

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 30 March 2022**

Members	Attendees
Mark Hoban (MGH), Pay.UK Chair	Sulabh Agarwal (SAG), Accenture
Anna Bradley (AB), Senior Independent NED	Steve Allen (SA), SPG Chair
Diane Côté (DC), Independent NED	Louise Beaumont (LB), Ecosystem Engagement Lead
Matthew Hunt (MH), CSO and Deputy CEO	Simon Eacott (SE), SPG Chair Designate
Marc Pettican (MP), NED	Michael Ellis (ME), Chief Finance Officer
David Pitt (DP), CEO	Kate Frankish (KF), Chief Business Development Officer
Jean-Yves Rotté-Geoffroy (JY), Independent NED	Carolyn Gibson (CG), Head of Corporate Governance
Lesley Titcomb (LT), Independent NED	Helen Hunter-Jones (HHJ), Chief Risk Officer
Lars Trunin (LTR), NED	Eleanor Page (EP), Head of Business Development
Peter Wyman (PW), Independent NED	Shane Warman (SW), NPA Programme Director
	Louise Rebeck (LR), Company Secretary & Special Projects
	David Gilbert (DG), Company Secretary

**Board members and attendees met using a hybrid meeting model with some attending in person and others joining remotely by video conference*

22/14 Opening Business

- 22.14.1 Quorum – The Chair noted that a quorum was present in accordance with the Company’s Articles of Association.
- 22.14.2 Conflicts of Interest – All directors present confirmed that they had no other 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.
- 22.14.3 Minutes and Action Log – The restated minutes of the Board meeting held on 8 September 2021 were reviewed and **approved**. The draft minutes of the 26 January 2022 meeting were **approved** subject to a proposed revision to clarify the discussion regarding future CASS marketing. The draft minutes of the 16 March 2022 Board meeting were **approved** as submitted.
- 22.14.4 Progress with the current open action items was noted.
- 22.14.5 Approvals – A short paper summarising the decisions taken by email since the last Board meeting was noted.

22/15 Appointment of SPG Chair

- 22.15.1 MGH advised that Steve Allen, the current industry-nominated Co-Chair of the Senior Participant Group (SPG), would be stepping down from that position and a successor was required. It was noted that Simon Eacott had been put forward as the unanimous nominee by the SPG members

and was also the candidate preferred by management. After further discussion the Board **supported and endorsed** his appointment as SPG's Co-Chair elect.

22/16 Committee Reports

- 22.16.1 The reports from the various Board Committees had been circulated with the meeting papers.
- 22.16.2 PW referred to the section of the Risk Committee report relating to sanctions as a result of the situation in Ukraine and commented on the discussion that had been held regarding the scope of Pay.UK's responsibilities and how these were communicated to the regulators. LT endorsed the clarification noting that it was for Pay.UK to be clear on where the limit of its responsibilities lay and equally how any information that it received through its business as usual activity that related to the imposition of sanctions should be handled.
- 22.16.3 DC advised that there was further work to be done regarding the Risk Appetite Statements, particularly those relating to reputational impact, before these could be approved. It was noted that updated Statements would be brought to a future Risk Committee meeting for consideration. DC reflected that the current risk tolerance level of close to zero was very restrictive for the business and may be part of the overarching issue when considering those risks that were currently outside their risk appetite. MGH highlighted the need for the current risk metrics to be more prominent in the meeting pack and DP agreed to reflect on this for future meetings. **ACTION: DP**
- 22.16.4 PW updated the Board regarding the Audit Committee meeting that had been held the previous day. The meeting had been originally scheduled to consider the draft financial statements as the main agenda item. As these had not been available a truncated meeting had been held on routine audit and finance matters.
- 22.16.5 MGH referred to the update from the Nomination Committee. He reminded the Board that the skills and capabilities review had identified the need for a director with strong technology capabilities to be appointed. Following a careful selection process, undertaken with the assistance of external consultants, the Nomination Committee was recommending the appointment of John Mountain as a Non-Executive Director. This was **approved**.

