

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 13.03.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Geoff Close (GC), CRO (items 19/37 – 19/38)
Anna Bradley (AB), INED	Jenny Crawford (JC), CPO (items 19/37 – 19/40)
Christine Ashton (CA), INED	Joe Johnson (JJ), Interim General Counsel
Jean-Yves Rotté-Geoffroy (JY), INED	Louise Rebuck (LR), Corporate Governance Manager
Matthew Hunt (MH), COO	Martine Simmonds (MS), Interim Director of Strategy & Standards (item 19/44)
Nathalie Oestmann (NO), NED	Simon Deschenes (SD), Head of Finance and Operations Support (item 19/42)
Paul Horlock (PH), CEO	David Gilbert (DG), Company Secretary
Peter Wyman (PW), INED	
Richard Anderson (RA), INED	
Rob Stansbury (RST), Senior INED	
Russell Saunders (RSA), NED	
Tim Fitzpatrick (TF), INED	
Apologies	
None	

19/37 Opening items

Quorum – MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association. She noted that this was the first formal Board meeting since the successful completion of the TUPE transfer and thanked and congratulated all those involved – particularly PH, MH, JC and GC who had been responsible for delivery – for their efforts.

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 February 2019 was tabled and noted by the Board.

Minutes & Matters Arising – The draft minutes of the 13 February 2019 Board meeting were considered. Subject to a number of minor corrections and amendments to clarify the text, the minutes were approved.

The Board referred to the schedule of matters arising and noted the progress made. Referring to the technical briefing that had been arranged to follow the formal Board meeting, MJ suggested and it was agreed that the Board would benefit from a discussion regarding ‘access’ at a future Board meeting. **ACTION: DG**

GC confirmed that he would follow up the suggestion that an ‘aide memoire’ be produced that gave an overall picture of the cyber/security work being undertaken and which identified which elements of the cyber/security workplan would be considered where. **ACTION: GC**

19/38 CEO’s Report

PH presented his monthly report and drew attention to the key issues. The successful implementation of TOM 2.0 had been reinforced with a number of office moves to allow the new teams to be physically located together. However, the people transition risk still remained at Red due to some turnover seen over the TUPE period. MH advised that this was not unexpected but that replacements would take a few months to bed in. Referring to the report, TF noted the significant amount of business-as-usual- work that had been delivered whilst the transformation had been taking place and PH commented on the mitigation that had been put in place to ensure the continuing safe delivery of the schemes. The Board noted that whilst the formal TUPE transfer had been implemented, there were still a number of contracts to execute and vacancies to fill to complete the process.

PH advised that discussions with the regulators regarding the NPA Programme continued. The PQQ for the procurement of the new clearing and settlement layer had been raised at meetings with regulators. The Board reconfirmed that the PSF blueprint was an articulation of where the market saw the ecosystem emerging strategically and that the role of Pay.UK was to procure its foundation whilst developing its guardianship capabilities to ensure that the higher layers were able to develop with safety and the relevant support.

It was noted that not all Directors had meetings with the regulators and therefore did not experience any concerns that they had first-hand. It was agreed that a summary of meetings held and the issues raised would be included for completeness in future CEO reports. **ACTION: PH**

PH reminded the Board of the background to the Contingent Reimbursement Model and the current expectations regarding the treatment of ‘no blame’ scenarios and aspirational reimbursement of consumer losses. He confirmed that Pay.UK was happy to work with the industry to identify a way forward but was wary of requests to change scheme rules. Such a change would require consultation with all participants and a full review by the Board. The market may of course be required to take action through regulation, which had been raised with the PSR. The current differing approaches to customer reimbursement adopted by various participants was noted.

RA commented on the encouraging increase in volumes being seen through ICS and advised that the rate of growth was expected to accelerate in the coming months.

GC left the meeting

19/39 Nomination Committee

MJ advised that she had invited AB to join the Nomination Committee given her relevant experience and to ensure that a quorum would be available if required. This was agreed. It was further agreed that PW would chair the proposed Nomination Committee meeting on 28 March in the absence of RST.

