

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 16.01.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Chet Behl (CB), General Counsel
Anna Bradley (AB), INED	Dave McPhee (DM), Director, Regulatory Engagement & Policy
Christine Ashton (CA), INED	David Gilbert (DG), Company Secretary
Jean-Yves Rotté-Geoffroy (JY), INED	Jenny Crawford (JC), CPO
Matthew Hunt (MH), COO	Louise Rebuck (LR), Corporate Governance Manager
Nathalie Oestmann (NO), NED	Nancy Johnson (NJ), Senior Legal Adviser
Paul Horlock (PH), CEO	Vanessa Graham (VG), Senior Legal Adviser
Peter Wyman (PW), INED	
Richard Anderson (RA), INED	Observers
Rob Stansbury (RST), Senior INED	Justin Jacobs (JJ), Bank of England
Russell Saunders (RSA), NED	Philippa Cohen (PC), Bank of England
Tim Fitzpatrick (TF), INED	
Apologies	

19/01 Opening items

Quorum – MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association.

Conflicts of Interest – 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 the Company's Articles of Association to disclose.

Registers – The Register of Directors' Interests was considered. The Directors present confirmed that the updated Register of Directors' Interests circulated at the meeting was accurate in respect of their respective situational interests.

The register of gifts and hospitality for December 2018 was presented and noted by the Board.

Minutes & Matters Arising – The draft minutes of the 12 December 2018 Board meeting were considered. The manner in which the s.195 review had been recorded was discussed and after deliberation the Secretary was asked to revise the wording and recirculate a further draft for consideration. The minutes were approved subject to the required changes to the discussion of the s.195 report.

ACTION: DG

The Board referred to the schedule of matters arising. It was noted that a discussion regarding the UKPA Pension Scheme would be considered at the February meeting.

AB commented on the fee increases received by the INEDs. MJ confirmed that the increases had been considered by the Remuneration Committee on the recommendation of the management and had been applied to all Independent Non-Executives, with the exception of the Chairman of the Remuneration Committee who, as he was required to vote on the proposal, had not been considered for an increase to avoid any concerns regarding conflicts of interest.

19/02 CEO's Report

PH presented his monthly report and drew attention to the key issues. There had been no significant incidents during the month with systems operating in line with expectations.

The main focus continued to be TOM 2.0 and preparing for TUPE. The TOM 2.0 status remained at Red although a series of live and timely mitigations had helped to keep the programme on plan. All permanent colleagues had been offered an initial consultation by the end of 2018 regarding their mapping outcome. The challenge remained where roles which were in prolonged consultation due to the need for further clarification on role expectation. It was clear that there were a number of roles that would migrate 'as is' on the TUPE date and which would then develop through training and development over time into the expected role. PH stressed that operational safety remained paramount and it was of great importance to have operational clarity throughout. MH confirmed that he would be signing off the operational readiness of the new TOM 2.0 structure and Operations would not move to that structure until this was achieved, even if this happened after the TUPE date. Resolution of a number of critical appointments was currently delaying this work, which was a key driver of the Red status.

RA referred to a number of senior management changes that had been announced and queried the implications for the business. MH provided the background to each and the steps that had been taken to mitigate the departures, including the potential use of secondments.

AB noted that it was possible for a number of individuals to have gone through the TUPE procedure but not completed a move to the TOM 2.0 structure and queried the risk to the business were such an event to occur. PH confirmed that in a worst case scenario that was possible but stressed that for the vast majority of colleagues their work would remain substantially the same post TOM 2.0 until they had been trained on new areas. He further confirmed that development plans were being put in place for colleagues but that the key remained the mitigation of risk and the retention of key skills and knowledge to keep operational areas functioning effectively whilst still allowing some flexibility to develop the future.

RA provided an update on the position in Cheque & Credit regarding participants' readiness for the introduction of ICS.

[Redacted - commercially sensitive]

DM & NJ joined the meeting

MH referred to a note that had been circulated regarding Facilities Management and noted the demands that were being made on the team.

[Redacted - commercially sensitive]

DM & NJ left the meeting

The Executive Dashboard was considered. There were no specific risk issues to bring to the Board's attention that had not been previously covered.

