

NPSO Limited

Minutes of the meeting of the Board of Directors 11.07.18

Directors	NPSO Support
Melanie Johnson (MJ) Independent Chair	Chet Behl (CB) General Counsel
Paul Horlock (PH) CEO (By telephone)	Vanessa Graham (VG) Legal Adviser
Matthew Hunt (MH) COO (By telephone)	Afua Gharban (AG) Secretariat
Rob Stansbury (RST) Senior INED	Jenny Crawford (JC) Chief People Officer
Anna Bradley (AB) INED	Tanya Castell (TC) Director, FPSL (by telephone) (Item 144 to 147)
Peter Wyman (PW) INED	Jo Kenrick (JK) Director, Bacs (by telephone) (Item 144 to 147)
Jean-Yves Rotté-Geoffroy (JY) INED	[Redacted - commercially sensitive]
Richard Anderson (RA) INED	[Redacted - commercially sensitive]
Christine Ashton (CA) INED	[Redacted - commercially sensitive]
Tim Fitzpatrick (TF) INED	[Redacted - commercially sensitive]
Russell Saunders (RSA) NED	[Redacted - commercially sensitive]
Becky Clements (BC) NED (By telephone)	

141. Opening items

MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association. Jenny Crawford, CPO, was welcomed to the meeting. It was noted that RST was appointed as a Director of Hoppa Limited and MH was appointed as a member of the PSR Panel. The Register of Directors' Interests had been updated accordingly. The remaining Directors present confirmed that the Register of Directors' Interests circulated at the meeting was accurate in respect of their respective situational interests. 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. The register of gifts and hospitality was presented and noted by the Board.

(BC joined)

The Board referred to the draft minutes of the 6th June Board meeting. There were a number of revisions proposed, including suggestions from MH and there was discussion on whether it was necessary to redact the section on the BoE Annual review. It was agreed to postpone agreement of the minutes until discussion had taken place with BoE. **ACTION: AG/ MJ**

(AB joined)

The Board referred to the actions table, noting actions that were in hand and those that were completed. On the point at which NPSO should commission an internal review of BCP, PH agreed to come back to the Board with a target date. **ACTION: PH**

142. Strategic Questions in relation to NPA

PH said the paper focuses on what NPSO would expect to do for the industry from an NPA perspective.

The BoE would like to be appropriately involved in the design process and the PSR's expectations should be taken into consideration. Feedback has been obtained from participants in development of the core design drafts and the framework for the questions being asked of board. Referring to the paper, DH said the breakdown of the elements included in the product and the service overlays are being considered. The requirements of a 'basic' core element have been worked through and the opportunity for classification as an 'appropriately sized core' in the market is being looked at. It is being planned that companies (PSPs) with relevant regulatory approval should be provided with accreditation to allow them to access the core. DH suggested that further work was required in relation to procurement and NPSO's role in acting as a 'catalyst'. DH agreed with JY, that an important consideration is how to engage with the market efficiently and economically. DH and PH agreed to look at developing principles as to how the ecosystem would be operating, including relating to why NPSO would provide an overlay service and to look at market dynamics. The executive would return to board with proposals and findings for further discussion in August. **ACTION:**

DH/ PH

(DH left)

143. Open Banking

PH said due diligence work regarding Open Banking (OB) has begun in early stages and Treasury, the PSR and participants are keen to see alignment.

(IG joined)

IG said OB was formed following an investigation into retail banking that was carried out by the Competition and Markets Authority (CMA). IG is Trustee and ensures that good standards are in place in relation to OB. Standards are also being put in place in line with the requirements of the European 'Payments Services Directive 2' (PSD 2) regulations. CMA work broadly covers personal and business current accounts and the below elements:

- Open data - Information Banks should provide on data to anyone, for example; opening times or assistance with finding the most appropriate bank account.
- Re-write API - Enables consumers to give consent to third parties to access transaction data and transact on their behalf.

