
MINUTES

TO Board
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DATE 2 May 2017

MINUTES OF THE BOARD MEETING HELD ON 19 APRIL 2017

PRESENT	David Rigney	Independent Chairman (Chair)
	Rachel Langworth	Bacs (Secretariat)
	Michael Chambers	Bacs
	Andy Hollingdale	Bacs
	Anne Pieckielon	Bacs
	Fergus Ryan	Bacs
	Dave Stockwell	Bacs
	Martin Henry	AIB (<i>conference call</i>)
	Andrew Grice (<i>Observer</i>)	Bank of England
	James Meyrick	Barclays
	John Walsh	Citibank (<i>conference call</i>)
	Jim Pettigrew	Clydesdale (<i>conference call</i>)
	Sue Yarham	HSBC
	Ailsa Beaton	INED
	Jo Kenrick	INED
	Anne Trolland	Lloyds Banking Group (<i>conference call</i>)
	Mark Nalder	Nationwide
	Liam Curran	Northern Bank
	Liz Cooper	Santander (<i>conference call</i>)
	Damian Pettit	The Royal Bank of Scotland
	Otto Benz	Virgin Money
APOLOGIES	Dougie Belmore	Clydesdale

ID	ITEM	ACTION
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04/17.01 **PSO CONSOLIDATION**

The Chairman welcomed Directors to the meeting and provided an update regarding the latest activities of the Payment System Operator (PSO) consolidation Delivery Group (DG). The DG produced its report detailing its recommendations for consolidation by the 31 March deadline; the report was submitted to the Co-ordination Group, consisting of representatives from the Bank of England (BoE) and the Payment Systems Regulator (PSR), and was then circulated to Board Directors and the Bacs Executive team.

ID	ITEM	ACTION
	<p>The DG expects to hear from the Co-ordination Group regarding acceptance of the report by Friday 21 April, following which it will be referred to the Competition Market Authority (CMA). An Implementation Steering Group (ISG) has been formed, consisting of the three PSO CEO's and chaired by R Stansbury to manage the consolidation and set up of the New PSO (NPSO).</p> <p>[DELETED – COMMERCIALY SENSITIVE] The Chair advised that the work of the DG is progressing as per the timeframes stipulated, however this will be subject to the progression of the CMA referral. The DG did not commit to a specific date for consolidation in its report, as it felt it would not be prudent to do so until the NPSO Board has formed; it is expected that the BoE will advise when it is comfortable for the PSO Boards to cease responsibilities. It was confirmed that the debate regarding the funding of the consolidation activities and set up of the NPSO is being held at Member level ahead of the Board's decision, which is to be taken at the 17 May meeting. It was confirmed that Payments UK Management Limited is to fund the work of the Payment Strategy Forum (PSF) until end of June 2017; the funding model of PSF activities post June is yet to be determined.</p> <p>Referring to the 'analysis of initial funding' (section 3.6.1 of the DG Report), S Yarham expressed the need for Bacs to retain its own regulatory reserves for the duration that it remains a separate legal entity, as the regulatory requirements of the three PSOs are quite different. The Chair confirmed that this will be fed into the debate, and expects that this would also be the requirement of the BoE. The Chair confirmed that the responsibilities of this Board will remain as they are until its responsibilities cease. Discussion was held regarding the governance structure of the various NPSO related groups; the ISG will report into the DG, both of which remain separate from this Board. It was confirmed that this Board will not report into the ISG, DG or Co-ordination Group. Discussion was held regarding recruitment of the CEO and Chairman of the NPSO; it was confirmed that a recruitment agency has been appointed and it is expected recruitment will start immediately following completion of the CMA review.</p>	