[Redacted - commercially sensitive]

JC left the meeting

19/41 Legal Update

JJ referred to the legal dashboard which provided a summary of the activity within the Directorate during the past month.

JJ provided the Board with an update regarding Pay.UK Group Policies and Procedures. She advised that a review of policies had been undertaken prior to novation which had identified that a number of key policies required updating and/or consolidation to ensure consistency across the Group. It was noted that a number of policies had already been reviewed and implemented on 1 March 2019 and that a process of on-going improvement was being introduced to ensure that all policies remained relevant and apposite.

JJ proposed that the authority to approve certain policies be delegated to those Board Committees that had the relevant expertise to effectively analyse and validate them. The Board would be kept apprised of which policies had been approved as part of the monthly Committee reports. This was agreed. The Board noted that there were a number of policies that were deemed to be of such significance that they would not be delegated and were reserved to the Board to approve: these were the Health & Safety, Anti-Bribery & Corruption, Anti-Money Laundering, Anti-Fraud and Modern Slavery Act Policies and this was agreed.

The Board was updated on the current position regarding the Modern Slavery Act. JJ advised that Pay.UK was required to publish a Slavery and Human Trafficking Statement. A short Statement had been drafted for the Board's consideration with the intention that this would be posted on the Company's website, with links from the subsidiary sites, by the end of March 2019. After deliberation, the Board approved the Statement on the understanding that further evaluation work would be undertaken so as to allow a fuller Statement to be brought to the June Board meeting for its consideration.

ACTION: JJ

The Board noted that a nomination had been received in respect of the appointment of a Non-Executive Director to the Board of Cheque & Credit Clearing Company Limited. The appointment had been considered by the Cheque & Credit Board at its meeting on 21 February and the Pay.UK Board was being asked to ratify the decision. After further discussion, the appointment was confirmed.

The Board received an updating report on the current position regarding the UKPA pension scheme. It was noted that no Board action was currently required.

SD joined the meeting

19/42 Pay.UK Capital Reserve Calculation

SD took the Board through the work that had been undertaken to develop a capital reserve recommendation and of the engagement with various parts of the business, culminating with presentations to the Finance Committee. He explained how the various risks facing the business had been analysed in accordance with CPMI IOSCO Principle 15 to develop an appropriate model. This had considered the requirement to hold capital equating to a minimum of six months operating expenses so as to be able to implement the financial recovery plan if a tail event were to crystallise. To this figure, an amount to cover credit risk exposure had been added to derive the total capital reserve calculation. [Redacted - commercially sensitive] PW acknowledged the significant amount of work that had been done by the finance team to deliver the capital reserve calculations in the required timescales and provided feedback from the Finance Committee on the process followed and the outcome. After further deliberation, the Board supported and approved a Capital Reserve figure [Redacted - commercially sensitive] subject to discussion with FMID.

The Board considered how the required capital figure would be accumulated. PW reminded the meeting that the current budget allowed for the figure to be built up over a three year period. RSA challenged as to whether participants were aware of the level of contributions required and MH confirmed that participants had been warned that the current level of capital accumulation was likely to continue for a small number of years.

PW noted that a discussion would be required in due course as to the form in which the accumulated capital should be held.

SD left the meeting

19/43 Open Banking

PH provided an update regarding the discussions with Open Banking. Workshops continued to understand areas of synergy. It was noted that there was no pressing requirement to make any decisions in the short term although the Board noted the dependency of the CoP programme on

the delivery of the necessary access to the directory by Open Banking. The position of the CMA9 with regard to their on-going funding responsibilities was noted.

MS joined the meeting

19/44 KPIs

MS commented on the draft KPIs that were contained in the meeting pack. She noted the valuable feedback that had been received following engagement with the EUAC and PAC on the KPIs. There had also been interaction with the Risk team. Work had also been undertaken on the required outcomes and KRIs. The intention was to hold more detailed meetings with each of the Directorates in turn to understand which of the KPIs were appropriate for that area. MS advised that the proposal was to bring a more refined set of KPIs to the Board strategy session in September.

