

# Memo



14 September 2016

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**To** Payment Systems Regulator  
Infrastructure market review team  
25 The North Colonnade  
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**From** The Cheque and Credit Clearing Company

## **MR15/2.3 - MARKET REVIEW INTO THE OWNERSHIP AND COMPETITIVENESS OF INFRASTRUCTURE PROVISION**

The Cheque and Credit Clearing Company (C&CCC) welcomes the opportunity to respond to the Payment System Regulator's "MR15/2.3 – Market review into the ownership and competitiveness of infrastructure provision".

### **Background**

The Cheque and Credit Clearing Company (C&CCC) was established in 1985 and, from that time until the present day, is proud of its record in providing members with the central payment system services for the exchange and settlement of cheques and credits.

Our objective is to ensure that cheques and credits remain a viable, secure and efficient choice of payment for all users. To achieve this we promote innovation and competition choice by driving improvements in processing, service and efficiency; and provide a trusted centre of excellence for anyone with an interest in cheques or credits.

In the evolving payments landscape, cheques and credits remain a preferred and trusted payment option among certain groups and for certain types of payment. For example, cheques remain a convenient way for businesses to pay a trade supplier and manage cash flow, and amongst consumers, are a popular way to pay utility bills, tradespeople and clubs or societies. Over the past year, nearly 9 in 10 UK charities and two-thirds of UK

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businesses both received and made payments by cheque over a monthly period. In total, 558 million cheques were written in 2015 with a total value of £624 billion.

C&CCC is working to deliver the Image Clearing System (ICS), which will bring the cheque into the digital age via the implementation of an image-based cheque clearing process in the UK.

A full account of our background and objectives can be found on our [website](#), as can more information on the [Image Clearing System](#).

## **Response**

### Section 6: Ownership and Control of Payment Systems

The Cheque and Credit Clearing Company (C&CCC) is a non-profit making industry body funded by its Members. The company is limited by shares. In total there are 11 shares with one vote each, one for each Member.

Each member is allowed to appoint one director. Banks, which are part of a larger banking group, are limited to one director per group. So each unique Member (or group) has the right to appoint a director and a vote at Board. The Bank of England, although a Member, has not appointed a director but is an observer at Board with no voting rights. There are therefore eight Member appointed directors on the Board of the company. Additionally the CEO, the two independent directors and the independent Chair also have seats on the Board and voting rights. Therefore, there are a total of 12 votes on the Board and a resolution needs 75% of votes to pass and it is only valid when there is a 75% quorate. It therefore takes four votes to block a resolution and nine to approve.

The ownership and control of C&CCC is therefore significantly different to other Payment System Operators (PSOs). However, the voting model used by C&CCC (as described above) ensures that one PSP, or a small group, cannot 'control' a vote.

In the PSR's examination of the ownership and governance arrangements of the operators by PSPs we were surprised to see C&CCC omitted.

### Section 8: Potential remedies

#### ***Remedy 1: Competitive procurement exercises***

We support a remedy that encourages a competitive procurement process as this will increase competition in the provision of central infrastructure services. As the review rightly points out, this will benefit service-users by introducing more efficient and innovative service offerings. However, such a process should be owned by the Operators with no third party involvement. The Operators should remain responsible for procurement and devise a

procurement strategy which is agreed by its Board. The strategy should include competitive tender to an appropriate timetable.

***Remedy 2: Interoperability and messaging standards***

C&CCC is in full support of common messaging standards. The Image Clearing System (ICS) (being delivered by C&CCC) will be ISO20022 compliant.

The Payments Strategy Forum has asked members of the payments community for comments on their proposals to move the UK to a modern payments messaging standard. To avoid duplication and confusion, this review may wish to wait until the outcome of the Payments Strategy Forum's draft strategy for consultation before making final remedies in this area.

Please let us know if you would like any clarification.

Yours faithfully

Steve Grigg  
Chief Executive Officer