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	Board agreed referral of the consolidation proposal to the CMA. Board had no key points or major issues to raise regarding the content of the report.	
04/17.02	<p data-bbox="384 472 584 501">CASS STRATEGY</p> <p data-bbox="384 528 1305 1196">J Kenrick provided an update regarding the progress of the Current Account Switch Service (CASS) Strategy. Referring to the associated slide deck, J Kenrick advised of the key areas of focus that have been aligned with the overall Bacs strategy. A ‘CASS Strategy Day’ was held in February 2017 which was attended by representatives of the CASS Executive Committee (EC) and the CASS Strategic Communications Working Group (SCWG), and the CMA. Good debate was held and the strategy further developed and refined as a result. The strategy document as presented to Board was agreed by the CASS EC at its 21 February meeting. A workshop has been arranged for the 27 April to engage with a wider group of non-Participant stakeholders to gather feedback and input on the strategic direction of CASS, and to discuss the CMA undertakings, including those relevant to CASS and the Open Banking Programme.</p> <p data-bbox="384 1223 1305 1787">A Beaton noted that it would be useful to have a document that details the roles and responsibilities within CASS, and what is delegated by the Board to CASS; this will enable the PSO ISG to better understand the scope of the service and associated risks. It was agreed to produce the same document for the Cash ISA EC (CISA) and the Bacs EC to ensure consistency. Discussion was held regarding the need for CASS to act as an ‘enabler’ to competition, and to remain in the ‘collaborative’ space as much as possible. It was noted that the CASS strategy should give consideration to the underlying infrastructure and any potential changes with regard to New Payment Infrastructure (NPI). Directors were asked to review the CASS Strategy document and provide any feedback within one week.</p> <p data-bbox="384 1814 1305 1944">Board noted the CMA Undertakings Status Report for March 2017 detailing CASS progression against each item. [DELETED – COMMERCIAL SENSITIVE]</p> <p data-bbox="384 1971 1305 2000">A Pieckielon referred to the revisions to the redirection period, noting that it</p>	<p data-bbox="1321 1330 1378 1359">Bacs</p> <p data-bbox="1321 1688 1434 1749">Directors 27/04/17</p>

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	<p>was agreed by the CASS Operations and Governance Committee (O&G) to extend the period due to a number of first time collections taking place post the 36 month mark. A Working Group has been established to gather MI and consider the issue further. It was clarified that as per the requirement of the PSR, redirection has been extended ‘indefinitely’, however it was agreed that those customers with no redirections within 36 months would be removed from the table, as the redirection table cannot hold an infinite number of entries, and noting the BoE wishes that the table remain ‘contained’. [DELETED – COMMERCIAL SENSITIVE]</p>	
04/17.03	STRUCTURAL REFORM	
	<p>A Hollingdale presented a set of slides regarding Structural Reform, noting that the update was being given in the context of providing a briefing for those who may not be familiar with the topic and in order to address a previous Board action. [DELETED – COMMERCIAL SENSITIVE]</p>	
	<p>Implementation of Structural Reform is required by 1 January 2019. Five Bacs Members have engaged on the matter and Bacs is supporting the implementation via individual managed projects. The impacts to Bacs relate to four main areas:</p>	
	<ul style="list-style-type: none"> • Changes to Bacs system membership • Changes to Bacs scheme membership • The migration of Sort Codes and Account Numbers • An increase in redirection volumes. 	
	<p>[DELETED – COMMERCIAL SENSITIVE] There are no planned technical change requirements for any of the impacted Members.</p>	
	<p>Discussion was held regarding how the redirection element of implementation will be handled; it was confirmed that some will be handled internally by the Members, and some via the use of the Bulk Payment Redirection Service (BPRS).</p>	
	<p>[DELETED – COMMERCIAL SENSITIVE]</p>	
	<p>Significant discussion was held regarding the need to identify the potential Bacs volumes given the expected impact on Bacs; Bacs advised that the</p>	

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	<p>confidential nature of the discussions and Non-Disclosure Agreements (NDAs) that are in place prevent it from disclosing the names of those involved and the expected volumes they have disclosed thus far. Furthermore, Bacs is still working with the impacted Members to get the low level of granularity of information needed; this is an iterative process. [DELETED – COMMERCIALLY SENSITIVE]. A Hollingdale reiterated that Bacs is working with all Members involved to get the level of information required. It was agreed for A Hollingdale to reach out to each project contact and the associated Board Director to retrieve the necessary information.</p>	
04/17.04	<p>AOB</p> <p>[DELETED – COMMERCIALLY SENSITIVE] D Petit referenced an outage experienced in the week commencing 27 March; D Stockwell advised that it was a global internet issue caused by the outage of two DNS providers. It was agreed for Bacs to circulate the Incident Report to Board for information.</p>	

Date of next meeting: 17 May 2017 at 10:30 (provisional)