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Pay. UK Limited

Minutes of a meeting of the Board of Directors held on 31 January 2024

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Sam Cope (SC)	Head of Economic Regulation and Policy
Anna Bradley (AB)	Senior Independent NED	David Chandler (DCh)	Director of Finance
Diane Côté (DC)	Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Helen Crooks (HC)	Independent NED	Carolyn Gibson (CG)	Company Secretary
Michael Ellis (ME)	Chief Financial Officer	David McPhee (DM)	Chief Policy & Engagement Officer
Marc Pettican (MP)	NED	David Morris (DMO)	Chief Technology Officer
David Pitt (DP)	Chief Executive Officer	John Mowat (JM)	Head of Strategic Policy
Lesley Titcomb (LT)	Independent NED	Dan Smith (DS)	Director of Procurement
Lars Trunin (LTR)	NED	Shane Warman (SW)	NPA Programme Director
Ajay Vij (AV)	Independent NED	Louise Rebeck (LR)	Corporate Governance
Peter Wyman (PW)	Independent NED		
		Externals	
		Sue Yarham (SY)	Chair of SPG

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

24/01 Opening Business

Quorum and welcome

24.01.1 The Chair confirmed a quorum was present.

Conflicts of Interest

24.01.2 MGH reminded directors that under the CA 2006 and Pay.UK's Articles of Association (the "Articles"), directors were required to declare their interests to the other directors in any proposed transaction or arrangement with Pay.UK. MGH highlighted the importance of directors ensuring their entries in the Register of Directors' Interests were correct.

24.01.3 The Register of Directors' Interests had been made available for members' review and confirmation prior to the meeting. MGH declared an interest to be added to the register and PW confirmed that a previously declared interest had now ceased.

Minutes

24.01.4 CG advised that an amendment had been made to the minute 23.103.3. of the 29 November 2023 minutes. The minutes of the meetings held on 21 November, 29 November and 19 December 2023 were approved.

Matters approved since the last meeting

24.01.5 CG confirmed that the Ensono contract had been signed on 21 December 2023, following the November meeting when authority was delegated by the Board to sign.

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24/02 Committee Reports

Nomination Committee

- 24.02.1 MGH stated that the Committee recommended the re-appointment of both LTR and MP for a further term. The Board **approved** the re-appointment of LTR and MP for a further term.
- 24.02.2 The Committee had also reviewed the People Policy with the feedback provided to Sherree Schaefer. The version of the policy available in the Board Intelligence Reading Room reflected the outcome of the Committee's discussion and was recommended to the Board for approval. The Board **approved** the People Policy.

Remuneration Committee

- 24.02.3 AB advised that the Committee had reviewed the corporate measure and targets linked to corporate performance in 2023 and discussed two of the KPIs that had not been met. The Board noted that the Committee had reduced the bonus to reflect the rating for the Customer Satisfaction. The Committee had agreed it was inappropriate to reduce the corporate bonus for the strategic target 'Enhance Access & Innovation' as measures had been met due to external actions beyond Pay.UK's control.
- 24.02.4 AB added that a meeting had been arranged after Board to finalise the corporate KPIs for 2024. Members **approved** delegation of authority to the Committee to approve the corporate KPIs for 2024.

Industry Advisory Council

- 24.02.5 DM observed that the Council was establishing itself with positive discussions and good engagement from members. The Council was keen to hold product discussions and had considered the Bacs Strategy at its last meeting. Referring to a joint session held with EUAC and Joe Garner DM noted it was possible that a similar session could be held with HMT.
- 24.02.6 Members agreed that trust was being established within the Council by having detailed conversations.

DM left the meeting.

Risk Committee

- 24.02.7 It was agreed that DC would provide highlights from the Risk Committee's meeting on 30 January 2024 at the relevant agenda items.

24/03 Chief Executive Report

CEO Report

- 24.03.1 DP highlighted the key points from his report noting the work underway to give clarity and transparency where there was ambiguity on a number of fronts. [Redacted – Commercially sensitive]
- 24.03.2 DP provided members with a summary of the discussion that he and MGH had had at the PSR Board meeting earlier in January. [Redacted – Commercially sensitive]
- 24.03.3 [Redacted – Commercially sensitive]
- 24.03.4 Referring to the Executive away day DP stated that the detail of the bacs strategy, data organisational excellence and the fraud programme had been discussed. He reflected on MLA as

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an example of the need to maintain flexibility for Pay.UK to react and respond whilst balancing the needs of the organisation, its customers and regulators.