22/17 CEO's Report

- 22.17.1 DP introduced his report by highlighting the steps that had been taken as a result of the events in Ukraine. Weekly meetings were being held and regular reports provided to FMID. The Security team was also in daily discussions with Vocalink. The team continued to challenge itself to ensure that as much was being done systemically as possible to protect the business and its customers. An awareness reminder had been issued to colleagues and customers to remain alert for suspicious activity although to date there had not been a marked increase in cyber activity emanating from Russia.
- 22.17.2 DP commented on the progress being made by the Executive and on the team effectiveness sessions that were being run. The appointment of Nigel Gosden as Chief of Staff was noted.
- 22.17.3 DP reported that a sub-set of priorities had been identified for the Executive to focus on. These included transforming the people capability, identifying and managing systemic risk, fraud controls and ensuring customer commitment to the NPA. AB queried whether these priorities were in addition to the existing strategic objectives and the correlation between the two. DP confirmed that the sub-set was just for Executives and was not shared more widely within the

organisation. Following a challenge from DC, DP agreed to reflect as to how risk could be incorporated.

- 22.17.4 DP advised the Board that further organisational design work was being undertaken. A number of roles would be put at risk as a result.
- 22.17.5 DP referred to the results of the recent Colleague Engagement survey. There had been an 83% response rate, which was pleasing. The senior management were working through the survey and identifying key actions. DP advised that he was disappointed with the leadership scores and further work would be undertaken to understand the root causes. MGH requested that headline results be circulated to the Board for information. **ACTION: DP**
- 22.17.6 The current work on strategy was considered. DP reflected on recent statements made by the regulators and of their developing and increasing expectations of the business and how these might be appropriately managed. It was agreed that the management's relationship with both the PSR and FMID should continue to be regularly debated by the Board.
- 22.17.7 MGH queried the management's current thinking on fraud reimbursement and requested that the matter be debated with the Board prior to any formal decision being made. DP briefly noted the various contributory elements being thought through by the team so as to reach a clear view internally before considering any potential collective engagement that would be required with industry and regulators to reach a suitable outcome. MGH confirmed that a considered strategic position would need to be put forward by Pay.UK and that the Board would welcome early input into the discussion – even if that meant that not all of the points had been fully formulated when doing so.
- 22.17.8 The work being carried out to further develop the strategic plan was discussed. The Board accepted that it would be important for the various issues to be carefully thought through so as to avoid any unintended consequences but highlighted the growing need for a number of principles to be available to meet the demands of the industry and which could be shared with regulators that set out the current issues and how it was expected that they would be addressed.
- 22.17.9 ME provided the Board with a short Finance update, noting that overall the trend in volume growth in the first months of the year was close to expectations. He highlighted that the Change budget had been shown separately to assist with the overall allocation of resources. Overall costs were favourable to budget, primarily as a result of timing of hiring resources. ME reminded the Board that customers would be provided with an indicative budget range for 2023 in May to assist them with their own internal budgeting. As part of that process it would be important for Pay.UK to be able to demonstrate that it was controlling its costs.
- 22.17.10 ME advised that the production of the Annual Report & Accounts was on track for consideration at the May Board. The audited ISAE3000 report from Vocalink was due the following day and it was noted that the contents of that report would be critical if Pay.UK was to meet its production timetable.

KF & SAG joined the meeting

22/18 Business Development

- 22.18.1 KF reminded the Board that at the last meeting they had agreed to fund external support to assist with the Fraud Programme. She introduced SAG who gave a brief overview of the support his firm was providing in terms of delivering the plan and strategy to combat fraud.

