

Minutes

REDACTED FINAL



8 May 2018

Our Reference FB 045/18

To Board

FB 045 18

From Board Secretary

MINUTES OF THE MEETING OF THE FPSL DIRECTORS HELD ON 25 APRIL 2018

Present:

Nick Caplan	FPSL Independent Chair* (Chairman) (NC)
Duncan Ingram	Independent Director* (FPSL) (DI)
Tanya Castell	Independent Director* (FPSL) (TC)
Craig Tillotson	Chief Executive* (FPSL) (CT)
Paul Scott	Director* (nominated by Barclays) (PS)
Melanie Martin	Director* (nominated by Citibank) (MM) (teleconference)
Charles McManus	Director* (nominated by ClearBank) (CM)
Dougie Belmore	Director* (nominated by Clydesdale) (DB)
Tony Richter	Director* (nominated by HSBC) (TR)
Stuart Bailey	Director* (nominated by Lloyds) (SBa)
John Hutton	Director* (nominated by Nationwide) (JH)
Jonathan Glover	Director* (nominated by Northern Bank) (JG)
Jonathan Bye	Alternate Director* (nominated by Martin Wilson, Nat West) (JB)
Robert White	Director* (nominated by Santander) (RW) (from item 445)
Karl Smith	Alternate Director* (nominated by Robert White) (KS) (teleconference) (to item 445)
Kate Patterson	Alternate Director* (nominated by Helen Rose, TSB) (KP) teleconference)
Steven Betteridge	Director* (nominated by Turkish Bank) (SBe)
MB	Attendee (FPSL) (MB)
GO	Attendee (FPSL) (GO)
SG	Attendee (FPSL) (SG)
FB	Attendee (FPSL) (FB)
PK	Attendee (FPSL) (PK)
JC	Secretary (FPSL)

Apologies:

David Price	Director (nominated by BFC)
Tom Dolan	Director (nominated by Monzo)
Julian Sawyer	Director (nominated by Starling)

Andrew Grice Observer (Bank of England)

- **voting members of the Board of Directors 16 out of 19 in attendance**

431. DECLARATION OF INTERESTS

NC asked the Board if there were any declarations.

SBa declared that he is an Alternate Director on Bacs Board.

Secretary's Note: The Register has been updated.

The Register of Director Interests was **NOTED**.

432. REPRESENTATION OF SERVICE USERS

NC reminded Board to consider the interests of Service Users in all discussions and decision making processes.

433. MINUTES OF THE LAST MEETING HELD ON 19 FEBRUARY 2018

The Board **UNANIMOUSLY APPROVED** the full and redacted minutes for the meeting held on 19 February 2018 and **NOTED** the redacted minutes will be available on the website within 5 working days.

Secretary's Note: The redacted minutes for the February meeting were added to the FPSL website on 26 April 2018.

434. OFFLINE DECISIONS SINCE THE FEBRUARY MEETING

NC advised of the following offline decisions since the February meeting:

- The offline approval of the CPMI ISOCO Disclosure Summary Report 2018 for submission to the Bank of England during week commencing 26 March 2018.
- The offline approval of FPSL Rules V11.0.

Board **NOTED** the offline decisions.

ROUTINE BUSINESS

435. GOVERNANCE

NC asked the Board to note the following Director changes:

- Resignation of Graeme Donald nominated by Lloyds Bank
- Appointment of Stuart Bailey nominated by Lloyds Bank
- Re-appointment of Christian Kramer, Alternate Director, nominated by Stuart Bailey, Lloyds Bank
- Resignation of Aidan Doherty, nominated by Turkish Bank



- Appointment of Steven Betteridge, nominated by Turkish Bank
- Re-appointment of Resat Bilgin, Alternate Director, nominated by Steven Betteridge, Turkish Bank
- Resignation of Nick Ogden, Alternate Director, nominated by Charles McManus, Clearbank
- Appointment of Toby Mason, Alternate Director, nominated by Charles McManus, Clearbank
- Resignation of Jim Pettigrew, nominated by Clydesdale Bank
- Appointment Dougie Belmore, nominated by Clydesdale Bank

Board **NOTED** the changes.

NC expressed thanks on behalf of the Board to Jim Pettigrew, who had been a Director / Alternate Director for some time, for his significant contribution to the Board and a number of Board reporting committees.

NC advised that, with the imminent departure of CT, the Decision Makers' process for new Participants was discussed at the March Rules & Governance Committee (RGC) meeting. NC stated that the RGC proposed that the decision could be made by any two of the three INEDs. The proposal had also been reviewed by the Transition Assurance Committee.

NC asked Board to note the draft minutes from the Rules and Governance Committee meeting held on 26 March.

Board **NOTED** the draft minutes from the meeting held on 26 March 2018.

436. TECHNOLOGY, OUTSOURCING AND PROCUREMENT STRATEGY (TOPS) COMMITTEE

NC briefed Board on the discussions of the Committee and the extensive talks with [Redacted – Commercially Sensitive] with regard to the extension of the contract.

