

Minutes

Redacted Final



19 September 2017

FB 086 17

To Board

From Board Secretary

MINUTES OF THE MEETING OF THE FPSL BOARD HELD ON 23 JUNE 2017

Present:

Nick Caplan	Independent Chairman (FPSL) (NC) **
Tanya Castell	Independent Director* (FPSL) (TC)
Craig Tillotson	Chief Executive * (FPSL) (CT)
Paul Scott	Director* (nominated by Barclays) (PS)
Toby Mason	Special Alternate Director* (nominated by Nick Ogden) ***
Jim Pettigrew	Director* (nominated by Clydesdale) (JP)
Tony Richter	Director* (nominated by HSBC) (TR)
Mark Curran	Director* (nominated by Lloyds) (MC)
Rebecca Clements	Director* (nominated by Metro) (RC)
Tom Dolan	Director* (nominated by Monzo) (TD)
Aidan Pearson	Director* (nominated by Northern) (AP)
John Hutton	Director* (nominated by Nationwide) (JH)
Mike Smith	Director* (nominated by Raphaels) (MS)
Martin Wilson	Director* (nominated by Royal Bank of Scotland) (MW)
Robert White	Director* (nominated by Santander) (RW)
Keri Smith	Special Alternate Director* (nominated by Julian Sawyer) (KS)**** (via teleconference)
Kate Patterson	Alternate Director* (nominated by Helen Rose)
FB	Attendee (FPSL) (FB)
MB	Attendee (FPSL) (MB)
GO	Attendee (FPSL) (GO)
SG	Attendee (FPSL) (SG)
JJ	Attendee (FPSL) (JJ)
PK	Attendee (FPSL) (PK) (Agenda item 370 and 373 only)
BL	Attendee (FPSL) (BL) (Agenda item 375 only)
JC	Secretary (FPSL)

Apologies:

Duncan Ingram	Independent Director (FPSL)
Melanie Martin	Director (nominated by Citi)

Nick Ogden	Director (nominated by Clearbank)
Julian Sawyer	Director (nominated by Starling)
Helen Rose	Director (nominated by TSB)
Andrew Grice	Observer (Bank of England)

*** Voting members of the Board of Directors - 17 out of 19 in attendance**

**** Proxy vote received from Duncan Ingram and Melanie Martin**

***** Proxy vote received from Nick Ogden**

****** Proxy vote received from Julian Sawyer**

362. DECLARATION OF DIRECTOR INTERESTS

ACTION

NC welcomed, for the purpose of this meeting, a Special Alternate for Nick Ogden, Toby Mason and for Julian Sawyer, Keri Smith.

NC asked the Board if there were any additional declarations.

MC advised that this would probably be his last meeting.

No additional declarations were made.

NC stated that he needs to amend a spelling on one of his declarations.

Secretary's note: This has now been amended.

363. REPRESENTATION OF SERVICE USERS

NC reminded Board to consider interests of service users in all discussions and decision making processes.

364. MINUTES OF LAST MEETING HELD ON 5 MAY 2017

The Board **UNANIMOUSLY APPROVED** the full and redacted minutes for the meeting held on 5 May and **NOTED** the redacted minutes will be available on the website within 5 working days.

Secretary's Note: The redacted minutes for the May meeting were added to the FPSL website on 26 June 2017.

365. OFFLINE BOARD DECISIONS SINCE THE MAY MEETING

There have not been any offline decisions since the May meeting.

366. GOVERNANCE AND REGULATORY

FB advised that she will provide two updates to the legislative and regulatory developments summary (FB 062 17). The PSR published the Infrastructure Market Review Remedies document and proposed to implement two remedies:

- To adopt a common international messaging standard (ISO20022).

- To undertake a competitive procurement process for future central infrastructure contracts.

CT stated that the draft set of directives were received in January and the Company provided feedback. CT also stated that there is quite a lot of complexity around the competitive procurement process and the Company will need to seek immediate exemptions. Final feedback has been given to the PSR however with little impact.

FB advised that the Bank of England has published its governance consultation supervisory statement on FPSL. CT added that the Bank of England has indicated that Priority 16.05 is closed subject to the formation of the NPSO.

