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Sent: Monday, January 09, 2006 9:52 AM
To: DEACON David (MARKT)

Subject: Barclays Response to the Commission's Consultative Document on the Application of Regulation (EC) No. 2560/2001 on Cross-Border Payments in euro.

David.

Thank you for kindly allowing me to send our response to the Commission's Consultative Document on the Application of Regulation (EC) No. 2560/2001 on Cross-Border Payments in euro this morning rather than on Friday. It is very helpful indeed and enabled me to have a very productive session with the EPC and the European Association of Corporate Treasurers on Friday. The EPC and EACT now appear to be on a common understanding with a basis for more effective interaction going forward.

Kind regards, Mark.

Dear David,

Barclays Response to the Commission's Consultative Document on the Application of Regulation (EC) No. 2560/2001 on Cross-Border Payments in euro.

Barclays PLC is a UK-based international financial services group engaged primarily in banking, investment banking and investment management. In terms of assets employed, Barclays is one of the largest financial services groups in the United Kingdom.

Barclays has been involved in banking for over 300 years and operates in over 60 countries, including Ireland, Spain, Portugal, France, Italy and Germany. It has 76,200 employees and over 2900 branches world-wide. For more information, about Barclays PLC, please visit www.barclays.com <<<http://www.barclays.com>>>

Barclays welcomes the opportunity to comment on the Commission's Consultative Document on the Application of Regulation 2560. We have obviously contributed to the submission made separately by the Association of Payments and Clearing Services (APACS), our UK payments trade association and that you have received from them dated 4th January 2006. We strongly support this submission.

There are however a number of matters that we would like to emphasise, which we have set out below.

1. Regulation 2560 should not be extended in scope, but rather a clear process established for its withdrawal.

The combination of the proposed Payment Services Directive and the payment schemes being developed by the European Payments Council should obviate the need for Regulation 2560. This is particularly the case for the Direct Debit instrument, which until now has not existed at a pan-European level.

Furthermore, cheques are not an instrument that has been previously regarded as pan-European and should continue to be excluded from such treatment. This is particularly important given aspirations of a more modern and electronic European economy. It would be somehow perverse to seek to improve a paper based instrument and create a new pan-European service level at the same time as promoting more efficient electronic means of payment in a variety of other instruments.

Removal of the Regulation against this backdrop would also be a positive message and consistent with the stated intention of the Commission to make regulation more simple and effective. To do so would also remove any potential for uncertainty between it and the proposed Payment Services Directive.

2. All legislation should now clearly and consistently support the use of the BIC and IBAN as the exclusive routing designation and account identification.

Corporate customers and financial institutions continue to seek to improve the efficiency of their working capital management and payments businesses respectively. The goal for both in this regard is the concept of Straight-Through-Processing (STP).

There has been some discussion in some sources about the need to retain other means of account identification such as a person's name or the need to introduce a new means of account identification such as a unique numerical identifier for natural and legal persons. Whilst the former has a role in risk management, the latter is more concerned with other matters and has much wider implications than in improving either working capital management or payment processing efficiency in banks.

Name based processing is a significant source of operational risk and a factor reducing STP. Any use of the name for bank risk management should therefore be left to the discretion of the banking community, who are continually focused on maintaining customer service as well as their trust.

3. Balance of Payments reporting thresholds should urgently be increased to €50K from 1.1.6.

Whilst the scope of the Regulation has been increased from €12,500 up to €50,000 as of 1 January 2006, the balance of payments reporting obligations of 7 of the 12 Euro countries has not accompanied this move. This creates a competitive disadvantage for banks active in these countries. Clearly this outcome is inconsistent with Single Market principles.

4. Caution should be exercised in any intervention in payments clearing and settlement to retain its safety, security and stability.

Payment clearing is a network business requiring a high degree of market co-operation in standards, information clearing and financial settlement. The European economy is highly dependent on the continuing availability and integrity of the financial systems and any intervention must take care not to create risk imbalances.

In particular, it is vital to ensure that interventions in the payments supply chain to achieve propositional or distribution channel outcomes are proportionate and that they will be effective. On the face of it, it appears inconsistent to address downstream customer concerns in their supplier's upstream supply chain. Any such intervention must therefore be well founded and risk assessed.

Finally, we believe that it is in our collective interests to fully understand any concerns or criticism of current market activities, which might lead the Commission to consider a need for intervention. To this end it would be enormously beneficial and consistent with the concept of Better Regulation to have any problems explained in terms of nature, scope and magnitude. Doing so would ensure that a good common understanding of the issue is achieved, all options can be evaluated and where needed an enduring solution established, right first time.

Overall, we strongly support APACS' summary that the Regulation's implementation has not caused any significant problems in the UK. No doubt this is due in large part to investment in supporting guidelines and updating of relevant Banking Codes for personal and business customers, which APACS also attached to their submission for your further information.

Should you wish to discuss any of the points made above in more detail, we will be happy to respond either in writing or verbally.

Yours sincerely,

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