

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 08.05.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Geoff Close (GC), CRO (items 19/75 – 19/82)
Anna Bradley (AB), INED	James Whittle (JW), Head of Standards (item 19/78)
Christine Ashton (CA), INED	Jenny Crawford (JC), CPO (items 19/75 – 19/78)
Jean-Yves Rotté-Geoffroy (JY), INED	Joe Johnson (JJ), General Counsel
Matthew Hunt (MH), COO	Martin Otley (MO), Finance (items 19/79 & 19/80)
Nathalie Oestmann (NO), NED	Martine Simmonds (MS), Director of Standards & Strategy (items 19/75 – 19/78)
Paul Horlock (PH), CEO	Vanessa Graham (VG), Senior Legal Counsel
Peter Wyman (PW), INED	David Gilbert (DG), Company Secretary
Richard Anderson (RA), INED	
Rob Stansbury (RST), Senior INED	Observers
Russell Saunders (RSA), NED – by telephone	Catherine Stalker, Independent Audit Limited
Tim Fitzpatrick (TF), INED	Jane Hayes, Independent Audit Limited

19/75 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 April 2019 was tabled and noted by the Board.

Minutes & Matters Arising – The draft minutes of the Board meeting held on 10 April 2019 were considered. Subject to the final paragraph of section 19/56 being redrafted to clarify the text, the minutes were approved.

The Board referred to the schedule of matters arising and noted the progress made. MH advised that he continued to engage with other infrastructure providers to learn from any lessons that they were able to share regarding crisis management.

19/76 CEO's Report

PH presented his monthly report and commented on the main points. The key areas of focus during the month had been on strategy, considering the correspondence received from FMID regarding the NPA procurement, and the ongoing debate regarding APP scams.

The pace of engagement of and level of demand into the Standards & Strategy team had significantly increased as recruitment into the team continued. The Communications team was also increasing its activity, particularly with stakeholder engagement.

PH advised that the diagnostic work on culture undertaken by external consultants appeared helpful and would be used as the basis for further work with colleagues. RA noted that it was for the Board to own and set the tone for the culture of the Company and JC confirmed that the intention was to fully engage with the Board, the work done to date being primarily a data capture exercise to support and inform future decisions.

The Board considered a letter dated 30 April 2019 that had been received from the Bank of England regarding the NPA. During the ensuing discussion, the Board deliberated the points covered by the letter and Pay.UK's ability to evidence, in dialogue at all levels, the work that had been done in response to each of the points raised. The benefit of continuing with the tripartite meetings with both regulators was highlighted to ensure a consistency of messaging and understanding was achieved. It was agreed that the executive should draft a response to the Bank incorporating the points raised.

ACTION: PH/MH

PH updated the Board regarding the work that was being undertaken in response to concerns that had been raised by participant bodies as to how the industry should react to the issue of APP scams. Wider industry debate was currently focused on whether changes as a result of the voluntary code should be introduced by way of a mandatory change to scheme rules, regulation, or some other alternative. The Board noted that if a formal request was received to implement a change to scheme rules then it would be necessary to undertake a full consultation with participants. It was noted that the matter had been discussed in detail at the recent Legal, Governance & Standards Committee meeting.

MS referred to her paper that set out the Foundation Strategy Priorities and commented on the key outputs that had been identified. She advised that the Priorities were being developed in readiness for the Board's strategy day in September. As part of that process, she would be looking to engage with Directors individually to seek their input. The Board noted and agreed that it was appropriate to refine and recalibrate the current strategy and the related deliverables given the pace of change since the original priorities were put forward. In particular, it would be useful to ensure that the prioritisation was well defined so that should there be insufficient capacity to achieve all the desired outcomes it was clear where the focus should be.

It was agreed that the Foundation Strategy Priorities document, illustrating progress, be brought back to the Board on a bi-monthly basis.

19/77 NPA lessons learnt from ICS

PH referred to the paper from the NPA team that set out the practical steps that had been taken in the light of the lessons learnt from the ICS implementation in Cheque & Credit and captured in the external consultant's report, previously discussed by Board. The Board noted that whilst that report could not yet cover the full implementation, it was pleasing to see that the issues that had been identified had been considered by the NPA Programme and reflected in their processes.

RA observed that there were further lessons that had been identified beyond those referred to in the paper relating to culture, governance and communications and suggested that a further review would be helpful. After discussion, it was agreed that RA engage with the Director of Internal Audit to review the points raised by the original audit and how these could contribute to a complete and up to date summary of lessons learnt. **ACTION: RA**

MS & JC left the meeting

JW joined the meeting

19/78 Quarterly Standards Authority Update

JW referred to his report and commented on the key issues. He noted the work being undertaken by the Standards Authority in respect of the ISO20022 accreditation for the NPA and the unique choices that were available for its implementation. He highlighted that robustness and resilience were fundamental to the process, which would be implemented in a controlled manner.

