

Minutes



16 December 2009

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To Payments Council Board

Ref: PC/001/10

CC Non Board Contacts

From Board Secretary

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 16TH DECEMBER 2009

Present:

Martin Cave	Independent Director acting as Interim Chairman
Moira Black	Independent Director
Stephen Locke	Independent Director
Michael Alexander	Independent Director
Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)	
Colin Klipin	Barclays
Colin Painter	HSBC
Russell Saunders	Lloyds Banking Group
Ron Kalifa	Royal Bank of Scotland
Graeme Donald	Lloyds Banking Group (Observer)
Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes)	
Neil Lover	Nationwide
John Hughes	Co-operative Bank
Kevin Page	Clydesdale
Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)	
Maurice Cleaves	Deutsche Bank
Dermot Nolan	Bank of Ireland
Carl Scheible	PayPal (Observer)
Joanna Place	Bank of England (Observer)
Paul Smee	Chief Executive, Payments Council

Hilary Plattern	Payments Council (Item 3 only)
Peter Finlayson	Payments Council
Sandra Quinn	Payments Council (Item 2 only)
Anita Heaviside	Board Secretary, Payments Council
Angela Thomas	Cheque & Credit Clearing Company (Item 2 & 7)
Michael Cannon	Chair of Scheme Co-ordination Committee (Item 3)
Nick Collin	Independent Consultant (Item 2d)
Anne Pieckielon	Senior Scheme Manager, BACS (Item 5a)
Apologies	
Brent Bellm	PayPal
Andrew Bailey	Bank of England (Observer)
Juan Olaizola	Abbey

1. WELCOME AND MINUTES

ACTION

Martin Cave welcomed Directors to the meeting in his capacity as interim Chairman.

Apologies noted were:

Brent Bellm (PayPal) Nominated Proxy Dermot Nolan

Juan Olaizola (Abbey) Nominated Proxy Colin Painter

Andrew Bailey, Bank of England (Observer)

The minutes from the previous meeting of 5th October 2009 were APPROVED subject to the following amendments:

Page 4 – *‘The Payments Council needs to clarify how the move away from cheques will happen and the Payments Council role in this’*

Page 4 – *‘The Council should seek to clarify plans of Government Departments’*

The actions from the previous meeting were confirmed as completed or are covered by agenda Items.

Directors were requested to declare any relevant conflicts of interest.

Colin Painter declared he was a member of VISA UK Board and a Director of iPSL.

2. FOR DECISION - NATIONAL PAYMENTS PLAN

CHEQUES

Peter Finlayson introduced the Cheque Roadmap which sets out the culmination of 18 months work on cheques. The note from the Cheque Replacement Steering Group sets out a roadmap for the managed decline of cheques, including a proposed target end date of 31st October 2018 for cheque clearing in Great Britain and Northern Ireland.

The decision on the way forward on cheques had received much media interest as well as the tabling of an early day motion in Parliament. A separate note had been circulated to the Board covering the recent meeting with Lord Myners. The Minister had been rigorous in his questioning but had accepted the rationale behind the Council's approach, provided that the interests of users, especially vulnerable users, were properly safeguarded; and he had recognised that the cheque roadmap included a number of checkpoints to safeguard those interests. Each of the three user forums had also received copies of the roadmap and Forum meetings had been held in advance of the Board.

The Chairman invited each of the Chairs of the User Forums to highlight key points raised in their Forum.

Stephen Locke commented that the Consumer User Forum wished to have reassurances that alternatives would be available. They were also looking for a clear commitment to consider vulnerable consumers; for transparency in developing the criteria to measure progress; and for assurances that the decision would not lead to cheques being withdrawn by individual banks much earlier than 2018.

Moira Black highlighted that the SME User Forum wanted clarity on the alternatives to cheques. They also thought that it was important to educate the users on the benefits of these alternatives and to ensure that they are as easy to use as cheques.

Michael Alexander commented that the Large Corporate User Forum

recognised that they would need to invest in their own systems and that they wished to work alongside the banks.