- 22.18.2 KF referred to her paper and highlighted that three options for the provision of a fraud overlay service had been identified for discussion with the Board and outlined each in turn.
- 22.18.3 The Board confirmed that it was appropriate to have a fraud overlay service and that Pay.UK's unique position meant that it was the only organisation that could have access to all transaction data. It was noted that there had been reservations expressed by some customers who were concerned that the data could be used for other commercial purposes and not just for fraud prevention. It was agreed that further work was required to make it very clear that the data would only be used to prevent fraud.
- 22.18.4 PW suggested that an alternative proposal would be for Pay.UK to invest and acquire a stake in an organisation that could deliver the capabilities required. SAG acknowledged that a 'buy vs build' discussion had been held but that a partnering proposal would help to address some of the time challenges that were being experienced to bring a product to the market.
- 22.18.5 AB reflected that it was appropriate for the business to identify an option that allowed for competition options to be kept open whilst still delivering a pragmatic way forward. The reality was that Vocalink already had a product but that it was appropriate for a competitive space to be built that would benefit the industry by reducing fraud and driving down costs.
- 22.18.6 KF advised that she was keen to have a Proof of Concept ready for testing as soon as possible and that a number of vendors had already expressed an interest in partnering on the project.
- 22.18.7 The Board supported the proposal to introduce a fraud overlay and **confirmed** that a Proof of Concept should be developed to test alternative vendors' solutions.
- 22.18.8 KF noted that fraud was the first of a number of overlays that were being considered. The Executive were continuing to debate a commercial model that could be used to develop further products and welcomed input from the Board. LTR counselled against the development of a 'one size fits all' model, instead suggesting that a case-by case approach would be more beneficial. He also highlighted the need for clarity as to where any margin would be earned. MP noted that it would be down to the risk appetite of the individual customers as to whether they chose to use a fraud overlay product. Another driver would be whether or not the offering was mandated.
- 22.18.9 Welcoming the input from the Board, DP noted that the current position was for Pay.UK to bear the costs of providing such services, whilst the profit was taken elsewhere. Cognisant of the challenges such a change of approach would create, DP confirmed that there was a growing need for the business to cover its costs as a minimum.

KF & SAG left the meeting

HHJ joined the meeting

22/19 Risk

- 22.19.1 HHJ reminded the Board that a high-level response to the s.195 requirements had been provided at the January meeting. She stressed that the programme of work that was being put in place was much broader than that proposed by the s.195 letter and that much had already been achieved. It was expected that the Board would see continual progress throughout the remainder of the year as capabilities were built out. MGH queried how progress would be evidenced and HHJ explained that a range of hard measures, such as KPIs and action plans, were being developed for each aspect to be able to demonstrate to both the Executive and Board that

progress had been made and embedded in the organisation. DP accepted that whilst much had been achieved by the management, improved ways of sharing this with Board colleagues were required.

- 22.19.2 It was noted that the meeting pack contained a process map that demonstrated how the business was monitoring the ecosystem to ensure that potential future risks were identified early and responded to. The Board observed that it would be helpful to have a clearer understanding of how such risks were monitored and managed. HHJ confirmed that the work was already being undertaken but that steps had been taken to ensure that the approach was more cohesive and that issues identified by one area of the business were shared and managed. During the ensuing debate, the Board reflected that the management had possibly been reticent in the past to share emerging or developing issues with the Board until a perfect solution had been developed and tested. For the avoidance of doubt the Board confirmed that it welcomed early sight and debate of issues even if a complete management response was still being formulated.
- 22.19.3 HHJ referred to the Operational Resilience Self-Assessment that had been undertaken and which had been shared with the Board at the additional Board meeting held on 16 March. She explained that the key driver of the Self-Assessment was that as vulnerabilities were identified so a plan was put in place to improve existing processes which could then be tested and remediated as required. HHJ reminded the Board of the transition timeframe for the testing work to have been completed and remediation implemented.
- 22.19.4 Congratulating the team on the significant amount of work that had been undertaken and on the much improved papers, the Board **approved** the Operational Resilience Self-Assessment and the Operational Resilience Framework.

HHJ left the meeting

SA & SE joined the meeting

22/20 NPA

- 22.20.1 Welcoming both to the meeting, MGH informed SA and SE that the Board had approved SE as the Chair-elect for the SPG. SA confirmed that a selection process had been undertaken amongst his SPG colleagues and that SE had been unanimously endorsed by them.
- 22.20.2 At the Chair's invitation, SA provided his thoughts regarding Pay.UK and in particular the NPA. He stressed the importance of Rules and Standards, especially in relation to non-banks and commented on the progression of a fraud strategy; the relationship with Open Banking; engagement with the PSR – particularly their recent expectations of Pay.UK and how the SPG may be able to assist. SA welcomed the proposed development of a broader engagement forum with the industry and requested that the vendor selection process for the NPA be concluded as soon as was possible. The key remaining issue was to define the options and economic model for the NPA and how the service would be paid for.
- 22.20.3 SA thanked MH and his team for their support whilst he had been co-chairing the SPG and welcomed and acknowledged the momentum that DP was creating. He confirmed that he would continue to support Pay.UK as appropriate in his new role and would advise and assist as required.
- 22.20.4 Welcoming SA's candid views, MGH queried the current sentiment regarding the delivery of the NPA. SA suggested that the better organised Pay.UK became, then the greater the confidence of delivery would be. The increased calibre of recent hires was also assisting. Whilst there was

growing confidence, it was from a low initial base. SE emphasised the need to get the economic model for the NPA clarified as soon as possible so as to allow for the debate regarding commitment to be held.