19/03 Legal Dashboard

CB referred to his report and commented on the key issues. The legal team continued to be under high demand. The Legal, Governance & Standards Committee (LGAS) had held its inaugural meeting and it was expected that much of the routine legal reporting would now take place in that forum.

Work continued on the novation process and documents were being processed in readiness for the February cut-over.

[Redacted - commercially sensitive]

CB advised that applications from a further six prospective guarantors had been received. He confirmed that these had been vetted in accordance with the Guarantor On-Boarding Policy and were being submitted to the Board for approval. PH reiterated his desire for the Company to have broad engagement with the retail payments community and for that to be reflected in the diversity of its guarantors, provided that they met the application criteria. It was agreed that a sub-group of RST, AB and NO, in conjunction with PH and the Communications team, be asked to consider how the existing pool of guarantors could be increased. **ACTION: PH**

After further consideration, the six additional guarantors were approved and the Secretary instructed to update the Register of Guarantors and to arrange for the issuance of guarantors' certificates and admission letters.

TF, JJ & PC left the meeting

19/04 Retail Payments Transformation

MJ referred to her paper and highlighted that the growing complexity and cost of change in the retail payments space was causing concern amongst participants, other stakeholders and

regulators. She noted the work that had been done globally to deliver transformational retail payments systems and how lessons learnt could benefit the NPA programme.

PH commented on the competing challenges facing all those engaged in retail payments. The ability to deliver the NPA programme in the face of such challenges was considered and debated. The difficulties of balancing the provision of the existing service in a safe and secure manner whilst at the same time developing new initiatives was considered.

RST reiterated that global comparisons showed that regulators and central banks had often directly driven change to deliver a resilient ecosystem, regardless of the changes that were envisaged. RSA reminded the Board of the PSR's desire for the industry to replace and upgrade technology, with the expectation that a new core infrastructure would allow increased competition. The Board noted that to deliver such a premise could require senior engagement by the regulators to ensure that this happened. There was also a leadership role for Pay.UK to play.

Summarising the subsequent discussion, MJ noted that there was high level support for the principles set out in the paper. There was consensus that as Pay.UK moved from being a catalyst for change to implementing that change through the NPA, regulatory support and authority to galvanise the industry around the PSF objectives would be important.

JJ and PC re-joined the meeting

JC joined the meeting

19/05 Board Effectiveness

MJ advised that following on from the Board Effectiveness review, consideration had been given as to how to implement its findings. RST noted that one area for development was that the Board should have its own set of objectives, in addition to those that were set for the business. He proposed that he review the current Terms of Reference and identify a number of key objectives that could be usefully added to the document for the Board's consideration. This was agreed.

JC noted that the Board had just undergone an internal self-evaluation process and was currently working through the findings. She suggested that it would also be useful to look at future capabilities and proposed that some external guidance be sought to assist with future effectiveness reviews. She suggested that internal work be done to compile a shortlist of potential external facilitators that could be taken to the Nominations Committee in March 2019 for consideration. This would allow the successful candidate to observe the April Board meeting; present their findings to the May Board and for a copy of the report to be provided to FMID in June in accordance with their requirements. This was agreed. PW indicated his willingness to assist JC with the identification of a suitable shortlist if required.

19/06 Board Skills Matrix

The updated Board Skills Matrix was considered and reviewed. It was noted that the matrix had yet to be completed for NO and JC was requested to undertake this as soon as possible. **ACTION: JC**
She was further requested to consider how the Matrix was calibrated and colour-coded.

MJ drew out some of the main themes identified by the Matrix for discussion. In particular, she noted the relative collective lack of procurement experience and it was agreed that it would be helpful to have an externally-facilitated training session on the topic. Similarly, it would be useful to have some external stimulus and challenge with regards to fintech and cyber security to ensure that the Board's collective knowledge remained fit for purpose. There was also a need to ensure that the Board's transformation awareness skills remained apposite, particularly from an HR perspective. NO confirmed that she would be willing to provide an overview of the Fintech space at a future meeting.

