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Pay. UK Limited

Minutes of a meeting of the Board of Directors held on 22 May 2024

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	David Chandler (DCh)	Director of Finance
Anna Bradley (AB)	Senior 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	Andy Hollingdale (AH)	Head of Strategic Planning
Marc Pettican (MP)	NED	David McPhee (DM)	Chief Policy & Engagement Officer
David Pitt (DP)	Chief Executive Officer	Lisa Mellor (LM)	Chief Risk Officer
Lesley Titcomb (LT)	Independent NED	David Morris (DMO)	Chief Technology Officer
Lars Trunin (LTR)	NED	John Mowat (JM)	Head of Strategic Policy
Ajay Vij (AV)	Independent NED	Louise Rebuck (LR)	Deputy Company Secretary
Peter Wyman (PW)	Independent NED		
Apologies:		Externals	
Diane Côté (DC)	Independent NED	Aidene Walsh (AW)	Chair of the PSR Board
		Chris Helmsley (CH)	CEO, PSR
		Oliver Hamner (OH)	Head of Strategic Policy, PSR
		Justin Jacobs (JJ)	Bank of England
		Simon Morley (SM)	Bank of England
		Simon Eacott (SE)	SPG Chair, NatWest
		Louis Carr (LC)	BDO
		David Gonnelli (DG)	BDO

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

24/31 Opening Business

Quorum and welcome

24.31.1 The Chair confirmed a quorum was present. Apologies were received from DC.

Conflicts of Interest

24.31.2 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. No new interests were declared.

24.31.3 The Register of Directors' Interests had been made available for members' review and confirmation prior to the meeting.

Minutes

24.31.4 The minutes of the meetings held on 20 March and 3 April 2024 were approved.

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Update on Actions

- 24.31.5 MGH referred to the ICS Insights paper provided in response to action 021. Noting that ICS was a designated payment system, MGH requested that an update on the industry discussions regarding an alternative utility model was brought back to Board. **ACTION: DP**
- 24.31.6 AB proposed that the future of ICS should also be considered at EUAC. DP agreed that EUAC's input would be useful and that he would consider when it would be most appropriate to schedule the discussion relative to project Clifton. **ACTION: DP**

Matters approved since the last meeting

- 24.31.7 [Redacted – Commercially sensitive]
- 24.31.8 [Redacted – Commercially sensitive].

24/32 Committee Reports

Audit Committee report

- 24.32.1 PW advised that the Committee had held a further meeting on 20 May, with the external auditors to consider the final version of the 2024 Annual Report. Further to that meeting he would confirm the Committee was content with the Report and would be recommending it to the Board.
- 24.32.2 PW congratulated the team responsible for the Annual Report noting that the process had been efficient and frictionless.

Risk Committee report

- 24.32.3 PW provided a verbal update on behalf of Diane Côté, the Committee Chair. He noted the significant progress that had been made by DC and LM in risk management and the work to mature the risk function.[Redacted – Commercially sensitive].
- 24.32.4 [Redacted – Commercially sensitive].
- 24.32.5 [Redacted – Commercially sensitive].

24/33 Chief Executive Report

- 24.33.1 DP gave a presentation to the meeting, providing an update on the planned changes to his direct reports and the organisational structure of the business. These changes were being made in response to some planned retirements within the team [Redacted – Commercially sensitive].

Members discussed the connections between innovation, strategy and technology and how alignment of responsibilities between these areas could be optimised.

DMO joined the meeting.

CEO report

- 24.33.2 [Redacted – Commercially sensitive].
- 24.33.3 [Redacted – Commercially sensitive].
- 24.33.4 [Redacted – Commercially sensitive].
- 24.33.5 AV requested that the key learnings from NPA were shared with the Board. **ACTION: DP**

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KPIs

- 24.33.6 The KPI dashboard was taken as read. In a response to a query DP clarified that the 30% rise in vacancies represented four positions.
- 24.33.7 MGH queried the H&S incidents and DP confirmed that two were related to the provision of Display Screen Equipment to meet colleagues' specific needs.

DCh joined the meeting.

24/34 Finance

CFO Report

- 24.34.1 [Redacted – Commercially sensitive].
- 24.34.2 DCh confirmed that indicative pricing for 2025 would be shared with customers at the Customer Engagement Forum in June and an update would be provided to the July Board. It was expected that the final pricing for 2025 would be shared with customers in October. [Redacted – Commercially sensitive].
- 24.34.3 [Redacted – Commercially sensitive].

