

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 13 May 2020**

Directors	Attendees
Melanie Johnson (MJ), Pay.UK Chair	Steve Allen (SA), Co-Chair of SPG
Richard Anderson (RA), INED	Euan Burrows (EB), Practice Group Head, Ashursts LLP
Christine Ashton (CA), INED	Simon Deschenes (SD), Head of Finance
Anna Bradley (AB), INED	Tim Everest (TE), CSO
Tim Fitzpatrick (TF), INED	Helen Hunter-Jones (HHJ), CRO
Paul Horlock (PH), CEO	Dave McPhee (DM), Director of Regulatory Engagement & Policy
Matthew Hunt (MH), COO	Martin Otley (MOT), Financial Analysis
Nathalie Oestmann (NO), NED	Mike Owen (MO), Interim Director of NPA
Jean-Yves Rotté-Geoffroy (JY), INED	Nauka Patel (NP), NPA support
Russell Saunders (RSA), NED	Francisco Pazo Couto (FPC), Head of Legal
Rob Stansbury (RST), Senior INED	Dan Smith (DS), Head of Procurement
Peter Wyman (PW), INED	Roy Whymark (RW), Senior Policy Lead
	Louise Rebeck (LR), Corporate Governance Manager
	David Gilbert (DG), Company Secretary

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

20/41 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 April 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 meeting held on 8 April 2020 were reviewed and approved subject to a number of minor amendments to clarify the text.

PH provided the Board with an update on the open action items.

20/42 Quarterly CEO Report

MJ prefaced the report by thanking the management and colleagues for their continued hard work during the Covid-19 situation, noting the significant extra work that the pandemic had generated.

PH commented on the main events during Q1 2020, noting that the reporting was inevitably skewed by the events at the end of March. He advised that key milestones had been the appointment of HHJ as CRO and the formation of the new CSO function.

Volumes were being closely monitored following the Covid-19 restrictions. For example, Cheque and CASS volumes had dropped as customer behaviour had been changing and participants focussed on the delivery of core systems.

PH noted that the Strategic Participant Group (SPG) had been established during the quarter and had so far met four times. The Group had been inaugurated prior to the current situation and had been able to continue working throughout the pandemic.

TF sought a sense of current market sentiment. PH advised that regular meetings with participants continued and that these tended to be dominated by Covid-19 related topics. Whilst it was clear that participants were focussed on protecting their core businesses and managing risks, a number of other initiatives had been accelerated – the rollout of additional ways for customers to contact their banks remotely, for example.

RA noted the improved reporting that was being made available to the Board and requested that future reports made reference to progress against the annual plan. This was agreed.

ACTION: PH

The quarterly scorecard was considered. The improvements in the People reporting sections were noted and welcomed. It was noted that overall sickness reporting was lower. CA queried the lack of any gender pay gap reporting and, whilst the business did not yet meet the qualifying criteria for its production, it was agreed that this would be useful information to be developed once other, more immediate, People-related requirements had been addressed.

ACTION: TE

After further discussion it was agreed that a deep dive into the metrics supporting the scorecard, and in particular the aspects relating to systemic risk, would be considered at a future Board meeting. **ACTION: MH**

PH referred to the briefing note regarding Request to Pay (RtP) that had been circulated with the meeting papers for information. Participants had been engaged to ascertain their requirements and they had confirmed that the ability to have a 'soft' launch of the service had market support.

SA, DM, DS, EB & FPC joined the meeting

20/43 NPA

MJ welcomed SA to the meeting and invited him to speak to the paper that had been produced on behalf of the SPG and circulated to Board members.

[Redacted - commercially sensitive]

SA left the meeting

Following on from the SPG discussion, EB advised the Board that he was there to assist them in interpreting the legally privileged advice that had been provided. He invited questions from the Board to develop the issues that had been considered in his briefing note and to allow him to gain a better understanding of the issues involved. EB then proceeded to outline the legal position regarding the options set out in the briefing paper and answered questions from the Board in relation to those options and the legal opinion that had been given.

Following the legal briefing, AB suggested that, in any discussion with the regulator regarding the options considered, the regulator would expect there to be evidence to confirm that the consequences for end users had been carefully considered. This would need to be built into any agreed course of action.

[Redacted - commercially sensitive]

RST reflected that the discussion as to the way forward had led to the need to revisit the precise nature of Pay.UK's independent role. Recent events had shown that in fact a more facilitating role was required to find a way forward on behalf of the industry. AB raised the point that although Pay.UK and its Board is independent in its decision making, these decisions should be informed by an assessment of service user feedback. RA confirmed that in its role as the systemic risk manager of the payments ecosystem, Pay.UK was required to consult with its participants which may require a change of emphasis in the approach taken. It was emphasised that the Pay.UK Board was reaching an independent decision, informed by the SPG recommendation, and based on Pay.UK's own options analysis – assessed against its strategic objectives – and external legal advice.

[Redacted - commercially sensitive]

The Board then confirmed its agreement to the two recommendations around scope and phasing as set out in the meeting papers. These were to agree the six scope objectives proposed, noting that they were consistent with the PSF, and that Faster Payments should be transitioned into the NPA first and that sufficient time should be given to consider the safest and most effective approach to migrating Bacs, including for government and corporates. The Board noted that both of these recommendations were informed by the recent Scope Archetype Questionnaire.

Summarising the discussion, MJ thanked all involved for their input. MJ noted that further work would be required to ensure that the concerns raised regarding the end user were fully considered and that the work to drive cost and value for money should continue. There was also a need to ensure that all key stakeholders were engaged and supportive throughout the process.

MH noted the next steps that would be required to implement the decisions reached.

