

# Minutes

## REDACTED FINAL



19 June 2015

Our Reference FB 061/15

To Board

From Board Secretary

### MINUTES OF THE MEETING OF THE FPSL BOARD HELD ON 12 JUNE 2015

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<b>Present:</b>	Nick Caplan	Independent Chairman *(FPSL) (NC)
	Duncan Ingram	Independent Director *(FPSL) (DI)
	Tanya Castell	Independent Director *(FPSL) (TC) – to Audit Report item 214
	Craig Tillotson	Executive Director *(Chief Executive, FPSL) (CT)
	John Hutton	Director *(appointed by Barclays Bank) (JH)
	Melanie Martin	Director *(appointed by Citibank) (MM)
	Jim Pettigrew	Director *(appointed by Clydesdale Bank) (JP)
	Dave Sanders	Director *(appointed by Co-operative Bank) (DS)
	Tony Richter	Director *(appointed by HSBC Bank) (TR)
	Mark Curran	Director *(appointed by Lloyds Bank) (MC)
	Mike Roberts	Director *(appointed by Nationwide) (MR)
	Helen White	Director *(appointed by Northern Bank) (HW)
	David Greig	Director *(appointed by Royal Bank of Scotland) (DG)
	Robert White	Director *(appointed by Santander) (RW)
	AG	Observer (Bank of England)
	CR	Attendee, Chief Security Officer (FPSL) Agenda item 209 only
	JJ	Attendee, Head of Operations (FPSL)
	SG	Attendee, Head of Risk Assessment and Assurance (FPSL)
	FB	Attendee, Head of Legal and Corporate Governance (FPSL)
	JC	Secretary, Operations Manager (FPSL)

\* Voting members of the Board of Directors – 14 in attendance

#### 205. DECLARATION OF DIRECTORS' INTERESTS

**ACTION**

NC referred to [FB 043/15](#) and asked Board Directors to declare any conflicts not previously declared or of any changes.

JP declared the following:

- Alternate Board Director for both Cheque and Credit Clearing Company and Bacs.



- Resigned as Director for MPSCo on 20 March 2015

DG declared that he resigned as a Director on the Bacs Board on 15 May 2015.

The register of directors' interests will be updated accordingly.

FB stated that all Directors should advise if they have access to documents for other Payment Schemes.

## **206. MINUTES OF THE PREVIOUS MEETING HELD ON 24 MARCH 2015**

The minutes (full and redacted) of the previous meeting held on 24 March 2015 were **UNANIMOUSLY APPROVED**.

## **207. GOVERNANCE**

### **Articles of Association**

FB advised that the Articles of Association were adopted on 24 April 2015 and now available on the external website.

### **Director Changes**

The Board **NOTED** the following Director changes on the understanding that the appointments are ratified by the new Governance process that is being established within 6 months from the June Board meeting:

Melanie Martin, Director (Citibank) replacing Anupam Sinha.

John Walsh, Alternate Director to Melanie Martin.

Sue Yarham, Alternate Director to Tony Richter (HSBC) replacing Martin Clark.

Jonathan Bye, Alternate Director to David Greig (RBS) replacing Alison Elworthy.

Karl Smith, Alternate Director to Robert White (Santander) replacing Liz Cooper.

### **Rules and Governance Committee**

FB reported the following:

### **Board Meetings**

Consideration is being given to add two teleconference Board meetings per year, to be held if required, to discuss a particular topic. One will be scheduled for November to discuss the strategy work.

### **Direct Agencies Implementation Guide**

The Implementation Guide and template letter for Direct Agencies was

agreed at the meeting held on 21 May 2015.

### **Independent Director Recruitment Agencies**

Confirmation was received of the independence of the Independent Director recruitment agencies: Regent Selection, Maloney Search, and Saxton Bampfylde. The process for recruitment of Independent Non-Executive Directors will now be placed on the FPSL website.

### **PSR Fees**

CT advised that the PSR will not be issuing invoices for the PSR fees until HMRC has provided a response as to whether VAT is payable when the Scheme invoices Members. As a result all requests for payment previously issued will be withdrawn and any payments made by Members on receipt of the request for payment will be refunded.

### **Restructure of Committees**

NC stated that the Rules and Governance Committee will look at restructuring the current Committees. This will separate out those Committees that support the Scheme and the Committees which will report directly to the Board. This will be presented to the Board at a future meeting.

