

Minutes

Wholesale Distribution Steering Group

15 May 2019

Location: **Bank of England, Threadneedle St, London EC2R 8AH (Room SVQ)**

Attendees: **Bank of England:** Sarah John (Chair), Martin Etheridge, Mark McLintock, Ronan McClintock
UK Finance: Eric Leenders, Russell Saunders
Barclays: Tim Allen
Lloyds Banking Group: Richard Hill (alternate)
Clydesdale/Yorkshire: Mark Curran
HSBC: David Brook (Alternate)
Royal Bank of Scotland: Richard Talbot
Santander: Robert White
Post Office: Russell Hancock
HM Treasury: Derek Dunne (alternate)

Apologies: **Lloyds Banking Group:** Otto Benz
HM Treasury: Mario Pisani
HSBC: Tom Wood

Item

1. Welcome and introductions

The Chair described the background to the work and outlined the purpose of the group. Against the background of the declining transactional use of cash, and recognising the recently published Access to Cash report, the Bank was convening relevant stakeholders with the aim to design a new model for wholesale distribution of cash.

Participants introduced themselves.

1a. Competition Law

Attendees noted their responsibilities and obligations under EU and UK competition law.

2. Terms of Reference

The group discussed the draft Terms of reference of the WDSG. In particular, the group:

- Agreed that the scope of the work of the WDSG would be limited to wholesale cash distribution, and that it would cover the distribution of both banknotes and coins.
- Noted the criteria chosen to determine which entities were invited to participate in the WDSG.
- Noted that of the Northern Ireland banks that met the criteria, not all had decided to participate, and discussed any implications of this.
- Discussed the role of the WDSG relative to other bodies, and in particular noted the

need for clear delineation between the role of the WDSG and that of UK Finance.

- Discussed the processes for decision making within the WDSG.

A series of actions were agreed and the Terms of Reference will be amended and recirculated to the next WDSG meeting for ratification.

2a. Stakeholder engagement

The Group discussed the approach to wider stakeholder engagement and agreed:

- There are a wide range of stakeholders who will potentially be interested in the work of the group, including those directly involved in the cash industry, public sector authorities and groups/individuals representing consumer interests.
- Recognising the importance of openness and transparency a record of each WDSG meeting will be published.
- Certain entities – not on the WDSG – which use or operate the current system will need to be closely involved in the work to design a new end state model.
- A wider public consultation will be undertaken in advance of agreeing any future state cash distribution model.

The content and structure of the public consultation would be agreed in due course and a series of actions were agreed to initiate the public consultation scoping exercise.

3. Update from UK Finance

UK Finance provided a brief summary of their 'Cash Supply Chain Assessment' to date and next steps for developing potential future state models. The next WDSG meeting will be scheduled in late-June 2019 ensuring detailed plans to take the work forward will have been received by the lead consultants (once appointed) and can be reviewed by the group.

4. Success Criteria

The group had a preliminary discussion of the Success Criteria that would be used to assess the new wholesale distribution model. In particular it was agreed:

- Future state models will be assessed against key criteria falling under three main headings; 1) Effectiveness, 2) Resilience and 3) Sustainability, which will include Environmental Impact.
- Further consideration will be given to the criteria to ensure cost effectiveness of the new model. The group recognised that cost effectiveness was an important consideration, but that there was a challenge in establishing an appropriate benchmark against which to compare costs, not least given predicted changes in cash usage volumes. The group agreed to return to measures of cost effectiveness.

The Success Criteria will be amended and recirculated to the next WDSG meeting for ratification.

5. Projected timeline

The group debated the feasibility of agreeing the final future state model by Q1-2020 as suggested in the Access to Cash Review. Whilst this was considered a sensible target date, it was agreed further review will be necessary upon receipt of the proposals from the lead consultants which will provide a better understanding of the scale of work to be undertaken to inform the decision.

6. Next Steps

WDSG meetings will be scheduled on a monthly basis with strategic items for future agendas being identified early in the process.