SA & SE left the meeting

KF, SW & EP joined the meeting

- 22.20.5 ME introduced the NPA update, noting that the Board would receive a report on the current s.82 position and on the commercial model. Approval would also be sought to release the regulated RFP to vendors once non-objection had been received.
- 22.20.6 SW referred to the final s.82 Report and the management response, both of which had been made available in the BoardEffect Reading Room. He updated the Board with the status of each of the remediation actions in turn. The Board confirmed that it **supported** management's approach and that the s.82 matter be closed.
- 22.20.7 SW advised that draft RFP responses from the vendors were being received and resource had been identified to respond and react to the queries and would be in place by the end of April.
- 22.20.8 It was noted that the Third Party Management Framework was being used as part of the process. SW stressed that it would be important to treat the vendors as partners rather than as suppliers in order to optimise outcomes.
- 22.20.9 ME advised that work was also ongoing to understand the implications of maintaining existing services whilst the NPA was being developed. PW counselled extreme caution were there to be any consideration of not maintaining the current suite of services and requested that there be an early Board discussion were such proposals to be developed.
- 22.20.10 The Board **authorised** MGH and DP to finalise and agree the regulated RFP on its behalf and to issue this to vendors once non-objection had been received.
- 22.20.11 ME presented the commercial update. He noted that work to establish the total cost position was continuing. The 2023 budget position was being developed and continued to follow the 'Green Book' principles and contingencies given the lack of a supporting balance sheet to absorb risk.
- 22.20.12 Whilst it was important to adopt a prudent approach to budgeting, ME confirmed that the team were cognisant of the sensitivity of the budget with customers who were themselves under tight budgetary pressure.
- 22.20.13 LTR queried whether the business was adopting the right methodology when considering how NPA-related business-as-usual costs were treated and ME set out the underlying principles that had been used to develop the proposal.
- 22.20.14 The Board emphasised that transparency would be key when discussing the proposals with customers and that it would be important to set out the various funding options clearly and unequivocally so as to invite debate. MP highlighted that customers would be trying to prioritise the Pay.UK costs against other competing business projects and would welcome being given the underlying assumptions so that they could then model how the funding request affected them.
- 22.20.15 ME introduced EP, who emphasised the importance of customers committing to use the NPA so as to reduce the development risk being faced by Pay.UK. To assist with the process, Pay.UK

needed to reduce the number of commitment options and would be holding discovery meetings with customers to clarify their requirements. DP emphasised the need to balance the requirements of existing customers with those wishing to join the NPA, so as to ensure that there was an equitable balance between those who had already contributed significant financial support and those who would benefit from the new service but who had not yet provided funding.

- 22.20.16 LTR noted that there were differing demands and requirements between customers: larger organisations wanted longer lead-in times given the size and complexity of their businesses whilst smaller businesses wanted to move faster. LTR advised that a key consideration for smaller firms was whether they should invest in Faster Payments or hold off and invest in NPA.
- 22.20.17 MGH queried the current decision-making timeframe for Board engagement and when they could expect to consider the final NPA model and final pricing model. AB expressed her concern that the Board had now received a number of presentations and discussions on the NPA and that there had also been changes in Board membership that had resulted in some corporate memory as to what had been shaped and directed by the Board being lost. It was agreed that a timeline of what had been agreed to date would be circulated prior to the next Board meeting. **ACTION: DP**
- 22.20.18 ME referred to the Statement of Works paper that set out the revised terms that had been negotiated with KPMG to support the NPA programme. He confirmed that enhanced commercial terms and flexibility had been agreed. The Board **approved** the signing of the Statement of Works [Redacted - commercially sensitive] and **delegated** the execution to DP.

