

**Pay.UK Limited****Minutes of a meeting of the Board of Directors held on 14 July 2021**

<b>Members</b>	<b>Attendees</b>
Mark Hoban (MGH), Pay.UK Chair	Louise Beaumont (LB), Ecosystem Strategy Lead
Richard Anderson (RA), Independent NED	Dougie Belmore (DB), Chief Payments Officer
Christine Ashton (CA), NED	Heather Butler (HB), Chief Services Officer
Anna Bradley (AB), Senior Independent NED	Sam Cope (SC), Senior Policy Manager
Tim Fitzpatrick (TF), Independent NED	Michael Ellis (ME), Finance Director
Matthew Hunt (MH), COO and Interim CEO	Tim Everest (TE), Chief Transformation Officer
Jean-Yves Rotté-Geoffroy (JY), Independent NED	Lisa Finch (LF), Interim NPA Programme Director
Lesley Titcomb (LT), Independent NED	Kate Frankish (KF), Director of Strategy
Lars Trunin (LTR), NED	Indrani Gardner (IG), Head of Communications
Peter Wyman (PW), Independent NED	Kevin Harris (KH), Senior Finance Manager
	David Heron (DH), Head of Standards
	Helen Hunter-Jones (HHJ), Chief Risk Officer
	Scott Manson (SM), Stakeholder Engagement Lead
	Dave McPhee (DM), Director of Regulatory Engagement and Policy
	Nick Urry (NU), KPMG Workstream Lead
	James Whittle (JW), Director of Standards and Architecture
	Louise Rebeck (LR), Corporate Governance Manager
	Aaron Gallagher (AG), Company Secretary
<b>Apologies</b>	
Marc Pettican (MP), NED	

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

**21/40 Opening Business**

MGH welcomed everyone to the meeting, noting the apologies that had been sent.

Quorum – The Chair noted that a quorum was present in accordance with the Company’s Articles of Association.

Conflicts of Interest – It was noted that JY had an interest in relation to the “AGM Documents” agenda item concerning his re-appointment. All other directors present confirmed that they had no other 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 together with the Directors Conflicts of Interest register, which had been circulated separately, were considered.

### Minutes & Action Log –

The draft minutes of the Board meeting held on 12 May were **approved**, subject to amendments being made.

Progress with the current open action items was noted.

### **21/41 Board Skills and Capabilities**

MGH extended his thanks to the executive for their contribution to the skills and capabilities work undertaken by PWC. Some of the executive skills gaps identified in the report had been alleviated by the interim appointments of both Dougie Belmore, Chief Payments Officer, and Michael Ellis, Director of Finance.

MGH added that the report had been shared with the new CEO and asked for thoughts on how the recommendations and findings could be taken forward.

MGH emphasised the importance of the Board's ability to oversee, test and challenge the work undertaken by others and that was at the centre of the Nomination Committee's discussion of the report. The report had reinforced the need for stakeholder experience on the Board and the Nomination Committee had determined that a third industry NED would bring that strength and experience. It was agreed that those appointed to the Board should bring a range of skills to contribute to a richer conversation.

It was agreed that the report, which was necessarily a snapshot in time, should be used as a catalyst to ensure that the Board was fit for the future.

The Board reiterated that it was imperative that the recruitment within the business, especially on the NPA programme and at executive level, brought the right capabilities into the organisation. It was agreed that a granular response to the questions posed by the executive matrix was required. **ACTION: SS**

RA advised that he had a number of observations on the report. He suggested that there was a lack of clarity regarding the process used to arrive at the outcomes and that a number of assumptions had been made that appeared to demonstrate a lack of rigour in the collation, analysis and interpretation of the data. The moderation process had not been discussed with him during the gathering of the input data and it appeared that that had materially altered the outcome. RA further highlighted that he believed that the interview process had ignored the contributions made by individual directors to either the Board or Pay.UK.

MGH reflected that RA's experience of the moderation process differed to that of the majority where the changes to scale for the self-assessment had been agreed with each individual. He added that the report had been reviewed twice to test the scoring and recommendations and was a fair reflection of the skills on the Board.

CA added that the recommendation regarding the need for additional technology experience on the Board should include the application of technology and an understanding of emerging models.

LTR queried whether the business could be leaner and more efficient if the issue to be addressed by resolving the capability gap was more clearly understood. He added that it was important not to just look at the observations and recommendations in the report, but also which underlying problems the report was looking to address.

The Board agreed that expertise in technology transformation in the FMI environment would be more likely found within the Participant community. This supported the consideration of a third industry NED on the Board.

LT added that effective engagement with a wider group of end users needed to be considered as a requirement in the composition of the Board.

The Chair confirmed that a response to the report would be drafted and shared with Board and C-suite prior to being sent to FMID. **ACTION: MGH**

*HHJ, TE, DB and HB joined the meeting.*

### **21/42 Committee Reports**

The reports from the various Board Committees were noted.