OB is carrying out support work in conjunction with NPSO, to help with the establishment of Confirmation of Payee. Release 1 of the Open Banking standard was produced in January and three further releases are planned. Release 1 was challenging and a significant amount of work is being done to ensure the customer experience improves. There is a pipeline of over 140 fintech organisations awaiting FCA authorisation.

In response to MJ's query, IG advised it is not intended for the OB entity to always be in existence. It was likely that with the move to business as usual, the entity would not be required and elements of the work would be subsumed into the work of NPSO. In response

to MJ's query on timescales, IG said the programme of work OB will undertake was significantly revised in November. Due to the challenges in Quarter 1, the roadmap is currently being revised. It is planned for a significantly less in-depth version of release 2, than what was initially planned, to be launched in early September. IG expected that the transition of material into NPSO would take place in Quarter 2 or 3 of 2019.

IG said the aim is to have non-CMA banks voluntarily signing up to adopt standards. A significant amount of work will be required to encourage non-PSP banks to sign up. IG wanted to ensure that the CMA9 and Treasury are comfortable before work is begun. PH and IG agreed to pick up on the above. **ACTION: PH/IG**

Following AB's query, IG advised it was expected for OB standards to align with NPSO's standards.

(IG left)

It was noted that NPSO and OB are collaborating and the Board noted the roles of the NPSO and OB in relation to standards.

(RSA, TC and JK joined)

144. CEO's Report

[Redacted - commercially sensitive]

PH referred to the revised ExCo Dashboard which noted TSB issues post their migration and the Bacs issue in relation to facilities management. *[Redacted – commercially sensitive]* It was noted that offers have been made to candidates for the Head of Internal Audit (note Head of Internal Audit appointment is subject to non - objection) and Head of Procurement roles.

145. FPS and Bacs

[Redacted – commercially sensitive]

146. Audit Committee report

RST said the Audit committee reviewed the accounts and the committee was happy to recommend the financial result to the Board. It was noted that the narrative in the accounts was being refined.

The Board APPROVED handover of the Chairmanship of the Audit committee from Rob Stansbury to Tim Fitzpatrick, with effect from the August Audit committee meeting.

It was noted, it was likely that the frequency of Audit committee meetings would change to quarterly in future. The Board noted the minutes of the 20th June Audit committee meeting.

147. Risk Committee report

RST said progress was being made on the strategic risk debate. There is a Risk Executive committee (ExCo) meeting and a Risk ExCo Dashboard report. The Security committee has started to meet and minutes will be presented for Risk committee meetings. *[Redacted – commercially sensitive]*

The Board APPROVED handover of the Chairmanship of the Risk committee from Rob Stansbury to Richard Anderson, with effect from the July Risk Committee meeting.

The Board noted the minutes of the 20th June Risk committee meeting.

MJ thanked RST for his outstanding work on the Risk and Audit committees, operational readiness for NPSO and in his roles as Chair.

MJ thanked TC and JK for their assistance. Further to JK's suggestion, it was agreed to update the Board Agenda Planning Schedule to include the Managed Services Committee.

ACTION: VG

(JK and TC left)

148. Consolidation

UKPA

CB stated that UKPA and C&CCC were consolidated at the end of the month. A useful session took place to establish the relationship with the Trustee of the deferred pension scheme. Provisions of the SPA were amended to include further protection. CB said it is important to understand the implications for the pension on the journey to buy-out. Provisions were built into the SPA to ensure that professional costs are covered. MJ said it is planned to arrange for a professional trustee to complete the buy-out.

C&CCC

On the migration of cheque volumes, CB said it is being arranged for the clearing system to move from paper to imaging. It is targeted to complete migration at the end of September. It was noted that a Paper Decommissioning Working Group has been established and the group comprises representatives from the member banks.

149. Board agenda planning

VG presented the paper setting out the proposed timetable for the approval of the 2018 Financial Statements and the holding of the 2019 Annual General Meeting (AGM). Additionally, the paper included proposals for the holding of annual meetings of the Advisory Councils, for consideration.