19/07 Board Induction Refresher

VG referred to her paper that set out the roles and responsibilities of Directors that had been circulated prior to the meeting. She noted that the paper was intended to act as a reminder of those obligations which had been discussed with each director as part of their initial induction training. She reminded the Board that the obligations and legal duties of Non-Executives were the same as those for Executive Directors.

VG reminded the Directors of their duty to declare any known situational or contractual conflicts of interest as soon as they became aware of them and noted that these were recorded in the interests' register which was reviewed at the start of each meeting. The process for approving any declared interests was noted.

PW queried whether the revised Corporate Governance Code had any implications for the Board. DG confirmed that an analysis had previously been undertaken and that this would be appended to the papers for the next meeting for information. **ACTION: DG**

VG provided a review of recent legislation that had a direct bearing on the Board, noting that the most significant was the General Data Protection Regulation (GDPR) which came into effect in May 2018 and which applied across all EU member states. The Data Protection Act 2018 was introduced in the UK at the same time and aimed to modernise existing data protection law and also to deal with additional processing requirements and the role of the Information Commissioner's Office.

AB queried whether there should be provision in future agendas for the Non Executives to meet informally without the Executive present and MJ agreed to reflect upon the proposal. **ACTION: MJ**

19/08 Delegated Authority

JG advised that an Internal Audit finding required an amendment to Pay.UK's Delegation of Authority. This related to settlement agreements where the requirement was for the Pay.UK

People Directorate to be involved with the sign-off process in addition to the existing sign-offs by the Pay.UK CEO and Pay.UK Chair. This was agreed.

JG left the meeting

19/09 Legal, Governance & Standards Committee Report

RST provided feedback from the inaugural LGAS Committee meeting. He noted that the Committee had been established to act on behalf of the Board and in accordance with its Terms of Reference to consider changes to Scheme rules and Standards, to opine on the legal arrangements between Pay.UK and its suppliers and participants, to oversee internal governance and to oversee the interaction between Pay.UK and its interaction with the retail payments ecosystem.

He noted that following the first meeting, further work was required to refine the Committee's Terms of Reference and that these would be brought back to a future meeting for the Board's consideration once available.

19/10 NPA Programme Board Report

CA updated the Board on NPA matters. She stressed that it was important that the NPA had clear objectives and a clear focus so as to be able to deliver the programme. She highlighted the work being done with regards to procurement and the development of robust and defensible assessment criteria. She noted the input from a number of Non-Executives to support the team with the procurement process. Work was also underway to develop the new architecture framework.

CA advised that the programme team was being encouraged to focus on communications, collaboration, change control and clarity as they developed their processes and relationships with the ecosystem. The team had been challenged to look at the separation of duties between the NPA Programme Board and an Executive Programme Management Group (PMG) to allow the Programme Board to be able to adopt a more strategic focus.

It was noted that the overall programme status remained at Amber, primarily as a result of cost pressures.

JY & AB left the meeting

19/11 Audit Committee Report

The report was noted. RA commented on the recent recruitment into the Internal Audit team.

19/12 Finance Committee Report

PW referred to his report and commented on the substantial progress that was being made by the Finance team and thanked them for their efforts.

19/20 Risk Committee Report

RA advised that cyber continued to be a significant risk. A significant amount of work was being done to contain and address the risk and to develop ISO27002 readiness. It was noted that a Risk “deep dive” was scheduled for the February Board meeting.

The People risk continued to be a concern and was being actively monitored by the Committee.

19/21 Any Other Business

[Redacted - commercially sensitive]

Subsidiary Boards – RA noted that the Boards of Bacs and Faster Payments continued to operate and requested guidance as to the directors’ responsibilities for those entities. He noted that the Boards of those entities would be responsible for delivering TUPE but advised that he required further guidance. CB noted that the process of moving assets and liabilities was ongoing and it would therefore be a further period before the companies could be deemed to be dormant. It was agreed that a formal note setting out the directors’ obligations and the expected timeframes would be drafted and circulated to the Boards of all subsidiaries. **ACTION: CB**

There being no further business the Chair closed the meeting.

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Chair