

Minutes



18 June 2009

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Our Reference PC05709

To Payments Council Board

CC Non Board Contacts

From Anita Heaviside
Secretary to Payments Council Board

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 17TH JUNE 2009

Present:

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| Brian Pomeroy | Chairman |
| Moira Black | Independent Director |
| Martin Cave | Independent Director |
| Stephen Locke | Independent Director |
| Michael Alexander | Independent Director |
| Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes) | |
| Jim Large | HSBC |
| Juan Olaizola | Abbey |
| Russell Saunders | Lloyds Banking Group |
| Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes) | |
| Neil Lover | Nationwide |
| 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 |
| | |
| Cyril Meghani | Barclays (Observer) |
| Andrew Hamilton | Royal Bank of Scotland (Observer) |
| Andrew Bailey | Bank of England (Observer) |
| Paul Smee | Chief Executive, Payments Council |
| Hilary Platter | Payments Council |
| Anita Heaviside | Payments Council |
| Peter Finlayson | Payments Council |
| Nigel White | Payments Council (for items 1-6) |

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| Katy Worobec | Head of Fraud Control (AAL) For item 7 |
| Colin Whittaker | Head of Security (AAL) For item 7 |
| Paul Marsh | Director of Cards and Fraud Control (AAL) for item 7 |
| Michael Chambers | Bacs Managing Director (for items 8 & 9a) |

| | |
|-----------------|------------------------|
| Apologies | |
| Colin Klipin | Barclays |
| Richard Hemsley | Royal Bank of Scotland |
| John Hughes | Co-operative Bank |
| Brent Bellm | Paypal |

1. WELCOME AND MINUTES OF LAST MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 18TH MARCH 2009 **ACTION**

The Chairman welcomed Russell Saunders to his first board meeting.

Apologies noted were:

Colin Klipin (Barclays) Nominated Proxy Jim Large

Richard Hemsley (Royal Bank of Scotland) Nominated Proxy Jim Large

Brent Bellm (Paypal) Nominated Proxy Dermot Nolan

John Hughes (Co-operative Bank) Nominated Proxy Neil Lover

The minutes from the previous meeting of the 18th March 2009 were APPROVED and will be posted to the website.

The actions from the previous meeting have been completed.

2. FOR DECISION

BOARD MATTERS

The Board had a number of queries relating to the Payments Council Annual Accounts and Directors Report and requested that an amended version be circulated by email for their approval.

Secretariat

The Board APPROVED the allocated voting rights for the purposes of transacting business at the Annual General Meeting.

3. **OFT REVIEW OF THE PAYMENTS COUNCIL**

Paul Smee explained that both he and the Chairman have met with the OFT to discuss their report on the Payments Council and that the draft reply reflected those discussions.

The Board considered the proposed way forward on the OFT's suggestion that membership of the Council be extended to other organisations, for example vendors. The discussion focused on improving communications with vendors and the membership proposition that is offered to non payment service providers; The Board felt that the presence of vendors (and/or similar organisations) on the Board would present potential conflicts of interest. However other ways e.g. a vendor forum could be found to improve communications and ensure that innovations arising from this source were identified. Such an approach was thought likely to satisfy the OFT requirements and the Board endorsed it.

On the OFT's suggestion that the Board should assume an 'enhanced leadership' role, it was noted that the Payments Council had been set up as a strategic body and not a regulatory authority. During the course of debate the following key points were made:

- The reply to the OFT should be clear on the remit of the Payments Council i.e. how far it can mandate action and where it operates only through influence and persuasion.
- If the Payments Council chooses to disseminate information on the roll out of new innovations amongst members, then it needs to be factually accurate, comprehensive and in a format that can be easily understood by users. It should also make clear that any dissemination of information is not a comment on the absence of competition.
- Careful judgement will be needed on the circumstances in which such information is disseminated and the level of detail.

**Chairman/Paul
Smee**

The draft reply to the OFT will be amended in the light of feedback from the Board and re-circulated for final approval.

4 NATIONAL PAYMENTS PLAN

4i) NPP Summary and Status Overview

The Board noted the NPP summary and status overview.