- 24.03.5 DP observed that the fraud programme was wider in scope than APPR and a clear message had been shared with customers and regulators that detection and prevention of fraud were key objectives for Pay.UK. [Redacted – Commercially sensitive]. He added the need to work closely with Open Banking and added that the CMA 9 would not fund Open Banking's work on VRP/ MLA and that a similar position had been taken by SPG members should Pay.UK take forward MLAs. Managing this standpoint with the PSR and customers was being thought through. DP stated that customers continued to challenge pricing for products and services that could be used by Payment Service Providers (PSPs) that did not contribute to the build and delivery costs.
- 24.03.6 Referring to the work taking place within the Risk directorate DP noted that EY had been appointed to carry out an independent review of risk maturity.[Redacted – Commercially sensitive]. He added that good industry feedback was being received regarding the work of the Payments Industry Resilience Forum (PIRF).
- 24.03.7 [Redacted – Commercially sensitive]
- 24.03.8 Having looked at the changing requirements of the enterprise as a whole and the pause of the NPA programme a number of organisational changes had taken place. ME had taken responsibility for strategy enabling Andy Hollingdale to focus on planning and specifically the strategic plan. SW had been given responsibility for delivery of change within the organisation. As part of these changes accountable executives had been nominated as sponsors for change with clear roles and responsibilities. These changes had been announced to colleagues and were being put in place. [Redacted – Commercially sensitive]
- 24.03.9 Members considered the fraud programme and agreed that the current position with the supplier for APPR validated the approach taken for the Fraud Proof of Concept to make data available to a number of suppliers. [Redacted – Commercially sensitive] .
- 24.03.10 [Redacted – Commercially sensitive]
- 24.03.13 AB suggested that the two Councils' conversations on the future of Bacs could be extended to include fraud, market needs and the sharing of data. This could highlight a set of potential supporters for Pay.UK and its role in the prevention and detection of fraud. The impact of VRP on Bacs volumes could also be discussed with EUAC and IAC.
- 24.03.14 [Redacted – Commercially sensitive]
- 24.03.15 MGH highlighted the need for clarity on Pay.UK's contribution to managing fraud, noting that Pay.UK could not be certain how its contribution would be reflected in UK Finance's fraud metrics.
- 24.03.16 [Redacted – Commercially sensitive]

DCh joined the meeting

24/04 Finance Report

- 24.04.1 [Redacted – Commercially sensitive].

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24.04.4 Members agreed it would be useful to discuss the macro trends that were driving volumes at the Board Strategy Day. **ACTION: ME**

24.04.5 [Redacted – Commercially sensitive].

DCH left the meeting.

DS joined the meeting.

24/05 Supplier Risk Management

Third Party Risk Management (TPRM)

24.05.1 ME noted that this topic had been discussed at the previous day's Risk Committee. Good progress had been made on the design and implementation of the TPRM framework that had been designed to meet BoE's outsourcing and third party risk management regulation. This work had made up phase one of the two phase project. Phase one was nearing completion and KPMG had carried out independent assurance that showed that the artefacts that made up the framework met the requirements of the regulation. Phase two would focus on embedding processes over the next 12 months.

24.05.2 DC referred to the discussion that had taken place at the Risk committee meeting noting that plans were in place to bring existing contracts in line with the regulation.

Vocalink Oversight

24.05.3 DMO summarised the key points from his paper noting the changes that had been put in place in 2023 for oversight of Vocalink and the proposed additions to the Vocalink oversight model. The model involved all three Pay.UK lines of defence and covered all areas of Vocalink oversight including Vocalink's Strategic Risk Management Framework (SRMF), [Redacted – Commercially sensitive].

24.05.4 [Redacted – Commercially sensitive].

24.05.5 [Redacted – Commercially sensitive]. The dashboard had been moved onto PowerBI and was currently being refined.

24.05.6 [Redacted – Commercially sensitive].

LT joined the meeting.

24.05.7 [Redacted – Commercially sensitive].

DMO and DS left the meeting.

KF joined the meeting.

24/06 Fraud

24.06.1 KF highlighted the fraud prevention overlay proof of concept and that the initial indications from the results were positive.

24.06.2 [Redacted – Commercially sensitive].

24.06.3 KF stated that the PSR had identified up to 900 Payment System Providers (PSPs) that would need to comply with the APPR legislation and would require a tool to provide data to Pay.UK and also to manage APP cases with other PSPs. [Redacted – Commercially sensitive]

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24.06.4 KF described the effective working relationships with the PSR and the regular discussions being at both a senior and working level.

24.06.5 [Redacted – Commercially sensitive].

24.06.6 Members agreed that Pay.UK's focus needed to be on its own regulatory responsibilities and discussed the challenges that customers would face using different tools for APPR. The Pay.UK tool would provide an opportunity to make case management more operationally efficient for customers. [Redacted – Commercially sensitive]. He added that when a vendor had been selected and a fall-back position agreed with the PSR that Pay.UK would be able to communicate with PSPs.

24.06.7 [Redacted – Commercially sensitive].

24.06.12 KF provided a brief update on CoP expansion noting that the collaborative working with customers and Open Banking.

