

**Pay. UK Limited****Minutes of a meeting of the Board of Directors held on 14.08.2019**

<b>Directors</b>	<b>Attendees</b>
Melanie Johnson (MJ), Independent Chair	David Bailey (DB), Executive Director FMID
Anna Bradley (AB), INED	Joanna Bibby-Scullion (JB), Senior Manager FMID
Christine Ashton (CA), INED	Philippa Cohen (PC), Manager FMID
Jean-Yves Rotté-Geoffroy (JY), INED	Diliana Robertson (DR), NPA Lead FMID
Matthew Hunt (MH), COO	Alison Kelly (AK), Senior Supervisor FMID
Nathalie Oestmann (NO), NED	Joe Johnson (JJ), General Counsel
Paul Horlock (PH), CEO	Kate Frankish (KF), Director, Standards & Strategy
Peter Wyman (PW), INED	Dan Smith (DS), Head of Procurement
Richard Anderson (RA), INED	David Gilbert (DG), Company Secretary
Rob Stansbury (RST), Senior INED	Jacqueline Nile (JN), Secretariat
Russell Saunders (RSA), NED	Nauka Patel (NP), Berkeley Partnership
Tim Fitzpatrick (TF), INED	James Whittle (JW), Head of Standards Authority
	David McPhee (DM), Director, Regulatory Engagement & Policy
	Tim Everest (TM), General Manager, C&CCC
	Peter Sparkes (PS), Risk Director, C&CCC
	Chet Behl (CB), Strategic Adviser

**19/109 Opening Items**

Quorum – The Chair 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 gifts and hospitality for July 2019 together with the Directors Conflicts of Interest register were tabled and noted by the Board. It was agreed that future versions of the Conflicts of Interest Register would correlate to the new Conflicts of Interest Policy that had been issued.

Minutes & Matters Arising – The draft minutes of the Board meetings held on 10 July & 25 July 2019 were reviewed and considered.

The Board referred to the schedule of matters arising and noted the progress made. RA advised that the process to recruit a new Head of Security was progressing.

## **19/110 Bank of England presentation**

[Redacted - commercially sensitive]

*DB, PC, JR, SB & AK left the meeting*

## **19/111 CEO Report**

PH noted the number of papers that had been put forward as part of the report and suggested that that was an indication of the wide and varied work currently underway in the organisation.

PH confirmed that the ICS project had completed and recorded the Board's thanks to RA for stepping in and guiding the Cheque & Credit Board through the process.

PH reported that demand was beginning to be seen for funds from the Innovation Fund. He reminded the Board of the rationale for the fund and noted that its allocation remained within his delegated authority. Accepting that funding was required for existing ideas within Pay.UK, AB queried the parameters for the Fund, noting that a further demand on the monies should be from entities in the ecosystem that were looking for seedcorn to assist the development of their ideas and products. It was agreed that the matter should be considered further at the forthcoming Strategy Day.

*CB joined the meeting*

The paper relating to the launch of Confirmation of Payee (CoP) was considered. The Board noted that the PSR Direction relating to CoP had now been issued and the business had been busy developing the necessary standards and rules to support it. CB took the Board through the work done to deliver the documentation suite and how this had been developed in conjunction with the legal taskforce who had provided industry feedback.

AB queried the benefits of the proposal, as detailed in the meeting pack, to end users. PH explained that CoP was the first overlay service to be delivered and it had used the liability caps in the existing services as a benchmark. Noting that the paper focussed on the executional aspects of the proposal, NO suggested that the Board should be engaged with the strategic ramifications and the need for there to be standards in place, rather than the mechanics.

After further discussion and debate, the Board confirmed that CoP be launched but laid down helpful guidance for future projects such that the liability position for any overlay that was being considered should be considered by the Risk Committee and LGAS should oversee any Rule or Standard implications.

Noting that CB would be shortly leaving the organisation, MJ thanked him for his contribution to the establishment of NPSO/Pay.UK during his tenure and on behalf of the Board wished him well for the future.