The Board considered the suggested date of 10 July 2019 for the AGM. PW proposed that the AGM should take place in September 2019 instead, given that July was the start of the holiday period. RST said the subsidiary accounts should to be approved by June and consolidated accounts would need to be produced. It was AGREED that the AGM should be held in September 2019. VG agreed to update the timetable accordingly. **ACTION: VG**

AB advised that the annual report for each Advisory Council should be presented to the Board for discussion and that this item should be included on the NPSO Board Agenda Planning Schedule. However, an annual meeting of the Councils was not required. AB

suggested that a meeting should be arranged to include end users, participants and NPSO Board members, to enable discussion of Board strategy and NPSO future priorities. RST and MJ agreed that such a meeting would be valuable for forward planning. It was suggested that the meeting could be held after the AGM in September 2019. MJ asked JY and AB to canvass the views of members of the Councils and provide feedback to the Board. **ACTION: JY/ AB**

It was also agreed earlier in the meeting to update the Board Agenda Planning Schedule to include the Managed Services Committee.

150. Delegation of Authority Policy

VG presented the amendments to the Delegation of Authority policy. PH said there are no issues with the financial limits in the policy at present. It was agreed that the limits would be reviewed at each quarterly presentation of the use of the delegated authority to the Board. It was agreed to update the policy to note that MJ signs off INED and NED expenses. **ACTION: VG**

In relation to PH's delegated authority (as CEO), the Board considered whether the policy should provide for authority to be delegated to members of the Executive team in PH's absence. It was agreed to continue as at present, with authority delegated solely to PH for onward delegation as appropriate. It was also agreed to remove the requirement for the CEO to report to the Finance Committee on a monthly basis. **ACTION: VG**

151. Whistleblowing Policy

The Board referred to the Whistleblowing policy that was updated to bring further clarity to the process. After due and careful consideration:

IT WAS RESOLVED THAT the Whistleblowing policy is hereby approved.

151. End-User Council report

AB said the June EUC meeting was not held due to issues with resourcing and the preparation of reports for the meeting. Additional support was planned going forward.

152. Participant Council report

The Board noted the report that was circulated ahead of the meeting. Twelve council members have been selected and the first PAC meeting is planned to take place on 18th July.

(SH joined)

153. GDPR and Data privacy

GDPR Internal Audit update

SH presented the up to date position for the GDPR audit. An update was presented to the Audit committee in June and there were no high risks. The majority of medium risk issues have been reduced to low risk. Approximately 61% of issues are low risk. It is planned to reduce all risk issues to low or zero risk by the end of November 2018. Work is being carried with a view to closing all issues. In response to CA's query, SH said Consent and Data

Subject Rights are important issues that are being looked at. CB suggested that the summary schedule for the GDPR audit should be updated to give an indication of priority for the Audit Themes. **ACTION: SH**

Data privacy

SH said NPSO Board Directors are held accountable for Data Privacy. There is no distinction between Executive and Non-Executive Directors with regard to liability. New offences have been established by the Data Protection Act 2018. It is important for the Board to understand GDPR and their duties under the legislation. Further to MJ's suggestion, it was agreed to prepare a paper providing GDPR information/ responses to the questions in the questionnaire entitled 'Do you really understand GDPR and its implications' and to circulate the paper to the Board. **ACTION: SH/ CB**

(SD and MO joined and SH left)

154. Finance Committee report

The Board noted the summary report and the minutes of the 27th June Finance committee meeting.

Forecast balance sheet

[Redacted – commercially sensitive]

(SD and MO left)

155. Managed Services Committee report

PW said a deep-dive into each of the managed services has begun, starting with CASS. PH and MH are looking at the governance arrangements in CASS. The Board noted the minutes of the 27th June and 23rd May Managed Services committee meetings.

The Board referred to the Managed Services committee Terms of Reference (ToR), which were updated to reflect that the management of all risks continued to sit with the Risk Committee. After due and careful consideration:

IT WAS RESOLVED THAT the Managed Services committee ToR is hereby approved.

156. NPA Programme Board report

Further to RST's observation, MH said that work under Workstream D was yet to commence. RST requested for Workstream D to be included in the report going forward. **ACTION: TY** CA stated that Grant McKenzie, the new NPA Programme Manager, started work in early July.

