

Payment Systems Regulator

Governance workshop

Friday 11 July

8am-12:30pm

Haberdashers' Hall, London

1. Background

Following the Call for Inputs issued by the FCA in April 2014, the Payment Systems Regulator (PSR) is conducting a period of informal engagement with stakeholders, prior to issuing a formal consultation on its regulatory approach later in the year. A key area of focus for the Payment Systems Regulator during this period is a review of governance and ownership arrangements within the UK payment systems.

The PSR has engaged Accenture to produce a report on the factual evidence and stakeholder views of these arrangements. Accenture has held interviews with a wide range of organisations, including stakeholders from the payment system operators (operators) themselves, direct participants, agency banks and a number of non-payment organisations, to:

- Map the ownership and governance arrangements that currently apply to the operation of the payment system
- Understand how governance and ownership arrangements have evolved to date
- Understand how governance and ownership arrangements operate in practice by gathering stakeholders' views and experiences
- Identify key areas of concern and proposals for change.

Evidence gathering has focused on the payments systems which HM Treasury has indicated may be subject designation. This includes Bacs, CHAPS, C&CC, Faster Payments, LINK, and three and four party card systems.

2. Workshop objectives

Forming part of the evidence gathering, this workshop brings stakeholders together to gather additional information and viewpoints on emerging key themes.

Building on the evidence and commentary from the research and interviews to date, this workshop will provide:

- Initial feedback of findings
- A forum to discuss key issues emerging from both the CFI responses and Accenture research
- An opportunity to provide input on additional areas of concern on governance and ownership

3. Workshop participants

Participants have been invited from a range of organisations that are actively involvement in the governance arrangements of UK payment systems or have had relevant exposure to these arrangements.

4. Next steps

Information gathered at this workshop and other material collected during the review will feed into the final written report that will be provided to the PSR by Accenture. A non-confidential version of the report will be published in due course. Accenture's report will be used by the PSR as an input into its formal consultation later in the year.

5. Provisional Workshop Agenda

Time	Topic
8am – 8.40am	Registration with breakfast
8.40.am – 9.00am	Welcome from Mary Starks (PSR) – scope of governance workstream, role of the PSR and objectives of workshop
9.00am – 9.50am	Key findings and emerging themes – Michael Eagleton (Accenture)
9.50am – 10.35am	Breakout session one Topic A – Service user interests Topic B – Governance complexity Topic C – Governance of UK payment systems
10.35am - 11.00am	Tea/Coffee
11.00am -11.15am	Play back from breakout session one
11.15am – 12.00pm	Breakout session two Topic C – Governance of UK payment systems Topic D – Industry collaboration Topic E – Payments strategy
12.00am –12.30pm	Closing remarks from Gareth Thomas (PSR)

6. Breakout topics

The workshop will include a series of breakout sessions with each session's objectives and scope detailed below. During registration on the day, participants will be informed of their allocated sessions. A summary of the discussions from breakout session one will be played back to all attendees ahead of the later breakout sessions.

6.1 Topic A – Service user interests

The PSR has a service-user objective to ensure that payment systems are operated and developed in a way that takes account of and promotes the interests of service-users and likely users of payment services. This session is to gather evidence on how service users' views are sought and considered by the industry. Topics covered may include when and how services users are currently consulted, the level of influence service users have and whether there are areas where service users are content not to have a role.

Example questions in this topic include:

- Are service users currently well represented within the governance of UK payment systems?
- What examples are there of service users being listened to and responded to?
- Have independent directors improved service user representation?
- Does the payments industry engage with service users sufficiently when making decisions?

6.2 Topic B – Governance complexity

Looking at the governance of the payments system as a whole, this session seeks views on the multi-operator model which exists today. Feedback has suggested that engaging with multiple layers of governance for each operator creates difficulties for participating organisations, both large and small.

Example questions in this topic include:

- Do separate operators, with separate boards and separate decision making processes result in unhelpful silos?
- Does the requirement on members to engage with multiple operators and their committees prevent a level playing field for smaller banks with less resource to engage?
- Should operators share common governance practices?

6.3 Topic C – Governance of UK payment systems

Governance of UK payment systems have evolved through a combination of regulatory intervention and industry need. As a regulator of the designated payment systems, the PSR seeks clarity and views on the governance differences which exist between each of the payment systems operators.

Example questions in this topic include:

- What are the pros and cons of the different governance models? e.g. board vs. council
- Has the introduction of independent directors improved the governance of individual operators?
- Is there a better way to manage inherent conflicts of interests for individuals appointed as directors?

6.4 Topic D – Industry collaboration

The objective of this session is to seek views and discuss how current governance arrangements facilitate industry collaboration. CASS and Paym are recent examples where industry collaboration has delivered a desired end user result through payment systems change. However, research indicates that the industry also benefit from collaborative functions such as: information sharing on fraud risk; standards management; cross-scheme integrity; strategy development; market research, education, stakeholder engagement; and groups covering common interests (such as liquidity management).

Example questions in this topic include:

- How valuable is collaboration in the payments industry?
- How is industry collaboration affected when some operators are publicly listed, profit generating entities?
- What examples are there of industry collaboration working well in practice?
- Is a central collaborative function required to bring operators together to deliver change?
- Is a central collaborative function key to enabling innovation across the payment systems?

6.5 Topic E – Payments strategy

The objective of this session is to seek views and discuss how a strategy for payment services should be developed, set, approved and delivered.

Example questions in this topic include:

- Should there be a central strategy development function?
- What role should operators have in setting UK payments strategy?
- How should the PSR's objectives be reflected in industry strategy?