The Board **NOTED** the report.

## **208. FINANCE**

CT reported the following:

### **Draft 2014 Directors Report and Financial Statements**

The 2014 Directors Report and Financial Statement was circulated for approval.

The Board **UNANIMOUSLY APPROVED** the Draft 2014 Directors Report and Financial Statements (FB 046/15) subject to the following naming convention amendments:

- Citibank to Citibank N.A.
- Danske to Northern Bank Limited
- The Royal Bank of Scotland Group plc to The Royal Bank of Scotland plc

The Board **UNANIMOUSLY AUTHORISED** Craig Tillotson, following the amendments being made as set out above, to sign the Financial Statements and Letter of Representation on behalf of the Board as recommended by the Audit and Finance Committee.

The Board **RECOMMENDED** that the Chief Executive sign items in excess of £100,000. The Audit and Finance Committee to take this forward.

**FRGC 208(i)**

**Bank Mandate**

Changes are required to the signing arrangements following the departure of the interim CEO from UK Payments Administration as set out in FB 047/15.

The Board **UNANIMOUSLY APPROVED** the changes to Bank Mandate (FB 047/15) arrangements to include FPSL signatory on all items over £5,000 as agreed by the Audit and Finance Committee.

**Company Outline Budget for 2016**

CT provided the background of the proposed 2016 outline budget for Member planning purposes and summarised note FB 048/15.

CT stated that the individual planning notices will be issued to Members within the next few weeks. **FRGC 208(ii)**

The final budget, including a pre-TUPE and Post-TUPE comparison, will be presented to the Board at the September meeting. **FRGC 208(iii)**

**Audit &  
Finance  
Committee**

**Scheme**

**Scheme**

**209. CYBER**

An update was received. [Detail redacted for financial stability reasons]

**210. STRATEGY ADVISORY GROUP**

NC advised that the Strategy Advisory Group will be renamed. The forum will be made up of representation from Bacs, CHAPS, Faster Payments, Cheque and Credit Clearing Company and constituencies including:

- A consumer interest body
- A small business interest body
- A large corporate organisation with significant retail payment needs
- A Third Sector organisation
- A Government Banking Services (GBS) representative
- A payments software or IT services provider
- A direct scheme participant
- An indirect scheme participant with significant retail payment needs

An entity [redacted as commercial confidential information] has indicated they do not currently wish to participate. A Terms of Reference has now been produced and the Forum will meet formally approximately twice a

year.

NC also advised that the meetings will take place at Thomas More Square and the secretariat duties will be provided by one of the Scheme Companies on a rotational basis.

NC stated that he will liaise with the Payment Systems Regulator (PSR) to minimise overlap with the PSR Strategy Forum.

NC confirmed that Belfast Bank will engage via the Cheque and Credit Clearing Company.

The Board recognised that there will be some overlap with the Electronic Affiliates Group.

## 211. DEVELOPMENT

JJ provided an update on the following:

### **Settlement Pre-funding**

[Redacted for financial stability reasons]

An email was issued to Settlement Risk Committee. [Redacted for financial stability reasons]

### **Scheme Transaction Limit**

At the December Board meeting it was agreed that the Scheme Transaction Limit should not be increased to £250,000 until after Settlement Pre-funding had been implemented.

A Transaction Limits Questionnaire was issued to the Development Committee in January. The Scheme undertook a review of the responses and incorporated responses into the project plan.

Based on the questionnaire (FPDC 006/15) issued to the Development Committee at the end of January and the Implementation Plan (FPDC 014/15) issued at the end of March Board approval was sought to increase the limit [Redacted for financial stability reasons].

The Board commented as follows:

- This is a significant industry change
- A plan, evidence of member engagement and testing cycles should be seen.
- Member readiness – does this have any unintentional consequences?
- Does the proposed timeline allow sufficient time from the

implementation of pre-funding given that there would only have been two peak days during that time?

- Does this give Members sufficient time to make internal changes?

CT stated that the Scheme will continue to work this through the Development Committee and confirm the position of each individual Member and then take a view. **Action FB 211(i)**

**Scheme**

CT agreed to review the plan to ensure it captures Member readiness and risk. **Action FB 211(ii)**

**CT**

#### **Access Steering Committee**

FPSL has engaged with 47 Payment Service Providers (PSPs) with 29 having signed Letters of Intent.

The Board recognised there is a gap around settlement.

