

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 11.09.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Geoff Close (GC), CRO
Anna Bradley (AB), INED	Joe Johnson (JJ), General Counsel
Christine Ashton (CA), INED	Mike Owen (MO), Interim NPA Director
Jean-Yves Rotté-Geoffroy (JY), INED	Simon Deschenes (SD), Head of Finance
Matthew Hunt (MH), COO	Martin Otley (MOt), Finance
Nathalie Oestmann (NO), NED	Toby Sheldon (TS), Director of Communications
Paul Horlock (PH), CEO	Michelle Park (MP), Communications
Peter Wyman (PW), INED	Louise Rebeck (LR), Corporate Governance Manager
Richard Anderson (RA), INED	David Gilbert (DG), Company Secretary
Rob Stansbury (RST), Senior INED	
Russell Saunders (RSA), NED	
Tim Fitzpatrick (TF), INED	

19/122 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 August 2019 together with the Directors Conflicts of Interest register were tabled and noted by the Board. It was noted that the Conflicts of Interest Register had been updated to conform to the new Conflicts of Interest Policy.

Minutes & Matters Arising – The draft minutes of the Board meeting held on 14 August 2019 were reviewed and considered. Subject to a small number of changes to clarify the text, the minutes were approved. It was agreed that a post meeting note be added to the Finance Committee section to explain the revised decision regarding the implementation of the tariff reduction process.

The Board referred to the schedule of matters arising and noted the progress made. The Security update that had been circulated as part of the matters arising schedule was noted and it was

agreed that regular updates would be helpful. MH agreed to report back on the provisional timescale for the implementation of the IT strategy. **ACTION: MH**

19/123 CEO's Report

PH referred to his report and commented on the main features. The position regarding the suspension of Ipagoo continued to be monitored closely. Work to close the paper clearing of cheques and complete the migration to image clearing continued. PH reported that an increase in fraudulent activity had been seen in the new ICS system but noted that it was not uncommon for new channels to be attacked in this way and that work was being progressed rapidly with participants to address this. Whilst Pay.uk was co-ordinating scheme wide issues it was noted that many elements of fraud defence were for the banks themselves to drive forward in the competitive space.

PH commented that executives were due to speak at a small number of symposia during the forthcoming SIBOS event.

The Board noted that a Call for Information from the seven Faster Payments direct participants on the proposal for an FPS rule change to create a compensation fund for “no blame” APP losses had been issued during the month. This had been a significant milestone for the business and dialogue with all stakeholders continued on this complicated area.

[Redacted - commercially sensitive]

MO provided the Board with a short overview of the NPA reset that was currently underway. He emphasised that the reset did not cause the programme to stop and that momentum was being maintained, particularly around the procurement exercise. He noted that the reset would take some time to achieve and the team were working on the messaging to manage expectations around its delivery. [Redacted - commercially sensitive] PH highlighted the interest of both regulators in the reset process and noted the need to have an assurance strategy in place that evidenced how the various elements and requirements for the NPA programme were being developed and co-ordinated. PH confirmed that a response to the Bank's Annual Risk Review letter had been prepared and would be issued shortly.

GC & MO left the meeting

SD & MOt joined the meeting

19/124 2020 Budget

SD reminded the Board that the overall 2020 Budget had been agreed at the May 2019 Board meeting and subsequently shared with participants. Since then, work had continued to allocate the organisation's costs to revenue streams to create an income target for each service and allow tariffs to be calculated and agreed.

TF noted that the budget continued to be prudent but challenged the rigour of the process that had been adopted to ensure that costs were driven down wherever possible. PH confirmed that the Executive continued to be sensitive regarding costs and continued to seek efficiencies wherever possible to deliver benefits from the merged organisation. This needed to be balanced against the cost of delivering extra responsibilities, and it was also noted that the new organisation structure was still bedding in. RA reminded the Board of the recent work done within Cheque & Credit to take out cost wherever possible and to drive efficiencies.

Noting the third party spend, JY queried whether there was scope for further cost reduction with the main outsourced contracts following the bringing together of the various schemes. MH confirmed that the Procurement team was looking at the position to ensure that those contracts were managed in the most strategic way. After further discussion, MH and PH agreed to finalise the explanation around the 2020 budget. **ACTION: MH / PH**

After further consideration of the 2020 budget, the Board approved the 2020 budget and delegated authority to the Finance Committee to agree the respective tariffs for the Bacs, FPS and ICS services.

SD & MOt left the meeting

TS & MP joined the meeting

19/125 Brand Transition Project

TS introduced the presentation, noting that as part of the first phase of the project the existing scheme logos had been used alongside the Pay.UK brand. The proposal was that as part of a multi-year process that all services would eventually sit behind the Pay.UK brand only. The exception would be brands that were valued by end users – these would be retained.

MP advised that the use of one brand would allow awareness of the Pay.UK brand to be developed as one that was known and respected by the industry. There was also consensus that not every offering had to have a separate brand. TS noted that the Direct Debit and Current Account Switching Service brands had equity and consumer recognition given its association with the protection that the product offered but agreed to reflect the Board's thinking in future iterations of the process.

Summarising the discussion, MJ confirmed that the Board was supportive of the overall principles behind the Project and had welcomed the opportunity to debate the proposal. It was noted that

the Executive Committee would be considering a detailed timeline and budget for the project and a risk mitigation plan would be developed.

TS & MP left the meeting

19/126 Nomination Committee

MJ referred to the revised Terms of Reference for the Nomination Committee that had been updated to clarify the process to be followed regarding strategic People matters and to also make clear the Committee's engagement in the recruitment and appointment process for senior personnel within the business. After careful consideration the revised Terms of Reference were approved.

19/127 Anti-Bribery and Corruption Policy

JJ referred to the Anti-Bribery and Corruption Policy that had been circulated with the meeting papers. She explained that whilst the Policy had been previously agreed at the Board in May 2019, further work had been undertaken to ensure its compatibility with Ministry of Justice guidance. JJ reported that the additional work had concluded that no amendments to the Policy were required. During the subsequent discussion, RA requested that evidence that the Policy had been mapped in a proportionate way to the Ministry of Justice guidance be presented to LGAS and this was agreed.

ACTION: JJ

19/128 Committee Reports

LGAS – RST noted that in addition to work on Facilities Management and APP Scams, the Committee had considered concerns that had been raised regarding responses received to Pay.UK consultations. It had been suggested that a set of high level strategic questions that could be directed at senior management within organisations should also be developed.

19/129 Any Other Business

Q4 2019 Board meetings – the proposed schedule for Board meetings for the remainder of the year, which reflected the decisions agreed in the light of the Board Effectiveness Review at the previous Board meeting, was reviewed and agreed.

Invoice for Payment – An invoice [Redacted - commercially sensitive] in respect of Financial Market Infrastructure supervisory fees, which was within budget but outside the delegated authority approvals limits, was approved for payment.

AGM – MJ noted that the Company's Annual General Meeting had been successfully held immediately prior to the Board meeting and thanked those involved.

There being no further business the Chair closed the meeting.

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Chair