

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 08.04.2020**

Directors	Attendees
Melanie Johnson (MJ), Pay.UK Chair	Kate Frankish (KF), Director of Standards & Strategy
Richard Anderson (RA), INED	Francisco Pazo Couto (FPC), Head of Legal
Christine Ashton (CA), INED	Toby Sheldon (TS), Director of Communications
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	Louise Rebeck (LR), Corporate Governance Manager
Nathalie Oestmann (NO), NED	David Gilbert (DG), Company Secretary
Jean-Yves Rotté-Geoffroy (JY), INED	
Russell Saunders (RSA), NED	
Rob Stansbury (RST), Senior INED	
Peter Wyman (PW), INED	

*Due to the Covid 19 pandemic, all Board members and attendees joined remotely by video conference

20/31 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 March 2020 together with an updated copy of the Directors Conflicts of Interest register, which had been circulated separately, were noted by the Board.

Minutes & Action Log – The draft minutes of the Board meetings held on 6 February, 12 February and 18 February 2020 were reviewed and approved subject to a number of minor amendments to clarify the text.

Progress on the outstanding actions was noted.

FPC left the meeting

20/32 Risk Strategy Framework

HHJ presented an update on Risk matters, noting the continuing evolution and development of the processes within the function. HHJ referred to the Risk Management Strategy Overview that had been circulated with the meeting papers and advised that the Enterprise Risk Management Framework had been updated to reflect the work that had been undertaken to bring the risk registers from the three separate schemes together. HHJ noted that the previous approach, completed at the level it had been, had aligned risk appetite to risk categories rather than actual risks. This had made it difficult for the business to identify whether a risk was in or out of appetite. The revised approach would ensure that the good understanding of bottom-up operational risks could be kept whilst providing an overlay to these with strategic risk. The revised approach would enable the business to be able to better identify and assess its current risks against agreed tolerances.

HHJ explained that the revised methodology would allow for greater visibility of the process and for executive challenge to be evidenced before being considered by the Risk Committee, thereby elevating the Committee above the management discussions that would have already taken place as part of the revised process.

The Board noted that every strategic risk now had a business owner and that these would be discussed – and challenged – at Executive Committee meetings. HHJ cautioned that the development of the revised approach would take time to mature and be fully embedded in the business. The Risk team was working with each directorate to identify strategic risks and it was therefore not possible to predict how many strategic risks would be identified as part of the exercise. RA commented on the work that had been done and endorsed the strong development of the risk process that was being seen. He highlighted that a key output would be the evidence that would be presented to the Risk Committee and to the Board that the process was embedded as part of the culture and was being driven by the executive.

The methodology underpinning the revised process was considered. HHJ gave a brief overview of the scoring methodology and the use of quantitative data to underlie the approach.

HHJ informed the Board that previously there had been a separate risk appetite statement for each identified risk. This had caused difficulties when new risks were added. The revised approach considered five impact areas which had been mapped from the previous statements. HHJ noted that given Pay.UK's role as a provider of critical national infrastructure, it would not have an entrepreneurial outlook. The Board queried where the guardianship role should sit in the revised approach and PH confirmed that the executive had spent time debating the reputational aspects and where these should be located. RA counselled that whilst the way that the consequences and impacts of risk might be changing under the revised approach, the sources of risk to the business remained unaltered.

AB expressed her concern as to the categorisation of guardianship and reputation. HHJ confirmed that the risk appetite for risk was set at close to zero in the revised model as the executive were acutely aware of the risks facing the business in the current position. As an example, she noted that given the minimal appetite for risk, there was currently enhanced change control in place to ensure the safety and resilience of the ecosystem.

The Board considered the proposed definitions of criticism and reputational damage, noting that some minor criticism was inevitable and acceptable given the broad range of views held by participants but that reputational damage was not within appetite.

Summarising the discussion, HHJ noted that it was for the Board to confirm that it accepted the proposed risk levels in each category as proposed by the executive. She accepted that a close to zero tolerance approach in some categories was very constraining on the business but confirmed that the risk appetite position would be kept under regular review and revised recommendations would be put forward at appropriate intervals as and when the environment improved.

After further discussion, **the Board confirmed** the risk appetite statements as proposed, noting that it would be a matter of months before the calibration of the risks in the current environment could be reconsidered. During that time, some out of tolerance risks would undoubtedly emerge which would need to be escalated on a timely basis.

HHJ reported that she had shared the proposed model to address the outstanding Priority items at a high level with FMID. The Regulatory Engagement & Policy team had also been keeping the regulator apprised of developments. It was noted that the planned risk review by FMID had been deferred as a consequence of the Covid-19 pandemic.

On behalf of the Board, MJ thanked HHJ and her colleagues for the work that had been done in a short period to develop the Risk Framework and associated processes.