Terms of Reference – Audit Committee and Remuneration Committee

NC advised that the Terms of Reference for the Remuneration Committee has been amended and agreed by the Rules and Governance Committee. The Terms of Reference for the Audit Committee have been updated following the employment of the Finance Director and the setting up of the executive Finance Review Group which meant that the Committee no longer was responsible for oversight of finance.

The Board **UNANIMOUSLY APPROVED** the revised Terms of Reference for the Remuneration Committee and the Audit Committee.

Alternate Directors

NC advised that Rules and Governance Committee had discussed the removal of the standing Alternate Directors. Some challenges were faced for this meeting to ensure that a quorum was achieved. Should the position of Alternate Directors be removed, there could be continued challenges. NC suggested that rather than making a decision at this meeting, the Rules and Governance Committee reconsider the proposal and include the quorum level within the discussions and present offline to Board ahead of the next Board meeting.

RW asked why this was being considered now given the significant amount of work being undertaken by the Company at the present time rather than wait for the NPSO. NC advised that the challenges of ensuring the Board meeting would be quorate, a review of the quorate figure needs to be reviewed. CT suggested that, with the transition into the NPSO and the Articles of Association being adjusted, this piece of work could be done as

a whole.

The Board also raised concerns in terms of the removal of Alternate Directors for the following:

- The possible need for additional Board meetings in the coming months
- Lack of Director attendees during the summer months in the event that an emergency Board meeting is required.
- Emergency Cap changes and Bank of England authorisation.
- The re-writing of Participant playbooks.

NC will refer the Alternate Directors proposal back to the Rules and Governance Committee with the main focus being on the quorum figure.

CT advised that the Bank of England has now closed the Corporate Governance Priority on the Company.

Minutes of the previous Rules and Governance Committee meeting

The Board **NOTED** the minutes from the Rules and Governance Committee meeting held on 23 May 2017.

Director Changes

NC advised there have not been any Director changes since the Board meeting held on 5 May 2017.

NC advised that the next item will be agenda item 373 followed by item 370 to enable PK to leave the meeting owing to another engagement.

367. STRUCTURAL REFORM

MB stated there are three main elements to FPSL's involvement in Structural Reform which are a) the new Participants b) the direct impact on other Participants and c) communications and / or messaging to the wider market. The changes in participation are all on track. HSBC Bank UK Plc formally and successfully joined the Scheme earlier in June. Additionally Barclays are on track for July

[Redacted for confidentiality reasons].

MB stated that the main impact on other Participants and the wider market would be the volume of transactions being redirected. Following the issue

of a questionnaire by the Company, the majority of Participants have responded with no material issues having been raised so far.

MB stated that the final element of this piece of work is the communication to the wider market. The Company has had a series of meetings since the beginning of the year with the FCA, Bank of England and the BBA.

[Redacted for Financial Stability reasons]

The message from the FCA indicates that communications from the structural reform entities should advise customers that they don't need to do anything, let the banks and the payment systems take the action.

CT asked whether there is enough engagement from the FCA with the industry as it is much wider than the ring-fenced banks? MB advised that he had met with the FCA and the BBA. The FCA has met with the trade bodies but he is unsure whether all PSPs in the country are aware this is taking place. CT asked who should be taking control of this including the placing of advertisements as it's a high profile communication programme. RW advised that FFA UK are engaged. NC said that he would expect there should be a connection into UK Finance. MB agreed to check that FFA UK and UK Finance are engaging with each other.

Action FB 367 MB to check that FFA UK and UK Finance are engaging with each other in relation to a high level communication programme concerning Structural Reform.

MB

CT mentioned that, with the Structural Reform banks having very similar entity names that there is a potential for an operational error however the Operations team have taken steps to mitigate the possibilities of this happening.

CT asked the Board if they were suitably sighted with the Structural Reform work. The Board agreed that they were.

368. CONSOLIDATION DELIVERY GROUP UPDATE

NC provided an update as follows:

- The Articles of Association for the new NPSO have been drafted and it is anticipated that they will be finalised on 27 June.
- Once the Articles have been finalised, the NPSO as a Company can be set up and bank accounts opened.
- There has been agreement who the initial Director and Guarantor Member will be with an agreement that they will resign their position at an appropriate point.
- CMA submission has been sent with a statutory deadline of 40

days and NC outlined the steps the CMA take. There has already been substantial engagement with the CMA. A reasoned decision from the CMA will be received on 18 August.

