

Minutes



18 March 2010

DL 020 7711 6200

To Payments Council Board

Ref: PC/030/10

CC Non Board Contacts

From Anita Heaviside
Board Secretary

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 10TH MARCH 2010 AT MERCURY HOUSE, TRITON COURT.

Present:

Martin Cave	Independent Director (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)	
Cyril Meghani	Barclays (Observer)
Colin Painter	HSBC
Russell Saunders	Lloyds Banking Group
Ron Kalifa	Royal Bank of Scotland
Juan Olaizola	Santander
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
Joanne MacGowan	Bank of Ireland (Observer)
Carl Scheible	PayPal (Observer)
Joanna Place	Bank of England (Observer)
Paul Smee	Chief Executive, Payments Council

Hilary Plattern	Payments Council
Peter Finlayson	Payments Council
Sandra Quinn	Payments Council
Anita Heaviside	Payments Council
Denis Wicking	Payments Council (Item 2)
Nigel White	Payments Council (Item 2)
Andrew Wallace	Payments Council (Item 3 & 4)
Michael Cannon	Chair of Scheme Co-ordination Committee (Item 3)
Lee Dobney	Bank of England (Item 4)
Edwin Schooling Latter	LINK (Item 8)
Apologies	
Brent Bellm	PayPal
Andrew Bailey	Bank of England (Observer)
Dermot Nolan	Bank of Ireland

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 Maurice Cleaves

Dermot Nolan (Bank of Ireland) Nominated Proxy Maurice Cleaves

Andrew Bailey Bank of England (Observer)

Martin Cave extended thanks on behalf of the Board to Colin Klipin (Barclays) for his contribution to the Payments Council whilst he was a Director.

The minutes from the previous meeting of 16th December 2009 were APPROVED subject to a few minor amendments.

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

Directors were requested to declare any relevant conflicts of interest. Colin Painter declared he was a member of Visa UK Board; iPSL; Vocalink and Vaultex. Ron Kalifa declared he was a Visa UK Board Director and Russell Saunders declared he was a member of SWIFT

UK Board.

Martin Cave advised the Board that an announcement would be made in due course regarding the appointment of the new Chairman.

2. NATIONAL PAYMENTS PLAN

A) NPP SUMMARY AND STATUS OVERVIEW

Peter Finlayson invited comments from the Board on the NPP Summary paper. Paul Smee confirmed that an update on the Cheque Card Guarantee Scheme would be provided at the June Board meeting. The Board NOTED the update report.

**CCGS
Steering
Group**

B) CHEQUE REPLACEMENT PROGRAMME

Paul Smee provided an update to the Board on the activities that have been undertaken since the announcement in December regarding the future of cheque clearing. He has recently met with a number of ministers and key stakeholders groups such as those representing charities. The proposed Treasury Select Committee hearing has been scheduled for 16th March and Paul Smee will be attending to give oral evidence along with Sandra Quinn and Stephen Locke.

Peter Finlayson invited the Board to comment on the note setting out recent progress of the cheque replacement programme and the suggested work priorities for the coming year. During discussion the following key points were noted:

- An important element in exploring alternatives is to understand the core reasons as to why some consumers prefer to use cheques
- Corporates are a key stakeholder and it is important for them to be kept apprised of developments.
- It was acknowledged that the setting of targets and criteria for determining in 2016 whether to close the cheque clearing in 2018 was a challenging task and a key priority; involvement of stakeholders in their development is crucial.
- The Payments Council should demonstrate leadership; in

particular with regard to setting migration targets for Payments Council Members to move to more efficient alternatives.

- Members should be as open as possible in sharing information. There is support for Cheque Replacement Steering Group's recommendation to publish information on the services offered by individual members (such as dual authorisation of electronic payments for charities).
- For the June Board greater clarity was requested on the key milestones, criteria, targets and level of resources needed to drive the programme forward. The Plan should make clear what members need to deliver, and by when, for the programme to succeed,
- Individual banks will be responsible for the delivery of specific targets, such as a move to the electronic payment of dividends.
- It was recognised that there will need to be a significant uplift in the resources required to run the programme; this will include resources for communications with a substantially larger number of organisations, carrying out detailed research, overall programme management etc. Initial budget proposals will be put to the June Board.
- It is important to communicate that the Cheque Replacement Programme is about planning for the closure of the cheque clearing. There may be a residual number of payments whereby a paper based solution to initiate an electronic payment may be an alternative; such a solution should not require the operation of a central cheque clearing system.