*CB left the meeting*

PH referred to his paper on APP scams. He noted that the matter had been delegated to the Executive to take forward but had wanted to sight the Board on the proposed consultation questionnaire. DM advised that there had been close liaison with UK Finance on the questionnaire and that LGAS had been helpful in providing guidance as to the approach to be adopted. DM noted that given the topic, a uniformity of response was not expected and that great care had been taken to ensure that the language of the questionnaire was as neutral as possible so as to allow for a full range of responses and not prejudice the outcome. JJ confirmed that external counsel had been engaged to ensure that there were no unintended Competition Act consequences caused by the wording. RA noted that the risk had been considered and understood that there was no intention to take on any liabilities but to merely act as the charging instrument.

PH updated the Board regarding the discussions with Open Banking. He advised that the position of the two entities had continued to diverge since the initial suggestion of a merger and that such an outcome was no longer realistic. He confirmed that OB continued to provide services to Pay.UK on a third party basis. RSA queried the position of the CMA9 regarding the outcome and PH confirmed that he had spoken with them and that they were broadly supportive. The Board confirmed that no further action was required.

PH provided the Board with an update regarding the suspension of Ipagoo from the Bacs and Faster Payments schemes. He advised that the Executive's recommendation was to take no further action but to continue to monitor the position and await an update on the administration process. The Executive's recommendation was agreed.

The Regulatory Update that had been circulated for information was noted. Similarly, a note setting out the current resources engaged on the NPA which had been requested at a previous meeting was also noted.

The Quarterly Strategic Update was reviewed and considered. MH noted that the Update was intended to provide an agile view of the current initiatives underway within the organisation to provide further oversight to the Board. The format of the report was welcomed and the content noted.

*DM left the meeting*

*TE & PS joined the meeting*

### **19/112 Closure of Paper Clearing**

RA introduced the discussion, advising that all participants had now successfully migrated to ICS and that work was now focussed on the closure of the paper clearing operation without causing detriment to participants. He highlighted the significant work undertaken by TE and the Cheque & Credit team to deliver the project.

RSA acknowledged the work that had been done to migrate the systems and queried whether all stakeholders understood that paper clearing would not be a contingency option in the event of issues with ICS. Following a brief discussion the board was satisfied that this was not a barrier to closure.

TE referred to his paper proposing the shutdown of paper clearing and highlighted the proposal for a 30 day standstill period before decommissioning was completed. He explained that this was a contingency, given that scheme closedowns were very rare, to ensure that there were no residual issues that emerged before closure was completed.

After careful consideration, the Board confirmed that paper clearing be shut down in the manner described in the supporting Board paper.

The Board thanked all involved with the migration to ICS.

*TE & PS left the meeting to acclaim*

*DS joined the meeting*

### **19/113 NPA Procurement**

*RSA declared a potential conflict of interest and left the meeting for this item*

[Redacted - commercially sensitive]

*DS left the meeting*

*RSA re-joined the meeting*

*KF & JW joined the meeting*

### **19/114 ISO 20022**

JW noted the significant opportunity that the introduction of ISO 20022 presented. He reminded the Board of the consultations that had taken place and how the Standards work that had been undertaken would feed into the capabilities of the NPA Programme.

JW took the Board through the various enhancements that had been introduced and the need for these to be 'future-proofed' so as to be fit for purpose.

It was agreed that careful analysis was needed in order to deliver end user benefit whilst maintaining operational stability and managing transition risk. As part of this, it was important to understand what enhanced optionality participants actually required as was the need to consider end-to-end user needs.

RA suggested that some use examples would be helpful to aid the Board's understanding of the decisions required and it was agreed that these could be included as part of the strategy session in September. AB provided feedback from the EUAC where the consensus was that further work was required to develop use cases. The Committee had further suggested that examples for different user groups (such as utilities) would be beneficial. **ACTION: KF**

*KF left the meeting*

JW advised that there was an on-going process of consultation and engagement to build evidence in support for a range of new enhanced capabilities being standardised by the NPA Core Standard (ISO 20022). A key consideration related to which enhancements may need to be mandated within the NPA in the initial phases of transition. These decisions were in fact strategic and should be carefully considered in the context of business propositions and end user benefits. RST suggested that there should be a clear case to mandate enhancements that will achieve improvements in robustness and resilience, whereas optional usage may also be relevant to facilitate innovation by the market.

