments sector as a whole. We have appreciated seeing the project develop and more recently reflected on the successes of the first phase of the work. We think the PSR has made helpful progress on access over the last two years with challenger banks increasingly getting access. The next step is for the PSR to explore ways of helping non-banks and e-money licensees get access to continue modernising the way payment systems are managed. We recognise that the progress made to date could not have been possible without the drive and collaboration from market participants.

## **Appendix 1 - Members of the PSR Panel between April 2016 – March 2017**

### **Stephen Locke – Panel Chair**

Member since: 1 December 2014

Meetings attended: 4/4

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

### **Mike Agate**

Member since: 1 December 2014

Meetings attended: 4/4

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

### **Mark Barnett**

Member since: 1 December 2014

Meetings attended: 3/4

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

### **David Brooks**

Member since: 1 June 2015

Meetings attended: 3/4

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

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

### **Rebecca Clements**

Member since: 1 December 2014

Meetings attended: 4/4

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

Becky has extensive experience of working with the payments industry and delivering long-term, sustainable value to both customers and the business, she is a Director of

Payments UK and the Faster Payments scheme and sits on the Interim New Trade Association for the Financial sector. Becky also sits on both the Advisory Panel and the Strategic Forum for the Payment Systems Regulator (PSR), as well.

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

### **Chris Dunne**

Member since: 1 December 2014

Meetings attended: 3/4

Chris Dunne is market development director at VocaLink. He is responsible for the core payments infrastructure business including Bacs, Faster Payments, the Current Account Switch Service, Paym and Cheque & Credit Clearing. Chris joined VocaLink in 2004 and previously was director of customer services and strategy director. Prior to VocaLink, Chris spent eight years at Reuters in a number of roles before being appointed as head of strategy for the Treasury services division.

### **David Gaselee**

Member since: 1 April 2016

Meetings attended: 2/4

David is currently Director of Transaction Product Management in the Barclays Corporate Bank, where he has been since 2012. He has held a variety of other payments roles for major banks including JP Morgan, leading the JPMorgan programmes for CHAPS and CREST, and the Bank of Tokyo-Mitsubishi. David has a broad range of expertise as a user, and now a provider of, sponsorship services in the Indirect Access space.

### **John Howells**

Member since: 1 December 2014

Meetings attended: 4/4

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

### **Conor Langford**

Member since: 1 April 2016

Meetings attended: 4/4

Conor is a payments expert and currently Director of Strategic Accounts at Visa Europe who he has worked for since 2003. He has a wealth of experience working with issuers, acquirers, processors, schemes, networks and vendors throughout Ireland, UK, Europe and America. Prior to joining Visa Europe Conor worked as a consultant in Ireland on payments issues.

### **Pamela Meadows**

Member since: 1 December 2014

Meetings attended: 4/4

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

## **Brendan Peilow**

Member since: 1 December 2014

Meetings attended: 4/4

Brendan is the Crown Representative for Banking and Payments and separately is the Government lead on its interactions with the industry in its capacity as a major customer. Both of these capacities are under the banner of the Cabinet Office. He is also a member of the Payment Strategy Forum. Prior to this he was the Director of the Government Banking Service and assistant Paymaster General, a role he carried out for six years until June 2016. Up until his retirement in 2009 Brendan was a career banker with Lloyds Banking Group where he held senior positions in personal and corporate banking as well as international wealth management. He is a Fellow of the Chartered Institute of Bankers and an ambassador for Opportunity International, a micro-finance charity

## **Paul Rodgers**

Member since: 1 December 2014

Meetings attended: 3/4

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

## **Carlos Sanchez**

Member since: 1 December 2014

Meetings attended: 2/4

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

## **Colin Tyler**

Member between: 1 Dec 2014 and 31 Dec 2016

Meetings attended: 3/3

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

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

## **Craig Tillotson**

Member since: 1 December 2014

Meetings attended: 4/4

Craig Tillotson is CEO of Faster Payments Scheme Limited and also of the Mobile Payments Service Company, the operating company for mobile payments service, Paym. Prior to this he worked internationally with the global consulting firm AT Kearney as an associate

director in their communications, media and technology practice. Previously, Craig has held board and other senior roles with Vodafone, T-Mobile and McKinsey & Company.

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

### **Robert White**

Member since: 1 December 2014

Meetings attended: 4/4

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

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

### **Sian Williams**

Member since: 1 December 2014

Meetings attended: 4/4

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

### **Sreeram Yegappan**

Member since: 1 December 2014

Meetings attended: 4/4

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

## **Appendix 2 - Payment Systems Regulator Panel Terms of Reference**

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

### **Scope**

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

### **The Panel's Duties**

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

## **Membership**

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

## **PSR and Financial Conduct Authority Duties**

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

## **Accountability**

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

## **Appendix 3**

### **The Financial Services (Banking Reform) Act 2013:**

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

1. In discharging its general functions relating to payment systems the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payment systems objectives.
  
2. The payment systems objectives of the Payment Systems Regulator are—
  - (a) the competition objective,
  - (b) the innovation objective, and .
  - (c) the service-user objective.
  
3. In discharging its general functions relating to payment systems the Payment Systems Regulator must have regard to
  - (a) the importance of maintaining the stability of, and confidence in, the UK financial system
  - (b) the importance of payment systems in relation to the performance of functions by the Bank of England in its capacity as a monetary authority, and
  - (c) the regulatory principles in section 53 [*see Appendix 2*].
  
4. The general functions of the Payment Systems Regulator relating to payment systems are—
  - (a) its function of giving general directions under section 54 (considered as a whole), .
  - (b) its functions in relation to the giving of general guidance under section 96 (considered as a whole), and .
  - (c) its function of determining the general policy and principles by reference to which it performs particular functions

## **Appendix 4**

### **The Financial Services (Banking Reform) Act 2013:**

#### **Section 53: Regulatory principles**

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

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