

Minutes



20 July 2007

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To Payments Council Board

Our Reference PC/032/07

From Anita Heaviside
Board Secretary

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 29 JUNE 2007

Present:

Brian Pomeroy	Chairman
Professor Martin Cave	Independent Director
Stephen Locke	Independent Director
Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)	
Colin Klipin	Barclays Bank
Paul Baker	Lloyds TSB Bank
Mark Fisher	The Royal Bank of Scotland
Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearing Volumes)	
Gerry Lane	Alliance & Leicester
John Hughes	Co-operative Bank
Industry Directors (Nominated by Members with less than 1% of UK Clearing Volumes)	
Ron Delnevo	Bank Machine
Tony McLaughlin	Citigroup

Andrew Bailey	Bank of England (Observer)
Keith Hutchison	HBOS (Observer)
Mark Broughton	HSBC Bank plc (Observer)
Paul Smee	Chief Executive
Peter Finlayson	APACS Director of Policy
Hilary Plattern	APACS Director of Strategy
Angela Thomas (agenda item 3a only)	Cheque & Credit Clearing Managing Director
Anita Heaviside	Board Secretary

Apologies:	Juan Olaizola	Abbey
	Geeta Gopalan	HBOS plc
	Jim Large	HSBC Bank plc
	Moira Black	Independent Director
	Michael Alexander	Independent Director
	Gary Hockey-Morley	The Royal Mail Group

1. MINUTES

Action

The Chairman welcomed Keith Hutchison (HBOS) and Mark Broughton (HSBC) as observers to the meeting. The Chairman advised the Board that because a number of directors were unable to attend at short notice the Board meeting was not quorate. The Chairman confirmed with the Board that they were content to proceed with the meeting on the understanding that any decisions would require formal ratification afterwards.

A short discussion followed on the required number of directors to constitute a quorum. There was a general view that a quorum of 11 was quite high and that a lower number might be more appropriate, in particular for the approval of routine decisions. The Board requested that the secretariat review the quorum with the condition that any new proposal would maintain a balanced representation.

Secretariat

Paul Smee updated the Board on the progress made in setting up the User Forums. Invitations had been sent out for July meetings of the Consumer Forum, SME Forum and Large Corporate Forum. The response had been very positive with at least a two-thirds acceptance rate.

The minutes from the previous meeting of the 14 May 2007 were APPROVED subject to a very minor editorial change. It was AGREED that the minutes should be posted online (subject to formal

Secretariat

ratification).

2. FOR DECISION

a) Board processes

The Board APPROVED the draft terms of reference for the Audit Committee (subject to formal ratification)

The Board APPROVED the rule change [Rule 15.6(c)] (subject to formal ratification).

b) Process for dealing with proposed innovations

Peter Finlayson introduced the note (PC/029/07) summarising the proposed process for dealing with innovations.

During discussion the following key points were made:

- A two-stage approach might be better for dealing with innovations that were assessed as requiring further work. This would allow an indication of timescales to be added at the end of stage 1.
- The reasons why an innovation may not be pursued needs to be clearly articulated.
- The note needs some stronger statements linking the process to the Board's overall objectives.
- In some cases it may not be possible for the submitter of an innovation to include information on set-up or ongoing costs.
- The process needed to take account of the potential risk of litigation from parties who feel that they have a claim to an innovation initiative.

Peter Finlayson AGREED to revise the note to take account of feedback from the Board and circulate a revised version for approval.

**Peter
Finlayson**

3. FOR DISCUSSION

A) CHEQUE AND CREDIT PRESENTATION

Angela Thomas (Cheque & Credit Company Manager) gave a short presentation summarising the recent work and priorities of the Company.

- Work was on track to implement the OFT recommendations.
- One of the key priorities later in the year was to address consumer education. This would require careful planning to balance the positive messages about certainty of fate and consistency for basic bank account holders with not unduly encouraging the use of cheques when there are more efficient payment mechanisms available to consumers.
- One of the key challenges for the industry is how to manage the decline in the use of cheques and the consequences of this in terms of efficiency and integrity.
- An overview of cheque usage highlighted that there is the potential for new innovations to offer more efficient payment solutions in certain markets such as person-to-person.

