

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 09.10.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Geoff Close (GC), CRO
Christine Ashton (CA), INED	Joe Johnson (JJ), General Counsel
Jean-Yves Rotté-Geoffroy (JY), INED	Mike Owen (MO), Interim NPA Director
Matthew Hunt (MH), COO	Simon Deschenes (SD), Head of Finance
Paul Horlock (PH), CEO	Dave McPhee (DM), Director of Regulatory Engagement & Policy
Peter Wyman (PW), INED	Sam Cope (SC), Senior Policy Manager
Richard Anderson (RA), INED	Kate Frankish (KF), Director of Standards & Strategy
Rob Stansbury (RST), Senior INED	Louise Rebeck (LR), Corporate Governance Manager
Russell Saunders (RSA), NED	David Gilbert (DG), Company Secretary
Tim Fitzpatrick (TF), INED	
Apologies	
Anna Bradley (AB), INED	
Nathalie Oestmann (NO), NED	

19/130 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 September 2019 together with the Directors Conflicts of Interest register were tabled and noted by the Board.

Minutes & Matters Arising – The draft minutes of the Board meetings held on 5 September 2019 and 11 September 2019 were reviewed and considered. The minutes of the conference call held on 5 September 2019 were approved.

The draft minutes of the meeting held on 11 September 2019 were approved subject to a number of minor amendments.

RA referred to the Action Log and advised that he had circulated a note setting out the preliminary findings from his review of the lessons learned from the ICS exercise. He stressed that the review

was ongoing and that the overall conclusions or emphasis could change but that he wanted to give the Board his initial impressions so as to prompt debate. The Board discussed the initial findings and how these could be applied to other projects, including the NPA.

MH confirmed that work was underway on an IT strategy and that this would be taken to ExCo for approval before being brought to a future Board meeting for consideration. He advised that the target was to agree a strategy over the next few months due to the interaction with ISO270001 accreditation that had recently emerged.

MH advised that Pay.UK had been invited to participate in 'lessons learnt' sessions with the Bank and FCA in the wake of the recent Ipagoo suspension.

DM and SC joined the meeting

19/131 CRM Fee

MJ reminded the Board of the background to the CRM fee call for information. She advised that the update had been arranged so as to ensure that all Board members were aware of the current position in more depth and that a full discussion and decision would be held at the November Board meeting. PH noted the recent press activity regarding the CRM fee debate and advised that whilst this may have been instigated to influence the outcome, the team was resolute that due process should continue to be followed. RST flagged the risks to the process that this press activity highlighted and MH agreed, noting it was important that Pay.UK got its message clear and out.

DM advised that 39 responses to the call for information had been received and were currently being analysed. He noted that a broad range of views had been expressed and advised the Board that it was clear from the tone of many of the responses that whatever the eventual outcome of the consultation some vociferous stakeholder feedback should be expected. SC commented on the early themes that had been identified; including concerns regarding the ability to enforce compliance and the capacity to implement any potential changes in the proposed timeframe. JJ advised the Board that the competition and regulatory aspects raised in some of the responses were also being considered.

SC noted that the initial assessment of the Change Request suggested that there were some significant issues that could prevent the acceptance of the Request as currently proposed. This had led to discussions as to how alternatives or amendments should be considered and the guidance of LGAS had been sought to clarify the approach to the key analysis that would be undertaken on the responses. RST confirmed that the advice from LGAS had been to consider mitigations from within the general scope of the proposal, given the lack of time to consider broader alternatives.

Noting the strength of feeling expressed by some respondents and the polarity of many of the views put forward, PW queried whether there was a precedent that could serve to guide the Board when dealing with such a range of strongly-held views. DM confirmed that the process was a significant

challenge to the new governance model as it sought to do what was right in defence of the ecosystem.

RST suggested that from the perspective of our end users' focus, it was important that the ultimate outcome for the industry to focus on was that end users received some form of guarantee or assurance that if they were the subject of a no blame scenario fraud that they would be recompensed by their bank. RSA counselled that participants were looking for long-term fairness across the ecosystem and highlighted that a challenge with any voluntary mechanism was that there was a possibility that consumers may not get a consistent experience in all circumstances.