- A programme director has been appointed to work for the Delivery Group.
- The process is now in place to recruit the Chair and CEO of the NPSO. Advertisements were in the press over the last couple of weeks and Interviews for the position of Chair start week commencing 26 June. The appointment of the Chair will be made mid-July. The Chief Executive role will be subsequent to that.

NC declared he had applied for the role of Chairman. CT declared that he intended to apply for the role of CEO.

FB advised Board of next steps and required Board resolutions as follows:

- Side Letter will resign the current guarantor members of FPSL, grant those members guarantor membership of NPSO, replace the Articles of Association for FPSL with slightly amended version of the Companies Act Model Articles as a subsidiary company of NPSO and change the Membership Agreement to a Participation Agreement in the faster payment service.
- Attached to the Side Letter will be a Special Resolution which will change the Articles of Association.
- Other documents changing in parallel will be the Rules (of which there are only a few changes required) and a further Side Letter making small changes to the Reserves Collateralisation Account Agreement (RCAA) and the Deed of Charge.
- These documents will need to be signed by Members following the board's recommendation in May to the Members to proceed with consolidation.
- Documents will be circulated as soon as possible with signing during the month of August.
- Proof of signatures from each signing institutions will be required which also provides evidence that the individual(s) are authorised to sign and legally bind their institution.
- The execution date will be post CMA agreement. Signed documents will be held by FB until the execution date.

FB confirmed that Member liabilities will remain unchanged unless the guarantor amount changes from the current figure of £1 however this is

unlikely.

CT advised that staff are generally ok and continue to be informed where appropriate.

Redacted for Commercially Sensitive reasons]

369. CHANGE PROGRAMME

The Board received updates on the following:

Project DEVON

GO provided the background to the project for the benefit of new attendees. The project is now fully resourced. Internal project reviews have been undertaken including a business and risk review to provide comfort to the team and Senior Management Team. The gathering of requirements is ongoing with target dates for a Request For Information (RFI) being completed by January 2018 and a Request for Proposal (RFP) completed by June 2018. The aim is to include the requirements from the NPA work and the current system as well as showing a fair and transparent process as required by the PSR.

The timeline for the project takes this beyond the current end date of 2020 and, as a result, discussions have been held with the current provider to extend the current contract by a further two years. A proposal was received on 22 June setting out the cost to extend by up to three years.

CT stated that some specific requirements have been placed on the Company under PSR Specific Direction 3 which need to be factored into this piece of work.

[Redacted for Commercially Sensitive reasons]

CT advised that both he and the CEO of Bacs attended a meeting with the Bank of England and the PSR on 12 June.

[Redacted for Commercially Sensitive reasons]

Further discussions will be held in the coming week.

CT confirmed that the FPSL timeline for Project DEVON is aligned with PSF Workstream Three.

TC noted that there were some key strategic risks relating to the project that the Board should consider that were not included in the PDD.

NC referred to the draft Project Definition Document (PDD) and proposed two amendments as follows:

- Page 11 – include an objective 14 to meet regulatory requirements



around competitive tendering.

- Page 23 – Populate the key milestones table with some dates.

TC sought clarification on page 29 regarding costs and the governance of any changes to the allocated budget. Clarification will be included to indicate that changes in the budgetary spend will be validated and approved by CPMM providing it falls within FPS' budget.

Action 369(i) GO to amend PDD with the three proposed amendments.

GO

Board also requested that they have visibility of the key strategic risks including the delivery timings.

GO stated that a Risk Workshop has been held and any risks / concerns raised by the Board can be included within the project level Risk Register.

NC proposed that a discussion paper setting out the key risks be brought to the next Board meeting scheduled for 19 September for Board to provide input into the underlying principles and trade-offs for the project.

Action 369(ii) GO to produce a discussion paper on the key strategic risks for Project DEVON for discussion at the September Board meeting.

GO

MC suggested that, for a project of this size and importance, a formal Steering Group be set up.

NC suggested that, as part of the risk discussion item, that the consideration of setting up a Steering Group be included as part of the discussions at the September Board meeting.

RW proposed that as part of the Steering Group, it should be understood exactly what the 'end of the cliff edge' means for the Company.

[Redacted for Commercially Sensitive reasons]

GO stated that consideration will also be given to bulk payments and whether this should be a separate project.

The Board also debated the concept of 'pull' payments.

