

## NPSO Limited

### Minutes of the meeting of the Board of Directors 05.09.18

Directors	NPSO Support
Melanie Johnson (MJ) Independent Chair	Chet Behl (CB) General Counsel
Paul Horlock (PH) CEO	David Gilbert (DG) Secretariat
Matthew Hunt (MH) COO	Afua Gharban (AG) Secretariat
Rob Stansbury (RST) Senior INED	Tanya Castell (TC) Director, FPSL (Item 177 - 183)
Anna Bradley (AB) INED	Simon Honey (SH) Data Protection Officer (Item 184 - 185)
Peter Wyman (PW) INED	Martin Otley (MO) Financial Consultant (Item 186)
Jean-Yves Rotté-Geoffroy (JY) INED	Simon Deschenes (SD) Finance Programme Director (Item 186)
Richard Anderson (RA) INED	
Christine Ashton (CA) INED	
Tim Fitzpatrick (TF) INED	
Russell Saunders (RSA) NED	

#### 177. Opening items

MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association. It was noted that CA had been appointed as a Director of Cogventive Limited and the Register of Directors' Interests had been updated accordingly. TF declared that his role as a mentor to Lynq had ceased, as the work was complete. It was agreed to update the register of Directors' Interests in respect of the above. **ACTION: DG** 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.

The draft minutes of the 8<sup>th</sup> August Board meeting were approved. The Board referred to the actions table, noting actions that were in hand and those that were completed.

CB advised that following discussion at the previous Board meeting, work was in hand to establish a Legal, Governance & Standards Committee. This would be a formal Committee of the Board and Terms of Reference were being drafted for consideration at the next Board meeting.

RST reported that meetings had been held to progress the Board Effectiveness Review process. It was anticipated that the main part of the Review would be undertaken by way of an on-line survey.

#### 178. Legal Dashboard

The Board noted the Legal Dashboard, which set out ongoing legal matters. CB highlighted the significant volume of work currently being undertaken by the team and advised that generally progress was good. CB agreed to update the Dashboard to include a RAG status

and to highlight specific issues for the Board's attention where necessary. He would also indicate where successes have occurred. **ACTION: CB**

The Board noted the reference to Cash Services under the UKPA section of the Dashboard. It was planned to present a paper on the future strategy for the resourcing service provided to Cash Services, to the Board at a future meeting.

### **179. Legal Structure**

CB presented the proposed NPSO Group structure. CB said assets and staff etc. will move into NPSO from subsidiary companies. CB said some entities will then either be appropriately struck-off or be retained as dormant entities for name protection purposes. All in-scope employees from subsidiary companies will come into NPSO via TUPE. The 'Core' payments infrastructure includes Bacs, FP and C&CCC. Products/ Overlay Services (e.g. CASS) are set out in the proposed structure. It is planned for all business operations to sit within the NPSO company. Paym and UTSP will be promoted to be under the direct control and responsibility of NPSO Board (as they were under previous company arrangements) and will have ring-fenced financial accounting/ reporting. The potential for future demands on the structure was discussed and what may be required for NPSO to act as a catalyst for the market. It was noted that if required at any point, an entity to house innovation and technology services could be created if required in the future. After careful consideration the proposed NPSO Group Structure was approved.

*(RSA joined)*

UKPA would continue to house the defined benefit pension scheme and building lease.

CB advised that there were a significant number of contracts that need to be novated into NPSO as part of the novation of the three schemes. The Board noted the challenging schedule with regard to the novation of contracts into NPSO and CB explained that the focus would be on novating the material contracts in accordance with the commitments given to regulators. Summarising the subsequent discussion, MJ noted the challenges facing the Legal team to novate the contracts and the pragmatic approach that had been taken. The Board confirmed that it was comfortable with the risk appetite.

### **180. ICS Migration Update**

MH reminded the Board that the NPSO had inherited the live Image Clearing System (ICS) and highlighted the volumes currently passing through it. He advised that participant banks had now committed to a timetable that would initially see the introduction of in-clearing as the foundation step to industry adoption and subsequently out-clearing targeted by the end of November. The work done to support the migration by MH and PH in various fora was noted. The contingency planning currently underway regarding the current paper clearing process was noted.