DM & SC left the meeting

19/132 People Update

PH provided an overview of the current organisational structure. He noted that TOM 2.0 was realised in April 2019 following the completion of the TUPE process, with work continuing to carefully transition from original structures into the new operating model. The current number of vacancies for permanent roles was noted and PH advised that many of the positions were currently being covered by contractors. This was because the final shape of some key roles was still being determined or tested. There was also a high level of contractor resource covering specific short term requirements in Cheque & Credit, which would adjust gradually post-migration. MH clarified his expectation that there would always be a need for some contracting resource to cover temporary requirements.

Referring to the current structure charts that had been circulated, PH commented on the progress that had been made to deliver the new operating model. He explained that some areas had been more challenging than others to build out and also gave examples of where the original structure had evolved or been refined in the light of changing demands.

MH noted that as part of the migration exercise to move ICS into TOM 2.0, a conscious decision had been made to ensure that there was additional resource available at the outset to ensure that this new payment system was embedded successfully.

RST commented on the structure charts which had been very helpful in evidencing the work that had been undertaken by the management to implement the new operating structure. He queried the support arrangements for the CEO and COO roles and PH advised that additional resource was currently being considered.

PH reported that a recognition scheme had been launched with colleagues at the September Town Hall meeting. He advised that further initiatives were planned by the People team and that delivery of these would be phased over time at a rate that it was felt that the organisation could absorb.

MO joined the meeting

19/133 NPA Update

MO provided an overview of the reset activity that had been undertaken within the NPA team. JY queried how well the resourcing plan was aligned to delivering the objectives and suggested that it would be useful to have further analysis for future updates.

MO commented on the nine key activities that had been identified and confirmed that programme scope was the key priority so as to be able to define what was in scope, and what was not. MH noted that the question of scope related not just to the available budget but also to the ability of the industry to absorb and withstand the level of change envisaged. During the ensuing discussion, RST queried how the key activities identified linked into the proposed approach. MO advised that the key activities were those that had been identified to be able to deliver the RFP. He acknowledged that the assumption had been that the critical path related to the procurement but advised that work was underway to consider what was required in terms of standards. The Board confirmed that a clear articulation regarding the scope and standards would be required to assist participants.

The Board queried the extent of the work currently being undertaken on the NPA programme scope given the time that the project had been running. MO explained that further work was required to support the scoping statements that had previously been made and to support the business case. MO commented on the six scope categories that were currently being developed as part of the scoping 'sprint' and the progress being made. RST welcomed the desire to set clear boundaries for what was to be delivered by the business and suggested that it would be useful to be able to acknowledge issues or areas of concern even if the phased delivery approach meant that they could not be addressed immediately.

MO explained that as well as scope, the business case would also be considered and how this would be delivered within the constraints of cost and time.

RSA suggested that from a participants' perspective, simplicity would be essential. Whilst there was a need for clarity as to immediate requirements and concerns, the market was not expecting a detailed blueprint to be immediately available for later stages. The need was for participants to see that what was being proposed was scalable and to understand how much dual running of old and new systems would be required, given the cost implications.

MO advised that a number of key personnel changes had been made within the NPA directorate. The Board considered the availability and quality of the talent pool available to the programme and noted the current reliance on contracting resource. MO confirmed that the team structure was a key focus.

MO updated the Board on the other areas of activity within the NPA directorate, in addition to the reset and procurement activity. He highlighted the importance of continuing to deliver that work so as not to lose momentum or the benefit of the work done to date.

JY expressed his concern regarding the accountability for delivering key elements of the programme, noting that there had been similar discussions in other fora. Acknowledging the concern, MO noted the work that had already been done by the Senior Leadership Team (SLT) to address such issues and re-focus the programme management. He advised that the new structure would be announced to the programme team later that day. JY requested that the current thinking on accountabilities be brought to the next NPA Programme Committee meeting, even if the process had not been finalised.

RST noted the challenge for the management identified in the recent external board effectiveness review of providing the Board with sufficient assurance and confidence that the necessary steps were being taken so that the Board could focus more on strategic themes without needing to be aware of the full details. MO reflected that the paper sought to pick up the concerns that had been previously raised and to respond to them as openly and transparently as possible.

MO left the meeting

KF joined the meeting

19/134 Strategy Update

KF reminded the meeting that 15 elements had been identified to implement the foundation strategy from 2018 and commented on the good progress that had been made to deliver against these. KF commented on those areas across the business where further work was required. This included the novation of contractual documentation (apart from the 'system-critical' work which had already been completed) and where a key requirement was the resourcing of the legal team to be able to deliver what was required. PH confirmed that a way to accelerate the process was needed and was being actively investigated. MH advised that the key work in central services related to the IT strategy and some key deliverables for the People team.