BC referred to page 10 and proposed that OBJ00 and OBJ01 should include "(NPSO)" immediately following references to the FPSL 2020 target business model.

Action 369(iii) GO to update the PDD, Section 1.5 include "(NPSO)" immediately following references to the FPSL 2020 target business model in ONJ00 and OBJ01.

GO

The Board **UNANIMOUSLY APPROVED** the Project DEVON Project

Definition Document subject to the proposed amendments to the PDD and a satisfactory discussion around the strategic risks and the project governance at the September Board meeting.

Project AVON

MB updated on the Request to Pay project advising that work has been undertaken to look at the architecture models which will emulate a multi-app. multi-repository model with a centralised index to manage routing and identity. The position is such that a viable model has been determined and the next step is to build a demonstrator. There was also discussion of the intellectual property rights.

[Redacted for Commercially Sensitive reasons]

The project remains within budget. MB asked the Board to note the draft Project Definition Document (PDD) and that the risk items are still to be added.

TC queried the governance given that the project is being progressed however the PDD is yet to be approved. TC pointed out that, at the February meeting the Board wanted to understand how many businesses and consumers need to be engaged for it to be a viable offering and asked when this project would be brought under full project governance.

NC stated that he would expect for an updated version of the PDD to be presented to Board at the September meeting for approval.

The Board debated the need for such a concept and communications out to the wider market to manage perception. MB agreed to include communication in the PDD.

Action 369(iv) MB to include communications within the Project AVON PDD.

MB

NC asked that any questions, adjustments or concerns are relayed back to the Project AVON team for inclusion in the PDD ahead of the September Board meeting.

Scheme Limit Increase

MB advised that the preparation for live proving is progressing well. The wording of the indemnity supporting the £*[Redacted, and all figures within this section, for the reason of Candid Debate]* test payment has been agreed and issued to Participants for signing. The live proving will take place on 11 July with a contingent date of 18 July and a test schedule has been agreed. A proposal will be brought to Board to agree what the new Scheme Limit should be.

CT asked if Board were comfortable that the Executive can give approval to raise the Scheme limit in a crisis situation subject to successful live proving on 11 July and sufficient RCA funding.

RW asked whether the limit could be a penny short of £100m. MB stated that the £m test is all about the number of digits rather than the value.

[Redacted for Candid Debate reasons]

CT provided an example of CHAPS being unavailable for a Participant, to assist in an emergency, the Scheme Company increase the Scheme Limit to assist Participants who are able to send £m.

MC stated that if this was invoked in extremis, the process could take some time for Participants to put this in place.

CT said that, having carried out live proving, a further checkpoint needs to be in place circa six weeks after the successful completion of live proving to ensure that Participants know what steps they need to undertake should this option be invoked at short notice. This would enable the Company to increase the limit in extremis. By September it should be a Scheme capability, to enable any Participant who has the capability to send the higher value, will be received by the rest of the Participants. Following a request from a Participant, agreement to the increase would then be at the discretion of the Executive.

KP asked whether there are a set of principles when the Executive can take the decision to increase the Scheme limit in extremis? CT stated that, in the event that this would bring a significant risk to the Scheme, consideration would be given around what risk would it bring if the increase didn't take place.

MC stated that, as a Board, it is reasonable to agree and propose that this activity gives the industry another way of moving larger value transactions in extremis and should be encouraged.

NC highlighted that the steps would be

- Successful completion of testing receipt of £m
- Ensure protocols are in place within the entities to receive £m payments
- The availability of a full playbook

JJ stated that there had been a couple of one-off requests to increase the limit over the last couple of years, one in relation to a CHAPS Participant outage and one in relation to a Bacs Participant incident.

KP asked whether the transaction limit will be increased above £250,000.

MB advised that a revised timeline will be produced and proposals whether to increase the limit straight to £m or a series of steps towards £m.

RW suggested that, if the limit increased straight to £m that would negate the need for a playbook.

JJ stated that, in the event the cap is increased to the higher level, there will be a challenge from FMID (Financial Market Infrastructure Directorate) around cap management. Formal non-objection from FMID will be required for any increase in the Scheme Limit.

Industry Co-ordination and Industry Change Tracker

GO referred to FB 066/17 which provides an illustration of the main things going on within the industry. GO highlighted the Bank of England / RTGS renewal which links into Project DEVON.

Redacted for Commercially Sensitive reasons]

NC suggested that the creation of UK Finance also be included within the tracker.

