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Dear Sirs

RING-FENCING: DISCLOSURES TO CONSUMERS BY NON-RING-FENCED BODIES – CP 15/23

The Cheque and Credit Clearing Company welcome the opportunity to inform the FCA's consultation "Ring-Fencing: Disclosures To Consumers By Non-Ring-Fenced Bodies".

Background

The Cheque and Credit Clearing Company (C&CCC) was established in 1985 and from that time until the present day it is proud of its record in:

- ensure that cheques and credits remain a viable, secure and efficient choice of payment for all users, so we will:
- promote innovation and competition in payment choice by driving improvements in processing, service and efficiency
- provide a trusted centre of excellence for anyone with an interest in cheques or credits



Our Objectives are to:

- provide consumers, via financial institutions, with the central payment system services for the exchange and settlement of cheques and credits and manage the operational processes of those services;
- deliver innovation, such as the current Future Clearing Model (FCM) programme, which will bring the cheque into the digital age via the implementation of an image-based cheque clearing process in the UK;
- determine the rules, standards, and procedures required to maintain the integrity of the clearings, including the criteria for joining the clearings and ensuring compliance with those rules;
- engage with the full range of stakeholders which includes consumers, charities, businesses and public sector bodies that use cheques, financial institutions that offer cheque clearing services, cheque processors, cheque printers and other suppliers, as well as regulators, trade associations and other payment schemes; and
- manage the cheque printer accreditation scheme (CPAS).

Achievement

The Company has an excellent record of achievement and working collaboratively with government, regulators, other payment schemes and trade associations in the delivery of change. It also horizon scans to identify possible changes in the regulatory landscape, and to implement change in advance of directions.

We are now actively developing an Image Clearing System (ICS) to process and exchange cheques using images rather than the movement of paper for the UK, through our Future Clearing Model (FCM) Programme. We are also liaising with the Belfast Bankers Clearing Company in Northern Ireland so that the ICS becomes a UK rather than just a GB. With an image based approach we will be able to sustain ever reducing volumes of cheques for as long as they may be required. This initiative was commenced with no external influence from regulators and is purely driven by a desire to maintain a viable, secure and efficient service to customers using cheques. The ICS has similarities with Check 21 in the US and enables the capturing and using an image of the cheque at the earliest opportunity. When implemented, in 2017, the industry clearing will be based on image exchange not paper. This use of images supports innovation in the market by enabling a range of competitive image-based customer products to be developed by financial institutions. Cheque imaging will enable banks to move sort codes to different institutions (in exactly the same way as they can currently in Bacs, Chaps and FPS), and also provides for cheques to be handled directly through the Current Account Switching Service (CASS).



As mentioned, the work to date has been progressed without direct external pressure, whilst other major innovations within payments schemes (e.g. FPS and account switching) have been the result of regulation or direction from regulators to improve customer offerings. Indeed there is a widely held view that final adoption of such innovation is only possible in today's market if it is mandated in this way.

Whilst we continue to develop detailed proposals for a potential image model we will continue to engage further with stakeholders on the impacts it would have on them.

Ring Fencing Proposals

Currently it is not possible to ring fence entities that participate in the paper cheque and credit clearings. This is because settlement is governed by the first two digits of the six digit sort code. However, C&CCC through its ICS, will be enabling full sort code portability and CASS functionality. Therefore, the FCA's proposals outlined in Consultation Paper 15/23 will be fully supported from the completion of roll out of the ICS in 2017.

Conclusion

We recognise that the processing of cheques and credits are one of many possible payment systems open to all banks ensuring choice of payment types for all users . The work that we are carrying out on the ICS supports the ring fencing initiative and ensures that ring and non-ring fenced entities may continue to offer cheques and paper credits to their customers in the future.

We would, of course, be happy to meet to discuss this response.

Yours faithfully

Angela Thomas
Chief Executive Officer
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