The Board noted the Progress report and the minutes of the 13th June NPA Programme Board meeting.

157. Director resignation

The Board accepted BC's resignation as a Director of NPSO with effect from the close of the Board meeting. MJ thanked BC for her contribution to the Board, stating that her liveliness

and passion for payments was appreciated and the Board looked forward to working with BC in her new role.

(BC left)

158. Target Operating Model - 2.0

PH presented the paper on the structural and competency elements of the proposed TOM2.0, noting that the timeline for completion of the TUPE process was challenging. The Executive team met recently to discuss key organisational requirements for TOM 2.0. PH advised competencies should be looked at, such that the organisation is structured in a 'fluid' manner. The TUPE consultation process needs to start at the right time in order to meet the required timeline of November. JC stated that extra resource has been hired to support the process, for example a Programme Manager is due to join NPSO. Referring to the matrix structure set out in the paper, PH said the aim was to 'future-proof' the model against the evolution of the strategy. Further to AB's suggestion, PH agreed to look at reflecting the expectations of end users' and participants' in the roles for the TOM 2.0 matrix. **ACTION: PH**

[Redacted – commercially sensitive] It was agreed that work to refine the matrix would continue and that it would be re-submitted at the August Board. **ACTION: PH**

JC said the TUPE transfer is planned for November, but work was already underway to communicate the new structure to employees.

159. Approval of 2017 Financial Statements

The 2017 Financial Statements were presented for approval. PW said the numbers in the 2017 Financial Statements are agreed and that the Financial Statements had been approved by the Finance and Audit committees, subject to a Revolving Credit Facility *[Redacted – commercially sensitive]* being put in place to enable the adoption of the going concern basis. RA noted that additional wording was required to be incorporated into the Finance Statements and it was agreed to instruct the Finance team to update them accordingly.

After due and careful consideration:

IT WAS RESOLVED THAT authority is delegated to MJ, PW and TF to approve the 2017 Financial Statements.

IT WAS FURTHER RESOLVED THAT once the Financial Statements are approved, MJ is authorised to sign the 2017 Financial Statements and the Letter of Representation on behalf of the Board.

IT WAS FURTHER RESOLVED THAT the Notice of Annual Meeting and the Consent to Short Notice of the AGM in the form produced to the meeting are approved subject to correction of the date on which the AGM was to be held and that MJ be authorised to sign the Notice of Meeting.

CA, RA and RST in their capacity as interim Guarantors abstained from voting on the resolutions.

160. Guarantors on-boarding

CB referred to the paper listing the organisations which have applied to become Guarantors of NPSO. CB requested approvals from the Board as set out in the paper and authorisation to on-board Guarantors at the appropriate time (the '**Guarantor on-boarding provisions**'). The Board also accepted the applications of CA, RA and RS to withdraw as interim Guarantors with effect from the entry of the new Guarantors into NPSO's register of Guarantors (the '**Withdrawal of interim Guarantors provisions**'),

After due and careful consideration:

IT WAS RESOLVED THAT the Guarantor on-boarding provisions and the Withdrawal of interim Guarantors provisions are hereby approved.

CA, RA and RS in their capacity as interim Guarantors abstained from voting on the resolutions.

161. AOB

BoE priorities for NPSO

The Board was comfortable with the actions and priorities for NPSO in the 25th May 2018 letter from David Bailey, BoE. On Board effectiveness, MJ stated; it is agreed to do the internal review as planned over the autumn and at the same time NPSO will seek tenders for the external board effectiveness review in the first half of 2019, with the external review to be carried out in June 2019.

Board and Committee membership matrix

It was agreed to update the matrix to show RA as Chair of the Risk committee and TF as Chair of the Audit committee. **ACTION: VG**

The Board noted the 2018 calendar of Board and Committee meetings and the calendar of upcoming consultation responses and green papers.

MJ said it was planned to look at dates to organise for the Board to visit *[Redacted – commercially sensitive]*.

There being no further business the Chair closed the meeting.

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Chair