MJ queried whether there was a need for rich ISO20022 functionality from the outset and JW explained that some participants would prefer to have such functionality as it allowed better communication and they had – or were developing – propositions that would benefit. It was for the Standards Authority to set the parameters and consideration was being given as to how these could be set as optionality to progress at different speeds was a key part of the overall offering. However, as optionality drove the cost, current thinking was to initially use a tightly controlled core message that could be used by all. The key driver was to ensure that the system was accepted as being safe and it was suggested that the use of stage gates could assist with that process.

RSA suggested that the requirements of the regulators, participants and tax authorities would need to be clearly captured and articulated as part of the process.

JW confirmed that as views regarding ISO2022 developed he would be reporting back to the Board and to LGAS on a regular basis. The views of the participants on the Participant Advisory Council and End User Advisory Council would be sought as part of the process.

JW left the meeting

MO joined the meeting

19/79 Annual Budget 2020

MO provided an initial, high level overview of the expected budget for 2020 and explained that participants had asked for an early indication of the likely costs so that they could factor that into their own budgeting processes. He stressed that the budget continued to be work in progress but that the headline figures were sufficiently robust to be shared with suitable caveats.

MO took the Board through the funding 'bridge' that had been circulated with the meeting papers and commented on the key elements, noting those elements that were volume driven or the basis for assumptions where these had been required. It was noted that the funding request included an element for the NPA programme.

MH commented on the on-going requirement to raise capital and confirmed that this would continue in 2020. It was noted that FMID had yet to opine formally on the capital raising element but that it was felt to be prudent to continue to raise capital on the same basis as the current year in any event. PW confirmed that it was the view of the Finance Committee that the business should continue to build its capital position to meet any unforeseen events.

After further discussion, the Board supported the proposal for the initial, high level budget to be shared with participants to aid their own budgeting processes.

19/80 Payment of Invoice

MO advised that a payment [Redacted - commercially sensitive] in respect of the ICS programme was due but was in excess of the delegation of authority limits. He confirmed that the payment was in accordance with the contract signed with the supplier and was within budget. The Board confirmed that the payment be made.

MO left the meeting

19/81 General Counsel's Report

JJ referred to her report and commented on the salient points. The Directorate continued to be busy supporting a number of different workstreams across the business.

JJ drew attention to the amended Anti-Bribery and Corruption Policy that had been submitted for the Board's consideration and highlighted the main revisions. It was noted that the Policy covered the approach for dealing with gifts and hospitality. RST queried the wording regarding the making of political or charitable donations and JJ explained the rationale behind the proposed approach. The Board confirmed that whilst political donations would never be made, it accepted that there could be occasions when a payment could be deemed to be charitable and on that basis confirmed that the Policy be approved as submitted.

The Board confirmed that the approval of the Consolidation Policy be delegated to the Finance Committee to consider on its behalf.

19/82 Fintech and Digital Update

NO provided the Board with a ‘teach in’ on the current Fintech and digital landscape.

The Board considered an important aspect for Pay.UK was to consider likely innovation from a systemic risk management standpoint, including what various innovations might mean for the underlying “rails” of the payment system.

Concluding the review, MJ suggested that the Board should consider how it wished to engage with the growing Fintech market and whether the constitution of the existing Advisory Councils be reviewed or whether a separate forum should be considered to better understand the needs and requirements of this group.

GC left the meeting

19/83 Guarantors

The Board considered the updated Guarantors Policy which had been submitted for approval. MH drew attention to the revised section regarding liabilities. The wording reflected proposed changes to the Company’s Articles that would be put before the Guarantors at the Company’s Annual General Meeting later in the year. After further review the revised Guarantors Policy was approved.

PH referred to the application that had been received from Access Systems (UK) Limited t/as AccessPay, a Fintech who wished to become a Guarantor. He noted the due diligence that had been undertaken and advised that the firm had also attended several roundtable events and was very supportive of Pay.UK and its objectives. After due consideration, the application was approved and the Secretary was authorised to update the Company’s register of guarantors and issue an admission letter and Guarantor certificate.

A paper considering how the current pool of Guarantors could be expanded was considered.

19/84 Terms of Reference

The revised Terms of Reference for the Nomination Committee were considered and approved.

19/85 Committee Reports

The various reports submitted by the Board’s standing Committees were accepted and noted as submitted.

There being no further business the Chair closed the meeting.

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Chair