

Readout of FCA/Payments trade bodies quarterly liaison meeting held on 17 May 2023

Attendees:

FCA	Trade Bodies
<ul style="list-style-type: none"> ▪ James Eldridge, Chair and Manager of Payments Sector Team ▪ Laurens Van Heck, Technical Specialist, Payments Supervision ▪ Helene Oger-Zaher, Manager, Payments Policy ▪ Ross Studholme, Technical Specialist, Payments Policy ▪ Gary Hurst, Manager, Authorisations ▪ James Coster, Manager, Authorisations ▪ Sarah Caputo, Associate, Payments Sector Team ▪ Sarah Kim, Senior Associate, Payments Sector Team ▪ Stephanie Stanway, Graduate, Payments Sector Team <p>UK Financial Intelligence Unit (UKFIU)/National Economic Crime Command (NECC)/National Crime Agency</p> <ol style="list-style-type: none"> 1) Michael Jones, Reporter Engagement, Senior Officer 	<ul style="list-style-type: none"> ▪ UK Finance ▪ Association of Foreign Exchange Providers (AFEP) ▪ Electronic Money Association (EMA) ▪ Payments Innovation Forum (PIF) ▪ Open Finance Association ▪ Payments Association

Agenda items:

- 1) **Payments Authorisations**
- 2) **Payments Supervision – Financial Crime**
- 3) **Payments Supervision – Portfolio Strategy Letter**
- 4) **Policy – Open Banking**
- 5) **Policy items**
- 6) **AOB**

Readout:

Agenda item	Questions/Action
<p>1) Opening Remarks</p> <ul style="list-style-type: none">▪ The FCA is looking to set up a series of bilateral calls with each trade body to better understand the market, help with their horizon scanning and discuss upcoming regulatory initiatives.	<ul style="list-style-type: none">▪ The FCA will reach out to each trade body
<p>2) Payments Authorisations</p> <ul style="list-style-type: none">▪ There is no longer a backlog for authorisation applications or agent registrations. The FCA is working to 21 days to acknowledge receipt and allocate a case officer, and towards a 60 day determination.▪ The average time for approval is 11 months. The FCA is working to bring this timeframe down.▪ There are 27 applications linked to TPR firms in process.	<ul style="list-style-type: none">▪ Could the FCA comment on applications that are being refused on what appears to be minor technicalities? FCA: This tends to be for several reasons, but these cases can be escalated.▪ Could the FCA introduce pre-application interviews? FCA: There are no plans to do so, but these can be arranged by exception if needed.▪ Could the FCA appoint a representative post-authorisation? FCA: No, firms can use the supervision hub for technical questions; the newly established Early and High Growth Oversight function provides enhanced supervision for firms as they get used to their regulatory status. The FCA is developing a more comprehensive webpage for firms to visit, which provides more information on operating as an EMI/PI and sets out FCA expectations.

	<ul style="list-style-type: none"> ▪ Are there any topics of particular focus for the FCA during their assessment? <p>FCA: Firms need to have the right people in place at the right time to take on business and demonstrate their readiness to comply with the Consumer Duty.</p> <p>Action: Trade bodies to provide FAQs and areas that the FCA could use to provide further information on their website.</p>
<p>3) Payments Supervision – Financial Crime</p> <ul style="list-style-type: none"> ○ FCA continues to work with law enforcement agencies. ○ FCA has received feedback and is looking to educate the sector on financial crime; a webinar will be held in the next few months (see below) for industry to learn about good and poor practices and the importance of systems and controls. The FCA will invite questions from industry in advance. ○ The FCA will continue to communicate updates via its newsletters and publications; Firms can sign up to receive ‘SARs in Action’ at UKFIUEngagement@nca.gov.uk <p>The financial Crime Webinar (early July-23) will be run by senior management and cover:</p> <ul style="list-style-type: none"> ○ Introduction on SARs and the UKFIU. 	

