

Minutes



23 June 2008

Our Reference PC/049/08

To Payments Council Board

Copy Non Board Contacts

From Anita Heaviside
Secretary to Payments Council

MINUTES OF THE MEETING OF THE PAYMENTS COUNCIL BOARD HELD ON 10TH JUNE 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
Kevin Gillett	HBOS
Richard Hemsley	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
Juan Olaizola	Abbey
Industry Directors (Nominated by Members with less than 1% of UK Clearing volumes)	
Brent Bellm	Paypal
Maurice Cleaves	Deutsche Bank
Dermot Nolan	Bank of Ireland
Paul Smee	Chief Executive
Hilary Plattern	Payments Council
Peter Finlayson	Payments Council
Richard Martin	Payments Council (Agenda item 2b)
Anita Heaviside	Payments Council
David McFarlane	CHAPS Company (Agenda item 3a)

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Andy Hamilton Chair of the Mobile Payments Group (Agenda item 2b)

Apologies: Andrew Bailey Bank of England
 Paul Baker LloydsTSB
 Jim Large HSBC
 John Hughes Co-operative Bank
 Martin Cave Independent

1. WELCOME AND MINUTES OF LAST MEETING OF THE ACTION
PAYMENTS COUNCIL BOARD HELD ON 15TH APRIL 2008

The Chairman welcomed Brent Bellm to his first Board meeting.
Apologies noted were:

- John Hughes – Co operative Bank (Proxy given to Gerry Lane)
- Jim Large – HSBC (Proxy given to Colin Klipin)
- Paul Baker – LloydsTSB (Proxy given to Richard Hemsley)
- Martin Cave – Independent (Proxy given to Michael Alexander)
- Andrew Bailey – Bank of England (Observer)

The minutes from the previous meeting held on the 15 April 2008 were APPROVED and will be posted to the website.

Actions from the previous meeting have been completed.

Paul Smee confirmed that the additional funding required for the National Payments Plan had been secured and the use of the contingency fund would be subject to Board approval.

2. FOR DECISION
NATIONAL PAYMENTS PLAN

Peter Finlayson briefly introduced his note on the National Payments Plan (NPP). He confirmed that media coverage had been low key and that feedback from stakeholders had been positive. The

Chairman invited the Board to comment on the proposed way forward on priority actions.

One director observed that member input on some of the priority areas was inconsistent and would benefit from a member group for the cheque workstream. Peter Finlayson explained that the rationale for the proposed approach was to accommodate tight deadlines and reduce the burden on members, particularly in phase one where the focus was on market research; the work on the cheque guarantee scheme necessitated wider stakeholder input from retail representatives. It was AGREED that the project team should reconsider the level of member engagement.

**Peter
Finlayson by
end June**

In respect of the project reviewing the Direct Debit time limited guarantee, a question was asked whether the research would draw out consumer awareness of the Direct Debit guarantee. Paul Smee confirmed that the project would draw on any previous market research that would have covered this point.

The Board AGREED the overall approach described in the Board paper on the National Payments Plan and the draft Project Initiation Documents, subject to a few minor suggested changes.

3. FOR DECISION

MOBILE PAYMENTS PROPOSAL

The Chairman invited Andy Hamilton (Chairman of the Mobile Payments Group) to introduce this item.

The Mobile Payments Group (MPG) was set up in response to a request from the Payments Council Board last year to look at the potential for a mobile payments scheme. Since the Group was formed it has commissioned a landscape review of mobile payments and has been developing an account-to-account mobile payments proposition. The Group has also commissioned a focused qualitative market research exercise inter alia to test the basis of the core proposition. The results from this market research exercise have been very positive. The core proposition and summary of the market

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research was also presented to a Joint SME/ Consumer User Forum held on the 5th June. The proposition was well received by the User Forum who asked many interesting and thought-provoking questions. The core proposition would require the development of a database to hold mobile telephone and account details and thus development of this initiative falls into the co-operative space. The proposition would take advantage of the new infrastructure components of Faster Payments. The proposal has the full support of both the Mobile Payments Group and Member Strategy Group and the Board was requested to give its support to the proposed next steps as outlined in the Board paper.

A number of observations were made in response to the proposal:

- That MPG should remain cognisant of international standards being developed.
- There is a significant migrant population who could use this service if it were a substitute for migrant remittances.
- How could the industry move forward quickly?
- The standards-based approach is key. Other similar initiatives have not been successful as they have not been standards based.
- The proposed mobile payments scheme has the potential to be a successful scheme and have wide appeal.
- There should be a separate workstream on potential compliance issues e.g. anti money laundering and on general regulatory considerations that may be relevant such as the information commission and distant selling directive. There may be other issues such as the recycling of mobile phone numbers etc.
- Mobile payments could offer an alternative to cheques.
- The protection of the information in the central database is critical.