DM joined the meeting.

- 24.34.8 [Redacted – Commercially sensitive]
- 24.34.9 [Redacted – Commercially sensitive]
- 24.34.10 Members considered the most appropriate timing for discussing pricing with customers and agreed it was important for customers to have input for their budgets. DP confirmed that the pricing clearly set out the costs including that for the fraud programme.
- 24.34.11 LT reflected that the indicative pricing, and its reception by customers, would provide a practical demonstration of the challenges faced by Pay.UK with funding.
- 24.34.12 MGH requested that customers be advised that they would need a budget placeholder for the NextGen work, as it would be important to ensure Pay.UK's capability to deliver this programme of work was not compromised. **ACTION: ME**
- 24.34.13 [Redacted – Commercially sensitive].
- 24.34.14 The Board **approved** the Criticality Assessment Tool on the recommendation of the Risk Committee.

DCh left the meeting

24/35 National Payments Vision

- 24.35.1 DM highlighted the constructive engagement with His Majesty's Treasury (HMT) which had taken place since the previous Board meeting. [Redacted – Commercially sensitive].
- 24.35.2 [Redacted – Commercially sensitive].

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24.35.3 [Redacted – Commercially sensitive].

24.35.5 Members considered the importance of maintaining momentum and continuing to work [Redacted – Commercially sensitive] beyond the planned submission date of 30 June, utilising the time until a response had been received from the regulators.

24/36 Pre-Regulatory Engagement

24.36.1 [Redacted – Commercially sensitive].

CH, OH, JJ, SM, AW and JM joined the meeting

24/37 Regulatory Discussions

24.37.1 [Redacted – Commercially sensitive]

JM left the meeting.

24.37.5 [Redacted – Commercially sensitive].

CH, OH, JJ, SM and AW left the meeting

24.37.13 [Redacted – Commercially sensitive].

SE joined the meeting

24/38 SPG Chair

24.38.1 SE thanked the Board for the opportunity to share the views and sentiment of the Senior Participants Group (SPG). He reflected on the current uncertainty, and opportunity, at present and the different consultations that individual SPG members were working through.

24.38.2 [Redacted – Commercially sensitive]. He added that SPG was in support of the reconstitution of the User Interest Group originally formed for the NPA programme. This group was addressing the legal and data sharing issues encountered on the Fraud programme.

24.38.3 SE observed that SPG members were keen to see the high level costings [Redacted – Commercially sensitive] and to understand the difference between the original NPA outcomes and what could be delivered through the technology strategy. He added that there were differing opinions amongst customers on the role of Instant Payments.

24.38.4 Referring to the Fraud programme SE stated that SPG members viewed the status of APPR as red rather than the reported status of amber. He added that SPG recognised the challenges of the industry being ready for day one for both APPR and CoP.

24.38.5 SE noted SPG discussions on the Fraud Detection Overlay Proof of Concept (PoC) had highlighted that the market had moved forward with alternative means of achieving the benefits demonstrated by the PoC. He added there had been a recent decision to carry out further work and that if the solution was intended for the whole market, then it required the support of everyone.

24.38.6 SE advised that most customers had completely stood down their NPA teams and Pay.UK's 2025 roadmap would be needed for customers to understand the financial and resourcing

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implications. In response to a question SE reflected that NPV was a good opportunity for the industry to stand behind. He drew attention to delivering NPV during a demanding period of other mandatory change work.

- 24.38.7 MGH questioned where the pressure points were in APPR for customers. SE stated that customers had confidence in the technology and were concerned that there were issues requiring resolution and also test plans and rulebooks to be finalised. He added that banks were operationalising APPR and needed to understand individual customers' readiness.

SE left the meeting

24/39 Stakeholder engagement

- 24.39.1 DM stated that stakeholder engagement was being looked at more strategically and this would be reflected in future updates. He added that a stakeholder engagement map was being created that would be reviewed and approved by the Executive Committee. Better communications had been established with institutions that Pay.UK had not engaged with traditionally. The Stakeholder Engagement team was beginning to have access to good insights. AB confirmed that the positive impact of the changes was being seen in engagement at EUAC.
- 24.39.2 Highlighting an example in the SPG meeting paper AB noted that the need for more transparency was referred to when building confidence in Pay.UK. Rather than focusing on transparency the importance of delivery should form part of communications.
- 24.39.3 Members discussed the Labour party's understanding of the payments industry and Pay.UK's role. DM stated that engagement had begun and a series of meetings would be set up. The Board considered the effect of a general election on Pay.UK's strategic work.
- 24.39.4 In response to a question about the strategy behind stakeholder engagement DM confirmed that the strategy would be to build breadth across all levels, to ensure engagement in the right areas.
- 24.39.5 Members discussed the engagement taking place with stakeholders bilaterally at different points within the same organisation and across various fora. MGH observed that consistent engagement beyond the current stakeholder group was needed. Members considered that the wider group was likely to be more thinly resourced. This would require engagement to be run more effectively and with greater precision.

