

**Pay. UK Limited****Minutes of a meeting of the Board of Directors held on 15.01.2020**

<b>Directors</b>	<b>Attendees</b>
Melanie Johnson (MJ), Independent Chair	Kate Frankish (KF), Director of Standards & Strategy
Richard Anderson (RA), INED	Megan Lough (ML), Strategy Manager
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	Tim Everest (TE), CSO
Paul Horlock (PH), CEO	Helen Hunter-Jones (HHJ), CRO
Matthew Hunt (MH), COO	Colin Bilkus (CB), Ecosystem Strategy Manager
Nathalie Oestmann (NO), NED	Dan Smith (DS), Head of Procurement
Jean-Yves Rotté-Geoffroy (JY), INED	Phil Hart (PHa), Director of Internal Audit
Russell Saunders (RSA), NED	Nora McCarthy (NM), Transition Manager, Operations
Rob Stansbury (RST), Senior INED	Simon Deschenes (SD), Head of Finance
Peter Wyman (PW), INED	Louise Rebeck (LR), Corporate Governance Manager
	David Gilbert (DG), Company Secretary

**20/01 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 January 2020 together with an updated copy of 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 31 October 2019 were tabled for consideration and agreed. It was noted that these minutes were subject to legal privilege. The draft minutes of the Board meetings held on 13 November 2019 and 11 December 2019 were reviewed and approved subject to a number of minor amendments to clarify the text.

Progress on the outstanding actions was noted.

## **20/02 NPA Discussion**

The Board held a discussion regarding the NPA Programme, the primary purpose of which was to provide the INEDS with a directional view of where the Executive Directors (EDs) expected the current scope consultation to take the NPA programme development and to ensure that there was clarity of expectation amongst the Directors.

There was discussion regarding the resourcing and governance that would be required. The EDs were able to explain their view of participant expectation and went further to provide a clear view of the level of involvement participants were expecting and that this was critical in the programme. This included a proposal to improve senior participant engagement in order to ensure close alignment with participants with the express objective of ensuring inclusion of the knowledge and expertise that the market could bring to the programme, as well as allowing participants to make recommendations on the approach.

A high level proposal was supported by the Board and the EDs were tasked with working with participants to develop the detail of how such engagement could bring the value to the programme that the Board required. It was agreed that a business case heads of terms, a consideration of the different planning approaches and the outcome of discussions with the participants on governance would be brought back to a future meeting. **ACTION: PH & MH**

*KF, JJ, ML, TF, HHJ & LR joined the meeting*

MJ welcomed HHJ to her first Board meeting, noting that she had recently joined Pay.UK as Chief Risk Officer.

## **20/03 Strategy Update**

KF updated the Board on strategy matters. She reviewed progress against the 2019 themes, noting that the work regarding the NPA was ongoing, and highlighted the strategic challenges that faced the business in 2020. The format and content of the report was welcomed. It was suggested that some additional mapping that linked elements to the broader strategy would be helpful in future iterations.

RST highlighted that the original six strategy objectives for the business as set out in the Delivery Group report were not sacrosanct and that if it was found that the business had moved on and that an objective was no longer apposite, then it was acceptable to make a statement to that effect and to define alternatives in its stead. CA noted that as part of that process, KF should feel empowered by the Board to challenge other directorates to ensure that Pay.UK's strategy remained fit for purpose.

MH noted that the challenge process within senior management was evolving and becoming better defined. This was helping to drive the setting of relevant business and directorate-level objectives. It was noted that the objectives primarily related to business-as-usual activity and the need to manage stability across the organisation and the systems that it operated. It was suggested that further clarity could be added to future iterations that specified which directorate(s) was/were responsible for specific themes or topics.

KF referred to the nine strategic themes that had been identified in conjunction with external consultants that impacted the payments space. She explained that there were three themes that were considered to be crucial to understand expectation of in the near future. These were the atomisation of payment transactions, the internalisation of payments and the virtualisation of currencies (crypto currencies). KF commented briefly on each in turn, noting the need for Pay.UK to provide thought leadership and to have a credible voice in the ecosystem on such matters.