KF left the meeting.

SW, SC and DM joined the meeting

24/07 NPV

24.07.1 [Redacted – Legally privileged].

24.07.4 [Redacted – Commercially sensitive]

JM joined the meeting.

24.07.15 [Redacted – Commercially sensitive]

JM left the meeting.

KF, DMO and SY joined the meeting.

24/08 Customer sentiment

24.08.1 MGH thanked SY for her leadership and work on UIG and the NPA contract negotiations. He noted the effort that SY had contributed and the achievements made in updating the contractual relationship. SY advised that a report had been produced covering the work carried out and the situation reached to enable it to be picked up again quickly and easily.

24.08.2 SY introduced herself. She thanked the Executive team for working through the challenges presented following the publication of the Garner review and the pause of NPA. She acknowledged, on behalf of customers, the difficulties that Pay.UK was facing through no fault of its own. SY highlighted the approach presented at the recent SPG meeting that broadened the scope of the meeting to include APPR and CoP and the delivery challenges in October 2024. She requested that SPG be allowed to help Pay.UK on its journey.

24.08.3 SY added that banks were protective of their customers' data and were keen to pick up the challenge of data sharing on APPR and to work through a joint approach with Pay.UK for the ICO.

24.08.4 [Redacted – Commercially sensitive].

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- 24.08.5 SY observed that the challenges faced by Pay.UK were mirrored across Pay.UK's customers. When the NPA programme had been paused customers had put their own programmes on hold. She noted that, similar to Pay.UK, there was a risk of customers' ability to mobilise at pace and effectively when the NPV came in.
- 24.08.6 SY stated that a number of customers were concerned about VRP, the timelines and proposed commercial constructs outlined in the PSR's consultation. This would be a challenging area for both Pay.UK and customers as they faced into this with the PSR.
- 24.08.7 Reflecting on NPV SY noted this was a key topic for both Pay.UK and its customers. Customers were concerned over the process and the lack of terms of reference for NPV, what it would become and what it would deliver. Pay.UK's engagement with HMT would provide an opportunity to explain the problems it had faced and the regulatory challenges that had not enabled it to move forward with NPA.
- 24.08.8 MGH referred to the Board's earlier discussion of derisking the delivery challenges for October 2024 and the difficulties caused by the arbitrary setting of deadlines without thinking through the consequences for implementation and delivery. Meeting the October deadline for APPR would be important and MGH added that it would require all parties to compromise and be flexible.
- 24.08.9 MGH stated that Pay.UK was utilising the pause on the NPA programme as an opportunity to create consensus on the next generation infrastructure. Whilst some functionality and requirements would automatically form part of the NPV it would need to be made clear where there was room for the debate and prioritisation.
- 24.08.10 SY observed that a number of customers had concerns regarding ESG as their own ESG commitments could only be achieved if Pay.UK, and its suppliers, delivered on its own ESG commitments. SY highlighted that customers would like to see suppliers to Pay.UK also living the same ESG principles and values on sustainability, people management and governance. MGH noted that Pay.UK was seeking to impose this obligation on its suppliers and was working, where required, to modernise and update its contracts.
- 24.08.11 Reflecting on the PSR consultation on FPS changes to enable a phased expansion of VRP SY noted that each customer was responding individually. Customers would be providing proposals of how they would like to see VRP implemented and their concerns with the funding model.
- 24.08.12 MGH thanked SY on behalf of the Board.

SY left the meeting.

24/09 Next Generation Programme

- 24.09.1 SW stated that there were four workstreams in the programme that were all interlinked when a customer perspective was applied. Although most NPA programme contractors had been released a number of the resources previously on the programme were working on the requirements gathering and build of Data & Analytics. SW reflected that it was likely that additional resources would be required.
- 24.09.2 Business Analysts were working on the Bacs strategy and SW added that engagement with both customers and the wider ecosystem would be required to ensure a robust set of requirements.

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24.09.3 DC queried whether a Programme Management Office was in place across all workstreams. SW confirmed that all workstreams were now connected. The learnings from NPA were being applied to change ways of working that would also be rolled out across the entire change portfolio. He reflected that improving how teams worked together was important. Risk and assurance across the overall change portfolio was key and SW stated he was working to strengthen this. DP referred to the 1LOD risk team and the role they would play in change work. DC requested that the structure of the change portfolio including first and second line of defence roles and responsibilities was shared with the Board. **ACTION: SW**

24.09.4 [Redacted – Commercially sensitive].

SW, DM and KF left the meeting

24/10 Governance

24.10.1 Board noted the update and agreed the proposed improvement actions resulting from the 2023 Board Effectiveness review.

24/11 Any Other Business

24.11.1 As there was no further business MGH thanked everyone present and closed the meeting.

24.11.2 A private session was held with the INEDs and NEDs only.