The Chairman thanked the Board for their input and it was agreed to report back to Board in June with a detailed project plan covering the areas highlighted by Board. This would be a significant agenda item at the next Board meeting.

**Peter
Finlayson**

2c REVIEW OF THE CREDIT CLEARING

Nigel White introduced the report from the Credit Clearing Review Steering Group. The key conclusion from the review was that the future of the credit clearing is closely tied to that of the cheque clearing and, as it would not be viable as a standalone clearing, the credit clearing would not continue beyond the closure of the cheque clearing. Consequently, future activity on the credit clearing should be subsumed into the work of the Cheque Replacement Steering Group. The aim will be to make changes to the credit clearing transparent to users. An alternative method will be required for handling cash credits, and it is recommended that the Faster Payments Scheme (FPS) examines an FPS-based system which captures the reference information from the paper voucher and converts it to a faster payment.

Nigel White confirmed that the User Forums have been invited for their input on the review, but feedback was limited to seeking clarification and reassurance regarding the impact of change.

During the Board discussion it was agreed that the future of the credit clearing should be subject to the same rigorous approach adopted for the cheque clearing whereby any decision to close it should be subject to acceptable alternatives being in place. Targets to measure progress, and criteria to judge whether alternatives are acceptable should be drawn up in consultation with wider stakeholders.

CRSG

The Board ENDORSED the recommendations in the report.

2d ONLINE PAYMENTS

The Board was invited to comment on the update report on the work of the Online Payments Group (OPG). One Director queried the revised timetable but it was explained that the OPG would make interim reports in June and September and that the Group would be closed down earlier if no longer required.

The Board discussed the potential education implications of the issues raised and requested the Group to consider whether Payments Council had a role in raising general public awareness in this new business

**Online
Payments
Group**

area.

2d REVIEW OF CONTACTLESS AND PREPAID CARDS

Peter Finlayson introduced the report on the review of contactless and prepaid cards. The report included a summary of the feedback received and the results from a high level analysis on the key issues and areas where the Payments Council may have a role. The key recommendations included providing generic consumer information on contactless and prepaid cards as part of the overall education strategy; extending an invitation to the Cards Schemes / associations to come to our User Forums to discuss some of the issues raised by respondents to the review; reviewing the market again in 2011 and meeting with those organisations who expressed a wish to work with us.

The Board supported the report but thought that insufficient emphasis had been given to the potential for innovations in contactless and prepayment cards to support the cheque replacement programme and felt that the Payments Council should play a more active role in this area. As part of the Payments Council's objective in promoting innovation they saw merit in working alongside the card schemes to share our thinking on potential gaps where the development of contactless and/or prepaid cards may help in providing cheque alternatives. Paul Smee commented that he thought that the new Chairman would be particularly interested in strengthening the working relationship with the card schemes and agreed to take forward this initiative on behalf of the Board.

Paul Smee

3 SCHEME CO-ORDINATION COMMITTEE

The Board was joined by Michael Cannon, Chair of the Scheme Co-ordination Committee (SCC). Michael Cannon presented the SCC Interim Report to the Payments Council Board on the development of a Payment System Roadmap for the period 2009- 2019. Since December the SCC had conducted further analysis and consideration on the long term strategy for payment system infrastructure and network provision and narrowed down the key drivers for change. From the two strategies outlined in the paper SCC recommended a decentralised approach.

This recommendation did not receive consensus support at this interim stage. One Director spoke in favour of an alternative strategy i.e. of exploiting the current architecture whilst consolidating infrastructure over time. He did not support a strategy of driving competition of supply which was one of the key drivers identified by SCC. However there was clear support for tactical enhancements to the Faster Payments Service. The Board noted SCC's recommendation for convergence of messaging standards to ISO 20022 but some Board directors indicated a preference for messaging conversion and/or translation tools to accommodate existing gateways rather than wholesale movement over the longer term to ISO 20022.