RST suggested that the role of LGAS in the process would be key and that further clarity as to its authority would be required. He suggested that all decisions of a mandatory nature could be effectively dealt with by LGAS whilst those where finer commercial judgement was required should be referred to the full Board.

*JW & JY left the meeting*

*NP & DS joined the meeting*

### **19/115 NPA Programme Update**

PH introduced the presentation, noting that in response to the independent assurance review, planning for the reset activity was underway.

MH noted that implementation of the review would be led by Mike Owen, who had been appointed as Interim NPA Director. He acknowledged the work done by the existing team to progress the review to date and thanked them for their efforts.

NP summarised the review's main findings and key recommendations. She confirmed that the team was working with Communications to develop an agreed approach for engaging with participants. A number of workstreams had been established by the Senior Leadership Team (SLT) to focus on the key activities to progress the report's findings and it was noted that work was

ongoing to identify the priorities within these. PH highlighted that the NPA Programme had a number of key dependencies on other areas of the business, which reflected the federated model that was being used to deliver the core elements of the Programme. He confirmed that further work was required to ensure that the matrix model was working as intended.

PH advised that both Regulators had requested a copy of the independent review and noted that this would be provided with a covering note to provide the context. He noted that regular meetings with both Regulators were ongoing and that these would be used to provide a commentary.

MH reiterated the need to be as open with participants as possible throughout the process and to engage with them. RSA advised that several of the larger participants were looking for greater engagement as they were looking to finalise their own budgets for 2020. Acknowledging the position, PH noted that the headline budget numbers were known but stressed that the reset was required to ensure that the necessary foundations were in place to develop the plan further.

MH noted the existing budget for the NPA and confirmed that it should be possible to manage within the 2020 level communicated to participants. The skills-mix that was required was currently under review and it was likely that the existing headcount would be regularly reviewed and refreshed as required to meet the changing needs of the Programme.

DS confirmed that there continued to be lots of positive feedback from potential vendors regarding the NPA vision. Further work was required to ensure that vendor expectations on timescales were properly managed throughout the process. PH reiterated that CEO to CEO dialogue was being proposed to ensure that vendors were kept fully appraised.

*NP & DS left the meeting*

#### **19/116 Nomination Committee Report**

RST referred to the summary of follow up recommendations that had been produced in response to the observations made in the independent Board Effectiveness Review and commented on the approach that had been adopted. He noted that some of the observations had a clear delivery, whilst others were more tonal in nature and would be reflected over time. He advised that not all recommendations from the Review had been accepted in their entirety but that progress against all of the recommendations would be kept under review.

It was noted that the Board would undertake an internally-moderated self-assessment exercise the following year and that the findings from the independent review would be used as part of that process.

MJ referred to the Bank's presentation and noted that the Bank had requested a copy of the Board's response to the Effectiveness Review. It was agreed that the summary paper considered by the meeting be provided.

**ACTION: MJ**

MJ reported that one of the observations from the Effectiveness Review had been regarding the number of Board and Committee meetings that were held each year. She noted that this had already been under review by the Chair and SID prior to the Review and that this had now received further consideration by the Nomination Committee. Referring to the proposed format for future meetings, MJ explained that it was proposed that in future there would be no meetings in August or December and that the content of meetings would alternate between strategic discussions and metrics monitoring. RST informed the Board that the proposal was designed to ensure that the Board remained in control of strategy but lifted some of the pressure of the current monthly reporting format from the Executive. He noted that it would be for the Executive to consider how the Board would be kept informed of key issues in the intervening months. After further discussion, the Board approved the revised format and noted that this would be implemented over the ensuing months, cognisant of the timing of some of the key decisions that were already planned to come to Board for consideration prior to the year end.

