

Faster Payments Service

June, 2007



Agenda

- Why this initiative started?
- Vision
- Key Players participating in the new scheme
- What will Faster Payments deliver
- Citigroup offering
- Opportunities for businesses

Important note: The identifier for the new payment scheme is yet to be confirmed.
In this presentation, the Faster Payments name is used for illustrative purposes only.

Why this initiative started?

- **Pressure for a faster low-value clearing has come from many different sources**
 - Government
 - Bank of England
 - The Office of Fair Trade
 - Consumer and business groups
 - Media
- **Banking industry represented by APACS agreed to create this new payments capability for the UK**
- **Improved competition and innovation in the UK payment system would deliver significant benefits to the economy**
- **Near real-time service in line with trends of Banking Industry**
 - Growth in internet and telephone banking
- **Faster Payments represents part of the changes necessary to remain competitive in the European banking market after SEPA**

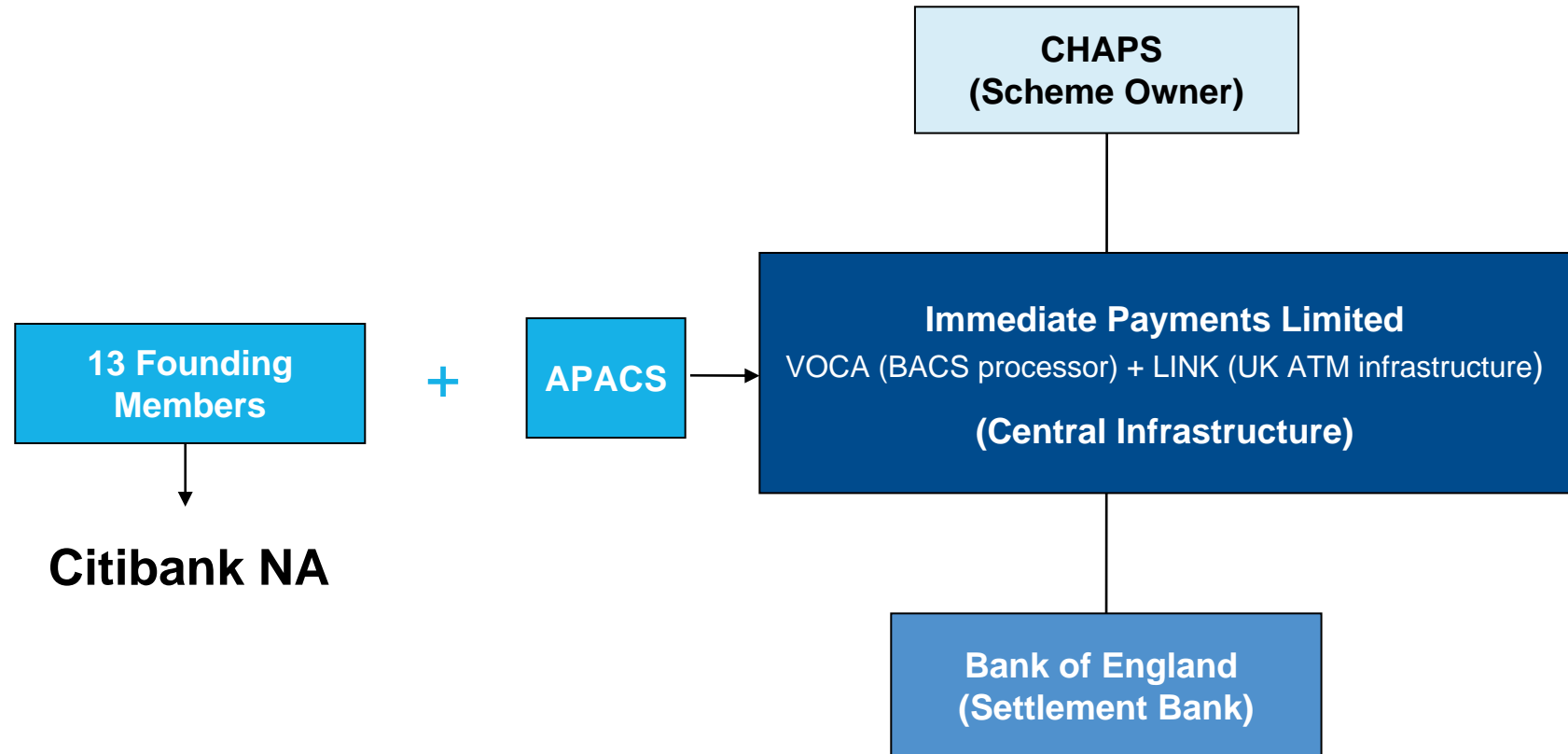
Vision

“Faster Payments will be a revolutionary change to the way we pay, allowing for 24-7 near real-time payments to be made over the telephone or online and bringing the UK to the forefront of international payment systems.”

(Source: APACS website)

- Faster Payments will represent an entirely new clearing infrastructure in the UK
- The new scheme would reduce or eliminate the practice of float
- A new clearing in the UK payment system would encourage competition and innovation for the benefit of businesses and consumers

Key Players participating in the new scheme



“The faster payments service is scheduled to launch in November of this year. The project is currently taking delivery of the Central Infrastructure from Immediate Payments Limited (IPL) and integrating that with the individual payment systems of the founder members . The current phase of exhaustive testing will continue for several months.”

(Source: APACS-FPS Programme Status)

What will Faster Payments deliver?

