

Video transcript – Payment Services Authorisations and Supervision Deep Dive

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We look after the 1,150 payment services firms and the e-money firms that are supervised by the FCA under their payment services or the e-money regulations.

Describe a typical journey a firm experiences when interacting with the Payments Portfolio.

Well, firms usually start by interacting with our Authorisations team so recently our firms will have gone through re-authorisation or re-registration under PSD2 or firms that are new to FCA regulation will have recently been authorised or registered for the first time.

Our firms will also have interacted with our contact centre colleagues, the contact centre is actually the primary first port of call for many of the firms that we supervise, so firms may contact the contact centre in regards to any queries they have on FCA systems, for example, like Gabriel for regulatory reporting or if they want to tell us about a material change to their business.

What area is the FCA most interested in?

There's lots that the FCA is interested in but at the moment we're focusing on financial crime and fraud, the use and value of data, you know, what's happening in the innovation space and technological developments, resilience - not just kind of cyber and technology resilience but actually wider operational resilience, and of course consumer behaviours.

Why is the payment sector different from most of the firms regulated?

Well, the payments sector is rapidly evolving, there's lots of stuff going on. We're not just seeing kind of unprecedented regulatory change, we're also seeing technological change but it's actually the pace of change within the sector that is very rapid. We obviously have our own horizon scanning and we engage with the industry so we kind of try to be at the forefront of what's happening, understand it and where we can input into that kind of agenda.

So, we're seeing the emergence of new business models, new products and services, we're not just seeing innovation in the Fintech space, we're also seeing it in more traditional business models like money remittance where we know firms are having to innovate to stay competitive. We wouldn't want regulation to stifle innovation, we want innovation and competition to work in the interests of consumers.

What are the key things firms need to be thinking about now that they are authorised?

Well, there's kind of three big areas to focus on. First is around the reporting requirements, so ensuring they get their regulatory returns in and actually submitting their notifications under PSD2. The second thing is really about having an open dialogue with us, so being able to have that two-way communication so firms will need to tell us about any kind of material changes to their business, so that might include, for example, any changes to outsourcing agreements, any

changes in management, any changes to business models. Firms will also need to tell us about any kind of events, significant events that happen, so if something is going wrong, we do need to know about it and we need to know about it in a timely manner so we can kind of understand what you're doing to put it right.

How does the FCA monitor compliance with the rules?

Well, there's lots of different ways. Obviously we get all the reporting in, so we kind of look at that, we look at our regulatory returns, any of the event-kind of driven notifications, we also look at our intelligence. "Intelligence" means whistleblowing, for example, any kind of whistleblowing information, any complaints data, any market developments and we really look at that and try to understand what are the key risks, what are the developments happening in the market and what do we need to do to kind of supervise the sector effectively?

What is the one key thing firms need to bear in mind?

Well, I think for me it's really the starting point is really understanding our Approach Document, making sure that they've read it, they've been able to digest the information and they know what it means for their firm.