At some point in the future, governance of FPSL will need to be discussed. Additionally industry opinion will be required on Anti Money Laundering (AML) and Sanctions.

**Scheme**

A full update will be provided at the September Board meeting. **Action FB 211(iii)**

#### **212. CREDIT PAYMENT RECOVERY REVIEW**

JJ summarised FB 051/15 and stated that Bank of England Supervision do not have an issue with the work being carried forward into the Scheme Procedures with a go live date of 1 July and the Financial Ombudsmen Service will be briefed on the revised procedures.

Enquiries are now being received from journalists and Payments Council have prepared a press release.

The Board **UNANIMOUSLY AGREED** that the press release should not include figures.

CT agreed to relay the Board's comments back to Payments Council. **Action FB 212(i)**

**CT**

NC stated that he would raise the issue of ring-fencing at the Scheme Chairs' meeting. **Action FB 212(ii)**

**NC**

#### **213. SCHEME PERFORMANCE**

CT summarised the Chief Executive Summary (FB 052/15) and stated that the Balanced Scorecard is still work in progress and adequate management information (M.I.) is still required.

JJ referred to the Scheme Operations Report (FB 053/15) and advised that the report will be enhanced ahead of the September meeting and will include Key Performance Indicators (KPIs).

JJ stated that the text alerting system has now been set up and tested with staff internally and the Operational Committee. Further SMS tests will be undertaken [Redacted for financial stability reasons]

The Board **NOTED** the reports.

## **214. UPDATES FROM COMMITTEES**

### **Audit and Finance Committee Report**

TC highlighted the following:

- The Committee, following consultation with the Board Chair, were applying the wider scope of the revised Terms of Reference.
- The Committee has risk oversight but will not revisit risks.
- The Committee has oversight of the internal and external auditors review.
- Since the submission of the report to the Board, all past due outstanding internal audit actions had been closed.
- The internal Audit Charter was approved subject to small amendments.
- A tender process is underway to select our external auditors. Faster Payments are working with other Schemes and detail will be presented to the September Board meeting. **Action FB 214**
- Addition to the Risk Register [Redacted for commercial sensitivity and financial stability reasons]

**Scheme**

The Board **NOTED** the report.

### **Risk Committee Report**

DI advised of the following:

- The Risk and Assurance Dashboard to Board is work in progress.
- The Committee will be looking at the [redacted for financial stability]

reasons] report.

- The Bank of England no longer attend the meeting.
- Risks being considered at the July meeting will be Risk FP31 – ‘Failure of a Key Supplier - RTGS’ and ‘Contagion’.

The Board **NOTED** the report.

JJ advised that during H2 2015, development of the Service Levels will take place looking at the end to end service including the generation of Qualified Acceptance codes when a Member is undertaking internal system maintenance. The Board encouraged the openness and transparency by Members and the Scheme.

The Board **NOTED** the unanimous offline approval for recovery of Automated Scheme Protection Measures (ASPM) development costs via option one as set out in FB 038/15.

The Board reviewed and **NOTED** the Scheme Committees Report (FB 056/15).

## **215. BANK OF ENGLAND PRIORITIES AND OBSERVATIONS**

AG informed Board that he was not a member of the Bank’s supervisory team. He also reminded Board that it had a standing “invite” to ask him to leave any discussion of any Board meeting if it wished to. He specifically offered to leave the discussion on BoE priorities.

The Board stated they were content for him to stay for this element of the meeting.

CT advised that the last quarterly review meeting with Bank of England Supervisors was held on 17 April. The next quarterly review meeting is scheduled for 22 June.

Separate meetings are also held between Bank of England and Nick Caplan, Duncan Ingram, Tanya Castell and Scheme executive.

CT referred to FB 057/15 and advised:

### **Priority 14:02 – Pre-funding**

Now Closed





**Priority 14:04 – Resolution**

The Bank of England has extended the completion date to 31 December 2015.

**Observation 6 – Stress Scenario**

Two Members are still to provide a response. This should be resolved by Friday 19 June 2015.

The Board **NOTED** the Priorities and Observations.

**216. ACTION LOG**

The Board **REVIEWED** the Action Log.

**217. ANY OTHER BUSINESS**

CT asked the Board whether they would be content to hold the 2016 Strategy Event at the same location. The Board **AGREED** that the venue should remain unchanged for 2016.

Date of Next Meeting

22 September 2015