RA advised that the Risk Committee had discussed the updates made as part of the annual review of the risk appetite statements and recommended these to the Board for approval. The Board **approved** the risk appetite statements.

The EUAC report highlighted the discussion held regarding Pay.UK's role in the prevention and detection of Authorised Push Payment (APP) scams. AB clarified that EUAC had not suggested any specific powers, but noted that they would be sought to facilitate a pro-active approach towards combating fraud. It was noted that EUAC was generally supportive of this.

The Nomination Committee recommended changes to the Articles of Association and the re-appointment of JY for approval, both of which were **approved** by the Board.

The Board received a verbal update on the key points discussed at the recent Remuneration Committee meeting.

### **21/43 Interim CEO's Report**

MH provided a summary of the report and highlighted an emerging issue where the free text field in Faster Payments was being used to send abusive messages to recipients, causing end users distress. The Participant view was that it was, for now, for them to work on but MH added that Pay.UK needed to be mindful that this was taking place in our payment system and we would monitor the issue closely.

An increase in the scheme-wide transaction limit for Faster Payments had been delayed by a number of events including the Covid pandemic. Non-objection was now being sought from FMID and MH advised that the decision on the implementation date for the limit would come to Board for approval. The Board discussed the impact of the increase and noted that although Pay.UK set the scheme limit this would not directly impact end users as Participants then set their own individual limits tailored to their channels and customer sectors. It was agreed that a clear set of messages around the implementation were required to ensure that all were prepared for the change. It was noted that the increase would potentially allow some participants to use Faster Payments as a contingency for other payment systems.

[Redacted - commercially sensitive]

A letter had been received from the CEO of UK Finance which outlined that as the NPA developed it was important for participants to have appropriate input into board decision making. It was important that Pay.UK continued to deepen its engagement with the SPG whilst ensuring it continued to retain its independent status. A comment was also received on whether the appointment of a third participant NED would facilitate enhanced engagement with the SPG.

Drawing attention to the CTO update PW queried the conversations that were taking place with participants about NPA funding options and whether the Finance Committee had been sighted on these options. Assurance was given that any material funding decisions would be brought to the Board for oversight and approval. TE agreed to liaise with PW offline. **ACTION: TE**

The Board was advised that work to develop a dashboard of all of its products and services, particularly in relation to fraud prevention, was underway. The Board requested sight of the outputs and proposals following this review and assessment exercise, and recommended an update being tabled at the November Board meeting. **ACTION: DB**

The Board **approved** delegation of authority to the Executive to manage the proposed extension to the Vocalink contract.

*DB and HB left the meeting*

*LF, SM, DM and NU joined the meeting*

### **21/44 NPA Update**

Following a summary on the core update areas included on the meeting agenda the Board emphasised the importance of the NPA business case being able to support the development of the Participants' own internal business cases. It was also important for the Pay.UK business case to provide clarity on what could be delivered.

The business case needed to focus on the tangible benefits the NPA programme would enable, rather than solely the financials. The intention to design an enabling business case with clear articulation of the available segments, and which clearly defined fundamental and optional aspects to provide the participants with flexibility, was noted. Confirmation was also given that the NPA programme had sufficiently considered the technical, legal and operational costs.

It was confirmed that a narrative was being developed that would summarise how the NPA plan fitted in with the previously layered version of the NPA within its broader ecosystem. The narrative would clearly articulate the history of the NPA, where Pay.UK currently was in the NPA journey and the tangible benefits that the NPA would enable.

With reference to the FMID non-object process it was noted that both regulators were predominately focused on the NPA and wanted to ensure that resilient approaches remained at the forefront of the migration. Regulatory confidence was improving but remained low.

Conversations had begun with FMID and the PSR as to whether Pay.UK could share the draft RFP. Initial conversations had been positive, though the regulators had highlighted the need for Pay.UK to be mindful of the findings of the competition and innovation consultation and identify any issues which needed to be addressed before the RFP was issued. Pay.UK was mobilising for FMID non-objection and an agenda item would be tabled at the September meeting outlining the key artefacts which would support this non-objection obligation.

[Redacted - commercially sensitive]

Following discussion the Board **approved** the request to share the "NPA Delivery Phases: 5 Year View" externally and **endorsed** the list of Board deliverables. The Board also **agreed** with its role in overseeing and approving key strategic artefacts, **noted** that assurance would take place on relevant artefacts before the September meeting and **agreed** that assurance was given on the PSRs outcomes on competition and innovation via the supporting artefacts.

*TE, HB, LF, SM, DM and NU left the meeting*

*KF, LB, ME and SC joined the meeting*

### **21/45 Strategy Update**

The Board were reminded that the intention of the strategy update was to embed any feedback received before the new strategy was tabled in September for formal approval.