Action 369(v) GO to include the creation of UK Finance on the Industry Change Tracker.

GO

GO suggested that, should there be any other key initiatives the Board feels should be included, to contact him.

KP asked whether the launch and migration of Cheque and Credit Clearing be included. GO agreed to check with Cheque and Credit Clearing Company (C&CCC).

Action 369(vi) GO to check with C&CCC whether their launch and migration should be included on the Industry Change Tracker.

GO

Business Initiatives

GO referred to FB 067/17 and highlighted the amber items as follows:

IP Connectivity

This has not been taken forward yet as its important to engage with the PSF NPA workstream and also because of workload. This isn't on the critical path but should be done ahead of completion of Project DEVON.

Structural Reform

MB proposed that this now move to green. It was originally amber while the Company satisfied itself that Participants could handle a high volume of redirections. This was agreed.

Project DEVON

GO advised that this is currently amber while discussions are held

regarding an extension to the current contract.

BC asked why the SIP Availability Window and Instant SIP item is marked as green when responses to a high impact assessment issued to Participants are not due back until August. MB stated that, if responses are not received in August then these items will turn amber however there is no hard delivery date yet.

Fraud Data Analytics

JJ referred to FB 068/17 and provided the background to this piece of work. The Company has been engaged with this work-stream for a few months. FPSL has received a formal request from Ruth Evans (PSF) to take this work forward under FPSL's governance and with the right Stakeholders engaged. Prior to our engagement, VocaLink conducted a proof of concept around the identification of mule accounts and the PSF had already invited VocaLink to provide commercial support for this work. A commercial offer has been received which is currently being reviewed. VocaLink have been engaged from a very early stage and the project governance to date had not followed that used by FPSL. There is no Project Definition Document or requirements document and engagement to date has been in workshop style.

JJ advised that, as at the date of this Board meeting ten Participants are committed to this piece of work albeit it does not commit them to the funding. JJ stated that, to move this forward at speed, as expected by the Home Office, a figure of *[Redacted for Commercially Sensitive reasons]* is needed to the end of 2017. This would cover legal work and recruitment of contract resource. CT advised that the costs will be funded by those Participants using this service and commitment will be sought.

Board discussed whether they would be content to support this piece of work, introduce safely and securely and under FPSL's governance processes recognising that this is customer driven.

CT stated that a User Group will need to be set up to include, FPSL, Bacs and FFA UK.

MC asked why funding is only being sought from the committed Participants when fraud is an industry-wide issue.

The Board debated the concept of this being initially funded through the Company and subsequently using a mark-up on the transaction fees to each Participant to cover costs.

The Board **UNANIMOUSLY AGREED** to use this simplified cost model.



MB asked Board to note Development Update (FB 069/17).

Board **NOTED** the report.

370. PKI UPDATE

MB referred to the press release issued earlier in the week announcing that the PKI service is fully live with four customers using the service and a further five committed to go live in the coming months. The activities to manage the service have been completed and currently completing the business manual ahead of the recruitment of a product manager for the service.

PK provided the financial outlook and confirmed that, with the on-boarding of a further customer during July, the service will no longer be an operational financial risk and will be self-financing. CT advised that the working capital loan is expected to be repaid back to FPSL early in 2018 followed by the repayment of the set-up costs.. Further customers are expected to be on-boarded next year which will result in additional income.

MS asked if there is a long term view of the ownership of UTSP. NC proposed that the Company should, over the next few months, draft out the underlying principles of when it should take on a potentially commercial proposition. MB suggested that this would be a task that the new product manager would start working through.

NC congratulated the team on an excellent achievement on a fundamental piece of work.

CT reminded the Board that the project had arisen after Service Users approached the Company indicating that the way the PKI market works meant that costs were high for low volume users. The Company took this away, worked on a solution and brought this to market to satisfy the needs of Service Users.

PK commented that, having watched this evolve, the level of professionalism, co-ordination and communication between the different departments has been exceptionally good.

PK left the meeting.

The Board meeting then reverted back to the original running order from agenda item 367.

