

Minutes



25 March 2008

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To Payments Council Board

Our Reference PC/021/08

From Anita Heaviside
Board Secretary

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 19 MARCH 2008

Present: Brian Pomeroy Chairman

Michael Alexander Independent Director
Stephen Locke Independent Director
Moira Black Independent Director

Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)

Colin Klipin Barclays Bank
Paul Baker Lloyds TSB Bank
Richard Hemsley The Royal Bank of Scotland
Jim Large HSBC
Kevin Gillett HBOS

Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes)

Gerry Lane Alliance & Leicester
John Hughes Co-op

Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)

Gary Hockey-Morley	The Royal Mail Group
Paul Smee	Chief Executive
Peter Finlayson	Payments Council
Hilary Plattern	Payments Council
Anita Heaviside	Payments Council Board Secretary

Apologies:	Juan Olaizola	Abbey
	Ron Delnevo	Bank Machine
	Tony McLaughlin	Citigroup
	Professor Martin Cave	Independent Director
	Andrew Bailey	Bank of England (Observer)

1. WELCOME AND MINUTES

Action

Apologies and Proxies noted were:

Juan Olaizola (Abbey) – Nominated Proxy: Gerry Lane

Martin Cave (Independent) – Nominated Proxy: Michael Alexander

Tony McLaughlin (Citigroup)

Ron Delnevo (Bank Machine)

Andrew Bailey (Bank of England – Observer)

The minutes from the previous meeting of the 17^h December 2007 were APPROVED and will be posted onto the website.

Actions from the previous meeting had been completed.

2. FOR DECISION

a) National Payments Plan

Paul Smee opened discussion on the draft National Payments Plan (NPP) and invited the Chairs of the User Forums to put forward the key points raised at their recent meetings. These had been circulated to the Board in advance.

Stephen Locke reported the key points from the Consumer User Forum:

- The meeting had not been as well attended as hoped due to unforeseen travel problems, but there had been a good level of discussion.
- The consultation process on the NPP has set the standard for future consultations.

- The Consumer User Forum is very interested in future market research.
- Overall they are very supportive of the NPP and the way their points have been presented.

Michael Alexander (Chair of Large Corporate User Forum)

- Attendance had not been as good as he would have liked.
- The priorities of the User Forum included
 - Cheques, where they were supportive of further research
 - Direct Debit, where they supported the introduction of a time limited guarantee
 - Standardised account number formats, where they supported the proposed way forward
 - Contactless cards, in particular the need to take account of the requirements of the transport industry when developing and implementing card standards
 - Standards, where they were supportive of alignment with European and international standards
 - Education, emphasising in particular, the need to draw on existing mechanisms

Moira Black (Chair of SME User Forum)

- Cheques were an important issue
- There was support for Direct Debits having a time limited guarantee

Peter Finlayson summarised the key points raised by the Member Strategy Group in relation to the NPP:

- Further work was needed to define the final shape of the plan.
- It was important to demonstrate progress and focus on priorities.
- They could not see the benefit of an all-embracing analysis of costs which would be difficult to produce; the focus on costs should be on a case by case basis.

Peter Finlayson led a structured walk-through of the draft plan and invited the Board to put forward their views.

Cheques –There is broad recognition that the decline of cheques

needs to be managed. Most of the disagreement between consultees was whether it was possible to set an end date for the cheque clearing at this point in time. The Board discussed its approach in some detail.

The Chairman summarised the Board's conclusions as follows:

- The plan should endorse the principle of setting an end date for the cheque clearing, conditional on the development of acceptable alternatives, although it remains too soon to set a firm date.
- The plan should be more specific on when and how work will be undertaken to identify the gaps and alternatives for cheques and when the Payments Council expects to be in a position to set a firm end date.
- At this stage it may be more appropriate to put in a range of target end dates for the closure of the Cheque Clearing.
- There should be a strong emphasis on customer education on acceptable alternatives to cheques.

It was noted that the Payments Council had taken legal advice on the competition aspects of the draft plan, which would be circulated to the Board for information; and that the advice did not identify insuperable competition obstacles to the proposed way forward.

Secretariat

The Board agreed with the suggested course of action outlined in the draft plan in the following areas: Cheque Card Guarantee Scheme, Credit Clearing, Cash, Credit/ Debit and Cash Machines, Mobile Payments, Supply Chain, Education in Payment matters, Financial Inclusion, and Standards.