A comment was received that Pay.UK's response to the PSR should be dependent on Pay.UK's own strategy conclusions and it was important for Pay.UK to be clear what kind of organisation it wanted to be.

With reference to threats and opportunities, Pay.UK's role as an enabler for competition was emphasised. However, it was up to participants to decide whether to compete with one another. Being mindful of the tight timeframe for submitting a response to the PSR strategy following the September meeting the Board requested early sight of the draft Pay.UK response. **ACTION: DM**

The Board discussed the mission statement in the draft Strategy, Pay.UK needed to be "chosen" as the provider, or seen as the provider of a "next generation platform", with an emphasis on the benefits delivered.

Emphasis was given to the importance of ensuring that the strategy implementation process also conveyed the impact on directorates, reflected the approaches adopted to encourage directorate engagement and detailed how the strategy translated into the business planning process. It was noted that phase one of the strategy would involve a bottom up and top down approach across each directorate.

Following a question on whether Pay.UK had the capability and capacity to deliver against the strategy, the Board's attention was drawn to the significant changes in capability and capacity agreed by the Executive, which would be further supplemented by the analysis from the Executive skills and capabilities matrix.

The Board thanked the strategy team for the effort that had gone into the strategy plan to date and confirmed that it supported the direction of travel being proposed, but required further work to be done to embed the points discussed, particularly those relating to the vision statement, ahead of the next iteration of the new strategy coming to the Board for approval in September.

*KF, LB and SC left the meeting*

*HB, KH and IG joined the meeting*

### **21/46 Annual Report and Accounts**

[Redacted - commercially sensitive]

The Board were advised that as approval of the Annual Report and Financial Statements was dependent on receipt of the auditor's report and letter of representation, it was appropriate for a Committee of the Board to be established to approve the financial statements on its behalf. The Board **approved** the proposal to appoint a sub-Committee to approve the final Annual Report and Financial Statements and further **agreed** that MGH and MH be authorised to sign the approved accounts on behalf of the Board.

*[Post meeting note: all of the issues identified above were satisfactorily resolved, a clean audit report issued and the accounts approved by a Committee of the Board on 5 August 2021]*

*HB, KH, IG and ME left the meeting*

### **21/47 AGM Documents**

The Board were informed of one change required for resolution one which was that the guarantors would be asked to “receive” the report and accounts, as opposed to “receive and adopt” to better reflect the requirements of the Company’s constitution. It was further noted that the amendments to the Articles of Association reflected comments from one guarantor.

Following consideration regarding whether the AGM should be conducted as a fully remote meeting or as a hybrid meeting it was agreed that the 2021 AGM would be facilitated as a fully remote meeting.

The Board noted that the appointment of a new CEO would have been made prior to the Notice of Meeting being issued to Guarantors. Accordingly, the Board **approved** the Notice of Meeting, Voting Form and the proposed changes to the Articles, and **approved** these being issued to the Guarantors together with the Annual Report & Accounts once agreed. The Board also **agreed** that the 2021 AGM should remain as a fully remote event, but that in future years the AGM would revert to being conducted as a physical event.

### **21/48 Policies for Approval**

The Board discussed the proposed Redaction Policy, noting the challenge regarding whether it was appropriate not to disclose confidential information in certain instances on the basis that this might actually damage the reputation or the confidence that stakeholders had in Pay.UK. After further discussion, the Board **approved** the Redaction Policy, subject to embedding suitable wording which addressed this point. **ACTION: MGH/LR**

### **21/49 Terms of Reference**

The Board **approved** the Remuneration Committee Terms of Reference.

### **21/50 Any Other Business**

The Board **approved** the changes to the Pay.UK Ltd Group bank account mandates as set out in the meeting papers.

*JW & DH joined the meeting*

### **21/51 Standards Direction**

JW introduced the standard direction deep dive by highlighting that standards were one of the most powerful ways of shaping the payments user experience. He explained that the next generation global standard, ISO 20022, would help enable the harmonisation of the common language of payments for participants, and had been mandated by the PSR via specific directions 2 and 3.

The key benefits of standards included richer payments information, being able to track and trace payments and end-users being offered multiple payment choices, whilst Business to Business (B2B) payments represented the biggest opportunity to improve cash flows and reduce payment friction within the payments ecosystem by integrating enhanced ISO 20022 data. One key challenge was that outside the retail payments ecosystem Pay.UK possessed less power to enforce standards. Consequently participants had requested Pay.UK to introduce a collaborative approach towards driving the adoption of standards.

Following a question on why standards were seen as something for Pay.UK to drive the Board were advised that the industry had realised that information needed to be collated collaboratively to enable informed decision making. Pay.UK was seen as the appropriate mechanism to achieve this.

The Board considered whether the additional data that would be enabled by NPA in payment messages would increase Pay.UK's level of accountability for that data.

The Board supported the vision and ambition of the Standards Direction update.

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

.....

Chair