MJ reminded the Board that the frequency of Committee meetings had been left to the discretion of the respective Committee Chairs.

MJ referred to her paper regarding the re-appointment of non-executive Directors to the Board. She noted that re-appointments had to be approved by the Company's Guarantors at the Annual General Meeting and that to ensure that approval was sought in a timely manner it was being proposed that if a director's contract was due to expire within six months of the AGM, that they should be put forward at the previous meeting (ie before they are technically required to do so). After careful consideration and having considered the relative contributions of each of the Directors in turn, the Nomination Committee proposed that RST, PW and MJ be put forward for re-election at the forthcoming AGM. This was approved by the Board.

MJ provided a verbal report from the Nomination Committee meeting that had been held that morning. She advised that the Committee had considered a proposal that the Terms of Reference be revised to make clear the process for appointing senior executives at C-Suite and Executive Committee level. This had been agreed and updated Terms of Reference would be brought to the next Board meeting for consideration. **ACTION: DG**

MJ advised that the Nomination Committee had also considered the appointment of a new Chief Risk Officer. A preferred candidate had been identified for the role and RA provided the Board with a brief resume. The Committee had supported the proposal and had agreed that the candidate be put forward for a non-objection interview with FMID.

### **19/117 Annual General Meeting**

Noting its responsibility to call an Annual General Meeting of its Guarantors, the Board reviewed and approved the proposed Notice of Meeting and authorised its despatch to the Company's Guarantors.

The proposed revision to the Company's Articles of Association was considered. It was noted that the revision related to the inclusion of a new Article, Article 47 that made explicit that on the winding-up or dissolution of the Company, any assets or property that remained available to be distributed or paid would be transferred to another body with similar objects, and not distributed or paid to the Guarantors. The Board noted that this had always been the intention when the Company was established but had not been made explicit in the original Articles. The Board approved the wording and that the Articles be issued to the Guarantors for their consideration.

The Board noted that the names of the Company's Guarantors would be made available on the Company's website following the AGM.

### **19/118 Approval of Invoice**

MH advised that a payment [Redacted - commercially sensitive] in respect of the NPA Programme was due. The Board approved the payment.

### **19/119 Monthly Committee Reports for Noting**

End User Advisory Council – AB advised that a very useful Council meeting had been held since the last Board meeting. A newsletter had been produced which had been well received. AB noted that a joint strategy session with the PAC was being arranged so as to provide input into the forthcoming Board strategy session.

Risk Committee – RA noted that the Committee had received an update on the NPA and the high-level findings of the independent assurance review. It had also considered the Change Risk Assessment Framework and noted the work being undertaken in respect of the Modern Slavery and Anti-Bribery and Corruption policies.

Finance Committee – PW reported that the Finance Committee had considered the 2019 contingency position. As a deliberately prudent budget had been set, it was believed that the contingencies would not be required and a surplus in excess of the stretch target would be achieved. The Committee had considered the proposal that the forecast over recovery of tariffs should be used to reduce what would otherwise be the tariffs for 2020 and principal for this had been agreed. PH highlighted the positive message that this gave the participants who would want to understand that some form of adjustment mechanism was in place. After further discussion, the position was supported by the Board.

*[Post meeting note: Following the Board meeting, the Finance Committee considered how such a reduction should be undertaken. The Committee agreed to implement this as an invoice reduction rather than as a tariff reduction. It was noted that the effect on participants and on Pay.UK was unchanged but that the revised approach maintained the integrity of the 'per click' tariff arrangement and avoided complicating the tariff-setting process.]*



RST suggested that the term 'risk capital' or similar should be preferred to 'regulatory capital' wherever possible when referring to the reserves and this was agreed.

Audit Committee – RST provided the Audit Committee update and noted that the main topic had been a discussion regarding the findings of the 'People – Recruitment, Retention & Culture' audit where a number of important findings had been made.

There being no further business the Chair closed the meeting.

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Chair