DM left the meeting

KF joined the meeting

24/40 Strategic Change Change

- 24.40.1 ME summarised the key points in the paper and highlighted the simplification and rationalisation of the way in which projects and programmes were planned and executed. The framework and standards under which the Change team operated were being enhanced with a focus on how business analysis was being conducted.
- 24.40.2 [Redacted – Commercially sensitive]. DMO confirmed that a daily feed of aggregate data was provided by Vocalink which was stored by Pay.UK, enabling data to be looked at, across a number of years. This data was high level to support detailed analysis and not sufficiently real time to support systemic risk monitoring. PowerBI enabled data to be compared against previous years at both product and customer level.

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24.40.3 HC highlighted the importance of the data available to Pay.UK and understanding the opportunities that it presented.

Fraud

24.40.4 [Redacted – Commercially sensitive]. She referred to the good progress made in closing down the risks and issues discussed at the previous Board meeting. DMO noted that the industry test cases had been shared with customers recently at the Fraud Delivery Steering Group. The build for the APPR corporate directory look-up and standard A reporting, the minimum required for regulatory compliance for both Pay.UK and customers, and the claims management system, was on target for completion by 28 June.

24.40.5 KF advised that 25 core issues had been identified in discussions with the industry. Pay.UK had identified solutions for all those issues that needed to be resolved for day one. She added that a strawman was being developed for the disputes process and was being shared with the PSR and Payment Service Providers for their feedback.

24.40.6 KF stated that effort was focused on industry readiness. The PSR had published the list of potential PSPs that were subject to the regulation on its website.

24.40.7 Members considered the challenge of onboarding all 900 PSPs and being clear on Pay.UK's accountabilities. DP added that the PSR was expecting Pay.UK to step up and lead market readiness. Members reflected on the initial expectations where APPR would be a data collection exercise and how Pay.UK's responsibilities had broadened to include leading onboarding and the development of a dispute mechanism.

24.40.8 Members discussed the timetable for COP noting that Pay.UK had started internal testing and industry testing was scheduled to begin at the end of July. Existing COP customers would be onboarded to the production system first with new customers following. DP added that the intention was to onboard as many customers as early as possible.

24.40.9 LTR advised that Open Banking was charging customers for their use of the directory beyond the point at which the provision of the directory transitioned across to Pay.UK. Once the transition had been made and it was clear that Open Banking was no longer required to provide this service it would issue credit notes. He added it would be beneficial to remind customers that they would not be double charged.

24.40.10 KF stated that the right to vary the legal contracts for COP was required. Contracts had been worked through with customers and were now fit for purpose. KF added that UIG would revisit the terms for COP in the future.

24.40.11 Referring to Enhanced Fraud Data KF confirmed that documentation was being developed for customers to support the preparation of their own business cases.

24.40.12 KF stated that the Fraud Detection Overlay PoC was now closed and the results would be discussed with the PSR in early June. Discussions would be held with the PSR on how they could assist with progressing data sharing.

24.40.13 [Redacted – Commercially sensitive].

24.40.14 [Redacted – Commercially sensitive].

24.40.15 [Redacted – Commercially sensitive].

Next Gen

24.40.16 [Redacted – Commercially sensitive]

KF left the meeting

AH joined the meeting

24/41 Board Strategy Day

24.41.1 AH stated that the papers summarised the key content discussed at the Board Strategy Day, the key themes that emerged and the actions to be taken forward. One of the key outputs from the Strategy Day was to shape the NPV submission.

24.41.2 LTR queried whether there were any practical examples where elements of the strategy had been put into practice. DP highlighted the funding options that would be brought to the Board meeting in July [Redacted – Commercially sensitive]. It was agreed that practical examples would be provided when updates on actions were brought to future meetings. HC requested that outcomes be included in future updates that demonstrated the external value gained from data. **ACTION: AH**

24.41.3 MGH noted that the papers provided a helpful reminder of the Board Strategy Day and the journey that Pay.UK was on. DP Added that a strategy day had been scheduled in September for colleagues.

