

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 13.11.2019**

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

19/139 Opening Business

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 October 2019 together with the Directors Conflicts of Interest register were tabled and noted by the Board.

Minutes & Action Log – The draft minutes of the Board meeting held on 9 October 2019 were reviewed and approved subject to a number of minor amendments to clarify the text.

Progress on the outstanding actions was noted.

19/140 Chief Executive's Quarterly Report

PH referred to his quarterly report, noting that this was the first such report under the revised meeting structure. He highlighted the industry event that had been held on 30 October and which had generated a lot of positive feedback around the quality of the event. Whilst those attending had understood the need for the safe delivery of the NPA to be paramount over speed of implementation, a key learning had been the need to carefully manage the expectations of interested parties. MJ noted that the event had been very well organised and thanked all involved for their efforts.

The Board welcomed the opportunity to engage with participants that the industry event had provided, noting that it gave the independent directors an opportunity to build a greater understanding of current concerns and potential issues so as to be able to both support and challenge the executive as required. RA asked if some form of account executive role to help to manage Pay.UK's key relationships, in addition to the existing stakeholder engagement team, could be beneficial. PH confirmed that such an approach could be helpful but advised the Board that the use of resource in that way would be more usual in a commercial sales organisation and may not be appropriate in the current model with a need to carefully manage all expenditure. Improving stakeholder relationship capability in the NPA Programme was already a key focus.

PH updated the Board on the closure of the ICS project within Cheque & Credit and the transfer and assimilation of the C&CCC staff into the Pay.UK functions. The Board recorded its formal thanks to all those who had been involved in the closure of paper clearing and the successful implementation of the ICS project.

PH commented on the positive feedback following a review of Pay.UK's Internal Audit function.

PH drew the Board's attention to a couple of significant market developments during the quarter. The first was the announcement by American Express that it was looking to launch a real-time Pay with Bank Transfer offering for its customers. The second related to recent announcements regarding the withdrawal of support for Facebook's Libra project by a number of card providers. It was agreed that both items would be considered further at future strategy-focused Board meetings.

Commenting on the Company's capital position, it was noted that the business was currently ahead of target.

PH referred to the briefing paper from the Regulatory Engagement team regarding the recently published findings from the Treasury Committee relating to the regulation of payment activities. The potential consequences of enhanced oversight requirements were considered and it was agreed that the Board would welcome further guidance on the implications in due course.

The work within the Standards & Strategy team was considered. In particular, it was noted that work was ongoing with regards to the needs and expectations of ISO20022. A series of bilateral meetings with stakeholders was underway to understand their requirements. The Board requested that a briefing paper be prepared on the topic. **ACTION: PH**

PH stressed the need for strong relationships with senior participants to continue and this was being underpinned through consistent dialogue with all levels within the stakeholders' organisations. These ongoing relationships would be particularly important when difficult conversations were required. RST queried whether the Risk team should consider the manner in which stakeholders received information and how the risk of inaccuracies should be managed and whether this should be added to the risk register. **ACTION: GC**

PH advised that a new HR system had been introduced and that this had been well received. A new performance management system would be introduced in the New Year, which would assist with objective-setting and allow for a consistent approach to performance management across the organisation. The Board noted the much more informed People report that had been produced and suggested that it would be useful to have a strategy session on people and resourcing at a future meeting.

MH updated the Board on a new strategic third party procurement framework and how this would be used to ensure that the current focus on value for participants was maintained.

The quarterly dashboard was considered and the format and content welcomed by the Board. The current positive budget variance was noted and PW reminded the Board that the position continued to be kept actively under review and that there was an opportunity at the half year to revise the tariff if appropriate to do so.

MT joined the meeting

19/141 NPA Programme Reporting

MO advised the Board that in line with the Programme reset, the current Programme scope was being reviewed. A 'scope catalogue' that broadly aligned to the PSF Blueprint for the Future of UK Payments was being produced. To help understand the broad range of options, eight archetypes had been produced and reviewed at the NPA Committee. The Board was asked to consider whether all eight scope archetypes should continue to be developed.

MT explained how the various archetypes had been indicatively scored against a number of criteria, including Pay.UK's strategic objectives and regulatory and participant expectations. The proposal was that work on the least ambitious would not be continued.

After discussion, the Board confirmed that it was important to be open and transparent with participants regarding the decisions to be made. It was agreed that a request would be sent to

payments heads, asking for their input regarding all the archetypes. The request would set out the full assessment criteria for the preferred options, but would also include the remaining options and the rationale for not devoting further resource to them at the current time. It was agreed that further work to identify the benefits and when these could be delivered for participants was required before the request could be issued. MH noted that it was implicit in the decision to refer the matter to participants, before a final Board decision, that other work within the Programme could be at risk whilst responses to the questionnaire were awaited. The Board delegated to PH and MH to manage the position should such a scenario arise.

MO referred to his updating report and commented on the main issues facing the Programme. He noted that the report had been structured to show what was being delivered within the ecosystem and what was core infrastructure. MO advised that People risk remained at Red; the team had been restructured and work to implement was underway. Work on stakeholder engagement continued and MO noted the highly complex stakeholder landscape that the Programme was working with.

MO & MT left the meeting

DM, SC & IG joined the meeting

19/142 APP Scams

DM introduced the presentation and advised that the Regulatory Engagement team had now completed its analysis of the 41 responses that had been received in response to the CRM Fee Change Request. DM advised that the Board was being asked to consider whether to progress the Change Request and, if not, to agree the next steps and how those should be communicated.

