
MINUTES

TO CASS Executive Committee
DATE 15 September 2017

MINUTES OF THE CASS EXECUTIVE COMMITTEE MEETING HELD ON 5 SEPTEMBER 2017 AT 10.30 AT 2TMS

PRESENT CHAIR
Bacs (**Including Secretariat**)
INED1
INED2
AIB
BOI
Citi
Clydesdale
Danske
HSBC
Investec
Lloyds Banking Group
Nationwide
RBSG
Santander
Tesco
Triodos
TSB
Virgin Money
Engine Group (By Invitation)
Manifestogrowth (By Invitation)

APOLOGIES Cardone
Metro Bank
Co-operative
Hampden and Co
Handelsbanken

| ID | ITEM |
|----|------|
|----|------|

| | |
|-----------------|----------------------|
| 09/17.01 | INTRODUCTIONS |
|-----------------|----------------------|

The Chair welcomed Participants to the meeting and introduced the new Independent Non-Executive Directors (INEDs); **[Deleted – Commercially Sensitive]**. Both provided a brief overview of their experience up until joining Bacs.

| | |
|-----------------|---|
| 09/17.02 | NEW PAYMENT SYSTEM OPERATOR UPDATE |
|-----------------|---|

Bacs CEO provided the committee with an update on the timelines and engagement opportunities presented by the consolidation of three Payment Systems Operators (Bacs FPS and ICS) New Payment System Operator (NPSO). The recent appointment of Melanie Johnson as the Independent Non- Executive Chair of the NPSO was welcomed. Bacs is focusing on two areas; transitionary activity and payment architecture. Work towards transformation activities covering communication, legal, corporate issues and the risk environment is underway. Bacs noted that the regulators have provided a positive response and Board has now passed a resolution on intent to move forward.

Nationwide advised it is difficult to visualise the impacts and end result without seeing a roadmap. Bacs advised that it needs to continue the day to day activities as its priority lies on ensuring the integrity of the service is maintained. INED2 queried whether the operational excellence will resonate across the schemes throughout the transition period. Bacs advised it can only respond from a Bacs perspective however noted the excellent relationship with the other Payment Systems Operators (PSOs) that each has similar responsibilities to the regulators as well as their end users.

| | |
|-----------------|-----------------|
| 09/17.03 | STRATEGY |
|-----------------|-----------------|

The Committee divided into working groups and the three areas discussed included Brand, Product and Governance. The following points of principle were noted for further action:

Brand

- Avoid the risk of brand stagnation (taking learnings from the experience gained by other brands).
- Open up new horizons by expanding wherever possible; e.g. internationally, into adjacent financial products, or into 'white labelling' to commercialise our expertise and that of our partner suppliers.
- Remain true to the brand with the promise of a simple, stress free switch and target

| ID | ITEM |
|----|---|
| | <p>areas where consumer value can be added. Understand the customer perception (e.g. how simple the service is for customer use).</p> <ul style="list-style-type: none"> • Consider whether it could or should be NPSO branded. • Research adding value to customers with multiple accounts who aren't closing accounts but wish to move payment arrangements between them. • Conduct research into the potential brand damage caused by issues such as industry events, incidents and brand confusion with the Partial service. Including the extent to which the public believe that the CASS is the only mechanism by which switching occurs. |

Governance

- CASS governance model was not broken however we could work more efficiently and look to use working groups with SME's
- Vital that CASS retains an independent voice in the new NPSO both as a community but also via the Chair
- Look at how we engage with Participants particularly small Participants possibly by increased 1:2:1 visits
- The previous agreements and recommendation highlighted by PwC should be progressed

The meeting **agreed** to establish a governance sub-group led by INED2 reporting back in November 2017 with a recommended set of principles; a proposed governance structure; and, greater clarity around the matters delegated by Board.

