

# How the Authorities will interact with the Payments Strategy Forum

30 April 2015

# This presentation

- What stakeholders said
- Key Authorities and their interaction with the Forum
- Why ongoing interaction of the Authorities is important
- Overview of the roles and responsibilities of the respective Authorities

# Views of stakeholders

....there needs to be a more explicit role for the Bank of England so that there is greater clarity over issues of systemic risk, particularly with regard to new technologies or market entrants...

The Bank of England, FCA and PRA all have a power of veto over decisions taken by the PSR so it will be vital to have their active engagement. We would like the Bank of England to have a seat at the Forum given its critical role in financial stability; and the PRA and FCA to attend as observers on a fairly regular basis.

...importance of the PSR working closely with other regulators such as the Financial Conduct Authority (FCA), the Competition and Markets Authority (CMA), the Bank of England and the Prudential Regulation Authority (PRA). A collaborative approach will be fundamental to the sector's future viability...

On a longer-term basis, together with the CMA, FCA and PRA, the PSR must play an important role in ensuring that the financial services sector is focussed on meeting the needs of consumers.

# Key authorities

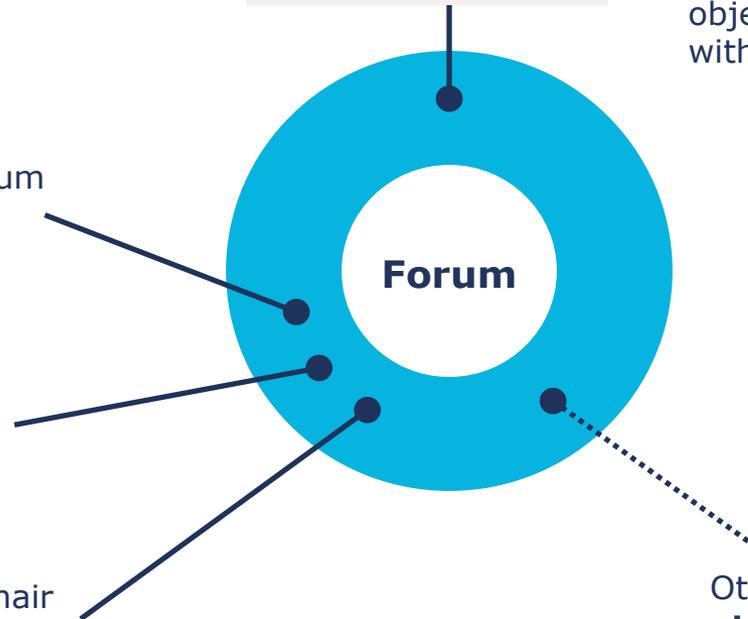


- The PSR has **established** the Forum to identify strategic priorities and undertake strategic coordination in a way which advances the PSR's statutory objectives.
- The PSR will attend all Forum meetings **and actively support the Chair** where guidance is required in relation to its objectives
- The PSR will **provide secretariat support** to assist the operation of the Forum
- The Independent Forum Chair will be appointed by and accountable to the PSR

Observers



The Bank of England, the Prudential Regulation Authority and the Financial Conduct Authority may **observe** meetings and **provide guidance to the Chair** in relation to their objectives, in consultation with the PSR



Other Authorities may **attend** Forum meetings where appropriate to provide relevant input into discussions e.g. Ofcom, CMA

# Why ongoing interaction is important

- **Cooperation** - The Authorities have different mandates in relation to payment systems and services in the UK. Given its focus on payment systems and services, the discussion of the Forum and any resulting strategies it produces may have implications for the objectives of any or all of the authority's objectives. It is therefore essential that we work together in our involvement with the Forum from the beginning of the process.
- **Early sight** – it is beneficial for Authorities to have input at an early stage to minimise the risk of issues being identified at a later stage.
- **Insight** – the Authorities will be able to provide insight and expertise to help inform the Forum's discussions, given their close work in the industry and with the relevant stakeholders.

# Involvement in Forum discussions

- Protecting consumers
- Protecting financial markets
- Promoting competition



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

- Monetary and financial stability (PRA)
- Safety and soundness of firms (PRA)
- Have regards to competition (PRA)



**Forum Discussions**



- Service-users,
- innovation,
- Competition
- Have-regard to financial stability

# The PSR

- establish and support the Forum to ensure that it is successful in addressing the problem of coordination
- set the Forum up so that it proactively engages with a broad and diverse range of payments users and puts their views at the beginning of the strategy setting process
- appoint a Chair who will be independent from industry, and accountable to the PSR
- attend all Forum meetings and actively support the Chair where guidance is required in relation to our objectives
- Where the relevant industry participants fail to delivery against the Forum’s strategic recommendations, we may decide to take action

# The Bank of England/ PRA



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

The Bank has a number of different roles that relate to payment systems:

- the supervisor of systemically important inter-bank payment systems,
- provider of settlement services and operator of real-time gross settlement infrastructure,
- resolution authority,
- participant in some payment systems, and
- supervisor of banks and building societies (the latter is exercised through the Prudential Regulation Authority).

# The Bank of England/ PRA



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

- Attend all Forum meetings and working groups where appropriate.
- Actively contributing to the Forum discussions where it relates to our objectives.
- Actively engage in Forum discussions where proposed change could impact on or be enabled by the Bank's interbank settlement agent responsibilities.
- Provide guidance to the independent chair in relation to our objectives.

# The Bank of England/ PRA



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

## Criteria for assessing change

In the Bank's response to the PSR's consultation paper the Bank set out the criteria for assessing changes from a financial stability perspective.

The four criteria are:

- Changes should not lead to an unacceptable increase in settlement risk
- Changes should maintain or enhance the robustness and resilience of UK payment systems
- UK payment systems should facilitate the continuity of payment services in resolution
- The Bank's ability to effectively supervise systemically important payment systems must be maintained

# The FCA

## **Our aims**

- Protecting consumers
- Enhancing competition
- Enhancing market integrity

To do this we regulate the conduct of over 50,000 businesses and for many of these we also regulate firms for prudential standards

## **What this means**

- We are responsible for the supervision of these firms – cradle to grave!
- They are subject to our rules on systems and controls (SYSC) including operational risk and IT resilience
- Firms must comply with our conduct of business rules /guidelines/ individual firm guidance.

# The FCA

## EU agenda

We liaise with EU organisations, we monitor and support legislative initiatives and change in payments, including:

- PSD2
- E money
- SEPA
- Mobile payments (ERPb)
- Faster payments (ERPb)

# The FCA

## For payments

- the conduct regulator for all firms providing **payment services** under the PSD and EMD (credit institutions/ PI/EMI's)
- The prudential regulator for all PI's and EMI's
- the Competent Authority for SEPA Regulations
- Supervise credit unions
- BC OBS
- TCF

# The FCA

## **Our expectation- no surprises**

- Ongoing and continuous engagement with the Payments Strategy Forum on issues touching Payment Services, to ensure FCA meets its objectives
- In accordance with Forum's terms of reference provide, as necessary, guidance to the chair

# Any Questions?