

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 9 September 2020**

Directors	Attendees
Melanie Johnson (MJ), Pay.UK Chair	Maha El Dimachki (MEL), CPO
Richard Anderson (RA), INED	Tim Everest (TE), CSO
Christine Ashton (CA), INED	Helen Hunter-Jones (HHJ), CRO
Anna Bradley (AB), INED	Kathy Lennon (KL), Head of On-Boarding and Assurance
Tim Fitzpatrick (TF), INED	Dave McPhee (DM), Director of Regulatory Engagement & Policy
Paul Horlock (PH), CEO	Gary Murphy (GM), Head of Architecture
Matthew Hunt (MH), COO	Mike Owen (MO), Interim Head of NPA
Nathalie Oestmann (NO), NED	Louise Rebusk (LR), Corporate Governance Manager
Jean-Yves Rotté-Geoffroy (JY), INED	David Gilbert (DG), Company Secretary
Russell Saunders (RSA), NED	
Rob Stansbury (RST), Senior INED	
Peter Wyman (PW), INED	

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

20/69 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 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 an updated copy of the Directors Conflicts of Interest register, which had been circulated separately, were noted and agreed by the Board.

Minutes & Action Log – The draft minutes of the Board meeting held on 12 August 2020 were reviewed and, subject to a minor amendment, approved.

MJ referred to the decisions that had been taken by the Board by email since the last meeting. For completeness, it was agreed that the decision to open three new bank accounts to mitigate the current custody risk exposure to the Company’s primary bank, and secondly the decision to appoint a new Independent Non-Executive Director subject to the usual formalities including receipt of non-objection from the Bank, be reiterated in the minutes for completeness.

Progress with the current open action items was noted.

20/70 CEO's Quarterly Report

PH referred to his report for Q2 2020 and commented on the key features. He noted that in addition to the period under review the report contained current updates where appropriate.

PH reported that the business had remained fully operational throughout the quarter, despite the challenges of the Covid pandemic. New participants had continued to be on-boarded into the various payments services and Confirmation of Payee (CoP) had also been delivered during the quarter. PH noted that further clarification from the PSR regarding APP scams had been sought during the period.

Noting that there had been no slowdown in the delivery of services, PH paid tribute to colleagues who had adapted to new ways of working to ensure that the business had been able to continue to operate effectively in a secure and robust manner throughout.

RSA referred to the additional work that Pay.UK had undertaken during the period to support the Government as it introduced a range of supportive measures for the UK economy, including furlough payments. Given recent media comment on potential levels of fraud in the scheme, it was agreed that a suitable response be prepared should an approach be received.

Market interest in CoP2 was discussed. MH reminded the Board that whilst CoP had a regulatory mandate, CoP2 did not and was being taken forward by the industry.

MH commented on recent overrunning weekend works by the outsourced service provider and advised that the matter was being discussed with them to understand the underlying causes and whether there were any systemic issues to be addressed. MED advised that the provider was undertaking a second line review, the findings of which would be shared with Pay.UK.

Referring to the People section of his report, PH noted the continued focus on colleague well-being, particularly the potential mental health impact that the ongoing pandemic could be having on colleagues. He noted that senior management remained alert to the issue and advised that regular all-colleague 'pulse' surveys were undertaken to identify and respond to issues. The Board noted that the office had been well prepared for colleagues to return, when they felt ready to do so, and that the Company would continue to follow Government guidelines. There was currently sufficient space for colleagues wishing to return to the office in a controlled and socially distanced manner whilst recognising that personal choice whether to do so should continue to prevail.

The quarterly scorecard for Q2 2020 was reviewed and considered. It had been agreed with participants that the rule changes in Bacs would be kept in place until the end of 2020. The team was working with participants to arrange testing of the Scheme Transaction Limit in Faster Payments. The excellent work done by the team to introduce manual constraints to be able to throttle back volumes passing through the Faster Payments system if required was noted.

CA queried whether any additional group risks or controls had been identified during the period as a result of home working. HHJ confirmed that the matter was kept under regular review and that the Risk team was working with the Operations area to ensure that potential issues were identified. PH further commented that the key risk remained the security and integrity of the

Vocalink systems and controls and that this continued to be monitored closely. HHJ reminded the Board that the Vocalink system operated a defence in depth model and that no issues were currently being seen. MH noted that risks arising from remote working were likely to come under scrutiny in the event of an incident in the financial sector.