KF advised that the team's main focus continued to be activity in the real time payments space and where such payments are increasing in use in the retail domain, noting the number of products that had recently been launched in that area. The strategy and innovation conference that was being arranged for summer 2020 would involve a number of industry participants and would be an opportunity to further engage with the market and to gain a better understanding of the industry's perspective.

PH noted that a small sum from the innovation budget had been utilised to purchase some software to assist the Standards and Strategy team with their horizon-scanning work.

*ML left the meeting*

*CB & DM joined the meeting*

#### **20/04 Ecosystem Guardianship and Market Catalyst**

CB provided the Board with a summary of the guardianship paper that had been circulated, noting that he was seeking confirmation that the principles and definitions that were being proposed were broadly correct. The Board considered and discussed the proposed definition of Pay.UK's market catalyst role and whether it was for the business to be proactively identifying opportunities or whether it was for the market to take the lead on such matters. It was agreed that Pay.UK should be at the forefront of such discussions, working jointly with others to provide thought leadership. However, the phrasing regarding detriment and accountability would need to be carefully considered.

The Board reflected on the extent of its guardianship role and AB made clear that it should explicitly cater for an appropriate role in meeting expectations about end user outcomes through the ecosystem. While it is clear that there is a practical differentiation between the ability to influence and the requirement to mandate, it is also clear that end-users will look to pay.uk to play their part. It was agreed that whilst Pay.UK could put forward standards, it would be for the participants to ensure that they complied with those standards and not necessarily for Pay.UK to have to monitor compliance in all cases and dependent on the nature of the relationship with Pay.UK (i.e. the difference between directly connecting participants and other players in broader areas of the ecosystem).

JY welcomed the engagement with the Strategy team and the clarity of the proposal. He challenged whether more was proposed in terms of thought leadership than that contained in the

paper. KF noted that a main consideration was resource and how it was allocated: a key focus was the NPA but if there was additional appetite then that could be considered by the Executive as part of its principles-led discussions.

After further discussion and reflection, the Board approved the high-level principles and approach.

*CB, KF & DM left the meeting*

*DS joined the meeting*

### **20/05 Procurement Update**

DS took the Board through the Third Party Management Framework that was being implemented and how this was being used to drive commercial value through third party relationships. DS noted that there were three key areas of work which included implementing the new Framework, reviewing current contracts and agreements, and work on the NPA procurement.

DS stressed the real opportunities that the formation of Pay.UK presented in terms of aligning current contracts that had been inherited from the various schemes and using the resultant economies of scale to drive successful outcomes. DS noted that the Framework was designed to cover high risk and/or high value contracts and ensure that the correct processes were followed. The framework was also used for performance management purposes to monitor suppliers against contract and expectation.

DS referred to the maturity assessment that had been undertaken which indicated those areas where existing procurement processes were in place and were working well and those where further focus was required. He noted that there were good operational processes across the business and that having these focussed in one area would allow the development of additional strategic capability.

The significant number of existing suppliers was noted and DS confirmed that opportunities to reduce the overall number would be taken whilst assuring continuity of supply and value for money.

[Redacted - commercially sensitive]

DS advised that a third party was assisting the team to benchmark and provide additional confidence throughout the NPA procurement lifecycle.

DS referred to an invoice that had been circulated with the meeting papers relating to the ongoing consultancy support being provided to the procurement team in respect of the NPA procurement process and which was due for payment. The invoice required Board approval as it was in excess of the delegated authority amounts. The Board noted that the invoice was in line with the contract,

was within budget and had been through the necessary approvals process and authorised its payment.

*DS left the meeting*

*PHa joined the meeting*

### **20/06 Internal Audit Directorate**

As part of an on-going plan to talk to Board about each Directorate across the current operating model, PHa provided the Board with an overview of the Internal Audit function. He noted the work done to upgrade the team's methodology and approach, which had subsequently been externally validated by PwC and by FMID's core assurance review.

PHa noted the structure of the team which contained a mix of generic auditing abilities and specialist payments-related skills. The team had also been undertaking some cross-skilling to build the current skillset. Where appropriate, specialist contractor resource had also been engaged. RA commented favourably on the work done by the team and the manner in which matters were escalated as required.

PH highlighted that the attitude across the business to the Audit function had demonstrably changed for the better and acknowledged the work done by PHa and TF to achieve that. TF noted the work that had been done by the executive to drive the change.

