

1. Bills of Exchange (Amendment) Bill 2016 – First Reading approved

Mr Henderson to move:

That the Bills of Exchange (Amendment) Bill 2016 be read a first time.

The President: The business before us is the Bills of Exchange (Amendment) Bill 2016, First Reading. I call on the Hon. Member of Council, Mr Henderson.

Mr Henderson: Gura mie eu, Eaghtyrane.

I am pleased today to present the Bills of Exchange (Amendment) Bill 2016 which will enable presentment of cheques and other instruments by electronic means.

Earlier this year, the Cheque and Credit Clearing Company, which is a UK non-profit-making industry body owned by leading banks and building societies, approached the Isle of Man Government with a request that consideration be given to introducing Manx legislation to mirror that in the UK, which facilitates the use of electronic imaging in the presentment of cheques and other instruments – such as bankers’ drafts, postal orders and travellers’ cheques – in place of the physical delivery of the instruments themselves, opening the way to a modernised IT system for clearing cheques.

By mirroring UK legislation, banks in the Isle of Man will be able to clear cheques through the new system and offer a uniform customer service. By cutting down the general costs for banks and building societies to provide cheque services, it represents an opportunity to secure the future of the cheque by making it a cost-effective, sustainable payment option that financial institutions can afford to provide.

Cheques will still be written on paper chequebooks or, for business customers, printed in an agreed format. The customer who receives the cheque will have a choice of options for paying in the cheque: they can take the paper cheque, or send it by post, to their bank where it will be scanned by staff and an image sent automatically, electronically; or deposit the paper cheque at an image-enabled ATM, where it will be scanned automatically and an image sent electronically; or use a smartphone, scanner or other mobile device to capture an electronic image of the cheque and pay this in to their bank, possibly via the bank’s mobile banking application.

An initial targeted consultation was undertaken with the Isle of Man Bankers’ Association and their response indicated agreement with the proposed legislation. However, because of the need to replicate the new UK legislation so that the Isle of Man banking system can continue to interact with its UK counterpart, the Bill has not been subject to formal public consultation. Although, Eaghtyrane, I must say a press notice was issued in November 2016 advising the general public of impending changes and so on, that this legislation will bring in and through that medium they could have made comment or representation – and, as of today, we have had no representation made to Treasury.

The Treasury may make regulations under the Bill which would be based on the corresponding UK regulations to ensure consistency of approach and would again be subject to consultation with the Isle of Man Bankers’ Association. I must add, Eaghtyrane, that the Chamber of Commerce were also consulted upon with regard to these measures.

The timeline for the cheque clearing system is not clear at the moment; however, the latest view from the UK banks is that implementation is planned for around October 2017.

Eaghtyrane, I beg to move that this Bill be now read for the first time.

The President: Mr Coleman.

Mr Coleman: I beg to second, Mr President, and reserve my remarks.

The President: Mr Anderson.

Mr Anderson: Just a couple of queries for the mover.

Can I ask how long the legislation, as I am not sure from his last sentence ... Is this legislation in place in the UK but it is not operative yet? That is the first question.

And can I take it that this will mean clearing cheques will actually be a quicker process now?

The President: Mr Henderson.

Mr Henderson: Gura mie eu, Eaghtyrane. I thank the Hon. Member for his questions.

As far as I am aware the full legislation is not in in the UK, but they are operating a couple of pilot schemes with a couple of banks to start a trial run. The other query, with regard to speeding up the process: yes, it should make it very much quicker because the current process of the paper chase and moving cheques from one bank to another – and indeed, in the case of the Isle of Man, cheques have to be flown off the Island just to add to the process, and then taken to a clearing centre and processed, and then moved onwards again to the banks of destination.

So this should very much improve the process.

The President: Mr Turner.

Mr Turner: Thank you, Mr President.

It is more comments, really, at this First Reading of the Bill.

I think it is important we have to be on a par with the UK and anything that makes the lives of the citizen easier to go about their daily business is a good thing. I think cheques are becoming rarer these days but, nevertheless, it can be quite a great effort to go and just bank one cheque if people are running businesses out of town. To be able to do this and to do their own banking via smartphones and computers is obviously going to be of great benefit to a lot of people. So I think this is a sensible step.

The mover mentioned that it has not been subject to formal consultation, I think – and we consult to death on some matters. This is not a Bill which is going to negatively or adversely affect the individual, it is something that is more housekeeping in ensuring that our banking regime is on a par with the rest of the UK as we form part of that system. So it is entirely appropriate and entirely sensible and the Bill has my support.

The President: Thank you.

Mr Henderson, if you have any comment?

Mr Henderson: Gura mie eu.

Yes, with regard to Mr Turner, he is absolutely spot-on in what he says, Eaghtyrane. It will allow the Island to be completely compatible with what is happening in the UK and elsewhere. In fact America has had the system in since 2004, probably – and China and India, I believe, as well. So this brings us online with all the rest and certainly it is a much more streamlined process. In my view it is consistent with the Isle of Man's digital strategy as well, in the background, and it keeps us in the forefront of what we are trying to do here.

Just a clarification point, Eaghtyrane, with regard to Mr Anderson's query in relation to where the UK are up to with their legislation – just to clarify that. The legislation is in; however, the regulations have not been approved or worked with to any great extent so far. So they are half way there, as it were.

The President: I wonder if I may ask the mover: in relation to the explanatory notes and the appendix it states:

Cheque imaging will enable a faster clearing cycle, meaning businesses and consumers receive their funds more quickly.

Taking into account what you have said about cheques having to be flown off Island, can you give an indication of how much faster in terms of the clearing cycle, whether it is going from three days to two days, or whatever?

Mr Henderson: At this point I cannot give you an indication of how much quicker, Eaghtyrane. I can provide an estimation at a later point through the Bill, but it is considered to be extremely quicker than what currently happens at the minute; and in some cases I believe it can take up to six days for a cheque to clear manually, if I can call it that. Electronic imagery would in theory make a presentment almost instantaneous. So the recipient bank of a paid-in cheque would receive it *very* quickly as opposed to the current system. But I can give an update, or a speed guesstimate, Eaghtyrane.

The President: Mr Anderson.

Mr Anderson: I just wondered maybe at the next Reading could the mover come back and give us some indication of how this is working in other countries, please.

The President: Mr Henderson.

Mr Henderson: Gura mie eu, Eaghtyrane.

Yes, we can certainly give an indication on that. As I say, it has been in America since 2004 probably, and France and India; and they have been able to refine their systems with regard to that going forward. But certainly I can give you an update on that, Hon. Member.

The President: Mr Henderson, have you any winding-up remarks you wish to make?

Mr Henderson: Gura mie eu, Eaghtyrane.

I would just ask the Hon. Members to support the First Reading as this keeps us in line with what is happening in the UK and, as we have representative banks here in the Isle of Man of all the clearing banks in the UK who are considering operating this model, I look forward to Hon. Members' support, Eaghtyrane.

The President: Hon. Members, I put the question that the Bills of Exchange (Amendment) Bill be read for the first time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Hon. Members, that brings us to the close of our business this morning. The Council will stand adjourned until our next sitting on Tuesday next, 14th February, here in our own Chamber.

The Council adjourned at 10.45 a.m.