371. NON-BANK PAYMENT SERVICE PROVIDER (PSP) ACCESS

CT advised that the Company has continued to work with the Bank of England and the FCA to agree an appropriate approach to supporting non-bank PSPs. There will be changes to the new Payment Services

Regulations which will include Electronic Money Institutions (EMI) and Payment Institutions (PIs) into the scope of the Settlement Finality Directive and allow an EMI or PI to use an account at the Central Bank to safeguard client funds. The Company are engaged with the Treasury via the Bank of England on legislative changes. The Company is using the Settlement Finality expert at Travers Smith to make sure any statutory changes suggested by Government or the Bank of England doesn't put at risk the statutory framework FPSL has in place today.

372. RISK COMMITTEE

SG referred to FB 070 17 and highlighted the key points to note as follows:

Risk Appetite

[Redacted for Financial Stability reasons]

CT advised that these three items are new elements recently added to the appetite.

FPSL Digital Footprint

[Redacted for Financial Stability reasons]

Risk Assessment Policy

This was approved by the Risk Committee.

NC advised that he had an in-depth view of the risk frameworks and recommended three areas of additional work 1) where risks and mitigants have been identified, he had requested better visibility of how the controls are in place 2) a low number of risks seem to be out of date, whilst none were material risks, they need updating and 3) the way the risk framework operates tends to be focused on FP as an isolated entity rather than as a systemic risk manager and he requested that this is revisited.

Overall, work had been undertaken very comprehensively and NC had taken comfort from this.

MW referred to the amount of work being undertaken and the timelines being placed on the Company by the Regulators. Recognising the demands being placed on the Company MW asked where the risk mitigants were being articulated and explore what mitigating actions can be taken.

CT stated that an immediate mitigating opportunity is the response to the Strategy Forum's consultation and raise challenges in a constructive way.

NC stated that there will probably need to be some trade-off's in the risk

appetite.

Redacted for Financial Stability reasons]

the Board debated the portfolio view of the risks being imposed onto the company because of external influences and secondly, given the work programme, is it realistic that all work programmes can be delivered.

NC referred to Risk 27 and suggested that the trend may be incorrect.

NC proposed that the underlying principle and interaction of risks and specifically how they apply into Project DEVON are discussed at the September Board meeting.

Action 372(i) Secretary to include a discussion around the underlying principle and interaction of risks and specifically how they apply into Project DEVON on the September Board agenda.

Secretary

NC advised that he regularly has dialogue with CT and his team to determine what pressures are being seen and whether there has been any slippage in scheduled events. NC also advised he and the Executive also have regular dialogue with FMID at the Bank of England.

Risk Management Framework Policy

SG advised there were no material changes to the Risk Management Framework Policy.

TC noted that, although a timing issue, the committee name should be updated to reflect it is now the Audit Committee and also the Committee's reduced risk responsibilities. KP also pointed out that, on page seven, the policy refers to a Procedures Group which no longer exists.

The revised Policy will be circulated with the minutes of the Board meeting.

Action 372(ii) Secretary to circulate the revised Risk Management Framework Policy with the Board meeting minutes.

Secretary

The Board **UNANIMOUSLY APPROVED** the Risk Management Framework Policy subject to the proposed changes.

Participant Risk Banding

SG summarised FB 072 17, provided background to the proposal, the inclusion of the business hours proposition and advised that the Committee recommends Board approval.

NC asked if there was any operational impact. JJ stated that it would allow Operations to focus on where the greater risks are operationally.

NC asked whether the recovery times for the bandings, in particular Band One, was achievable and who was consulted when determining the service

levels. SG stated she would make enquiries to establish what the process was leading up to the January Risk Committee meeting. NC stated that the Board would like to understand the impact on Participants and whether it is achievable whilst accepting that it falls within the Company risk appetite.

CT proposed that the overall risk based approach is acceptable however Band One DR resilience requirement is a step change from the current position and needs more work to determine what the business case is.

The Board approved the underlying principle of the Risk Banding but requested that some of the detail be reviewed and brought back to the next Board meeting.

Action 372(iii) Detail around the Risk Banding Proposition, particularly the DR resilience requirements, be reviewed and presented to the September Board meeting.

SG

Business Hours Proposition

MB referred to the Business Hours proposition which would be for Participants that sit within band four. This is no different to the indirect agency proposition in place today.

TC suggested that the Business Hours proposal should be presented in a short paper including the customer focus to clarify it fits in the overall strategy.

Action 372(iv) MB to present a short paper to the Board on the Business Hours proposition including the customer focus to clarify it fits in the overall strategy.