KF, SW & EP left the meeting

LB joined the meeting

22/21 External Engagement

- 22.21.1 MH advised that the Board was being asked to consider and, if felt appropriate, approve a revised structure and approach for engaging with external stakeholders. He noted that a number of engagement principles had arisen from the North Star programme, including the need for deep market understanding, strong coalitions, meaningful market development and high stakeholder satisfaction. This had led to a review of the existing external engagement framework.
- 22.21.2 It was proposed to retire the Participant Advisory Council (PAC). It was noted that the Council had faced a number of unresolvable challenges since inception, primarily around conflicts of interest. MH confirmed that the revised structure had been discussed at PAC and had received strong support. In its stead, a new forum, the Industry Advisory Council (IAC) would be created. This would have a broader, more inclusive, membership than PAC. The SPG would be a sub-set of IAC and would continue to offer guidance as required on those more commercially sensitive topics that could not be shared with the broader group.
- 22.21.3 The End User Advisory Council (EUAC) would continue and would evolve as required to meet the requirements of the business. Accepting that EUAC would need to understand its role in the new structure, AB highlighted the reassurance to stakeholders that having such an engagement mechanism provided.
- 22.21.4 Whilst supportive of the proposed changes to rationalise and improve member representation on the external engagement fora, PW challenged the assumption that these were part of the governance structure of the business. Whilst they provided an essential part of the engagement mechanism, he suggested that the titles were misleading and should be reconsidered.

- 22.21.5 The Board **approved** the closure of PAC, the implementation of IAC and the continuation of EUAC and SPG. The Terms of Reference were approved based on the summaries that had been circulated.
- 22.21.6 LB noted that there were a number of workstreams that were delivering elements of the North Star programme. These included the implementation of a Customer Relationship Management (CRM) database and improved stakeholder data to better understand needs and requirements.
- 22.21.7 LB stressed that two-way engagement with stakeholders was paramount to successful outcomes. Part of that engagement was the articulation of Pay.UK's House Views on key issues and themes. LB noted that the House Views had already been successfully shared with EUAC members.
- 22.21.8 The Board thanked LB for her contribution to the external engagement work and for her support and constructive challenge during her association with Pay.UK.

LB, DP, MH & ME left the meeting

22/22 LTIP Arrangements

- 22.22.1 MGH reminded the Board that it had been agreed as part of the recent recruitment process that an LTIP be instigated as part of the CEO's remuneration package. He commented on the main elements of the scheme and confirmed that the matter had been considered in detail by the Remuneration Committee.
- 22.22.2 The implementation of an LTIP as set out in the meeting papers was approved.

DP, MH & ME rejoined the meeting

22/23 Governance

- 22.23.1 CG referred to the revised Delegation of Authority Policy that had been brought back to the Board for approval. She briefly outlined the proposed changes and highlighted that the increased delegation levels implemented the Board and Executive's wish to transfer day to day operation of the business to executive management. The increase in authority levels would reduce some of the more administrative matters currently requiring Board consideration and approval and thereby allowing that time to be used for more strategic focus and discussion at Board level.
- 22.23.2 The Delegation of Authority Policy was **approved** as submitted.
- 22.23.3 CG advised that FMID had responded to the submission made in late December 2021 in response to Priority 20-01 and had suggested that the 'success factors' upon which the Board would be assessing the effectiveness of governance within Pay.UK had not been clearly articulated.
- 22.23.4 The Board considered the proposed success criteria as set out in the meeting paper. It was generally accepted that the main purpose was to ensure that the Board was sufficiently aware of any potential failures to perform in enough time to be able to either influence the outcome or to challenge the management. A successful outcome would therefore be that the Board had not been met with any unexpected surprises and considered that it had been provided with the right information at the right time to make the right decisions. After further debate, the Board **confirmed** that the paper met the purposes of the FMID challenge. Further review work could be undertaken in the future at the behest of the Board as and when required.

22.23.5 The findings of the Board feedback survey from the January Board meeting were considered. The consensus was that the quality of papers continued to improve, thereby assisting with improved debate and discussion. The shorter, more focussed, meeting packs were universally welcomed.

MGH left the meeting and AB assumed the Chair

22/24 Annual Review of Chair's Performance

22.24.1 The Board met in private session to discuss the outcome of the SID's annual review with the Chair. They were content that the feedback reflected views expressed.

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

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Chair