



**PAYMENTS COUNCIL**

Mercury House, Triton Court  
14 Finsbury Square  
London  
EC2A 1LQ

**DRIVING CHANGE IN UK PAYMENTS**

*Telephone* 020 7711 6200  
*Facsimile* 020 7256 5527  
[www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk)

To: Board of Directors  
  
From: Mr J D Burns  
Company Secretary & Legal Adviser

*Direct line* 020 7711 6261  
*Direct facsimile* 020 7588 3698  
*Email* [John.Burns@apacs.org.uk](mailto:John.Burns@apacs.org.uk)

Reference PC/015/07  
16 May 2007

**MINUTES OF THE BOARD MEETING OF PAYMENTS COUNCIL HELD ON 14 MAY 2007**

**Present:** Brian Pomeroy Chairman  
  
Michael Alexander Independent Director  
Moira Black Independent Director  
Professor Martin Cave Independent Director  
Stephen Locke Independent Director  
  
Industry Directors (Nominated by Members with over 5% of UK Clearing Volumes)  
  
Paul Baker Lloyds TSB Bank plc  
Geeta Gopalan Bank of Scotland  
Colin Klipin Barclays Bank PLC  
Jim Large HSBC Bank plc  
  
Industry Directors (Nominated by Members with over 1% but less than 5% of UK Clearings Volumes)  
  
John Hughes Co-operative Bank p.l.c  
Gerry Lane Alliance & Leicester plc  
Juan Olaizola Abbey  
  
Industry Directors (Nominated by Members with less than 1% of UK Clearings Volumes)  
  
Ron Delnevo Bank Machine Ltd  
Gary Hockey-Morley The Royal Mail Group  
  
**In Attendance:** Paul Smee Chief Executive  
John Burns Company Secretary  
Hilary Plattern APACS Director of Strategy  
Peter Finlayson APACS Director of Policy  
Nigel White APACS Policy Unit

	Andrew Bailey	Bank of England (Observer)
	Andy Hamilton	The Royal Bank of Scotland plc (Observer)
<b>Apologies:</b>	Mark Fisher	The Royal Bank of Scotland plc (Industry Director Nominated by Member with over 5% of UK Clearing Volumes)
	Tony McLaughlin	Citigroup (Industry Director Nominated by Members with less than 1% of UK Clearings Volumes)

## **WELCOME**

**Action**

The Chairman welcomed Andy Hamilton from Royal Bank of Scotland as an observer.

### **1 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting of 30 March 2007 were **AGREED** with minor textual amendments.

It was **AGREED** that Board minutes should be made publicly available on the website once formally approved at the following Board meeting.

### **2 FOR DECISION**

#### **BACS Submitter Status**

Board considered the paper from the Company Secretary (PC/013/07) and resolved that:

1. The terms and conditions attached to the paper be hereby approved and adopted as the terms on which the Company shall use the BACS/BACSTEL-IP Services; and
2. John Burns (as Company Secretary) is authorised to sign on behalf of the Company the attached application forms and that he, or his successor in office be authorised to carry out the other functions detailed in part 2 of the extract minute shown on page 5 of the attached documentation; and
3. The Company permit Karen Milton (as Head of Finance) to operate on the Company's accounts with NatWest to access and to use the BACS/BACSTEL-IP Services and receive under on behalf of the Company the security devices referred to in the attached terms and conditions; and
4. That the above resolutions do not in any way limit or affect the existing authorities to NatWest for operations on the Company's accounts.

### 3 FOR DISCUSSION

#### (a) Development of a National Payments Plan

Paul Smee explained that the primary purpose of the meeting was to enable the Board to give guidance on the issues to include in the informal consultations being held with key stakeholders, the User Forums and Payment Schemes over the summer. There was no presumption, at this stage, that action was favoured in any specific areas.

#### Overarching comments

A number of overarching comments were made on the coverage and structure of the Plan and the process for consulting.

The pre-consultation issues paper should:

- Be written from a customer perspective;
- Draw out the consequences for key stakeholders and be written in such a way as to capture their imagination;
- Start with a strong articulation of the future vision for the UK payments industry;
- Draw out relative priorities and timescales for implementing change.

The Plan should:

- Be a living document, while providing a stable platform for planning purposes.
- Be informed by an understanding of the relative distribution of current and future costs of different payment methods. It was noted that in practice there would be substantial challenges in obtaining this information.
- Focus on actions for the next 2-5 years in the context of a vision for the next 5-10 years

Outline Headings for the Plan

The following points were agreed.