DM and MO joined the meeting

20/71 NPA Update

[Redacted - commercially sensitive]

The capability and capacity of the NPA programme team was discussed, following the deferral of a support side arrangement at the time that Covid 19 remote working started. MH advised that an updated proposal from the winning provider had been received that this was currently being evaluated in the light of the programme's requirements.

MH reported that the Strategic Participant Group (SPG) had met the previous day and provided a short summary of the matters discussed. The Group had responded well to the recently announced senior management reorganisation. RSA suggested that it would be appropriate for the SPG to meet members of Pay.UK's technical team at future meetings and it was agreed that this be considered.

MH noted that the governance arrangements for the NPA were currently under review and further updates would be provided in due course.

DM & MO left the meeting

KL joined the meeting

20/72 Participant Exclusion

MH reminded the Board that the decision to suspend Ipagoo, a participant, from both the Bacs and Faster Payments services had been taken in July 2019. The Board was now being asked to consider whether Ipagoo should now be formally excluded from both schemes.

KL took the Board through the proposal, noting that Ipagoo had ceased to be eligible for membership and was no longer able to meet its obligations to either scheme or to other participants. She confirmed that regular dialogue with the Bank of England was being maintained.

MH confirmed that all due process had been followed and that the executive recommendation was to exclude the participant.

After due consideration, the Board approved the exclusion of Ipagoo as detailed in the paper from both Bacs and Faster Payments and, noting that the decision would require careful co-ordination with the Bank and Vocalink, delegated the implementation of the decision to MED, MH and KL to agree the exact date and time of the exclusion.

KL left the meeting

GM joined the meeting

20/73 Cloud Technology Briefing

GM provided the Board with an overview of current developments in cloud technology and the range of options that were available.

A number of common misconceptions regarding cloud technology were considered.

The Board expressed concern regarding possible issues with the deemed geographical location of cloud data and GM highlighted that it was possible to specify which ‘availability zones’ were used to host data and therefore control the applicable law that would be applied to it. The Board stressed that it would be essential for UK data to be protected by UK law.

It was agreed that the use of cloud should form part of the ‘intelligent buyer’ debate when considering the provision of services for the NPA programme.

The Board thanked GM for his balanced paper and for taking the Board through the cloud options currently available. It queried whether further research could be undertaken in due course as to how other CNI providers were currently using cloud technology.

GM left the meeting

20/74 Annual General Meeting

MJ briefed the Board regarding the AGM that was to immediately follow the Board meeting. It was noted that the meeting would be held virtually – a first for the organisation – given the current social distancing rules that were in effect. The votes for and against each resolution were noted and PH advised that a number of guarantors had provided explanations as to their voting approach and that these would be referenced in general terms in the various presentations at the AGM and in detail with individual guarantors subsequently as required.

20/75 Quarterly Committee Reports

The various quarterly reports for Q2 2020 from each of the Board’s formal Committees and Councils, together with copies of the finalised minutes where appropriate, were reviewed and considered. In particular, the following specific comments were made:

PAC – JY advised that the Committee was currently finalising its membership renewals. In particular, the diversity of the Committee was being reviewed.

NPA – CA highlighted the requirement to consider strategic issues as well as technological requirements. The recently announced organisational changes had been welcomed by the Committee.

Risk – RA reported that the frequency of the Security Sub-Committee meetings would be moving to quarterly with immediate effect. Given the overall improvement in the management of the Risk control framework, the Risk Committee would be meeting every other month with effect from the October 2020 meeting.

Finance – PW updated the Board on Finance matters, noting that at the July Committee meeting the outcome for the remainder of the year had been considered. This was dependent on service volumes but was currently positive.

LGAS – RST noted that the Committee had agreed that compliance with internal policies would in future be overseen by the Risk Committee. However, oversight of strategic policy would

remain the responsibility of LGAS. The Committee had agreed to move to quarterly meetings with effect from the September meeting. TF had agreed to Chair the Committee on an interim basis.

Audit – TF informed the Board that the latest tranche of external quality validation work had been completed, with no issues identified. TF advised that the Committee meeting in July had been disappointed by two items: the business had missed a deadline for an audit action, and the initial assurance work required to validate the annual report had not been as thorough as required. The steps that had been proposed to project manage the production of the annual report going forward had been welcomed by the Committee.

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

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Chair