After discussion, the Board agreed that the strategic risk regarding APP scams should be added to the on-going list of deliverables.

JY left the meeting

KF informed the Board that she was currently developing the market catalyst and guardianship thinking before bringing the matter to Board for its consideration. RST noted the various Committees that were available to help to give any proposal the necessary framework and clarity before it was brought to the Board. KF highlighted the work that was required to understand how far the guardianship role should be expected to extend into the ecosystem. It was suggested that some rules and standards would have further reach than others and it was noted that this

spectrum of influence was also being considered and discussed within the Standards & Strategy team.

After further discussion, the Board confirmed that it was comfortable with the approach being taken with strategy and the pace being adopted.

19/135 Standards & Strategy team

KF provided an introduction to the Standards & Strategy team, noting that the Directorate was divided into six functions. She confirmed that a key purpose was to stimulate new ideas and to understand how these could be delivered into the market or by the market. In addition to the market catalyst work, a key function for the team was to support the work being undertaken by the NPA. The data function was currently working to deliver improved reporting and to reduce the current level of manual intervention required. The research & innovation area was focused on the synthesis of data from across the business and the ecosystem whilst the enterprise architecture team was intended to evolve into the design authority for the future.

MH noted that in addition to the strategy work, the function also provided a range of services to other areas of the business, particularly Operations – assisting with the technical deep dive following the FPS outage, for example.

JY rejoined the meeting

MJ queried the current balance of skills within the team and KF confirmed that headcount had been reallocated within the original TOM 2.0 provision to meet the changing needs of the team and the business. RSA enquired as to the commercial activities that were undertaken with the data that was available and PH confirmed that the position would be kept under review but the current key focus was to stabilise and build out the team before looking for further opportunities.

PW left the meeting

SD joined the meeting

19/136 Any Other Business

Board Dates – MJ referred to the schedule of Board dates for the remainder of 2019, noting that the focus of meetings had now been revised to be either primarily strategic in nature or to concentrate on monitoring and metrics. A few clear months had also been introduced that could be used for Board awareness sessions or for training or, if there were no pressing items to consider, the Board would not meet in those months.

UKPA – MH reminded the Board of the background to the payment request that had been included in the meeting papers for approval. As one of the provisions of the Share Purchase Agreement between Pay.UK and the former UKPA shareholders, it had been agreed that any excess cash that was held by UKPA after a number of other obligations had been met, would be put towards

reducing the pension scheme funding gap. The Board noted that the matter had been considered in detail by the Board of UKPA and had also been scrutinised by the Finance Committee, and that both bodies were fully supportive of the payment being made. SD confirmed that the payment of the excess cash amount on behalf of the former UKPA shareholders had no impact on the results of UKPA or Pay.UK and did not affect the capital position.

After careful consideration, the Board **confirmed** that [Redacted - commercially sensitive] be paid across to a UKPA Pension Scheme escrow account in line with the SPA Agreement.

Invoices for Payment – The Board considered three invoices detailed in the meeting papers relating to the CASS marketing campaign that were due for payment and which were in excess of the delegated authority amounts. The Board noted that the expenses were in line with the contract, were within budget and had been through the necessary approvals process and authorised their payment.

Similarly, the Board considered and approved the payment of the Pay.UK group’s VAT for the period ended 31 August 2019, the amount of which was in excess of the delegated authority limits. The Board also authorised the transfer of funds in relation to VAT between respective group entities.

Participant Advisory Council – JY informed the Board that the process had started to invite two fintechs to join the Council.

Audit Committee – TF reported that the FMID audit of the Internal Audit function had been completed and their final report had now been received. There were no follow-up actions and the matter was closed. The Board thanked Phil Hart and the Internal Audit team for their efforts.

TF further reported that the September Audit Committee meeting had considered how Red-rated audit reports should be escalated, as requested at the last Board meeting. He confirmed that any future Red-rated reports would be included with the quarterly Audit Committee Board report. For completeness, the two Red-rated reports that had been issued since the beginning of the year would be included in the November meeting pack.

There being no further business the Chair closed the meeting.

.....
Chair