<ul style="list-style-type: none"> ○ About the SARs database, which currently holds approximately 4 million SARs at any one time. There has been 10x increase in last 10 years with one third of SARs submitted by the payments/e-money sector. ○ The need for SARs to be written in such a way that law enforcement can do something with them. ○ Glossary codes ○ What happens when a SAR is submitted? ○ SARs myths. ○ Best practice advice on submitting SARs for the payments/e-money sector. 	
<p>4) Payments Supervision – Portfolio Strategy</p> <ul style="list-style-type: none"> ▪ The FCA is focussing on the areas of greatest risk and ensuring firms have taken adequate steps to mitigate those risks, and ensuring firms have implemented existing regulatory requirements and are implementing new regulatory requirements. ▪ The FCA 2022/2025 strategy has committed to act earlier and more assertively in dealing with problem firms. The FCA will continue to intervene, using its full range of supervisory tools. ▪ In cases where firms cannot meet the conditions for authorisation, the FCA will take more assertive action sooner and will remove or sanction firms who 	<ul style="list-style-type: none"> ▪ Why didn't the FCA tell the trade bodies about the Dear CEO in advance, given that this is the primary purpose of the FCA/Payments trade bodies liaison? FCA: More notice will be provided going forward; the FCA will be more specific about its intentions. ▪ What is the FCA focussing on next? FCA: A programme of proactive and reactive work is planned, aligned with new rules, i.e., the implementation of the Consumer Duty and operational resilience. The FCA will also undertake discrete pieces of work on financial resilience and financial crime. ▪ How can the trade bodies help the FCA? FCA: By continuing to help maintain a two-way line of communication with

<p>cannot or will not meet the required standards.</p> <p>In terms of the FCA’s supervisory priorities, the outcomes and priorities are:</p> <ul style="list-style-type: none"> ○ Outcome: <u>Customer money is safe</u> Priority: Safeguarding, prudential risk management, and wind down planning ○ Outcome: <u>Financial system integrity is not compromised</u> ○ Priority: Financial crime and fraud ○ Outcome: <u>Customer needs are met, high quality products and services, competition and innovation</u> ○ Priority: Implementation of the Consumer Duty ○ Outcome: <u>Governance and leadership (including oversight of agents)</u> ○ Priority: Operational resilience and regulatory reporting 	<p>industry. In running thematic initiatives, the FCA will look to continue its engagement with industry through the trade bodies. The FCA will be working with the Home Office, HMT and the PSR and will look at the FCA Central Team speaking at the next liaison meeting to discuss the current framework and provide further information on policy activities.</p>
<p>5) Policy – Open Banking</p> <ul style="list-style-type: none"> ▪ JROC has set out a 2-year programme of work focused on the vision for UK open banking and key areas of work. <p>There are 5 themes:</p> <ul style="list-style-type: none"> ○ Availability and performance – strengthening the open banking service. ○ Fraud – how open banking can support combatting fraud. ○ Effective consumer protection – dispute processes (regarding payments, data sharing) 	<ul style="list-style-type: none"> ▪ In response to questions raised by OBIE and firms asking how the Consumer Duty applies. FCA: JROC will share examples with the trade bodies. <p>Examples include:</p> <ul style="list-style-type: none"> ○ Consumers must understand the nature of the service which means that firms must ensure the right information is provided at the right time and in a form the consumer understands, i.e., how their payment

<ul style="list-style-type: none"> ○ Improving information flows (error codes, improvement on payment messages) ○ Developing a more sustainable and commercial model (promotion of other services i.e., premium APIs to use VRP as a pilot). ▪ A discussion paper on premium APIs will be published at the end of Q2-23. Feedback will be sought from industry on the proposed principles. ▪ Other work is ongoing, i.e., the design of the future entity; non sweeping VRP work and the creation of working groups to develop these themes, and ensuring Consumer Duty principles are at the heart of TPP firms. ▪ A JROC email has been set up for stakeholders to ask questions. jroc@fca.org.uk 	<p>data will be used, and shared with third parties.</p> <ul style="list-style-type: none"> ○ Firms must avoid causing foreseeable harm; action must be taken if there is a suspicion of fraud on a particular transaction, i.e., a warning message at that time. ▪ Questions were raised on the roll out and uptake of VRP, and how CDD requirements will be managed. FCA: JROC is working on this and will specify what is needed.
<p>5) Policy items</p> <ul style="list-style-type: none"> ▪ The FCA is planning to consult on changes to the <u>safeguarding regime</u> later this year, after the summer. The FCA will look to engage with industry before and after the 10-week consultation period. ▪ The FCA is working closely with HMT in relation to the review of the <u>insolvency regulatory regime</u> but cannot provide any further information at this stage. ▪ The Financial Services Bill does not contain a provision that enables the <u>Senior Managers & Certification Regime</u> to be extended to the payments and e-money sector. The 	

<p>FCA believes that extending the SM&CR to our sector is appropriate and this is under review. If it is proposed, it will be introduced as a separate consultation.</p>	
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