HHJ left the meeting

KF joined the meeting

20/33 Covid-19 Update

PH introduced a discussion regarding the steps that the executive had taken to prioritise the various workstreams within the business and to ensure that the key areas to enable a robust and resilient service to participants and the ecosystem continued. A 'Gold Command' forum had been established to coordinate the response to the Covid-19 pandemic and this was currently meeting daily to assess the situation. He explained that four basic principles had been adopted and against those a criteria of stop / start / continue was being used by the executive to establish priorities. He cited as examples the pausing of the CIO forum given the demands that that made on participants and the starting of conversations with the Cabinet Office and HMRC to see how Pay.UK could support the Government's recently announced initiatives. MH noted that another example of additional activity was the introduction of regular 'Silver Command' calls with participants, the payments industry generally, and suppliers, to identify any issues and share information.

AB noted the need to carefully and quickly explain to the end user community why the decision had been made to hold back on the launch of Request to Pay and on any potential delays to work on Confirmation of Payee phase 2.

The Board queried whether payments volumes had been impacted by the crisis. MH advised that cheque payments were much reduced but that it was too early to be able to ascertain how other payment services had been affected.

KF reported that a key area of the business impacted by the pandemic was the Research and Innovation team. The foundation strategy was a three year programme and it was right that this was paused given the demands on senior management time that was required. It was also right but disappointing that the proposed strategy conference had been cancelled. RST queried whether the work to explain Pay.UK's mandate had also been affected and PH confirmed that

whilst other priorities had required attention, the mandate work had progressed but its review by the Executive Committee had been delayed.

KF explained that given the number of initiatives that had been paused, the opportunity had been taken to re-allocate resources and colleagues from her area to support the NPA Programme.

PH referred to a briefing paper on Stablecoins that had been included in the meeting pack for information and welcomed comments. KF confirmed that the team was working closely with the Bank regarding such developments.

On behalf of the Board, MJ thanked the executive and all within Pay.UK at all levels for their efforts to keep the business operating during unprecedented times, particularly the IT support that was being provided.

KF left the meeting

TS joined the meeting

20/34 Communications ‘Deep Dive’

TS provided the Board with an overview of the Communications directorate and how it was organised as an agency model to support the business. The main areas covered communications, stakeholder engagement, brands & marketing and project work.

TS summarised the various milestones of the team since the establishment of Pay.UK, including the launch of the new brand, a new website and the establishment of regional roundtables. Work also included the redesign of corporate literature and there was a focus on internal communications. TS advised that work to drive brand identity was currently paused but that the intention was to drive the Pay.UK brand. RA queried as to how outcomes were being measured and TS explained that measures were in place to monitor objectives and that improved engagement scores would also be referenced.

TS left the meeting

DM joined the meeting

20/35 Regulatory Engagement & Policy ‘Deep Dive’

DM reminded the Board that prior to TOM 2.0 the directorate had not existed and that it had been built from scratch over the past 18 months. DM explained how the function had developed to support and coordinate the business in its engagement with the regulators. In addition to the regulatory engagement, DM highlighted the work being done to support the Standards area with the development of policies and quality assurance work.

DM noted that the number of information requests received from the regulators was increasing in the current situation and these were being carefully monitored given the pressure that it was putting on those responsible for furnishing responses. In addition, the team was also holding two Covid-19 related meetings a week with FMID which was putting a strain on resources.

MJ thanked the team for the support that they provided to the Board both collectively and individually and confirmed that the level of regulatory engagement should be carefully monitored to ensure that it remained proportionate.

20/35 FPS Transaction Limit

PH reminded the Board of the background to the request to consider an increase in the FPS transaction limit. He advised that the findings of an industry questionnaire had been considered by LGAS and that a recommendation by that Committee was being brought to the full Board for consideration. Whilst a majority of participants were in favour of an increase in the limit, there was now a question as to when it should be introduced given the diversion of resources within participants to manage the pandemic impacts.

After further deliberation, the Board confirmed that it supported the proposal and approved an increase in the FPS Transaction Limit to £1m but delegated the timing of its introduction to the executive.

DM left the meeting

20/36 Guarantor Policy

PH referred to the revised Guarantor policy that had been included in the meeting papers. He explained that the eligibility criteria had been updated and clarified to make clear the position regarding trade associations that wished to become Guarantors. The policy had also been updated to include details of the due diligence process that was undertaken.

The Board approved the revised Policy and confirmed that for transparency a copy should be placed on the Pay.UK website.

20/37 Colleague Engagement

TE updated the Board regarding the actions that been taken to address some of the findings of the recent Colleague Engagement Survey. A number of Town Halls had been used to engage with colleagues around the five main findings. Some of the activity had been paused as a result of colleagues now working from home, whilst others had been accelerated to meet the revised circumstances.

20/38 Board Effectiveness Review

The updating report was accepted. It was noted that many of the recommendations had now been incorporated into business as usual activity and that this needed to be reflected in the status of the Review actions.

20/39 Terms of Reference

Board – the updated Terms of Reference for the Board were considered and approved. It was noted that a management process for ensuring that any red-rated Audit Committee reports were seen and considered by the full Board was already in place.

End User Advisory Committee – AB noted that the revised Terms of Reference for the Committee were fundamentally simpler than previously, with a clearer purpose. The revised Terms of Reference were approved.

20/40 Any Other Business

LGAS Report – RST advised that a short briefing note from the Committee had been included with the meeting papers to ensure that all Board members were aware of the recent activity by the Committee regarding definitions for Rules and Standards.

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

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Chair