Product - Principles

- Designing solutions around fully researched customer needs
- Being evidenced based in solution delivery
- Unrelenting focus on operational excellence
- Simplifying complexity in the market
- Easy to access and adaptability within service to ensure product offering remains open to all

Product – Opportunities

- Expanding product scope in account mix, i.e. savings accounts
- Evaluate partial proposition and consider how developments from Open Banking

| ID | ITEM |
|----|------|
|----|------|

can increase choice

- Increase awareness through working with PCWs to raise awareness of benefits of switching
- Develop a framework for understanding customer needs and mapping their journey

The EC fully endorsed the group's findings and the overall strategic approach. Bacs advised that the next steps would be to establish the governance sub-group; prioritise Q417 activities and the 2018 workplan.

09/17.04 BUDGET

The move to a budget based on a per-switch fee was agreed. The following points were also noted and agreed:

- The 50/50 split will remain in place for the time being
- The per-switch price will be **[Deleted – Commercially Sensitive]** for 2018 split 50/50.
- The per switch fee must be capable of supporting innovation and product development within the agreed strategy, and regulatory requirements
- The budget must provide for continued operational excellence and ensuring CASS Designation by the PSR is attained each year
- New entrants will be protected by having access to an initial discounted rate for 5 years or until they reach **[Deleted – Commercially Sensitive]** per month over a three month unbroken period, whichever is the earlier. The discount is **[Deleted – Commercially Sensitive]**.
- The principle of building a reserve fund to ensure CASS does not bring financial risk to Bacs.
- Pricing for the Partial switch should be the same as the full switch.
- The committee noted the current budget status for 2017.

*Post meeting note: On reflection to address the risk of an increase in partial switches Bacs recommends that the increased costs should **only** apply where the participant also offers a full switch service (i.e. CASS) to avoid the unintended consequences of the Partial service being promoted in favour of CASS. The per-switch price for Partial only participants will remain at **[Deleted – Commercially Sensitive]** split 50/50. Participants are asked to advise if they disagree with this recommendation.*

| ID | ITEM |
|-----------|-------------|
|-----------|-------------|

| | |
|-----------------|-------------|
| 09/17.05 | RISK |
|-----------------|-------------|

Bacs provided the committee with an overview of the new Enterprise Risk Management Framework (ERMF). Bacs have developed a dashboard of Risk owners; all Level one (L2) and L2 risks out of appetite will be reviewed by the Risk Committee, with the responsible Executive team member in attendance. Though all out of appetite L3 risks will be discussed on an exception basis. Bacs confirmed that two Bacs attendees at EC were risk owners and had been fully engaged in the process. Bacs advised that the ERMF has been running for a few months and has received a positive response. Nationwide highlighted the importance of CASS risks being reviewed from a CASS perspective. Bacs confirmed that the CASS EC would have responsibility as a number of risks are CASS Specific. Bacs is now working on developing a risk overview and executive summary reporting extract for CASS EC. No further questions were raised.

| | |
|-----------------|-----------------------|
| 09/17.06 | GENERAL UPDATE |
|-----------------|-----------------------|

Bacs provided an update on each of the following activities; Open Banking (OB), CMA – Bacs Undertakings, Project Bulldog, The Bristol Model, Research from Queen Margaret University Edinburgh, AAR Group review, as well as the latest outputs from the CASS Operations and Governance Committee. The committee noted the updates.

| | |
|-----------------|--|
| 09/17.07 | MINUTES OF THE PREVIOUS MEETING |
|-----------------|--|

The minutes of the last meeting held on 9 May 2017 were signed off without comment.

| | |
|-----------------|-------------------|
| 09/17.08 | ACTION LOG |
|-----------------|-------------------|

All actions featured on the Log were **noted** as closed. With the provision of 05/17.01 regarding the amount of payment files which Participants should receive verses the number received during an incident, it was agreed to be closed off the CASS EC log and transferred to the CASS Operations and Governance Committee (O&G) Action Log. As well as 05/17.02(c) relating to whether a sub group is required to consider the CMA remedy on overdrafts.

| | |
|-----------------|------------|
| 09/17.09 | AOB |
|-----------------|------------|

Bacs confirmed that the provisional 11 October 2017 meeting is not expected to go ahead however the time slot may be used for alternative activities such as the Governance Sub Group or the OB action and further detail will be communicated to Participants.

ID **ITEM**

Date of next meeting: 7 November 2017