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Pay. UK Limited
Minutes of a meeting of the Board of Directors held on
25 September 2024 10:15
at 2 Thomas More Square, London, E1W 1YN

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	David Chandler (DCh)	Director of Finance
Anna Bradley (AB)	Senior Independent NED	Carolyn Gibson (CG)	Company Secretary
Diane Côté (DC)	Independent NED	David McPhee (DM)	Chief Policy & Engagement Officer
Helen Crooks (HC)	Independent NED	Lisa Mellor (LM)	Chief Risk Officer
Michael Ellis (ME)	Chief Financial Officer	David Morris (DMO)	Chief Operating Officer
Marc Pettican (MP)	NED	John Mowat (JM)	Head of Strategic Policy
David Pitt (DP)	Chief Executive Officer	John Pawley (JP)	RE&P Manager
Lesley Titcomb (LT)	Independent NED	Maria Willis (MW)	Company Secretary designate
Ajay Vij (AV)	Independent NED	Louise Rebuck (LR)	Deputy Company Secretary
Peter Wyman (PW)	Independent NED		
Apologies		Externals	
Lars Trunin (LTR)	NED	Sue Yarham (SY)	HSBC, SPG

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

24/62 Opening Business

Quorum and welcome

- 24.62.1 The Chair confirmed a quorum was present and apologies were noted for LTR. MGH welcomed MW and advised she would be stepping up to the role of Company Secretary, when CG retired at the end of the year.

Conflicts of Interest

- 24.62.2 MGH reminded directors that under the CA 2006, and Pay.UK's Articles of Association (the "Articles"), directors were required to declare their interests in relation to any proposed transaction or arrangement with Pay.UK. No new interests were declared.

Approval of minutes

- 24.62.3 The minutes of the Board meeting held on 17 July 2024 were approved.

Update on actions

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24.62.4 The status of the open actions was noted.

Approvals since last Board meeting

24.62.5 The Code of Conduct had been approved offline.

24/63 Committee Reports

Audit Committee

24.63.1 PW gave an update on the work of the Audit Committee. [Redacted – commercially sensitive]

Risk Committee

24.63.4 DC commented on the recent Risk Committee meeting. [Redacted – commercially sensitive]

Nomination Committee

24.63.9 MGH stated the Nomination Committee had agreed that recruitment for a third NED should begin. The role had been left empty since John Mountain had left and there was an opportunity to recruit another Board member from a medium sized customer. He added that the number of customers in this category was relatively small, and work was underway to establish the size of the pool from which candidate NEDs could be sought. The third NED could be a payments leader and MGH reflected that this could place constraints on the individual when they joined Pay.UK's Board that would require consideration.

ME and DMO left the meeting.

Remuneration Committee

24.63.10 AB covered the areas the Remuneration Committee had discussed. [Redacted – commercially sensitive]

24/64 Chief Executive

CEO Report

24.64.1 DP reflected on the varied engagement required, to enable project Clifton to progress. [Redacted – commercially sensitive]

24.64.5 DP confirmed that the business was still on target to reach risk maturity level 4 by the end of 2024. He added that the implementation of GRC as a risk management tool was a key factor in achieving this.

KPIs

24.64.6 Members considered whether the KPIs were sufficiently outcome focused. DC observed that additional risk information would provide insight into how operations were being managed. It was agreed that the KPIs would be reviewed by the business in collaboration with HC and LTR to ensure they were insightful and focused on outcomes. **ACTION: DP/ ME**

DCh joined the meeting.

24/65 Finance

CFO report

24.65.1 ME confirmed that the final 2025 pricing was scheduled to be issued to CEF in October. The budget would be brought back to Board in November.

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- 24.65.2 DCh stated that cost allocation work for ICS had helped to decrease the price however the year-on-year decline in volumes impacted the price, which would increase for 2025. He added that the key themes for messaging to customers were being considered.
- 24.65.3 Work had also been carried out to illustrate to customers, the pricing journey from 2019 to present day. This work would provide them with a more itemised breakdown of volumes, investment in risk management, operational resilience and the cost of responding to regulation. DCh added that Pay.UK and Vocalink's costs were both 6% higher now than in 2019.
- 24.65.4 ME stated that the pricing for APPR had been set on a levy to the FPS price per click that would then move to a different methodology. [Redacted – commercially sensitive]
- 24.65.8 HC requested that further information was provided that made it clear where funds, in terms of percentage of costs, were being invested against change, legal, increasing skills and capabilities in each function, augmented resource to deliver specific work, etc. Members requested that the strategy and the resulting overarching business plan and how these related to the budget was also provided as part of the 2025 budget discussions in November. **ACTION: ME/ DCh**
- 24.65.9 The Board **approved** the 2025 Pricing to be shared with customers.
- Capital & Liquidity Policy
- 24.65.10 DCh advised members that the Capital & Liquidity policy had been updated as part of its annual review cycle. The policy had been reviewed by the Audit Committee and was now being recommended by the Committee to the Board.
- 24.65.11 Further to discussion the Board **approved** the Capital & Liquidity policy.