DM commented on the analysis of the responses which found that the vast majority of PSPs were supportive of providing reimbursement to customers in the “no-blame” scenario. However, responses were split in terms of support for the rule change – with 12 respondents in favour of the proposal, 24 opposed to it and five stating no firm view.

The Board noted that the recommendation was not to agree to the Change Request but for Pay.UK to work with regulators and the industry, in its role of guardianship, to find an alternative way forward – which involved encouraging industry consensus on a flexible funding mechanism for the “no-blame” scenario and exploring the development of a Guarantee to support this. The Change Request envisaged all PSPs being obliged to contribute to a central fund. Other respondents to the consultation had suggested that better incentives for fraud control would be created by a self-funding model – whereby the cost of customer reimbursement for “no-blame” would be provided by the customer’s own PSP, with that PSP then being in the best position to manage the risk of APP fraud to its own business and customers.

PH advised that as the Call for Information had progressed, it had become clear that there was a demand for an alternative approach to be considered. As a result the self-funding option had been pursued in a working group led by UK Finance in parallel to the Pay.UK Call for Information.

MJ reported that whilst RSA was unable to be present, he had provided her with his thoughts regarding the proposal. He advised that he supported the strategic intent of creating an outcome whereby all participants were accountable to protect customers and improve the safety of the ecosystem with consequences for non-conformance. He proposed that the Board vote to defer the Change Request to allow work on a guarantee-type proposal. PH advised that the agreement of UK Finance would be required to defer the Change Request as it had been their request, and that this had not been forthcoming. It was therefore agreed to respond within the original agreed timeframe.

RST summarised the discussion that had been held at LGAS for the benefit of the full Board. He noted that LGAS, whilst fully supportive of the sentiment that all consumers who had been the victim of a 'no blame' scam should be reimbursed, the Committee had not been able to support the Change Request for various policy and operational reasons that had been summarised in the Board paper. The Committee believed that a better outcome would be a proposal that all could support and agree to. There was also concern that the Change Request as currently proposed was not enforceable by Pay.UK and that it also raised competition concerns. RST stressed that the implementation of the Code was distinct from the mechanism to deliver the recompense and that the Committee fully supported the Code's objectives.

After further discussion, MJ requested that the Board formally vote on whether to implement the Change Request. On a show of hands, those present unanimously voted to support the recommendation not to implement the Change Request. It was noted that RSA had advised that he would vote to implement the Change Request.

The proposed press release and associated market communications were tabled and considered. IG advised that the release was intended to focus on clearly communicating the reasons for the decision; Pay.UK's role and the next steps proposed on this issue for the benefits for the end user. The Board advised that the key messages should underline the Board's support for the Code and highlight that the proposed manner put forward in the Change Request was not optimal and to suggest that an alternative solution was available. MJ requested that any suggested changes to the press release be fed back directly to the Communications team.

MJ noted the significant amount of work that had been undertaken by the Regulatory Engagement and Policy team regarding their work engaging UK Finance on the initial Change Request proposal, development of the Call for Information and the analysis of the responses and the subsequent Board briefing papers, and thanked them on behalf of the Board for their professionalism and assistance.

DM, SC & IG left the meeting

19/143 Terms of Reference

Audit Committee – the Terms of Reference for the Pay.UK Audit Committee were considered and approved.

JY left the meeting

Finance Committee – the Terms of Reference for the Pay.UK Finance Committee were considered and approved.

19/144 Quarterly Committee Reports

The quarterly reports from each of the Board's formal Committees, together with the respective Committee minutes where available, were considered in turn.

PH noted that guardianship continued to be a key theme for the Councils. Workshops with the executive were assisting in that regard.

RA noted the various changes to the Risk team and the recent appointment of a new Head of Security. Work continued to develop and deepen the relationship with Vocalink on Security matters. A first draft of the strategic risk assessment for the NPA had been produced and was being tested. Work on the IT strategy continued.

The Finance Committee report was considered and PW highlighted the discussions regarding capital where it had been agreed that after eliminating the capital deficit a sum agreed with the Bank of England would be held as risk capital with a further surplus being used to create free capital.

RST advised that in addition to the work on APP scams, LGAS had also been focusing on the Facilities Management consultation and on ISO20022 considerations.

TF reported that the Internal Audit Transformation had now been completed and external benchmarking undertaken. The Board noted that the two red-rated reports raised by the Internal Audit team had been included with the quarterly Audit Committee report as previously agreed. The Board's approach to the red-rated reports was considered and it was agreed that whilst the detailed debate must be for the Audit Committee, the Board would be concerned to ensure that the management response to any adverse findings was appropriate. Any concerns regarding that response should then be raised to the full Board. The Board discussed the two red audit reports that had been submitted.

MH noted that the Internal Audit team had delivered real value to the business through their collegiate way of working.

The quarterly report from the Managed Services Committee was noted.

RST noted that the Remuneration Committee had met since the last Board meeting and had considered and agreed the approach to the annual pay review process.

MJ advised that the Nomination Committee had met a number of times during the period and had been considering succession planning and the operation of the current senior management structure.

19/145 Any Other Business

Invoices – MH referred to two 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.

Board Effectiveness Review – MJ advised that she and RST had met with the Corporate Governance team to review the remaining actions from the external Board Effectiveness Review. Good progress was being made and it was expected that an update would be brought to the February 2020 Board meeting.

Guarantors – RST updated the Board regarding Guarantors. He noted that additional representatives from the End User community would be helpful. There had been further engagement with some guarantors regarding the 2018 annual report & accounts which had provided feedback which would be useful when drafting the 2019 statements.

There being no further business the Chair closed the meeting.

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Chair