MB

The Board **NOTED** the Risk Committee Report (FB 070 17).

SG referred to the Dashboard and highlighted that there are two reducing risks. CT stated that the reason R0027 is showing a downward trend is because, before January, there was no direct engagement with the NPA.

SG advised that there is a typing error within the notes for R00027 which should indicate effective rather than ineffective.

SG also referred to the decreasing trend for R0022 Chronic Operational failure of a Participant. SG stated that this was originally raised because of the Payments Originating Overseas incident but has now been resolved and has returned to an effective control.

SG highlighted that a deep dive had been undertaken regarding R0049

Failure of a Key Supplier and the conclusion has been reported to the Risk Committee Chairman due to sensitivities. CT confirmed that there was nothing within the conclusion that would be of concern to the Board.

The Board **NOTED** the Risk Dashboard Report.

NC asked Board to consider whether they knew of any risk professionals who could join the Risk Committee.

373. AUDIT AND FINANCE COMMITTEE

TC updated the Board on the following:

Internal Audit

A number of internal audit reports had been issued but no major points of concern had been identified. The review of resource and succession planning had concluded that FPSL has a thorough, well controlled approach. The Head of Internal Audit leaves in a few days. A plan is already in place which includes the recruitment of an interim Head of Internal Audit. The cyber security audit, being conducted jointly with Bacs is underway.

Given the current pressures on the company, it had been suggested by a number of people that internal audit engage through participation in the project governance of the major programmes and this would be considered when the internal audit plan was next reviewed.

Oversight of 2016 Annual Accounts

This report (FB 074 17) summarises the work undertaken by the Committee in relation to the accounts and a statement from Internal Audit around the governance and controls to provide the Board comfort with regards to approving the Representation Letter.

The Board **NOTED** the report.

Going Concern Statement

PK referred to the statement and provided an update on the cash position and regulatory reserves and some income due into the Company from a number of outstanding invoices.

BDO External Audit Report

PK referred to the report and Management Letter. He highlighted that it was an unqualified audit and there is one technical point where an item was missed in the VAT return in October however this was picked up within the Company processes rather than being discovered by the

auditors. PK confirmed that HMRC had been informed with no adverse impact and advised that the process had been reviewed to prevent such errors in the future.

2016 Financial Statements and Letter of Representation

PK referred to FB 077 17 and confirmed that there has not been a change in the accounting standard; this change was in 2016. MS pointed out that some of the formatting needs to be sorted out and there is a typing error in section 2.3, paragraph 3 'principle supplier' should read 'principal supplier'. MS also pointed out that, within the strategic report, eight paragraphs from the end, there is reference to Mastercard's purchase of the majority of VocaLink's business being subject to a CMA review however this is now complete. CT confirmed this will be amended prior to signing Of the Financial Statements and Representation Letter. There were no further comments.

The Board **UNANIMOUSLY APPROVED** the 2016 Directors Report and Financial Statements subject to the amendments and **APPOINTED** Craig Tillotson to sign the Financial Statements and Letter of Representation on behalf of the Board

Internal Audit Charter

TC advised that the Internal Audit Charter has not changed however the Charter will change post consolidation.

The Board **ENDORSED** the Internal Audit Charter and **UNANIMOUSLY AGREED** that Nick Caplan, in his capacity as Independent Chairman, should sign it on behalf of the Company.

Outstanding Audit Points

PK referred to note FB 080 17 and highlighted the following:

Financial Management – Internal Audit and the Company have agreed to close all financial management outstanding past due points. Internal Audit required the new Financial Review Group to review the principles underlying project reporting. This was undertaken at the inaugural meeting on 22 June.

Service User Engagement – The responsibility for this role has now been sub-contracted to the Communications Group within UKPA. However the PSR has reconsidered the requirements and changed their views and, consequently, this will impact whether the risks to be addressed still apply. MB confirmed that the Company will continue with their work on Service User engagement.

Accreditation – There is a view that these audit points will not be addressed by retrospective development of a test requirements matrix, as this work stream would be excessive to the minor risks in the test environment, but the Project DEVON accreditation process will take account of these issues and ensure suitable arrangements will be made. This will be a forward looking solution.

TC stated that the timeframes of Project DEVON will be much extended beyond the due dates agreed as part of the audit, noting that these points are already past their due date and proposed that this be considered at the next Audit Committee meeting.