“A revolutionary change in the way we pay- faster, cheaper and more convenient”

Benefits

- **Speed**
 - funds available to the beneficiary within two hours
- **Certainty**
 - Immediate confirmation if transaction will be accepted or rejected
 - Immediate confirmation of when funds will be available to the beneficiary
- **Cost**
 - expected price to be much lower than CHAPS
- **Convenience**
 - 24 x 7 x 365

Opportunity to rethink how businesses will make

- Payments to trade suppliers (regular, one-off)
- Salaries/wages (including overtime)
- Corporation tax/VAT
- Refunds to customers
- Insurance premiums
- Utility bills
- Subscriptions
- Moving money between accounts
- Failed BACS payments

What will Faster Payments deliver? (2)

Key elements

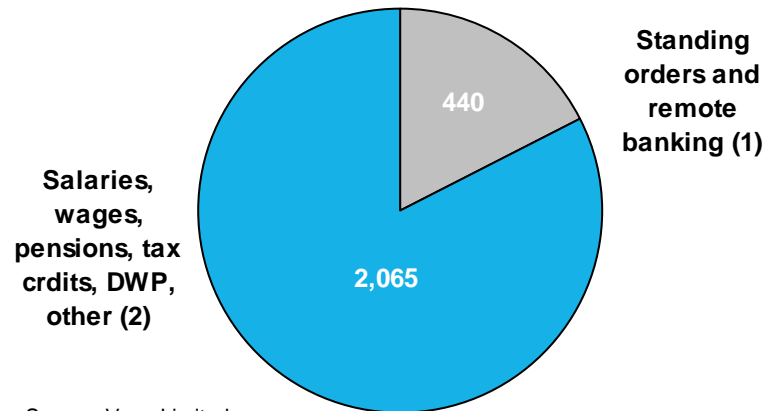
- GBP Sterling only
- Direct credits only
 - Individual Payments
 - Single Immediate Payments (SIPs)
 - Diarised Payments (Forward Dated Payments, (FDPs))
 - Standing Orders (S/Os)
- Payments are irrevocable, float is removed
- Service is available 24/7, 365 days a year (SIPs & FDPs) and Mon-Fri for S/Os
- GBP10,000 initial threshold (GBP100,000 for standing orders)
- Concept suitable for new banking channels – telephone, internet, mobile

Background Facts

- The industry has invested millions of pounds in the central infrastructure
- APACS has worked together with the 13 founding members to agree the central infrastructure
- The 13 founding members involved in delivering the system account for 97% of payments made today

Expected migration from BACS and CHAPS

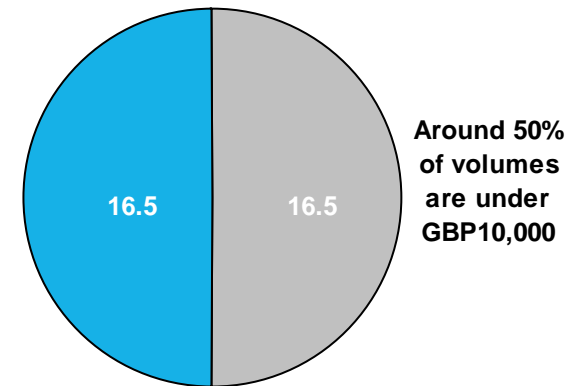
BACS Direct Credit Volumes (2006) (in millions)



Source: Voca Limited.

Most of (1) and a portion of (2) payments currently processed in BACS expected to migrate because of speed and convenience benefit

CHAPS Volumes (2006) (in millions)



Source: CHAPS.

< GBP10,000 payments currently processed in CHAPS expected to migrate because of cost benefit



“Of the 32 million payments made via CHAPS annually, half are actually under GBP10,000”

(Source: Bank of England Financial Stability Review, December 2005)

Submitter via a Direct Member

How will it work?

- Businesses will send and receive payments through their sponsoring bank
- The sponsoring bank will fully validate and check the payment against the Industry Sorting Code Directory (ISCD)
- Businesses will receive a status message in seconds with the fate of the payment
 - Three messages types: unqualified, qualified, rejected.
- Channel availability:
 - CitiDirect
 - SWIFT
 - File submission (Citibank File Services (CFS))

Benefits

- Minimal internal developments as payments are sent and received through the sponsoring bank

Considerations

- Citidirect and SWIFT available in Nov 2007, CFS in Q1 2008

Direct Corporate Access (DCA) and Bureaux

How will it work?

- Corporates will have to be sponsored by a Member Bank or Direct Agency to the Faster Payments Scheme, who will authorise the file
- Files will be submitted using SECURE-IP (the Faster Payment Scheme variant to BACSTEL-IP)
- Customers will be able to use the same smartcards as they currently do so with BACSTEL-IP
- Files must only contain payments to be made on the same day

Benefits

- STP efficient payment processing mechanism

Considerations

- Available on working business days between 06:00 and 14:00
- DCA only supports Single Immediate Payments (£10,000 limit)
- Only available in Q2 2008 - Date to be confirmed by the Scheme

Citigroup's offering

November 2007
(scheduled launch date)

- **Options**
 - Submitter via a Direct Member
- **Delivery Channels**
 - SWIFT
 - **CitiDirect:**
 - Single Immediate Payments
 - Forward Dated Payments
 - Standing Orders
 - File Upload (SIPs, FDPs, S/Os)

1st Quarter 2008
(date to be confirmed)

- **Options**
 - Submitter via a Direct Member
- **Delivery Channels**
 - File Submission (CFS)

2nd Quarter 2008
(date to be confirmed by the scheme)

- **Options**
 - Direct Corporate Access (DCA)

Opportunities for businesses

Unique opportunity to assess the way payments are currently made

- To reduce costs of low value urgent payments currently processed through CHAPS
- To enhance current working capital management practices
 - Better liquidity optimisation by the reduction of the payment cycle
 - Ability to take more timely decisions
- To improve relationship with suppliers/customers
- To enhance levels of customer service



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