- The Plan should include an Executive Summary.
- The purpose and scope of the Plan should be clearly articulated. Among other things, this should cover the boundary between co-operative and competitive action.
- It should be clear how the recommendations in the Plan would

be enacted in practice.

- A section on international comparisons should be included.
- The section on the principles and remit of the Payments Council should be brought forward.

#### Scenarios

The Board considered a number of scenarios grouped under three main headings: efficiency, innovation and integrity.

The following crosscutting comments were made.

- Issues for consultation should be framed in broad terms. Where appropriate, potential solutions should be included as examples.
- Financial inclusion should be treated as a crosscutting dimension applying to all issues, rather than as a discrete topic. The payment requirements of migrants to the UK should also be considered under this heading.
- The impact of issues on different categories of stakeholders should be assessed. A preliminary analysis should be included in the consultation document where appropriate. The consultation should include a guide as to which issues were likely to be of interest to specific categories of consultees.
- The inter-relationships between different issues (e.g. faster payments and mobile payments, contactless payments and pre-payment cards) should be spelled out.

Specific comments on each of the scenarios discussed by the Board are set out overleaf in tabular form.

<b>Issue</b>	<b>Comments</b>
Economic efficiency from cost-reflective pricing	Need to take account of the impact on financially disadvantaged sections of society.
Elimination of redundant payment schemes	Should be expanded to include payment schemes in general, not just the cheque guarantee card scheme.
Improved payment process efficiency	Should be considered in the context of international developments.
Reduce cash handling costs	The focus should be on how to reduce cash handling costs for society. Cash rounding is an example of one potential solution, but this must be handled very carefully given public perceptions of 'rounding up'.
Faster payments	Broaden out to look at potential gaps in the provision of electronic payment applications.
Supply chain improvements	Need to be clear on geographical scope.
Contactless payment cards	Needs to be considered in a broader context, looking at market gaps and substitutability for other payment media.
Mobile payments	Review mobiles in relation to alternative delivery channels. The regulatory dimension may be important.
P2P and P2SME payments	Look at market gaps and potential alternatives.
Pre-paid cards	Treat financial inclusion as a crosscutting issue.
Evolution of ATM networks	<p>Consider the speed as well as the direction of innovation. International comparisons may be illuminating.</p> <p>The Payments Council should just be looking at potential payments applications for ATMs.</p>
Improved access of non-cash payment methods for the financially excluded.	Treat as a crosscutting issue.
Security and remote customer authentication	<p>May be partially addressed by minimum standards for customer redress.</p> <p>Also need to consider the potential user benefits from greater standardisation and reputational issues.</p>
Biometrics	The issues are the same as for the previous topic.
Fraud	The Payments Council has to be seen to be addressing fraud.

**3(b) UK Mobile Payments Scheme**

Hilary Plattern advised Board of her discussions with Tony McLaughlin of Citigroup regarding the potential establishment of a UK Mobile Payments Scheme under the aegis of the Payments Council . After discussion it was **AGREED** that the issue be referred to Member Strategy Group for discussion, with a view to the group making recommendations to the next Board meeting on:

**Member  
Strategy  
Group**

- Whether there is scope for a UK Mobile Payments Scheme;
- Whether a group should be formed under the aegis of the Payments Council; and
- Whether Payments Council funds should be released for consumer research

**3(c) Update on the Creation of User Forums**

The Chairman advised, that under the Rules of the Payments Council, user forums must be chaired by independent directors, and he was happy to advise that:

- Michael Alexander had agreed to chair the Large Users forum;
- Moira Black had agreed to chair the Small and Medium Enterprises user forum; and
- Stephen Locke had agreed to chair the Consumers user forum.

The next step is to set up the Terms of Reference and membership of the forums.

**Secretariat**

**4 ANY OTHER BUSINESS**

The Chief Executive advised that, at the next Board meeting, in addition to the scheduled presentation from Cheque & Credit Clearing Company Limited, there would be a presentation from Faster Payments, in view of the critical stage the project is reaching.

It was also noted that AMEX had applied to join the Payments Council.

**5. DATES OF FUTURE MEETINGS**

**2007 Board meeting dates:-**

Friday 29 June at 11am

Thursday 27 September at 11am

Monday 17 December at 11am

**2008 Board meeting dates:**

Tuesday 11 March at 10.45am (*AGM followed by Board meeting*)

Tuesday 15 April - all day Away Day (*venue to be agreed*)

Tuesday 10 June at 11am

Tuesday 9 September at 11am

Tuesday 9 December at 11am

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