

NPSO Limited

Minutes of the extraordinary call of the Board of Directors, 15th March 2018

Directors	NPSO Support
Melanie Johnson (MJ) Independent Chair	Vanessa Graham (VG) UK Payments Administration Limited, Company Secretary
Paul Horlock (PH) CEO	Chet Behl (CB) Legal Counsel
Rob Stansbury (RST) Senior INED	Afua Gharban (AG) Secretariat
Anna Bradley (AB) INED	Peter Sparkes (PS) NPSO Adviser (Item 59)
Peter Wyman (PW) INED	Jo Rusafova (JR) PMO Lead
Christine Ashton (CA) INED	
Jean-Yves Rotté-Geoffroy (JY) INED	
Russell Saunders (RS) NED	
Becky Clements (BC) NED	

58. Opening items

MJ opened the meeting and confirmed that the meeting was quorate in accordance with the Articles of Association. Each Director present confirmed that they had no direct or indirect interest in any way in the proposed transactions to be considered at the meeting which they were required by section 177 of the Companies Act 2006 and NPSO's Articles of Association to disclose.

MJ reported that the membership of the Nominations and Remuneration Committee would be RST, PW and MJ and that PH would be invited to attend the Committee but would not be a member in line with the recommendations of the UK Corporate Governance Code,

59. Bank of England recognition submission

PS reported that various submissions had been made to the Bank of England (BoE) over the past few weeks. Tranche 3 - Finance and Recovery & Resolvability would be considered at the Finance Committee due to take place on 20/03/2018.

It was planned to present the submissions to the BoE at the April Board meeting for final sign-off. Tranche 3 documentation would be available of BoardPacks shortly.

PH also reported the Standards document had been revised to address the BoE's questions and the PSR letter and NPSO's response had been shared with the BoE.

60. Bank of England readiness criteria - supplementary information

VG presented documents relating to Board development and a review of Board effectiveness for submission to the BoE ('the Board Development and Effectiveness Review documents'). VG explained that as part of the readiness criteria, the Board was required to carry out an annual review of effectiveness. Individual Directors would be required to complete a skills and competencies matrix in respect of their own performance which would feed into the effectiveness review for the Board as a whole. The suite of documents were designed to put in place a process for this review.

MJ reported that Jenny Crawford (NPSO CPO designate) had compiled a skills and competencies questionnaire for each of the current Board directors for submission to the BoE. The Board agreed that the resulting skills and competencies matrix should be shared with the full Board and VG. **(ACTION: JC)**

The Board considered the NPSO Board Development and Review documents, which included the following:

- Effectiveness Review - Further to AB's suggestion, it was agreed that the review of the overall performance of the Board should be led by the SID or an independent third party, rather than NPSO secretariat and VG agreed to update the documents accordingly. **(ACTION: VG)**
- Effectiveness Review Questionnaire - Further to MJ's request, it was agreed to change the scale for the scoring to 1-5, for consistency. **(ACTION: VG)**
- Skills and Competencies Matrix - Further to AB's query on Part B regarding assessment of the required experience for Directors, it was agreed to update the matrix to clarify that Part B is for the Board as a whole i.e. as a collective. **(ACTION: VG)**
- Skills Self-Assessment Questionnaire - Further to RST's suggestion, it was agreed to update Table A for the scoring of all the skills rather than just the top three. **(ACTION: VG)** It was also agreed to change the scale for the scoring to 1-5, for Table C on Directors' competencies, for consistency. **(ACTION: VG)**

IT WAS RESOLVED THAT the Board Development and Review documents be and are hereby approved, subject to the above changes being made.

The Board APPROVED submission of the Board Development and Review documents to the BoE.

61. Appointment of Auditors

VG explained that the Directors were permitted under the Companies Act 2006 to appoint the first auditors of NPSO, such appointment being subject to confirmation by the guarantors at the first annual general meeting of NPSO. The Board considered the recommendation of the Risk and Audit Committee that BDO LLP be appointed as NPSO's auditors. After due and careful consideration:

IT WAS RESOLVED THAT BDO LLP be and is hereby appointed as NPSO's auditors.

IT WAS FURTHER RESOLVED THAT the appointment of BDO LLP be recommended to the guarantors of NPSO for confirmation at the first annual general meeting.

62. Principles document

MJ presented the letter to the Chairs of the PSOs that set out the principles for inclusion in the PSO Offer Letters. MJ said the arrangement provided NPSO with Ownership and Control. The PSR was broadly comfortable with the approach. PW referred to the statement in the letter regarding the liquidation of the PSOs and stated it was more likely that the PSOs would become dormant. It was agreed to refer to the 'cessation of business' in the formal Offer letters, rather than liquidation. **(ACTION: CB)**

PH raised the point that it was planned for NPSO to take ownership of C&CCC in June, but there were issues that may delay progress. C&CCC had produced a matrix looking at risks and the alignment of T1 and T2. RSA agreed to raise this matter with senior participants, in order that they could engage with C&CCC to prompt discussion, in an attempt to resolve the issue. **(ACTION: RSA)**

Further to MJ's suggestion, it was agreed to arrange a meeting with the C&CCC shareholders, similar to the meetings that were held with FPS and Bacs, to enable another forum for discussion. MJ and PH agreed to write to Jane Bevis, Chair of C&CCC, to inform her of the plan to hold the meeting with C&CCC shareholders. **(ACTION: MJ/ PH)**

It was noted that the letter to the Chairs of the PSOs was sent to Allen and Overy, who had circulated the letter to their clients i.e. the shareholders/members of the respective PSOs.

63. Application for revolving credit facility with NatWest

On funding, PH said there were face to face discussions with eight guarantors and mail and telephone contacts are in progress to follow up with all. Good progress was being made and companies were looking at how they may be able to help. Responses were expected by the end of March.

CB briefed the Board on the option to fund via a revolving credit facility with NatWest. The facility would be for *[Redacted – commercially sensitive]* and Finance explained that there would be *[Redacted – commercially sensitive]* interest payments per year to service the revolving credit facility. It was noted that the revolving credit facility would be considered by the Finance Committee.

After due and careful consideration:

IT WAS RESOLVED THAT the negotiation of a revolving credit facility with NatWest, be and is hereby approved as a funding option.

64. Any other business

There being no further business the Chair closed the meeting.