

Wholesale Distribution Steering Group (WDSG) – Terms of Reference

Background

The Bank of England (the Bank) is convening the Wholesale Distribution Steering Group (WDSG) as a forum for relevant industry participants to consider a new model for wholesale cash distribution that will support the UK in an environment of declining cash volumes (the project).

These participants will examine by way of consensus a new viable end-state model for the wholesale distribution of cash in the UK that is effective, resilient and sustainable and meets the needs of the UK public, supporting continued access to cash (the end state model). While the aim is to gain wide industry support for the agreed end state model, it will be for the WDSG members and wider industry participants to take their own commercial decisions whether to join this end state model.

This is consistent with the findings of the Independent Access to Cash Review¹ which identified the cost of wholesale cash processing as a potential barrier to the public's access to cash in the future.

This project delivers the information, about the proposed model, that individual firms need to take their own commercial decisions on whether to join any new potential end state model. These commercial decisions themselves are out of scope of the project.

The new end state model will need effective oversight. Alongside the WDSG, the Bank will work with Her Majesty's Treasury (HMT), the Financial Conduct Authority (FCA) and the Payment Systems Regulator (PSR) to develop the system for oversight of the new end state model, working in parallel with the design of the new end state model to enable the WDSG to make design choices that are consistent with effective oversight.

Roles and responsibilities

The role of the Bank of England:

The Bank will provide direct input into the success factors of the new end state model, ensuring consistency with the Bank's objectives. The Bank's involvement reflects its wider regulatory concerns arising from risks to financial stability and monetary control. It will act as a 'guiding hand' for the participants on governance and, as Chair of the WDSG, will facilitate discussions to help build consensus among industry participants wherever possible.

In particular, the Bank's ongoing role as Chair of the WDSG is predicated on the following terms, which the WDSG and any attendees to the WDSG meetings accept and acknowledge:

1. Any final decisions by industry participants (including WDSG and IEM members) as to how to structure their respective businesses in relation to an end state model is solely matter for those participants, and the Bank will have no involvement in any of the underlying commercial discussions.
2. The industry participants will notify any proposal for an end state model to the Competition Markets Authority (CMA) for consideration and, if necessary, clearance. It is therefore understood that nothing the Bank says or does is intended to predetermine any competition law analysis which the

¹ <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

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CMA may carry out. Similarly, the Bank will not endorse any analysis of the effects on competition in the relevant market arising from any end state model/proposal.

3. Any arrangements being contemplated towards an end state model would not be put into effect without the CMA having given its clearance for any merger situation, whether subject to undertakings or conditions or otherwise.

The Chief Cashier will Chair the WDSG, and the Bank will provide secretariat functions including:

- Proposing WDSG Terms of Reference for agreement by WDSG members. The Terms of Reference will be open to updates over the life of the WDSG. Any updates from members should be proposed via the secretariat and agreed with the rest of the membership before being implemented;
- Deciding the membership of the WDSG; and
- Organising the WDSG meetings, producing agendas for meetings, producing minutes & actions, and other papers as appropriate.

The role of the Wholesale Distribution Steering Group:

The WDSG will advise on an end state model for wholesale cash distribution that delivers against the success criteria set by the WDSG and published in the June 2020 WDSG Consultation on the Future of the UK's Wholesale Cash Distribution Model² (the WDSG Consultation success criteria) and which:

- Is effective and efficient in enabling access to cash for those who need it over a reasonable time frame;
- Is sustainable, in particular through encouraging innovation and enabling competition; and
- Is resilient to unexpected events.

The WDSG will assess the wholesale distribution needs of both banknotes and coins, recognising the similarities and differences of the circulation systems for both forms of cash. Similarly, it will consider the relevant applicability of its work to all parts of the UK, recognising the unique circumstances of both Scotland and Northern Ireland with commercial banknote issuers operating in those nations.

Subject to the statements made above regarding the role of the Bank, the WDSG will collectively fulfil the following responsibilities:

1. Provide strategic direction and guidance, in particular in relation to project timelines, deliverables and scope, pursuant to the WDSG Consultation success criteria and the Bank's statutory objectives, with the aim to remove barriers to progress.
2. Assess whether IEM's proposals and the end state model meet the WDSG Consultation success criteria and support the IEM to deliver against those criteria.
3. Monitor and challenge strategic risks and issues related to the project. As required, provide senior support and engagement with their resolution.
4. Ensure that all relevant stakeholders, including those not represented on the WDSG, remain engaged in the project and have sufficient opportunities to provide their feedback on the proposed end state model.

The Industry Escalation Meeting (IEM):

The IEM is comprised of relevant industry participants (formally members of the ISG³) with the objective of developing the design, business case and transition plan for the future Wholesale Cash Distribution model

² <https://www.bankofengland.co.uk/-/media/boe/files/paper/2020/consultation-on-the-future-of-the-uks-wholesale-cash-distribution-model.pdf?la=en&hash=D9B4FB7B6CA6FD3F846E5C277AE3BB8D20F2B928>.

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that protects existing customer requirements and creates a secure, resilient, and cost-effective model fit for the future. IEM may contract with external partners (consultants and legal advisors) on behalf of its members to support its work.