Direct Debits – There was broad support from consultees for the proposed actions on Direct Debits, with the exception of the introduction of a time-limited guarantee for Direct Debits, where views were split. The Board recognised this and supported the actions in the draft plan which would include a review of the time limit; firm timescales for this review should be added. The Board did not rule out the setting of a time limit on the guarantee but felt that the planned review would help to inform the debate. The review should also take account of any requirements set out in the Payment Services Directive.

Direct Credits – The Board agreed with the proposed actions in the draft plan. There was a need to be mindful of costs to the industry in

implementing new standards.

Wholesale Markets –A separate consultation exercise had taken place with key stakeholders in the wholesale markets. No particular issues had been identified that should be incorporated into the plan. Paul Smee agreed that he would stay in contact with the wholesale markets.

Cross Border Payments – The Board agreed with the actions proposed in the plan. Reference was made to the UK Remittance Task Force Code of Conduct. Whilst this would not be incorporated into the plan it will be discussed at a future Board meeting.

Measures to Enhance Efficiency – The Board discussed payment formats, in particular non-standard account number formats. This had been raised by the Large Corporate User Forum and by respondents to the consultation. There appeared to be conflicting views as to the precise nature of the problem. The Board agreed that the actions in the draft plan should be focused around precise identification of the problems with payments format and then an assessment of specific solutions.

Contactless and pre-paid cards - There was one issue raised by the Large Corporate User Forum that was not addressed by the plan; the standards adopted by the card schemes in the design of contactless cards and the consequences faced by the transport industry. The representative from Transport for London had requested help in resolving this issue. The Board discussed and agreed that they would request the Cards Payments Group to investigate further and report back.

**Card
Payments
Group**

Other innovations – The Board discussed the suggested innovation of using the Faster Payments Service for internet payments to retailers. They suggested that it would be more appropriate to deal with this under the newly established Payments Council process for innovations.

Payments Systems Integrity and Contingency – The Board agreed with the proposed actions in the plan. Paul Smee confirmed that he had also recently received a letter from the Bank of England and work was in hand in responding. This would be reflected in the Plan.

Fraud and Security – The Board discussed the proposed actions. There was general agreement that the approach adopted in relation to the authentication of remote transactions was essentially a competitive issue for banks and that it would be inappropriate to set a minimum standard for the authentication of high risk remote

transactions in the plan.

Payment Costs – The Board debated the value of collecting data on a broad industry level. The general view was that it would be difficult to produce meaningful comparative cost information. Instead the Board agreed that it would be more productive for the data to be collected on a case-by-case basis (subject to approval by the Board) when it is needed to support new initiatives.

The Board summarised the key priority areas as:

- Cheques
- Cheque Guarantee Scheme
- Direct Debits
- Standards, including alignment with European and international standards, investigation of the issues around standardised account number formats and the need to take account of mass transit requirements when developing and implementing card payment standards
- Mobile Payments
- Supply Chain
- Education
- Financial Inclusion.

The Chairman thanked the Board for their input. It was agreed that the current format of the Plan worked well and that a clear action plan with deliverables would be added. The Board agreed that the contingency meeting scheduled for the 28th March was no longer needed. At its meeting on the 15th April the Board would sign off the final plan and discuss the resources needed to deliver the plan.

Secretariat

2i APPOINTMENT OF DIRECTORS

The Board noted the appointment of the 3 new directors for constituency less than 1% of payment volumes. The appointments will come into effect from the 1st April 2008 and are: Maurice Cleaves (Deutsche Bank), Dermot Nolan (Bank of Ireland) and Brent Bellm (Paypal).

The Chairman extended his thanks on behalf of the Board to the 3 retiring directors (Gary Hockey-Morley, Tony McLaughlin and Ron Delnevo) for their support and time on the Payments Council Board.

3 UPDATE ON FASTER PAYMENTS

Paul Smee referred the Board to the status report that had been circulated to the Board. He advised the Board that the project to deliver the infrastructure is on schedule to launch a new faster payments service on 27th May this year.

4 CONTRACTED SCHEMES

The Board noted the contents of the Scheme Quarterly Reports. One Board member raised a query on LINK Scheme report that would be reported back to the LINK executive.

Secretariat

5 FOR INFORMATION

The Board noted the report from the Fraud Control Steering Group.

6 AOB

The Board was advised that Bank of New York Mellon had been accepted as a full member of the Payments Council.

Paul Smee advised the Board that he had received an innovation proposal. As the proposal was for prepaid cards, which already exist, he would not be recommending any further action at this time.

Date of Next Meeting

Payments Council Board Away Day – 15th April 2008