Action FB 373 Board Secretary to ensure the Audit Committee Secretary includes the proposed approach for the Accreditation past due Audit Points for consideration at the next Audit Committee meeting.

Secretary

Personnel – This is now complete.

The Board **NOTED** the outstanding Audit points.

The Board **NOTED** the Audit and Finance Committee minutes from the meeting held on 9 May 2017.

The Board then discussed Agenda item 370.

374. REMUNERATION COMMITTEE

Company staff left the meeting.

TC gave a brief summary of the last Remuneration Committee noting that the meeting had discussed relevant policies, incentives and the planned committee effectiveness self-assessment. The Committee had agreed to provide an annual report on the year's activities to the Board at the next meeting.

375. OPERATIONAL PERFORMANCE AND RESILIENCE

Company staff and BL re-joined the meeting.

JJ summarised the Operations and Service Delivery Report (FB 081 17).

Payments Originating Overseas (POOs)

The report commissioned by Simmons and Simmons had been completed and received by the Company. A review of the report has been undertaken with Simmons and Simmons and a meeting is being arranged with the Participant involved. Once the review process and discussions have been completed, the Board will be fully updated with the outcomes and next



steps. NC thanked the Participant for making all of the information available and for their openness. CT stated that it is a very comprehensive, forensic report.

MC asked what progress had been made on his request for the availability of POO data reporting to the Board. JJ advised that a number of options have been investigated including the use of VocaLink however the data is not currently available to the Company within the current contract.

CT agreed that the Company will raise this further with VocaLink. This will be added to open action 317.

UKPA

The number of staff that will transferring to UK Finance has now crystallised and the announcement that CHAPS will be moving into the Bank of England which has a direct impact on UKPA. A plan is in place within Internal Audit, during this period of change, with an interim Head of Internal Audit recruited until the end of the year.

Bank of England (FMID)

A lot of work has been undertaken with the Bank of England in relation to the Priorities and other reviews with some feedback still awaited. The Company are having ongoing discussions with the Bank around Participant Risk and therefore the Priority remains open. One discussion has been held between the Bank and the Company on the topic of Cap Management and more information was requested by and provided to the Bank and a response is awaited.

JJ referred to the Tiering Review which commenced in December 2016, informal feedback has been received which suggests that more data needs to be obtained from Participants who operate agency facilities, the Bank suggested the Company considers the credit risk between those Participants and those agencies. Formal output is, however still awaited from the Bank.

Credit Payment Recovery Process

RW referred to the March meeting where it was suggested that more time be spent on discussing Credit Payment Recovery given the varying degrees of what Participants are doing and recovery rates given the Regulators interest.

CT asked where this topic sits within the number of priorities. JJ advised that a significant amount of work has been undertaken so far, in particular

the number of exceptions and the number of rejections (some of these may be due to the customer already obtaining the funds back via other means) and the way claims are being reported.

CT proposed that, following the work already being undertaken, this be included on the September Board agenda.

NC stated that the September agenda is expected to be quite lengthy with the Bank of England Priorities being presented along with other lengthy items. NC suggested that, depending on the topics requiring discussion, there may be a need to hold an ad hoc meeting

Security

No issues or questions were raised.

FPS Rules v10.1

NC asked the Board to note that v10.1 of the FPS Rules went live on 23 June following Bank of England's non-objection.

The Board **NOTED** that v10.1 of the FPS Rules are live and uploaded onto the external website

Ben Lindgreen left the meeting

376. CHIEF EXECUTIVE REPORT

CT referred Board to his report issued under reference FB 043 17 and asked if there was any questions.

No questions were raised.

Board **NOTED** the report.

377. BOARD ACTION LOG

NC walked through the actions still open on the action log.

The Board **NOTED** the action log.

378. ANY OTHER BUSINESS

Paym Board

NC advised that discussions had been held with the Paym Board Chairman and the FPSL Board will need to approve the acquisition of Paym with no liabilities.

FPSL Access Celebration

CT reminded the Board of the Access Celebration event on the HMS Belfast on 29 June. Invitations have been extended to Board Directors and Alternate Directors, Access Steering Committee and Company staff.



Mark Curran

MC advised that this would be his final Board meeting before he moves on to pastures new. NC thanked MC for his very valuable support since the inception of FPSL in 2011 and stated that his contribution to meetings will be missed.