AH left the meeting

LM joined the meeting

24/42 Risk

Code of Conduct

24.42.1 PW requested an amendment to the final paragraph to reflect how instances of non-compliance would be dealt with. Members requested that the Code of Conduct was reviewed to ensure that the impact on end users was captured and clearly set out. It was agreed that the revised Code of Conduct would be circulated offline for review and approval. **ACTION: LM**

Modern Slavery Statement

24.42.2 The Board **approved** the Modern Slavery Statement.

Payments Industry Resilience Forum (PIRF) Update

24.42.3 LM stated that PIRF had become an established forum where members and attendees worked together well and there was a high level of engagement. She referred to the work of the Crisis Management PIRF working group that was looking at crisis management and the co-creation of an industry playbook that would be tested on 18 September. The Feasibility and Design working group was working through feedback from FMID and CHAPS on the potential use of FPS to process payments in the event that Bacs was unavailable. LM added that the UK Finance-led Market Communications working group was working well and the proposed approach for co-ordinated messaging responses during an incident would be tested during the scenario execution on 18 September.

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- 24.42.4 DP advised that he had attended a PIRF meeting and the work and engagement demonstrated a strong industry leadership and a clear response to the Bank of England's Annual Risk Review letter.
- 24.42.5 Members considered the conversation with the regulators earlier in the meeting and agreed that PIRF was a good example of where the role of active (independent) PSO worked well and on a topic where there was industry buy-in. MGH queried what the limitations would be on Pay.UK to move forward with any change identified from the outcome of September's scenario test. Members agreed that industry would expect the outcome of the test to be reflected in the work Pay.UK was carrying out. LM added that if vulnerabilities were identified from the test that the regulators would expect their resolution to be considered as part of Pay.UK's longer term work. She noted that UKF, with Bank of England, was leading a separate piece of work through the Cross Market Operational Resilience Group (CMORG), assisting the banks with their controls.
- 24.42.6 The Board considered Pay.UK's role and responsibilities for the scenario test and FMID's expectations when the test was complete. MGH noted it would be important to ensure that Pay.UK's role and responsibilities were clear for the outcome of the test, for example whether Pay.UK would be expected to monitor customers' remediation work. Members agreed that a strategy for engaging with the regulator regarding the scenario test would be required. **ACTION:**
LM

LM left the meeting.

DGo and LC joined the meeting

24/43 2023 Governance

Annual Report and Financial Statements

- 24.43.1 CG stated that the contents for the Annual Report and Financial Statements had been developed through collaboration with colleagues. The document had been through several layers of review.
- 24.43.2 PW confirmed the Audit Committee had met on 20 May and recommended the 2023 Annual Report and Financial Statements to the Board for its approval.
- 24.43.3 DGo confirmed BDO would provide an unqualified audit sign-off once the letter of Representation had been received.
- 24.43.4 The Board **approved** the 2023 Annual Report and Financial Statements and Letter of Representation.
- 24.43.5 The Board **authorised** MGH to sign the Directors' Responsibility Statement and Directors' Report and DP to sign the Strategic Report and Statements of Financial Position on its behalf.
- 24.43.6 The Board **approved** the reappointment of BDO as the Company's Auditor.

LC and DGo left the meeting

Notice of Annual General Meeting (AGM)

- 24.43.7 All directors confirmed they were eligible to stand for re-election at the AGM and, where relevant, that their status as an Independent Non-Executive remained unchanged.

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24.43.8 The Board **approved** the Notice of Meeting, the proposed resolutions and the proxy form. Furthermore, the Board authorised CG to issue the Notice of Meeting with a copy of the approved 2023 Annual Report and Financial Statements to be sent to the Company's Guarantors.

Investment Policy

24.43.9 The Board **approved** the Investment Policy recommended by the Audit Committee.

24/44 Date of next meeting

24.44.1 The dates of the AGM and the next meeting were noted. MGH confirmed that the AGM would be fully remote for guarantors and that a room would be available at 2TMS for those directors who wished to attend in person.

24/45 Any Other Business

24.45.1 As there was no further business MGH thanked all present and closed the meeting. He invited the NEDs and INEDs to remain for a private session.