### **181. CEO's Report**

PH said the running cost impact of TOM 2.0 had not yet been determined but that the intention was to maintain the overall consolidated operating costs at similar levels. Section

195 work on the NPSO financial model was progressing. PH referred to the 3<sup>rd</sup> August letter that NPSO had received from the Bank of England, regarding next step requirements for the NPA. PH's draft response to the letter was circulated ahead of the meeting and was being updated in accordance with feedback received. It was planned to send the response letter to the Bank shortly. PH had met with the 'Retail Heads' (senior representatives from the CMA9 institutions), with the collaborative support of UK Finance, to discuss the direction with regard to strategic developments around Open Banking. *[Redacted, commercially sensitive]*

TC noted the possible concentration concern from individual gateway providers and the importance of considering the risks to the payments ecosystem. She observed that the reported delay to the assurance policy for aggregators was a potential concern given that this had been originally due some time earlier and could be indicative of stretch within FPS. MH clarified that there was indeed stretch in FPS following the way the FPS company had implemented TOM 1.0 and the response to the July incident. This was being actively monitored and additional support had been identified.

In reference to current scheme operations, a new senior participant forum has been set up for executive members to give their views on NPSO operational matters. A further Section 195 review is planned in relation to the July FPS incident and is due to be completed by the end of the year. PH noted that the management were very aware of the impact that the incident had had on the demand on colleagues and commented on the steps being taken to provide support in that area.

The Board noted the ExCo Dashboard that was circulated ahead of the meeting. PH confirmed that the Dashboard would continue to evolve to provide the Board with a more balanced understanding of key areas of concern or successes achieved.

### **182. Risk Committee Report**

RA advised that a Special meeting of the Risk Committee was planned to take place ahead of the 27<sup>th</sup> September Risk Committee meeting to consider the key findings from the internal PIR (Post Incident Review) of the FPS incident. It was noted that Quantitative Schedule Risk Analysis (QSRA), a forecasting methodology, was being introduced for NPA and analysis work has begun. RA said QSRA will be useful for monitoring the timelines for the completion of work. The Compliance Risk Dashboard separates Legislative and Regulatory priorities and shows the position for thematic reviews. The Board noted the draft minutes of the 22 August Risk Committee meeting.

### **183. Audit Committee report**

TF advised that following a strategic review, future audits would be prioritised and driven by risk profile with resources being allocated accordingly. Phil Hart had joined NPSO as Director of Internal Audit at the end of August and his induction was underway. The current contracted Interim Head of Internal Audit, had been retained until the end of the year to allow for an orderly handover. TF advised that he had been in discussions with the Chair of the C&CCC Finance & Audit Committee regarding transfer of knowledge and process. It had been agreed that the Audit elements of that Committee would cease once the one outstanding audit had been considered and closed at its next meeting in early October. PW

confirmed that the C&CCC Finance Committee would be required to operate until the Cheques business was transferred, given its responsibilities for matters such as pricing and the financial statements. The Board noted the draft minutes of the 22 August Audit Committee meeting.

*(SH joined and TC left)*

#### **184. GDPR**

The Board noted the White paper on GDPR and its implications and the paper on the priority of GDPR obligations, both papers that were requested at the July Board meeting. The Board were invited to send any feedback on the above papers to SH following the meeting.

Referring to the GDPR Internal Audit update, SH said it was planned for a new, fully encrypted HR system to be implemented. The Board discussed the report and noted there were outstanding issues to be resolved. SH agreed to set out the risk mitigation and related action that was being taken in the report for the next meeting. **ACTION: SH**

#### **185. NPSO Board Delegation of Responsibilities**

The Board referred to the paper setting out recommendations regarding how the responsibilities for approving and reviewing policies should be split between those that should be reserved to the Board, and those that might be delegated, on a balanced basis, between relative importance of the policy, and relevant expertise within Board committees or executive management committees.

After discussion, it was agreed to update the paper and present a revised version to the October Board meeting: **ACTION: SH**

*(SD and MO joined and SH left)*

#### **186. Budget and Funding**

SD circulated the paper on the Draft 2019 budget and funding requirements to the Board.

*[Redacted – commercially sensitive]*

*(SD and MO left)*

#### **187. Target Operating Model - 2.0**

Communications regarding TUPE had been provided to staff at the recent Town Hall meeting. PH noted the significant technology and strategy development demand on NPSO in the next few years and this is recognised in the key additions apparent in the proposed operating model. *[Redacted – commercially sensitive]*

#### **188. Advisory Councils**

The Board **AGREED** the recommendation to set up a yearly joint meeting of EUAC and PAC with the NPSO Board, with a view to identifying trends for future end user benefits and business cases for participants to engage.

The Board noted the Participant Council report.

**189. Monthly reports**

The Board noted the below reports:

- Finance Committee report and the draft minutes of the 28<sup>th</sup> August Finance Committee meeting.
- Managed Services Committee report.
- NPA Programme Progress report.

**190. AOB**

The Board noted the Regulatory Affairs Dashboard, the 2018 Committee calendar and the Board agenda planning schedule.

MJ said the Board Strategy Half Day is scheduled to take place on 21<sup>st</sup> September  
*[Redacted – commercially sensitive]*

There being no further business the Chair closed the meeting.