The Board was given an overview of the recent media and political coverage and correspondence received by Payments Council on cheques. It was confirmed that the concerns being raised in the letters received from the public were issues of which the Steering Group were already aware.

The Board then discussed the paper from the Cheque replacement Steering Group. Its content was broadly supported but Board members asked for especial emphasis to be given to certain points

In the course of discussion, , the following key points were made:

- It was important to build public confidence in the process that will be followed in making the final decision to close the cheque clearing.
- A number of Directors commented that clarity on the final decision in the public domain would be paramount to avoid unnecessary reputational dangers.
- It was important that Banks understood that the decision to support the closure of the central cheque clearing would require a long term commitment to ensure that alternatives to cheques are in place.
- The decision criteria should be specified in the roadmap, as well as appropriate targets and milestones.
- The period between 2010 -2014 is the crucial time in the roadmap for developing alternatives, improving existing payment instruments and educating users.
- Alternatives to cheques may well be developed outside the banking industry.
- The important message to emphasise is that the proposal is about managing the decline of the cheque clearing in an orderly manner.
- This proposal marks the start of a clear process for the industry to promote.
- Significant resources should be deployed early on to manage

the education and communications activities. Challenging targets should be set with strong leadership from the Payments Council.

- Education of consumers will require central co-ordination to achieve consistency.

These points will be communicated to the CRSG at its next meeting so that it can take them into account, as it develops its thinking. The Board will expect regular reports from the Steering Group and will expect to see these points reflected in its work.

CRSG

The Chairman invited the Board to indicate whether they supported the proposal. One Director favoured a deferred decision whilst the other Directors confirmed their support on the recommendations to:

- Endorse the vision for cheque replacement;
- Set a target date of 31 October 2018 for cheque clearings in Great Britain and in Northern Ireland, with the final decision being made in 2016 to confirm that the target date is achievable.
- Endorse the timeline, high-level targets and key indicators for cheque reduction in particular;
 - Commit to the principle of showing leadership through early targets for cheque replacement by Payments Council members;
 - Endorse the key areas where alternatives to cheques are required;
 - Endorse the need for central communication and education as a critical part of the roadmap;
- Agree the programme of governance and the workplan as set out in the roadmap.

The recommendations were AGREED subject to the following points:

- That the concern over suitable alternatives for vulnerable consumers are addressed;
- That the industry commits to transparency;
- That the industry accepts the challenge to ensure that suitable alternatives are in place;

- Acknowledgement of the need to manage the wider reputation of the industry with a well resourced communication and education programme;
- That the Board, as a whole, endorses the need for a managed process, and that individual members avoid taking any action that might undermine this commitment.
- That an appropriate project structure is put in place to support the magnitude of the change.

It was agreed to make a public announcement following the Board meeting.

CHEQUE & CREDIT CLEARING COMPANY

Angela Thomas (Cheque & Credit Company Manager) gave a brief update on the key issues facing Cheque & Credit Clearing Company in the light the decision to set a target end date for cheque clearing bearing in mind the three objectives of Payments Council. With regard to integrity the biggest challenge will be to manage the decline in an orderly manner whilst maintaining an acceptable level of integrity. It was confirmed that it will be critical that if there are any residual volumes where acceptable electronic alternatives can not be found, that these must very low to be able to achieve closing the cheque clearing. The Company is also committed to managing processes in the most efficient manner. Whilst the Company's remit isn't to develop alternatives to cheques they are committed to finding new innovative ways to address any new challenges that arise as a result of declining volumes.

The Board thanked her for presentation and thought that Cheque & Credit could offer some valuable expertise in the pursuit of innovative alternatives and were keen that they play an active part.

2c MOBILE PAYMENTS

Paul Smee gave the Board a brief update on current status of mobile payments. Due to the rapid evolution of the mobile market and competitive developments by individual institutions and others in the marketplace, the timing did not appear right for a collaborative project, which might be overtaken by events.

It was agreed that the Board would kept informed of developments in the mobile market; this was likely to form part of a wider piece on tracking innovations more widely.

Secretariat

The Board noted the update; with some expressing disappointment at the current position.