DCh left the meeting.

LM and GM joined the meeting.

24/66 Operations

- 24.66.1 DMO presented his inaugural COO Report. DMO advised that the work to define the COO organisation end to end and the decision as to whether to bring in a third party to support the work would begin in the following weeks. He noted that Pay.UK was ready to re-engage with Vocalink on project Clifton to work through the next architecture layer and the product strategy.
- 24.66.2 Referring to the FPS incident that occurred on 28 June DMO stated that an action plan was in place that had been discussed with Vocalink, the regulators and the industry. An update against the action plan would be taken to CEF and a number of immediate actions had already been completed.
- 24.66.3 DMO reflected on the COP expansion go live and the successful delivery of the API platform, the incident management tooling and new support model. This delivery would set the foundation for the future and marked a shift for Pay.UK. Previously Pay.UK had commissioned infrastructure to be built and purchased off the shelf, now Pay.UK had implemented a solution that it owned and managed.
- 24.66.4 Referring to the newly appointed Director of Payments DMO stated that the focus of the director's attention would be recognition of Pay.UK's role and its systemic importance to the ecosystem.

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Ensuring that the culture fully supported this would require the new director to work on internal escalation and awareness. He observed that the availability of social media and the pace at which information was shared would also need to shape operations' responsiveness and forward thinking.

- 24.66.5 Members discussed the use of scenarios and simulations to determine the effectiveness of communications with stakeholders during incidents and the importance of training those colleagues who faced the market.
- 24.66.6 AB highlighted that the Director of Payments would need to increase efficiency and effectiveness by introducing new thinking into ways of working and culture within the operations area.
- 24.66.7 [Redacted – commercially sensitive]
- 24.66.8 DMO added that transaction quality metrics were being looked at as part of the KPIs used to monitor the payment systems and services.
- 24.66.9 DMO invited members to share their feedback offline on the content of the COO Report and its value to the Board.

DM and JM joined the meeting.

24/67 Next Generation Infrastructure and Market Developments

- 24.67.1 DM stated that there were four recent key developments that were crucial for the successful delivery of infrastructure renewal within an improved framework. These required further thought whilst recognising the ongoing live debates. The developments had been grouped in the paper into two strategic themes with associated actions. DM observed that the first theme was the establishment of a shared strategic direction for interbank payments by the public authorities. This would help set out the long-term strategic direction for both NextGen and Pay.UK's role. It was anticipated that a statement on the National Payments Vision strategy would be made on 14 November and that the outcome of the BoE's paper on its approach to innovation in money and payments would potentially conclude in 2025.
- 24.67.2 [Redacted – commercially sensitive]
- 24.67.3 DM stated that the second strategic theme was the delivery governance model for large scale change within the industry. UKF had set out its views and those of its members in its 'Real Time Retail Infrastructure Enhancement and Delivery Options' paper. [Redacted – commercially sensitive]
- 24.67.6 MP observed that whilst it was challenging to engage with industry, given the number of stakeholders involved, further management effort would be required going forward.
- 24.67.7 [Redacted – commercially sensitive]
- 24.67.9 ME observed that the key common ground was the need to deliver change, ensuring the resilience of the payment systems. Members discussed putting in place a delivery model that would provide the right controls for customers and the prioritisation of enhancements beyond the core

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elements of upgrading the payment systems. The delivery governance model for innovation developed for NPA could be utilised for propositions that provided commercial opportunities such as A2A for customers and the industry. Members agreed the importance of bringing all parties into the conversations taking place to get to an agreed way forward that would give customers transparency, control of costs and an understanding of delivery stage gates. MGH requested that a paper was prepared that set out the mechanisms, composition of foras and a timetable that would enable consensus for a delivery governance model that enabled an independent PSO, reflected the ecosystem and provided transparency and openness that customers were seeking. **ACTION: DM**

24.67.10 [Redacted – commercially sensitive]

SY joined the meeting.