The Board queried how measurable some of the proposed KPIs were and highlighted the need for data to be available to be able to validate the indicators. There was also a requirement to be able to recalibrate the indicators throughout the year in the light of actual experience. The Board confirmed that the KPI and KRI framework needed to be validated against the risk framework. It was further suggested there should be a KPI surrounding the way in which the business responded to operational incidents once the incident response process had been finalised.

TF noted the significant cultural change that the business was going through and challenged as to whether there was sufficient resource available to be able to undertake all of the work envisaged regarding the KPIs. MH advised that whilst the Executive had agreed the proposed draft KPIs as an aspiration, it had yet to consider how these might be delivered in detail but was keen to share the current thinking with the Board. The likely outcome was the set of available data gradually increasing over time.

NO highlighted the number of KPIs that were being proposed and the significant amount of work that would be required to monitor and report on them. She suggested that a number of the indicators were not quantitative and queried how those might be monitored and validated.

After discussion, the Board acknowledged the amount of work that had been undertaken to produce the draft KPIs and to assimilate them into one document. However, it counselled that it was not practical to monitor all effectively and suggested that a hierarchy was required to allow focus on a small number of key, prioritised, indicators. PH confirmed that this advice would be taken forward and incorporated into the next stage of development.

MS left the meeting

19/45 End User Advisory Council Report

AB advised that the Council had not met since the last Board meeting. A copy of the draft Council Annual Review had been produced which set out the advice that the EUAC had been able to provide to Pay.UK during the year and the engagement that the Council had undertaken on such topics as CoP and RtP. She noted that the report contained a number of positive statements regarding the way in which Pay.UK had responded to advice from EUAC.

19/46 NPA Programme Report

CA referred to her report and the draft NPA Programme Board minutes that had been included in the meeting pack for information. She noted that now that the TUPE novation work had been completed, further work was required to fully integrate the work of the NPA Programme into the Pay.UK business. MH confirmed that the Executive were aware of the need and that more Executive time would be focussed on the NPA.

CA commented on the work that had been undertaken on design for the new architecture and also the detailed work that had formed part of the PQQ process to procure it. The team were also focussed on resources and the need to free up additional headcount into the NPA Programme.

CA noted that an Internal Audit report had been produced following an audit of the NPA Programme and that this was currently being considered.

19/47 Audit Committee Report

TF referred to his report and commented on the main issues. The 2018 Audit Plan had been completed with the issuance of the two final reports – one on C&CCC governance, the other on governance in NPA. He commented on the quality of the new team and advised that it had been possible to close off the FMID finding 18-03 regarding resources ahead of plan.

19/48 Risk Committee Report

The Committee's monthly report was noted. RA commented on the ICS incident which had occurred and which had impacted settlement for one day. The incident had been handled well by the team.

19/49 Finance Committee Report

PW referred to his report and advised that there were no specific matters to bring to the Board's attention.

19/50 Legal, Governance and Standards Committee Report

Noting his report, RST advised that the Committee had received a horizon-scanning piece from the Regulatory team for the first time at its meeting which was well received. There would be greater focus on Standards at future meetings.

19/51 Remuneration Committee

RST advised that the Committee had not met since the last Board meeting.

19/51 Nomination Committee

MJ updated the Board and advised that RSA had consented to join the Board of UKPA. She reminded the meeting that RSA had previously been a Director of UKPA and was fully aware of the current matters before it. The Board was pleased to confirm the appointment.

19/52 Any Other Business

2020 Board dates – MJ advised that work was underway to set the 2020 Board dates. The current intention was to continue with monthly meetings but with the caveat that arrangements for meetings over the Christmas/New Year period and over the Summer would be considered nearer the time in the light of requirements. RST supported the proposal and requested Committee Chairs to engage with their respective Executives before the 2020 Committee meetings were set to ensure that the proposed meeting cycle met with their requirements. MJ confirmed that Committee Chairs had reasonable flexibility, in consultation with the business, to vary the meeting cycle as appropriate.

Future Agendas – the draft agenda for the April 2019 Board meeting, the meetings calendar for 2019 and updated agenda planning schedule were noted.

There being no further business the Chair closed the meeting.

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Chair