2d PAYMENT REFERENCE INFORMATION

Nick Collin (Independent Consultant) joined the Board for this item. Peter Finlayson explained that payment reference information was one of the main issues mentioned by respondents to the original NPP consultation. The payment reference information project undertook to research the problems caused by missing or inaccurate reference information when making direct credit payments and to assess potential solutions. Extensive stakeholder consultation has taken place and the Executive Summary provides a digest of the findings and the proposed recommendations. There is also a link to cheque replacement in that improved referencing for direct credits will encourage greater use of electronic credits as alternatives to some cheque payments. The key recommendation concerns the development of best practice guidelines.

One Director commented that progress would be difficult to measure. The Board discussed whether the best practice guidelines should be mandatory and agreed that they should not. The Board AGREED the recommendations in the report and suggested that a review of progress in developing and implementing the best practice guidelines should take place in 24 months.

NPP Project

2A NPP OVERVIEW

The Board NOTED the status update report on the NPP.

3 SCHEME CO-ORDINATION COMMITTEE

Michael Cannon, HSBC, Chairman of the Scheme Co-ordination Committee (SCC) joined the Board for this item. He presented the Payment System Roadmap, which was endorsed, although the Board noted that there was further work to be done on the sections on infrastructure and networks which might therefore change. The Board noted the importance of ongoing industry discussions on the management of intraday liquidity and it was agreed that these should be factored in.

It was AGREED that Michael Cannon should provide an interim report to the Board in March and a final high level recommendation in June 2010.

SCC

The independent directors emphasised the need to be clear on what the risks and challenges are in broad outline to ensure that the Payments Council fulfils its remit to preserve the integrity of the payment system.

4 REGULATORY LANDSCAPE

Paul Smee introduced his paper outlining the key changes in the regulatory landscape and the potential impacts on the Council. The Council confirmed that they would maintain their distinctive role relating to efficiency, integrity and innovation and would keep their remit distinct from those of the regulators.

5a NATIONAL PAYMENTS PLAN

B2B DIRECT DEBITS

Anne Pieckielon (Bacs) joined the Board for this agenda item and reminded the Board that Bacs had been asked by the Payments Council to develop a proposition for a business to business Direct Debit scheme. Their report encapsulates the output from stakeholder engagement and research they have undertaken. As expected, the feedback received so far indicated that there is more demand from creditors than from debtors. Questions had been raised about the level of control and there was uncertainty about how flexible it could be.

However, it still appears that the product attributes remain valid.

The Board endorsed the way forward that further work was needed to evolve the proposition and that quantitative research would be undertaken. Bacs would report back to the Board in June 2010.

BACS

5b ONLINE PAYMENTS

Peter Finlayson explained that an Online Payments Group had been created to address the potential impact of online payment services on the integrity of payment systems, and to consider the case for collaborative innovation under the auspices of the Payments Council. A progress report had been provided to Board.

One Director requested that the User Forums be involved at the appropriate time on this subject and commented that international comparisons may provide further useful insight. It was also highlighted that it was important to educate consumers on the potential pros and cons of market developments in this space.

**Online
Payments
Group**

6 INNOVATION

The Board discussed the innovation proposal that had been received from Mr T Davis. The Board thanked Mr Davis for his proposal but did not think that there was scope for a collaborative initiative and AGREED that this was not a proposal on which they could support further work

7 PRESENTATION FROM CHEQUE & CREDIT CLEARING COMPANY

This item was covered under agenda item 2.

8 CONTRACTED SCHEME REPORTS

The Board Noted the reports from the Contracted Schemes.

9 FOR INFORMATION

The Board noted the two papers that had been circulated for

information. This included an update on the OFT recommendations and the annual report from the Customer Authentication Group.

10 AOB

The Board Noted the following items under AOB:

- The deferral of the Board evaluation survey until the new Chair is appointed;
- That an application for full membership of Payments Council had been received from ING Direct NV which will be accepted.
- Progress is being made in the recruitment of a new Chair. The current plan is to hold the appointments committee in February with a view to the new Chair being in post by March 2010.