



# Changing needs

A new regulator to oversee UK payment systems will be introduced this year. Hannah Prevett reports

**A**dvancements in digital technology have led to a raft of developments in the payments sector in recent years. But in a bid to further still improve the rate of innovation amongst the systems responsible for seven trillion transactions worth over £75 trillion, the Payments System Regulator (PSR) will shortly come into effect.

It is a necessary step, says Hannah Nixon, managing director at the PSR. "Direct regulation of payment systems marks a sea change for the sector. The majority of those we have engaged with believe regulation is a significant and necessary step forward."

The PSR has certainly been beefing up its senior management team in recent months. Mark Flacon, Carole Begent and Louise Buckley were recruited into senior positions in January to work alongside Nixon. The trio "bring with them a wealth of experience that will be vital in helping the PSR achieve its statutory objectives. In appointing them I was looking for the skills and experience and strategic vision that will help them lead their teams, while bringing knowledge from their previous roles – which includes payments – that can benefit us as a new regulator," says Nixon.

She will certainly need a strong team in place when the PSR comes into force on 1 April. The regulator has a tall task, namely improving innovation. "Economic regulation of the payments industry and the powers given to the PSR can help to deliver effective competition and promote innovation for the benefit of UK consumers, businesses and the economy," comments Maurice Cleaves, interim chief executive of the Payments Council.

## Treading new ground

The PSR is the first regulator of its kind. Historically, the industry has relied on self-regulation – an approach that is no longer appropriate, according to Mark McMurtrie, an independent payments consultant. "It's fair to say that Visa and MasterCard used to provide the regulation for the card payments industry; initially they were proprietary Visa and MasterCard systems but now that's obviously changing as their role is being reduced within the industry," he comments.

"People are looking to increase the rate of innovation, they're looking to drive competition and they're trying to provide simplified access to new players," McMurtrie adds. "The payments world had been controlled by various councils which were very much bank-owned and led and it was therefore difficult for non-bank players to gain a foothold. We can expect to see non-bank players such as payment service providers being able to have a greater impact and being able to launch new services more quickly."

Increased competition will lead to better services for customers, argues Nixon. "Our vision is that service users have world-class payment systems they trust, which are faster, easy to use, accessible and offer value for money and deliver greater choice, innovation and competition. What we are aiming for is payment systems that are responsive to, and focused on, the changing needs of service users; payment systems that promote innovation, both technological and commercial, and can meet future challenges; we want effective competition between providers of payment services; and we want payment systems to be efficient, provide value, and easy and cost-effective to use and operate. That's our focus, and these aims must go hand in hand with reliability, security, and stability."

The implications of the new PSR on security will be felt profoundly across the industry, notes McMurtrie. "The first thing that people acknowledge the need for is tightened security. No player in the payments industry wants to offer insecure payment systems. Any move to tighten the security should be welcomed because this will make life for the fraudster more difficult," he says. "One of the positive impacts of regulation is to strengthen the security and thereby increase consumer confidence in the payment systems."