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EU Payment Services Directive II Consultation  
Banking and Credit Team  
HM Treasury  
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## **HM TREASURY CONSULTATION ON THE IMPLEMENTATION OF THE REVISED EU PAYMENT SERVICES DIRECTIVE II**

The Cheque and Credit Clearing Company (C&CCC) welcomes the opportunity to respond to HM Treasury's consultation on the implementation of the revised EU Payment Services Directive II.

### **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. In the past year, nearly three-quarters of UK charities and two-thirds of UK businesses both received and made payments by cheque over a monthly period. In total, the C&CCC cleared 344.6 million inter-bank cheques in 2016, with a total value of just over £400 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**

Some of the questions asked within the consultation do not apply to our company, but we can provide responses that are applicable to the Cheque and Credit Clearing Company.

**Question 1: Do you agree with the government's proposed approach to implementation of the PSDII? Bearing in mind the maximum harmonising nature of the PSDII, do you think the structure of the regulatory regime will allow the UK's competent authorities to enforce the regulations in a fair and equal way towards all payment service providers?**

Yes, enhancing the current Payment Services Regulations (PSRs) is the right approach. The rationale behind this decision is clear and provides benefits to businesses and consumers. In order to avoid extra administrative burdens and wasted time and effort, it would be wise not to unravel the current PSRs and start afresh. This is because the original Payment Services Directive has been tailored to meet the UK payments market

It would be beneficial for the document entitled 'The FCA's role under the Payment Services Regulations 2009: Our approach' to be updated. This provides a clear regulator approach to the directive.

**Question 3: Do you agree that the government should continue to exempt the institutions listed above from the PSDII?**

The Cheque and Credit Clearing Company agree that cheques should not be in scope of the new Payment Services Directive. It would be advantageous if this derogation is extended to other paper items akin to cheques.

**Question 7: Do you agree with the proposed change to safeguarding to ensure funds can be deposited with the Bank of England?**

Under the new Image Clearing System (ICS) that C&CCC is building, there are two types of participations on offer. The first option is to become a settlement participant with full access, the second is to become only a switch participant where you can submit and process items in the ICS. It is therefore possible that non-bank institutions can become switch participants, thus creating open access. However, switch participants will need to find a settlement participant to settle funds on their behalf. This will introduce an element of financial or operational risk on the settlement participant, of which they may not be willing to undertake.



Anything that HM Treasury or the Bank of England proposes in order to open up more settlement accounts for non-banks that could otherwise only become switch participants, we see as advantageous to the payments industry as a whole.

**Question 8: Do you agree with the government's proposed approach to access to payment systems and payment account services?**

The Payment Systems Regulator should continue as the desired authority for the enforcement of access to payment systems.

We believe that all payment systems should be in scope of Article 35(2) because this would ensure proportionate, objective and non-discriminatory access of indirect services for participants under the new image clearing system. This is particularly important to assist the movement of indirect participants between sponsor banks enabled via sort-code portability.

Furthermore, it would be sensible for all payment systems to abide by the same principles and rules, particularly with the advent of the new merged Payment System Operator (NPSO). C&CCC currently adhere to the Payment Systems Regulator's general directions and contribute to the work undertaken by ISOCC (the cross scheme group) to generate some common rules and practices. It would be unfair to exclude C&CCC from the principles outlined in the PSD2.

**Confidentiality**

C&CCC is content for this letter to be made available to the public. We will be making it available through our website.

Yours faithfully,

James Radford  
Chief Executive Officer