4ii) Review of Cheque Guarantee Card Scheme

Nigel White introduced the paper on the Cheque Guarantee Card Scheme. The paper summarises the outcome of the questions posed at the last Board meeting:

- An understanding of how other countries have withdrawn cheque guarantee schemes
- Whether there should be a trigger point set for the number of remaining users of guaranteed cheques before collective closure could occur
- Consideration of whether further work is needed on the alternative payment methods that would be available for users of guaranteed cheques
- Consideration of the alternatives for a 'big bang' approach
- Development of a communications plan around a potential closure

The Chairman invited Chairmen of the User Forums to comment. Moira Black commented that the concerns put forward by the Consumer User Forum centred on how acceptors of a cheque guarantee would react if the scheme were ended. With regard to the SME User Forum, the feedback was broadly supportive of a managed closure. Michael Alexander confirmed that the Large Corporate User Forum was also supportive of a managed closure and that they thought that the decision may have relevance for the criteria for the withdrawal of other services.

The Chairman invited the Board to comment. The Board thought that the papers had answered the questions raised at the last meeting and stressed the importance of a clear communications message.

The Board AGREED with the conclusions of the Cheque Guarantee

Card Scheme Review Steering Group that the use of the Cheque Guarantee Card Scheme is in terminal decline and that it would be preferable for the demise of the scheme to occur in a way that enables suitable communication with users and acceptors. It was agreed that a fixed end date to be set , for around (but no earlier than) two years' time in mid-2011.

Cheque
Guarantee Card
Scheme
Review Group

The Chairman thanked the Steering Group for their comprehensive report and asked that the Board be kept informed on the progress on closure.

4III) CHEQUES PHASE 2

Peter Finlayson invited the Board's comments on the NPP Cheque Workstreams update report. One Board member commented that he was surprised that some large corporates would require a lead time of 5-7 years to move to alternative forms of payments. It was noted that the User Forums would be kept abreast of the development of the roadmap.

The Board ENDORSED the interim conclusions put forward by the Cheque Replacement Steering Group and noted that a further update would be provided at the next Board meeting.

4IV) FINANCIAL INCLUSION

Peter Finlayson introduced the paper setting out the conclusions on the work on the NPP commitments to financial inclusion. The proposed approach has received favourable responses, from the SME User Forum, the Consumer User Forum (many of whose members have provided input on the consumer perspective), from other external bodies and from the Member Strategy Group. There will be some minor enhancements to the criteria following further input from the Consumer User Forum.

The Board AGREED the proposed approach on financial inclusion. This includes the approach to evaluate the impact on financial inclusion when considering the case for a major system change and additionally the criteria to be followed when introducing a new

payment service.

5 NPP – STANDARDS MIGRATION PLAN

Peter Finlayson introduced the paper on messaging standards from the Standards Policy Group which sets out a high level migration plan for the alignment of domestic message standards with those used in Europe and developed at ISO. Andrew Bailey observed that standards were important to the debate on integrity and to promote greater interoperability between payment systems.

The Board confirmed that it supported the paper and ENDORSED the conclusions on business and strategic factors presented on moving to a common standard; the high level roadmap was ENDORSED and the Board AGREED the recommendation to refine the roadmap for messaging standards as part of the broader Payment Systems Roadmap.

6 NPP MOBILE PAYMENTS

Paul Smee explained that the work on mobiles has reached a point where there are a number of issues that need to be resolved. One fundamental question is that there is not a common understanding on what aspects of the customer proposition are in the collaborative space and what is competitive. There are also a number of technical and security issues that require further work and analysis. Andrew Hamilton, Chair of the Mobile Payments Group supported this view and added that whilst there was support for the principle of a mobile payments scheme, there was not consensus on the current customer proposition. The paper outlines a number of different options but recommends that the deadlines for considering the current mobile payments proposition are delayed whilst a smaller group of members consider the phasing and focus of the project. This would in particular focus on the development of an industry 'look up' database which could be used in a wider range of circumstances than simply support for mobiles such as online payments.

Moira Black informed the Board that both the SME and Consumer User Forums had expressed their disappointment in the delay. Michael Alexander reported that some members of the Large

Corporate User Forum were keen on the proposition, but that they could see others in the market developing their own propositions.

Stephen Locke confirmed his support for further work and stressed that this was an important leadership challenge for the Board.

Other comments raised by the Board included:

- It was important to be clear on deliverables for the Payments Council.
- The scope of the customer proposition should be international and customer segmentation is important.
- Security is paramount.
- The next phase of work should focus on what the core requirements are for a central database and how this could be taken forward.
- The proposition needs to work for consumers and be a ubiquitous proposition.
- There are other commercial offerings abroad that might provide some lessons for us

The Board ENDORSED the recommendation for further work to be undertaken and that a report will be made to Board in September. The Chairman will attend the first working group meeting.