The Board was supportive that further work should be done and

Mobile

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JUNE 2008

AGREED to proceed with the next steps as outlined in the Mobile Payments Report. It was AGREED that the Mobile Payments Group should report back in December 2008 with a formal invitation to tender.

**Payments
Group by
December
2008**

4. FOR DECISION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The Board APPROVED the Directors' Report and Financial Statements for the period ending 2007, subject to the some minor editorial corrections. The accounts will be signed and submitted to Companies House.

**Secretariat by
September
2008**

5. FOR DECISION

ALLOCATED VOTING RIGHTS

The Board APPROVED the allocated voting rights for the purposes of transacting business at general meetings.

6. FOR DISCUSSION

PRESENTATION FROM CHAPS

The Chairman invited David McFarlane (CHAPS Company Manager) to give an update on the launch of Faster Payments and CHAPS Company.

David McFarlane advised the Board that he was pleased to report that the carefully planned and executed launch of Faster Payments had gone well. In line with the planned phasing of payments, volumes continue to grow and by 10 June he reported that 1.3 million payments with a value in excess of £770m had been processed. It was interesting to note that by second Friday faster payments volumes annualised would have amounted to 36.5 million payments. compared with 35.5 million payments settled by CHAPS during 2007. Incidents have been minimal and remedial action has only required fine-tuning; this underscores the real achievement of the industry.

There are no major issues for CHAPS. CHAPS have recently welcomed a new member, and another financial institution has expressed interest in becoming a CHAPS member. Resilience of the CHAPS system is extremely important and CHAPS are continuing with their programme of rigorous testing.

CHAPS have also been undertaking some work on the future strategic positioning of CHAPS in the light of Faster Payments. They plan to report back to the Payments Council board in September.

The Chairman thanked David McFarlane for his report and conveyed congratulations, on behalf of the Board, on the successful launch of Faster Payments.

**CHAPS
Company by
September
2008**

7. CONTINUING CONTACTS WITH WHOLESALE MARKETS

Paul Smee introduced this note on wholesale market liaison. The Board ENDORSED the proposed way forward.

8. SCHEME GOVERNANCE REVIEW

Gerry Lane (Chairman of the Scheme Governance Review Group) introduced the Scheme Governance Group Interim Report and gave a brief overview of the work completed so far. The report included some preliminary conclusions of the Review Group. Gerry Lane invited the Board to comment.

During the course of discussion, the following key points were made:

- The Board agreed with the interim report that no changes to the contractual governance model are required at this stage. They supported an evolutionary approach in considering further scheme consolidation.
- Support was given to setting up a 'light touch' Scheme Co-ordination Committee. Further work should be undertaken to refine its membership and terms of reference. The Chairman suggested that a committee of executives reporting to the

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Board was a possible way forward. Reference was made to a new proposed senior bank operational group that was being set up by the Bank of England and that it would be appropriate for certain issues e.g. liquidity to be discussed in this forum, rather than by the proposed Scheme Co-ordination Committee.

- Further work should be undertaken by the Review Group to define the roadmap towards scheme consolidation with a proposed timeline. The triggers may include the development of common message types across schemes and common platforms and infrastructures.
- Where the Review Group is unable to reach a consensus, then 2 or 3 options should be put forward to the Board for a decision.

**Scheme
Review
Governance
Group by
September
2008**

It was AGREED that a final report from the Scheme Governance Review Group should be presented to Board in September 2008.

9. FOR DISCUSSION

BRANDING WORKING GROUP

Paul Smee provided a short update on the work of the Branding Working Group. Unfortunately, due to other priorities, work on this had slipped. The Branding Working Group has not yet come to a firm conclusion but there was support for maintaining the APACS brand for card related purposes and approaching branding in an evolutionary manner. Paul Smee AGREED to provide a final report at the September Board meeting.

**Paul Smee by
September
2008**

10. CONTRACTED SCHEMES

The Board NOTED the reports from the contracted schemes

11. FOR INFORMATION

The Board NOTED the reports that had been circulated including;

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- An update on contactless cards standards
- An update on the Bank Reference Database
- A paper on the rights and responsibilities regarding the circulation of coin.

12. AOB

Innovation

The Board ENDORSED the recommendation that an innovation proposal received on business-to-business direct debits should be evaluated as part of the agreed actions of the National Payments Plan and that a report on this will be required by June 2009.

The Chairman notified that Board that it would soon receive a short questionnaire designed to help in evaluating the Board's performance. These results from this questionnaire will be summarised and the conclusions presented to the September Board meeting.

**Secretariat by
September
2008**

One Director requested an update on the UK Remittances Task Force Customer Charter as this had been raised in an earlier Board meeting. It was AGREED that an update would be provided at the September Board meeting.

**Secretariat by
September
2008**

13. DATE OF NEXT MEETING

The next Board meeting will be held immediately after the Payments Council Annual General Meeting on the 9th September 2008.

The meeting closed at 12.25pm