The chair of the IEM will be invited to attend the WDSG. The WDSG may also invite any of IEM's instructed external partners to update the WDSG on work progress.

The role of industry participants in the WDSG:

Each entity is responsible for participating in the WDSG on a voluntary basis, and remains responsible for its own commercial decisions.

Membership

The organisations below will be invited on a voluntary basis to take up membership of the WDSG and retain the right to withdraw.

Along with a representative from the Bank, these organisations currently underwrite the wholesale cash supply chain in the UK, including the Scottish and Northern Ireland banknote issuers. HMT, as issuer of UK coin, will be invited to attend WDSG meetings as observers. Attendees should represent the views of their respective organisations and be empowered to take decisions where required.

Chair

Chief Cashier, Bank of England

Core voting Membership

Barclays
HSBC
Lloyds Banking Group
Post Office
Natwest
Santander

Other attendees

IEM Chair

Observers

HMT
The Royal Mint
Clydesdale and Yorkshire Banking Group
AIB Group (UK) plc (trades as First Trust Bank)

³ As the Wholesale Cash Distribution project moves the assessment of a detailed commercial model, UK Finance has stepped aside as chair of the Industry Steering Group (ISG). Members of the new Industry Escalation Meeting include: Barclays, HSBC, Lloyds Banking Group, Natwest, Post Office, Santander, G4S and Vaultex.

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Bank of Ireland (UK) plc

Northern Bank Limited (trades as Danske Bank)
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G4S

Vaultex

Employees of the Bank, in their capacity as secretariat to the WDSG, will be present. Authors of papers presented to the WDSG and/or subject matter experts, including from the lead consultant, will be invited to meetings for the relevant/specific agenda items. With prior approval from the Chair and notification to the secretariat other parties may be invited to attend the WDSG.

Frequency and attendees

The WDSG will meet at least monthly, or more frequently as required, particularly in the run up to key milestones. Alternates are permitted at the discretion of the Chair and should be notified in advance to the secretariat. Alternates should be empowered to input and take decisions on behalf of the WDSG member. At least five of the core WDSG members or alternates, in addition to the Chair and secretariat, must be present (in person, or via teleconference/ other forms of electronic communication) for the WDSG to be considered quorate. In the event the Chair is unable to attend a meeting, and rearranging the meeting would result in an unacceptable delay, the Bank will provide an alternative Chair.

Papers and minutes

The secretariat will ensure WDSG agenda and papers are circulated at least three working days in advance of each meeting. The recorded minutes and actions will be sent out within 7 working days of the meeting. The minutes of each meeting will be formally agreed at the next meeting of the WDSG.

The deliberations of the WDSG will be made available to as wide a group of relevant stakeholders as appropriate with the aim to maintain the transparency of the process. A record of each meeting will be published on the Bank's website once agreed at the subsequent meeting. Where necessary information considered as being commercially sensitive will be kept confidential by redacting the respective sections in the minutes prior to publication.

Confidentiality

Any non-public information shared or opinions expressed during WDSG meetings will be treated as confidential unless and until the WDSG has authorised their public release. Members may be exposed to sensitive information and potentially to material non-public information in the course of their work. It is understood the members' staff may see confidential information relating to the WDSG, but unnecessarily sharing this information with third parties is strongly discouraged. Members are reminded of their legal obligations in relation to material non-public information. In all cases where third parties see WDSG documentation, members are expected to accept responsibility for ensuring that those third parties are aware of the confidentiality and sensitivity that attaches to those documents.

Transparency

It is essential that the WDSG operates in a transparent manner using materials agreed by the WDSG for wider circulation. That is necessary to provide the opportunity for the broadest possible engagement in the WDSG's work; to support the legitimacy of any conclusions or recommendations it makes; and to ensure that other stakeholders who are not directly involved are appropriately informed of the WDSG's work. The WDSG will consult with a broad cross-section of stakeholders where appropriate, for example with the hosting of stakeholder forums.

Decision making

The WDSG will aim to make decisions related to project governance, scope and timetable built on consensus. Where this is not achievable decisions will be based on a majority vote of at least two thirds of the core voting members. The Chair may apply a casting vote on behalf of the Bank in cases of a precise two thirds – one third split of votes.

Competition

It is the responsibility of WDSG members to ensure they understand their responsibilities under, and fully comply with, all applicable competition laws, including UK and EU competition laws.

To the extent that any member of the WDSG is unclear of these responsibilities, they should consult the legal and/or compliance teams at their respective institution for further guidance.

Members are responsible for identifying and declaring any relevant conflicts of interest. If appropriate, recusal from specific agenda items may be considered or required by the Chair.

In addition, if, for instance, during a WDSG meeting, a member has concerns about the discussion from a competition law compliance perspective – for example, due to sharing competitively sensitive information – the member should make their concerns known to the meeting as a whole, and the discussion giving rise to such concerns should cease. If such discussion does not cease, the participants concerned should leave the relevant meeting and request that their departure and the reasons for it are included in the minutes.

Conflicts of interest

Any actual or potential conflicts of interest by members of the WDSG shall be notified by the relevant member to the Chair of the WDSG. The Chair will assess any raised conflict of interest and engage with its legal advisors to consider possible actions, including the replacement of the conflicted member.