

# Minutes



29<sup>th</sup> January 2016

**To** C&CCC Board of Directors

**From** Stephanie Watson

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**CCB/031/16**

## **MINUTES OF THE MEETING OF THE EXTRA ORDINARY C&CCC BOARD HELD ON 28<sup>TH</sup> JANUARY 2016**

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<b>Present:</b>	Jane Bevis	Chair
	Kevin Rake	Barclays Bank (phone)
	Lorraine Suttie	Clydesdale Bank (phone)
	Dave Sanders	Co-operative Bank
	Sue Yarham	HSBC Bank
	Graeme Donald	Lloyds Banking Group (phone)
	Colin Last	Nationwide Building Society
	Damian Pettit	Royal Bank of Scotland Group (phone)
	Bill Andrews	Santander UK
	Steve McArdle	Independent Director (phone)
	Sarah De Bunsen	Bank of England (Observer, by phone)
	Louise Lee	Bank of England (Observer, by phone)
	Jason Aird	C&C FCM Programme Director (Item 1961 only)
	Steve Grigg	C&C Interim CEO
	Stuart Cole	C&C Director Development
	Clare Mitchell	C&C FCM Consultant
	Stephanie Watson	C&CCC Secretary

**The minutes of the previous meeting and actions arising would be reviewed and agreed at the 18<sup>th</sup> February meeting.**

### **1960 CONFLICTS OF INTEREST**

There were some new conflicts of interest which would be added to the register.

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**MEMBER CIRCULATION**

**1961 IMAGE CLEARING SYSTEM**

Jane Bevis opened the meeting by referring to the challenges facing the Board and asked Directors to note that they should expect more frequent meetings during the FCM Programme in order to keep up to date with developments make important decisions, as required.

**Cost Allocation Model**

Stuart Cole introduced the charging principles and pricing model proposal V0.9, for endorsement. The model aligns with the charging principles recommended in the independent review conducted by CEPA and also aligns with Schedule 8 (arrangements for cost recovery) of the contract with CGI.

Since its first draft, the model had been extensively reviewed and clarified, where necessary, and was unanimously endorsed by SSG Members at their meeting earlier in the day. The key charging principles were noted and accepted:-

- Encourages open access
- Simple charging system
- Pay for what you use
- Charging should not include both the direct and settlement participants being charged
- Encourages use of the system
- Encourages a market in payment services
- Enables technical access solutions for third party service suppliers and not just existing banks and processors
- Non discriminatory

It was noted that there are still some points to address including the arrangements for over/ under recovery.

Only those items which go through the switch will attract a charge from the operator, so only those items will be subject to cost recovery arrangements. The non-core elements have been removed from the fixed charges so that in the event that non-core services are not used, the cost recovery plan will not be adversely impacted. This also avoided barriers to use through punitive entry charges.

The cost lines and allocation were summarised under the following headings:-

*Build Costs-* **REDACTED- COMMERCIAL SENSITIVITY**

*Core Services-* **REDACTED- COMMERCIAL SENSITIVITY**

*Non-Core Services* -paid by subscribing Direct participant or Access participant as indirect users of non-core services: fixed costs within Core services and/ or per item

cost for use of non-core services. This preserves the open access principles for smaller banks.

*C&CCC Running costs*- to be decided by C&CC Board and paid for by the Company owners.

*PSR fees* - **REDACTED- COMMERCIAL SENSITIVITY**

### **REDACTED- COMMERCIAL SENSITIVITY**

A number of questions were raised on the detail including changes to governance following the introduction of new participants and/ or settlement Members, and which of the non-core services might attract VAT which would be of interest to the smaller organisations looking to participate.

These details would be addressed via Audit & Finance Committee. Kevin Rake felt it unfair to expect agency banks to make their participation decision unless all the relevant pricing and cost allocation information was available in detail. Whilst this was acknowledged it was felt to be better to provide the information which is available and add further explanation as soon as possible.

In terms of the methodology to be employed to collect payment, it was noted that Bacs scheme methodology would be leveraged where possible. A bureau option would be offered, opening up competition and innovation. Charging principles would again reflect those used in Bacs.

The overall charging principles and pricing model proposal were accepted in principle with acknowledgement that more detail is required in certain areas. The VAT position on non-core services and governance issues must be addressed as a matter of urgency so as to provide a full picture.

The plan, as presented, would be shared with PSR.

### **Direct Participation Proposal**

This important document had been prepared with input from all interested parties and had been previewed, and widely acclaimed, at the Agency Bank Workshop on 13<sup>th</sup> January.

The document is designed to give agency banks sufficient information to aid their decision about their level of participation in the new system, i.e as a Settlement Participant, a Direct Participant, an Indirect and Access Participant or as an Affiliate.

Any final comments on the document must be received by mid morning 29<sup>th</sup> January in order that the deadline for issue to relevant stakeholders, being 29<sup>th</sup> January, can be met.

It was noted that further updates will be made to the document as more detail becomes available, i.e it is a 'living' document.

Sarah de Bunsen noted that the settlement element of the proposition had not formally been referred to or approved by Bank of England, MSC or by C&CCC Settlement Risk Committee.

The document will be published on the C&CCC website and will be issued to all contacts on the agency bank database. Sponsor banks will be free to issue the document to their own agency banks. A copy would also be sent to PSR with a covering note explaining the context and timing of its issue.

Sponsor Banks must have their Agency Bank proposition ready by 12<sup>th</sup> February 2016  
Agency Banks must make their choice by 1<sup>st</sup> April 2016.

Thanks were expressed to Sue Yarham, Stuart Cole and Clare Mitchel for the work they had done to get the document ready for issue on time.

### **Programme Update**

#### **REDACTED- COMMERCIAL SENSITIVITY**

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- Governance, development of operational rules, settlement, testing arrangements aspects of the Programme are progressing according to plan.
- The risk review has been completed and the log updated accordingly. There will be a further Risk Workshop in February.

#### **REDACTED COMMERCIAL CONFIDENTIALITY**

**1962 NEW INDEPENDENT DIRECTOR**

Jane Bevis advised that Heather Benjamin had accepted an offer of employment as Independent Director. Her contract had been drafted for her to start work on 1<sup>st</sup> February so she would be at the February Board meeting.

Heather has experience working in highly regulated environment and has a strong supply chain risk and consumer focus. She would be joining Risk Committee with a view to taking on the Chair role in the near future.

**Date of Next Meeting:**

2, Thomas More Square

Thursday 18<sup>TH</sup> February 2016

10:30am