24/68 SPG

- 24.68.1 SY stated that customers welcomed the collaboration with Pay.UK on Clifton and NextGen, noting that the engagement had been the best since the formation of NPSO/ Pay.UK. Whilst waiting for the outcome from the regulators on the Clifton submission customers were now thinking about design and implementation.
- 24.68.2 SY flagged a risk that customers had already concluded their planning and resources for 2025 which would make it difficult for them to initiate programmes of work at pace. This could be a challenge depending on how quickly regulators wanted everyone to mobilise on delivery of Clifton.
- 24.68.3 Customers saw Clifton as a faster and safer route to realise a number of NPA benefits such as ISO 20022. SY added that customers were very supportive of moving forward with Clifton.
- 24.68.4 SY highlighted that discussions were taking place within the industry regarding an alternative delivery vehicle. She stated that she would not dwell on this and noted that some recent challenges on COP and RCMS customers had experienced, such as organisations having to sign up to difficult terms and conditions, had not helped.
- 24.68.5 Referring to APPR SY reflected that customers were focused on ensuring they were ready. For many customers APPR and the associated processes and ways of working were new and APPR could be a significant challenge for them. She was confident that customers and Pay.UK would be able to work through the challenges together.
- 24.68.6 LT queried whether Pay.UK had been the source of late requirements on APPR. SY noted that a late change in limits had created issues in terms of replanning and redoing work. Whilst the late change had been unhelpful she stated that everyone needed to work together to put the changes in place. SY added that customers would welcome a review of the APPR requirements and FPS rulebook approximately six months after go live. **ACTION: KF/ DMO**
- 24.68.7 SY highlighted the need to resolve the data sharing challenge that User Interest Group (UIG) was working through. MGH queried whether there was a different approach where data sharing was mandated or if customers would prefer to try to resolve the issues under the current legislation. SY stated that if data sharing was mandated, data privacy would have to be worked through and the responsibilities of data controller taken into consideration.

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- 24.68.8 Mindful that significant time had passed since Pay.UK had proposed the EFD solution SY advised that a number of customers had had to make their own investment decisions. The additional benefits of EFD over the fraud solutions already in place would need to be understood and customers would then need to look at the business case and costs.
- 24.68.9 SY referred to the COP migration to a new platform and, aside from the participation agreement, stated that the programme had been a good example of how to achieve a complex migration without disturbing customers.
- 24.68.10 SY asked the Board to support the executive to work together more with customers, to involve customers early on and to ensure that conversations were timely.
- 24.68.11 MGH stated that customers and Pay.UK had worked well together on the engagement model for Clifton. Noting the issues on the COP expansion participation agreement, he queried what a good outcome would look like. SY reflected that as part of its work on the NPA programme UIG had created a document on engagement that set out what good looked like [and reference to that may be helpful].
- 24.68.12 AB asked SY for clarity on customers' views on the future delivery governance and alternative delivery models. She observed that whilst there were always improvements that could be made that it was important to be clear on whether customers' views were on corporate governance or programme governance.
- 24.68.13 SY clarified that she was expressing her own views and not those of the customer community. She stated that more risks than ever before were raised against Pay.UK. There should be a clear distinction between Pay.UK's role as a systemic manager and its role in delivering major transformation. There were widespread concerns in the industry on Pay.UK's ability to deliver based on NPA. She added that whether these concerns were fair or not could be debated. The costs of programmes were significant and NPA was significantly more expensive than anything seen elsewhere.
- 24.68.14 AB queried how Pay.UK could respond to the industry concerns and whether they were based informal governance or programme governance. She asked whether customers were frustrated, and if their concerns could fall away if a way forward was found. SY observed that discussions had been brief and a longer discussion was required to break down what was causing concern in the industry. She highlighted the significant investment made by customers in NPA and the Treasury report highlighting that the UK had fallen behind in leading the way in payments.
- 24.68.15 PW queried whether there would be merit in looking at a recently completed programme of work and determining what worked and what had not worked. This could provide clarity on some customer issues. ME stated that a Post Implementation Review would be carried out on COP expansion and that it would be useful to get customer input to the report. SY added that Pay.UK may have frustrations with customers and it needed to be open about these.

SY left the meeting

Members agreed that the conversation with SY had been very useful. The PIR suggestion should be taken forward and externally facilitated to ensure that it would be independent.

The Board discussed the implications of customers having moved ahead with solutions and what this meant to EFD. ME stated that EFD would provide a level of anti-fraud integration data that some customers could find challenging to build into their organisations at present.

24/69 Business Development

COP

- 24.69.1 Noting the delay to the go live date for the COP switchover to the Pay.UK provided directory MGH requested further information on the reasons behind the delay querying whether sufficient time had been allowed for customer testing. DMO advised that the delay had provided customers with time to carry out bilateral testing. The platform had been live for some time prior to go live on 22 September and available for testing however there had been challenges orchestrating testing between banks. On go live there was a limited number of bilateral issues rather than a set of issues related to a single institution. DMO agreed that the learning was to focus in more firmly on test engagement and to collaborate in creating the testing timeline.
- 24.69.2 [Redacted – commercially sensitive]

APPR

- 24.69.4 DMO provided a brief update on the increasing numbers of PSPs going live on the APPR platform since go live on APPR platform went live approx. 2 weeks ago. [Redacted – commercially sensitive]

LM and JP joined the meeting.