SCC

The Board indicated that they would like SCC to now consider the implications for members' business of the strategy.

3b CONTINGENCY EXERCISE

Andrew Wallace introduced the note explaining the proposed Payments Council contingency exercise planned in November 2010. The Board requested a clear statement of what resources would be needed to support such an exercise, its timescales and an assessment of how the exercise would be likely to affect next year's audit of the Council's integrity role.

**Andrew
Wallace**

4 FUTURE FOR CASH

The Board was joined by Lee Dobney, Bank of England for this item. Paul Smee introduced the report from the Strategic Cash Group (SCG) which describes the issues and developments that are likely to shape the future of cash in the UK over a ten year horizon. The report identifies a number of areas for further consideration and the SCG will continue to work on these going forward. The Board commented that they thought there was a close link with the future development of contactless cards. It was also suggested that it would be helpful to share some of the thinking in the report with the User Forums at the appropriate time.

Secretariat

The Board gave their ENDORSEMENT to the report 'Future of Cash in the UK'.

5 PAYMENTS COUNCIL AWARD SCHEME

Hilary Plattern introduced the paper outlining the concept of running an award scheme covering innovative ideas for cheque replacement. The Board discussed the merits of running such an award scheme but decided on balance it was too soon to undertake this and agreed that this would be revisited next year.

**Member
Strategy
Group**

6 PAYMENTS COUNCIL ASSOCIATES

The paper outlining an enhanced proposition for Payments Council was discussed by Board. The Board ENDORSED the revised associate membership proposition.

7 INNOVATION

Paul Smee introduced his report on the innovations that have been submitted to the Payments Council via the innovation process on the website from Mr WA Mason; Payoffline Ltd; Mr J Kingston and Mr JH Allcock. After due consideration and for the reasons outlined in the paper the Board confirmed that they supported the recommendation that these innovation could not be taken forward. The secretariat would respond to each respondent to thank them for their proposal and communicate the Board's decision.

Secretariat

8 PRESENTATION BY LINK SCHEME

Edwin Schooling Latter, LINK Scheme Director gave a presentation to Board on the key issues for LINK in 2009 covering topics on financial inclusion, signage, automation and efficiency, integrity, reducing fraud and overseas connections. One of the key issues highlighted for 2010 was the need to have a greater number of ATMs dispensing £5 notes in order to address problems with the availability and quality of £5s. The Board welcomed this work to address this consumer issue and it was suggested that this topic would be of interest to the Consumer User Forum. The Chairman thanked Edwin Latter for his presentation

Secretariat

and reiterated that a clear case for action had been made.

9 CONTRACTED SCHEME REPORTS

The Board NOTED the contracted Scheme Reports. Paul Smee confirmed that there was no report from CHAPS this quarter due to the retirement of the Company Manager but that CHAPS Company would prepare a report for June.

10 FOR INFORMATION

The Board NOTED the update summary of progress on OFT recommendations.

11 AOB

i) Membership

It was confirmed that Wachovia's membership of Payments Council would change to Wells Fargo with effect from the 22nd March 2010.

ii) Board Directorships

The Board was advised that there will be two vacancies in Constituency 3 from the end of March. The Board extended their thanks to both Dermot Nolan and Brent Bellm for their contributions to the Board. The secretariat will be inviting potential nominees shortly.

Two further actions were noted by the Board:

- A paper should be prepared on the role and remit of the Payments Council, in particular how it might take a more strategic approach to innovation;
- An update should be provided on the potential implications of changes to take effect in 2012 as a result of the Payment Services Directive.

iii) Future Board Meeting Dates

The Board noted the following meeting dates:

Wednesday 21 April 2010 (Date and time to be reconfirmed pending confirmation from the new Chairman)

Wednesday 16 June 2010

Wednesday 22 September 2010

Tuesday 14 December 2010