[Redacted - commercially sensitive]

*JY, NO, CA, DS, DM, HHJ, EB & FPC left the meeting
RW joined the meeting*

20/44 PFMI Self-Assessment

RW referred to the PFMI self-assessment document that had been circulated with the Board papers. RA noted that the paper had been the subject of robust discussion at the Risk Committee and that the Committee was recommending its approval by the full Board. After consideration, the Board **approved** the self-assessment and confirmed that it should be submitted to FMID.

RW left the meeting

SD, MOt & NP joined the meeting

20/45 Headline Budget for Participants

MH reminded the Board that Pay.UK strove to provide the participants with an early indication of the headline budget figure so as to assist them with their own internal budgetary processes. Given the uncertainties of the impact of Covid-19 on the economy, the numbers had been suitably couched.

MOt informed the Board that as part of the process, Pay.UK's own internal budget process had also been brought forward to provide as much clarity on the draft figures as possible. MOt advised that, cognisant of the cost challenges facing the participants, the business had been similarly set a number of challenges by the senior management to achieve cost savings wherever possible.

MOt highlighted that a conservative approach had again been taken when preparing the cost assumptions. It had been assumed that the Covid-19 situation would result in the current contingency being fully utilised by the end of 2020 and therefore 2021 would potentially begin from a lower starting point than originally envisaged. He reminded the Board that many of the operating costs were entirely volume-driven.

MOt proceeded to take the Board through the financial 'bridge' contained in the meeting papers and commented on the rationale behind each item and explained how it contributed to the final outcome. He highlighted that there would be no separate contingency item in the 2021 budget.

MO commented on the potential investment that was required for the NPA programme, noting that overall a substantial investment would be required for such a significant programme. He stressed that despite the size of the sums involved, the team was very cognisant of the need to spend carefully and well and to avoid complacency given that ultimately the funding would be a cost borne by the industry - and would be reflected in cost for end users.

PH noted that the key variable in the budget would be income, which would be managed through the tariff process. It was not yet clear what the overall impact of Covid-19 would have on the payments ecosystem.

MH confirmed that the outline budget would be shared with PEF the following week, prior to being disseminated more widely.

After further discussion, the proposed headline participant funding requirement for 2021 was **approved** and it was agreed that this be shared with participants to provide them with an indication as to likely 2021 costs to assist with their own budgetary processes.

SD, MO, MOt & NP left the meeting

20/46 Board Effectiveness Review

RST provided the Board with a short verbal update regarding the annual effectiveness review. He informed the Board that an external evaluation firm would again be engaged to undertake a review of the workings of the Board and its various Committees. The review would be undertaken online and would include a number of questions designed to follow up on the findings of the very comprehensive review that was undertaken the previous year to understand the Board's development. The Board agreed that the questionnaire would be completed by all Board members, members of the senior management who regularly attended Board meetings and the meeting Secretariat. It was hoped that the initial results would be available for the July Board meeting.

20/47 Board Skills Matrix

RST reported that the previous Board Skills Matrix had been refreshed and subsequently considered by the Nomination Committee, where a number of challenges had been made. Further work on the Matrix would be undertaken, led by the Director of HR who would engage with Directors individually to gain their input. The Matrix would then be considered at a future Nomination Committee meeting before being brought back to the full Board for consideration.

20/48 Quarterly Committee Reports

The quarterly reports from the Board's formal Committees for Q1 2020, together with copies of the finalised minutes where appropriate, were reviewed and considered.

Attention was drawn to the following:

EUAC & PAC – In addition to the reports that had been circulated with the meeting papers, the Board noted that a number of PAC committee members would be reaching the end of their initial period of office shortly.

Work was also continuing to align the timing of the two Advisory Committees. Whilst it was not yet appropriate for the meetings to be combined as a separate, strong voice from end users was still required, there were a number of areas where joint engagement would be helpful. MJ noted the on-going need for major strategic discussions that were due to be considered by the Pay.UK Board to be shared with the two Councils in advance to elicit their input.

NPA Programme Committee – The quarterly report that had been circulated prior to the meeting was noted.

Risk Committee – RA reminded the Board that HHJ had only joined the executive team during the quarter but had already made significant progress in refreshing the way in which Risk was approached across the business. The Risk Policy had been approved. RA noted that there continued to be dissatisfaction with the quality of the papers seen by the Security Sub-Committee and that the matter was with the management to address.

Finance Committee – PW noted that the Finance report contained a request for the full Board to consider the timing of the VAT payment. He reported that following the Government's recent decision to relax the payment timetable, the Finance Committee had considered a proposal to defer making a VAT payment until the end of the calendar year. The Committee had discussed whether it was right for the business to delay making a payment when it had the funds available to be able to do so and had agreed to seek the Board's guidance on the strategic implications. After discussion, the Board supported the Committee's recommendation that the payment be made in accordance with the original timeframe and not be deferred.

Legal Governance & Standards Committee – RST reported that the Committee had considered and agreed a proposal that compliance with strategic policy matters should remain with the Committee, but that compliance with internal company policies should in future be considered by the Risk Committee.

Audit Committee – TF highlighted that a Red-rated audit report on Data & Cyber Security had been issued during the quarter and had accordingly been included with the Committee’s report for consideration by the full Board. The audit report had shown that the position was being taken very seriously by the management who were aware of the situation but that the underlying controls were not yet at the standard expected. MH reported that the process re-engineering team were currently assisting the Finance team to review their processes and procedures following the recent audit of that area.

Nomination Committee – MJ announced that she had decided not to put her name forward at the AGM for a further period as Chair of the Pay.UK Board and would therefore be standing down from the Board at the end of the current year. The Nomination Committee would shortly begin the search for a suitable successor.

20/49 Any Other Business

Policy Approval Process – A paper setting out the revised process for the approval of Policies and which had been circulated with the meeting papers was noted.

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

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Chair