The Board thanked Angela Thomas for her update.

B) FASTER PAYMENTS

Paul Smee explained to the Payments Council that the faster payments project is an important, ambitious and strategic project and will become a key component of payments in the future. The project is a huge investment for the industry, with 13 founding members. The central infrastructure of the project had been due to be delivered by November 2007. However at the end of March this year it became clear that there were problems in the provision of a fully tested central infrastructure, such that CMG Logica were commissioned to undertake a review. The results from the review have now been received. It confirmed that, while the architecture was sound, there was an unacceptable project risk in the pace at which the testing programme had to be delivered to meet a November start date. A re-planning exercise was underway, and some slippage to the November 2007 delivery date seemed inevitable. Paul Smee had written to the OFT to inform them of the current situation and to seek advice on how best to inform the other stakeholders. Paul Smee confirmed that he would keep the Board informed of developments, in particular the timetable and the reactions from stakeholders.

Following this update the Board make a number of observations:

- The Banks recognise they are responsible for the delays and that they bear the costs of any delay rather than any other

stakeholders.

- The project is highly complex but it will offer an exciting strategic platform for the future.
- It was suggested that it would be helpful for the banks to reiterate their individual commitment to the delivery of the project at the time that the re-planning dates are confirmed.

The Chairman thanked Paul Smee for the update.

C) UPDATE ON NATIONAL PAYMENTS PLAN

Peter Finlayson provided a brief update on the timetable for the National Payments Plan (NPP). Plans for the NPP are on schedule although there is a slight modification to the consultation timetable.

It was AGREED that an additional Board meeting would be arranged for November 2007 to approve the draft NPP.

(Secretary's Note: The additional Board meeting will be held on Monday 5th November at 2pm).

Secretariat

D) MOBILE PAYMENTS

Hilary Plattern introduced the note (PC/019/07) on mobile payments. A working group had been set up to discuss a vision for mobile payments and the scope for industry collaboration. The group had considered industry drivers and customer requirements with a view to building a number of different scenarios. These would be tested further through consumer research, subject to Board approval.

It was AGREED by the Board that the Payments Council should as a first step undertake open research into the existing mobile payment propositions in the UK but also more widely in, e.g., emerging markets. This should feed into a discursive paper for the September Board meeting before refining two or three different options. The Secretariat was asked to seek formal ratification of the Board for this as the way forward and for agreement on any necessary funding for the research.

It was further AGREED that security issues, and in particular KYC and money laundering requirements, would be key.

**Hilary
Plattern**

E) PAYMENTS COUNCIL: SUB GROUPS AND COMMITTEES

Paul Smee introduced the note (PC/020/07) outlining what expert groups are needed to support the work of the Payments Council. Many of the existing groups which used to be sub-groups of the APACS Council can be realigned to support the work of the Payments Council.

It was AGREED that fraud was an important topic and key to the objectives of the Payments Council. Paul Smee explained that the current remit of the Fraud Control Steering Group (FCSG) extended beyond payments and as such it would not be fair for all members of the Payments Council to fund the activities of the Group.

It was AGREED that the FCSG should report into the Board to assist it in its role. All aspects of fraud across all forms of banking activity had to be considered by FCSG and the Group could raise its own budgets from its members or a sub-set of them.

It was suggested that a separate exercise should be undertaken to check that the right structure is in place to support the Board covering the end-to-end value chain.

The following actions were AGREED:

- Check that the scope of the current structure of sub-groups was sufficient to support the Board in meeting its objectives;
- Ensure that there is a strategic link between the Board and the work of the FCSG.

Paul Smee

4. ANY OTHER BUSINESS

There being no other business, the meeting was closed at 12.45pm.