**Mobile
Payments
Group**

FOR DISCUSSION

NPP – FRAUD AND SECURITY ISSUES

Katy Worobec (Head of Fraud Control) and Colin Whittaker (Head of Security) joined the Board for this item. Katy Worobec gave a brief overview of the key points in the paper that summarised the nature of the current security and threat environment; how and where security issues are being addressed; the current priorities and the complementary action that could be adopted by the Payments Council. In response to the overview the Board asked questions on the industry links with equivalent organisations internationally and with

the police authorities. They also sought clarity on who would develop and own the UK payment industry doctrine and the inclusion of a process by which the doctrine can be assessed and monitored.

Paul Smee explained that the proposed Strategic Fraud and Security Group would develop and own the doctrine. This group would seek to engage with other stakeholders in developing a clear understanding of the impact of fraud on the payments industry. It was suggested that this group could also advise on developments within the NPP where appropriate.

The Board AGREED to form the Strategic Fraud and Security Group, in line with the proposal outlined in the paper by Paul Smee.

Katy Worobec also introduced the final paper on Fraud Data Sharing which describes how the payments industry is tackling the sharing of fraud data within and beyond the industry; the further opportunities presented by the implementation of the National Fraud Reporting Centre and National Fraud Intelligence Bureau and what further steps can be taken by the payments industry. Whilst commitment to data sharing from the banking industry has been sought at a senior level, the message can get diluted further down the organisation, and thus the paper seeks further Payments Council endorsement to data sharing commitment.

The Board was supportive of the paper and confirmed that members of the Payments Council should be encouraged to contribute to data-sharing initiatives, and, respond to individual approaches by the Fraud Unit on issues concerning data sharing commitments.

The Chairman thanked Katy and Colin for their useful and comprehensive report.

8 B2B DIRECT DEBITS

Michael Chambers, Bacs Managing Director joined the meeting for this item.

Michael Chambers introduced the paper from Bacs on the proposal

for the development of a business to business (B2B) Direct Debit scheme and an assessment of the potential market for such a scheme. The paper considers the possibility of amending the existing Direct Debit scheme to provide a B2B proposition, but the conclusion reached is that there is a better case for developing a separate B2B Scheme.

The Chairman invited the Board to comment on the paper. During the course of discussion the following points were made:

- One director requested that in parallel to pursuing the recommendations in the paper Bacs should consider how a segmentation exercise might be undertaken to identify the scheme attributes and scheme rules that might apply to each segment of current Bacs transactions.
- It was important not to set unrealistic expectations; the current proposition is loosely based on the SEPA model but is a UK variant on this.
- It was asked whether a 'test' of the scheme could be delivered via the current scheme. However, in response to this Michael Chambers said that such an approach would make any subsequent migration to a pure B2B scheme difficult, as transactions would be embedded in the current scheme.
- For the future research planned it would be important to identify large corporates and representatives from SMEs to explore the proposition in detail.

The Board confirmed that it supported the conclusions in the paper and

- **AGREED** that the proposition described warranted further consideration.
- **ENDORSED** the need for further research into the potential demand for the proposition with key stakeholders.
- Subject to satisfactory outcome from the above, Bacs to develop an Outline Business Case to assist assessment of the proposition.
- Bacs should report back in December 2009.

Bacs

9 CONTRACTED SCHEMES

Michael Chambers gave a short presentation on the key achievements of Bacs over the last year which included amongst other things, the launch of a consumer Direct Debit HelpCentre, successful improvements to the SLA's with Vocalink, review of the account switching process and the deliverables as set out in the NPP. He also outlined some of the key work that Bacs has planned in the year ahead.

The Chairman thanked Michael Chambers for his update.

The Board NOTED the other contracted scheme reports.

One Director commented that the results of the Banking Code Standards Board mystery shopping results on the ability of banks and building societies staff to explain the cheque clearing timescales to customers were disappointing and hoped that the results from the next survey would show improvement. Andrew Bailey also commented that as part of the ongoing work on integrity it was important that schemes keep under review the potential risks associated with bank failures.

10 FOR INFORMATION

Peter Finlayson introduced the paper on the innovation proposal that had been received from Mr Ashby. The Board supported the conclusion in the note that this innovation was consistent with work already in hand and AGREED that a reply should be drafted along these lines.

Policy

The Board NOTED the annual reports received from the UK EPC Group and the summary of the work carried out on the Payment Services Directive.

11 AOB

The Chairman advised the Board that his term of appointment was due to end at the end of 2009. The Board in reply to this unanimously agreed that they supported his re-appointment.

The Chairman informed the Board that Jim Large would be standing down at the end of the meeting and on behalf of the Board thanked him for this support and contribution.

The meeting was closed at 12.45pm.