PHa drew attention to the audits that the team were scheduled to undertake in 2020 on external parties, including those to Vocalink, given the key outsourcing role that that organisation undertook.

*PHa left the meeting*

*NM joined the meeting*

### **20/07 Operations Directorate**

NM and MH presented on the structure of the Operations Directorate, highlighting the work that had been done to remove single points of failure by cross-training and by bringing similar functions across the service lines together. NM noted that the implementation of TOM 2.0 had allowed opportunities for career progression to be clarified. As part of the implementation, handover sheets that set out tasks and requirements had been produced, thereby allowing the safe and controlled movement of staff to new opportunities.

NM summarised how a Services function had recently been established to focus primarily on IT and facilities to create a back office support area for the business. This was now outside of the Operations Directorate. TE confirmed that work was already underway to ensure that the support provided was fit for purpose.

*NM left the meeting*

*SD joined the meeting*

### **20/08 Deferred Consideration**

SD referred to his paper that set out the requirement under the Deferred Consideration Confirmation and Facility Agreement (DCCFA) entered into with those participants that had funded the decommissioning of PCS and the build and implementation of ICS to convert any remaining deferred income into loans. It was noted that this was a contractual obligation on behalf of Pay.UK following the novation of the contracts. It was further noted that the conversion and subsequent repayment of the loans would have no impact on Pay.UK's results or on its capital position. After further consideration, the Board authorised the issuing of the Forms of Conversion as detailed in the Board paper and additionally authorised the CEO to authorise the repayment of the loans as per the Repayment Date defined in the documentation.

### **20/09 2020 Budget Amendments**

PW reminded the Board that the 2020 budget had been approved at the September 2019 Board meeting. Subsequent to that approval, there had been a number of amendments made with the support of the Finance Committee that were now being shared with the Board. These primarily reflected the requirement to realign the annual budget with the expected expenditure timescales. PW confirmed that the funding was already in place for the expenditure, the exercise was to bring the budget into line.

The Board accepted and confirmed the proposed changes to the 2020 budget.

*SD left the meeting*

### **20/10 Guarantors**

PH referred to the proposed admission of further guarantors and commented briefly on the applications that had been received. After due consideration, it was agreed that RSM 2000 Limited and Business Control Solutions PLC be approved as Guarantors of the Company and that their names be added to the Guarantors' Register and that Guarantor Certificates be issued. After reflection, it was agreed that the application by a third potential guarantor be accepted in principle subject to satisfactory evidence as to their financial standing being produced.

PH advised that it was appropriate to revisit the Guarantor on-boarding process, including formalisation of the due diligence criteria, prior to embarking on an active recruitment campaign and this was agreed. PH, JJ and DG were asked to bring a proposal to a future Board meeting.

**ACTION: PH, JJ & DG**

### **20/11 Terms of Reference**

The Terms of Reference for the Risk Committee and for the Managed Services Committee were reviewed and approved as submitted.

**20/12 Any Other Business**

Invoice for Approval – An invoice in respect of the payment of expenses in relation to the UKPA Pension Scheme was considered. It was noted that the invoice had been brought to Board for approval as it was in excess of the delegated authority limit. It was noted that the funds had already been collected from the former UKPA shareholders and were being passed through to the BBA on their behalf to meet their proportion of the total scheme costs. The payment was approved.

*PH and MH declared a conflict of interest in the following item and did not participate in the discussion*

Directors Contracts – JJ tabled a proposal that sought to amend the directors’ contracts of the executive directors. RST explained that an anomaly had been identified regarding liability protection and that the purpose of the amendment, which had the support of the Nomination Committee, was to bring these contracts into line with those of the INEDs in that respect. The amendment was approved and MJ authorised to sign updated contracts on behalf of the Board.

Iran – RA referred to recent developments in Iran and queried whether the business had taken steps to protect itself should the need arise. PH confirmed that the business was on a heightened state of awareness, as was its main outsource provider, and remained alert to any potential cyber activity.

NPA Scope Questionnaire – it was noted that a copy of the NPA Engagement questionnaire, which had been issued to industry representatives, had been included in the meeting pack for information.

There being no further business, the Chair declared the meeting closed.

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Chair