24/70 Risk

Resilience Framework

- 24.70.1 LM summarised the key changes to the Resilience Framework that had been introduced as part of its annual review. DC advised that the Risk Committee had reviewed the framework and requested changes to include, rather than exclude suppliers, and to conduct regular simulation tests. LM confirmed the Risk Committee recommended the Resilience Framework to the Board for its approval.
- 24.70.2 The Board **approved** the Resilience Framework.
- 24.70.3 LM advised that the PIRF scenario test had been conducted successfully. A survey had been sent out to the PIRF members that had participated and initial feedback was positive.

Principal Risks

- 24.70.4 LM stated that there were now 16 principal risks. A number of the new risks, such as NPV, were a product of Pay.UK's current situation and LM observed that owing to the dynamic environment, risks changed more rapidly than they ordinarily would in other organisations. [Redacted – commercially sensitive]
- 24.70.5 Referring to the AI principal risk DMO provided a summary of the work undertaken in the last 12 months. A regular AI forum had been set up to review the use of tooling and AI inside Pay.UK. Policies were being developed and principles established. A framework was being developed to set out the framework for how Pay.UK would oversee AI capability in the ecosystem. DMO added that the work being carried out was providing the control required that would enable the principal risk to be brought back within appetite by the end of the year.
- 24.70.6 DC added the Risk Committee had discussed AI risk and had taken confidence in the development of the external AI governance framework.

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24.70.7 LT queried whether FMID was sighted on the AI work. DMO confirmed he had discussed the AI framework and the journey at his recent supervisory meeting.

24.70.8 DP added that feedback from the customer survey was being collated and would be brought to the November Board and Risk Committee meetings. **ACTION: LM/ DP**

PFMI Interim Review

24.70.9 LM presented the interim PFMI review. [Redacted – commercially sensitive]

24.70.10 DC stated that the Risk Committee had reviewed the PFMI Interim Review and requested a clarification regarding the risk maturity level target for Principle 3, Risk Framework. The Committee recommended the PFMI Interim Review to the Board for approval.

24.70.11 The Board **approved** the PFMI Interim Review.

24.70.12 Members requested that the work required for Principle 19: Tiered participation was prioritised in time for the 2025 self-assessment. **ACTION: DMO**

LM and JP left the meeting.

24/71 Governance

Governance Maturity

24.71.1 CG reminded members of the Governance Maturity success factors set out in 2022 and the periodic updates that had been provided. She invited members to provide feedback on the latest update.

24.71.2 LT queried the statement in the cover note ‘Missing occasional conversations on risks, what they are rather than what we’ve done to tackle the risks.’ Members discussed the board’s understanding of the end-to-end risks across the whole payment cycle, noting the discussion on the principal risks that had just taken place. MGH added that Important Business Services and Impact Tolerances were discussed as part of the approval of the Operational Resilience Self-Assessment. The risks associated with aggregators, cloud and fraud APIs as well as emerging risk were also visible to the Board. Whilst conversation at Board focused on mitigating actions it was agreed that the risks were understood. DC added they were also covered in detail by the Risk Committee.

24.71.3 MGH reflected that it would be useful for the Board to have a discussion on the company’s culture, values and purpose. CG referred to the discussion earlier in the meeting where the behaviours and culture in the payment operations function had been highlighted. **ACTION: CG/ MW**

24.71.4 CG stated that the percentage achieved for each success factor indicated how far along the journey Pay.UK was in making the improvements needed to achieve the target governance maturity. Members agreed that they were content with the self-assessment.

External Board performance review

24.71.5 Further to the governance maturity assessment, and in response to questioning from HC, CG noted that Odgers would commence an independent Board performance review during November, which would also examine the level of maturity, and would provide an external consideration on the level of maturity of the governance within the business. [Redacted – commercially sensitive]

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24/72 Date of next meeting

- 24.72.1 The dates of the next meetings on 27 November and the training session to be held on 16 October were noted.

24/73 Any Other Business

- 24.73.1 Members considered the Board papers, and provided feedback, suggesting the linkage and signalling between papers, could be improved, which would support better discussion. Members also noted that papers could be more succinct, whilst still providing appropriate context. LT added that stronger editing would be beneficial.
- 24.73.2 As there was no further business MGH thanked everyone present and closed the meeting at 15:12. He invited the NEDs and INEDs to remain for a private session.