

Wholesale Distribution Steering Group (WDSG) – Terms of Reference

Background

The Bank of England (the Bank) is convening relevant industry participants to design a new model for wholesale cash distribution that will support the UK in an environment of declining cash volumes. 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.

The intended outcome of this phase of the work is for the WDSG participants to agree on a new 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).

The WDSG will invite the Industry Steering Group convened by UK Finance to bring forward proposals to the WDSG for this new end state model. In developing its proposals, the ISG will consult wider industry participants (not limited to members of the WDSG).

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 invite relevant industry participants to participate in the WDSG. It will establish the WDSG as a forum for these participants to agree by way of consensus a new end state model for wholesale distribution of cash. 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.

The Bank will provide direct input into the success factors of the new end state model, ensuring consistency with the Bank's objectives in relation to the intended outcome of this phase of the work. It will act as a 'guiding hand' for the participants and, as Chair of the WDSG, will seek to achieve consensus among industry participants wherever possible.

The Bank of England retains the right to withdraw its sponsorship for the WDSG should the final model not meet the Bank's overarching responsibilities and / or not be in the best interests of the UK.

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 at the first meeting. 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

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

JUNE 2019

- Organising the WDSG meetings, producing agendas for meetings, producing minutes & actions, and other papers as appropriate.

The role of the Industry Steering Group:

UK Finance (trade association for the UK banking and financial services sector) will convene relevant industry participants (not limited to members of the WDSG) as part of an Industry Steering Group (ISG) to develop:

- A report assessing the current proposed end-state models for the wholesale cash supply chain and recommending a single solution for commercial decisions by industry;
- A detailed blueprint of the chosen end-state model, including how the end-state should be governed;
- A business cash analysis for industry, including consideration of a commercial model; and
- A transition plan for the migration of the current wholesale cash supply chain participants to the chosen end-state model.

UK Finance will contract with external partners (consultants and legal advisors) on behalf of its members to support the work of the ISG and effectively manage industry participants to build consensus regarding the proposals. During the design of the new end state model, appropriate materials for consideration by the WDSG will be provided, allowing the WDSG to provide guidance at relevant stages of the design process.

UK Finance and the Chair of the ISG will be invited to attend the WDSG.

The role of the Wholesale Distribution Steering Group:

The WDSG will provide strategic guidance to the work of the ISG in developing its proposals. It will aim to build mutual agreement around an end-state model that will allow relevant stakeholders to take decisions consistent with this end state model.

The WDSG will agree on an end state model for wholesale cash distribution that delivers against the success criteria set by the WDSG 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.

The WDSG will collectively fulfil the following responsibilities:

1. Provide strategic direction to the project, with the aim to remove barriers to progress.
2. Agree success criteria for the project and support the ISG to deliver against those criteria.
3. Agree project timelines, scope and deliverables and monitor project progress against the key milestones².
4. Review the work of the ISG and the lead consultants and assess whether the proposals meet the agreed success criteria.
5. Monitor and challenge strategic risks and issues related to the project and ensure appropriate actions are in place to address them. As required provide senior support and engagement with their resolution.
6. Approve changes to project timelines, deliverables and scope as and when required. All changes must undergo a formal impact assessment including but not limited to impacts to scope, resourcing, timelines and costs. Where such changes have a material impact on the overall project critical path, delivery dates or costs, WDSG members will have sufficient authority to commit their organisations to such changes.
7. 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.
8. Final approval/signoff of the end state model.

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.

Membership³

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
Clydesdale and Yorkshire Banking Group
HSBC
Lloyds Banking Group

² The ISG will review and agree a project plan developed with the support of the consultancy and legal advisors. The ISG will receive monthly progress reports against the plan, including a financial report. The UK Finance Project Management Office will provide oversight of the project, reporting to the UK Finance Senior Responsible Owner, Eric Leenders - Managing Director UK Finance. Where appropriate, the UK Finance SRO will discuss the project management with the WDSG.

³ Discussions are being held with the Northern Ireland Issuing banks to decide whether they also wish to take up membership.

JUNE 2019

Post Office
RBSG
Santander

Other attendees

Bank of England
UK Finance

Observers

HMT

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 six-weekly 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, plus at least one of the two UK Finance nominated attendees, in addition to the Chair and secretariat, must be present (in person or via teleconference) 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. Summary actions from the meeting will be sent out within 2 working days of the meeting with the recorded minutes following on within a further 5 working days. The minutes of each meeting will be formally agreed at the next meeting of the WDSG.

The deliberations and decisions 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 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.

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.