CT advised that the Company had received an attractive commercial offer from [Redacted – Commercially Sensitive] which had been validated by KPMG. CT advised that the PSR had been contacted and a letter submitting an exemption request, given the need for parallel running of the new and old systems, for approval to the PSR

was sent on 16 April and shared with Board under reference FB 041 18. CT stated that the PSR has promised a quick turnaround but a response cannot be expected ahead of 1 May. CT also stated that the PSR fully understands the situation and hasn't raised any objections. As at the end of June, the contract will be within two years of ending.

CT reported that conversations have been held with [Redacted – Commercially Sensitive] regarding GDPR who had confirmed that they will be ready by 25 May.

Paul Horlock, CEO NPSO, will present the [Redacted – Commercially Sensitive] contract extension proposal to NPO Board on 2 May. CT advised that FPSL propose to sign the contract extension but not without authority from NPSO.

CT reminded Directors that this is an update on commercial discussions and must not be shared within their organisations.

NC confirmed that the TOPS Committee will continue to meet for a period of time (it had met on 23rd April and those minutes would be circulated in due course).

Board **NOTED** the minutes for the meetings held on 27 February and 26 March 2018.

437. STRUCTURAL REFORM

MB advised that the legal separation of entities for Barclays took place earlier this month. The legal separation for HSBC will take place in the coming months. MB also advised that, as part of the Structural Reform work, a new Participant will be joining the Scheme as a Direct Participant later this year.

CT briefed the Board that, at his most recent meeting with FMID, the Bank had informed him that in relation to the issue the Scheme had proactively raised about the proposed bilateral payments between a ring fenced and non-ringfenced bank, the Bank were now taking steps to manage the situation, and confirmed that they did not require the Scheme to take any further actions.

438. CHANGE AND DEVELOPMENT PROGRAMME

GO advised the Project Durham is progressing well and the



agreement with the supplier is complete. The work in relation to the Proof of Concept relating to repatriation of funds is underway.

MB advised that Project Avon is also progressing well. The microsite is being developed to support the sandbox environment and will go live later this year.

MB also advised that the NPSO are looking to retain the services of [Redacted – Confidential] beyond the summer to support and maintain the project.

CT advised that FMID is now in a position to look at the proposal to increase the Scheme Transaction Limit. FMID hopes to present their questions to the Scheme within the next 2 – 3 weeks. There is a possibility that the increase will occur circa July.

NC referred to Project Essex (GDPR) and stated that FPSL has a responsibility to ensure this project completes on time. TC advised that the Internal Audit plan includes a GDPR review. NC requested that he receives a copy of this report.

Action FB 438 Audit Committee to provide a copy of the internal audit report on GDPR to NC.

TC

NC advised that the first Directly Connected Non-Settling Participant (DCNSP) has now been successfully on-boarded which brings the access programme to a close. All on-boarding now forms part of business as usual.

CT advised that there was a lot of media coverage with the introduction of Transferwise. CT also advised that a Letter of Intent (LoI) has been received for another DCNSP.

439. RISK COMMITTEE

DI reported there had been three meetings since the December Board meeting.

DI advised that the Risk Committee had received, and supported a nomination to appoint Andrew Curry from one of the challenger banks to join the Committee.



Board **UNANIMOUSLY APPROVED** the appointment of Andrew Curry to the FPSL Risk Committee.

DI referred Board to the revised Security Code of Conduct (SCoC) and summary note and asked Board to endorse the SCoC.

JB stated that he didn't believe the banding proposal had yet been approved for Participant recovery. NC advised that the banding proposal was debated at the February Board meeting where it was agreed that the banding would be based on volumes rather than timings. Board agreed that the sections 9.2.2 and 9.3 should be consistent with the agreed banding and amended to remove the timings and replace with volumes.

Board **UNANIMOUSLY ENDORSED** the Security Code of Conduct subject to the proposed amendments.

DI referred to the revised Participant Assurance Policy and sought approval from the Board. TC raised the following points:

- The approval of risk banding (4.2) should be approved by the Board i.e. the bullet "approving the risk assessment criteria and thresholds (and changes to) used to determine the banking of Participants" needs to move from the authority of the Risk Committee to that of the Board (4.1)
- The policy requirements for signatories of the assurance statement needs to be revised to ensure that the level of signatory is appropriate and consistent for both bank and non bank participants and the Board delegated authority to sign-off revised wording to TC, DI and SG.

Board **UNANIMOUSLY APPROVED** the Participant Assurance Policy subject to the suggested changes.

DI, TC, SG

Action: DI, TC and SG to meet and agree consistent signatory approach and have revised policy circulated to the Board.

DI referred Board to the revised Risk Management Framework Policy and asked Board to approve the revised document but noting that there will be further changes post 1 May to meet the NPSO changes.

Board **UNANIMOUSLY APPROVED** V5.3 of the Risk Management Framework Policy.



Board **NOTED** the Risk Committee Report.

Board **NOTED** the Risk Assurance Dashboard.

440. AUDIT COMMITTEE

TC advised that two meetings had been held since the December Board meeting, one on 6 February and an additional meeting held on 13 April to agree the financial; accounts for 2017.

The Board **NOTED** the minutes from the Committee meeting held on 6th February

TC stated that there were a number of internal audit points past due, mainly cyber related, which will be transferred to the NPSO work programmes. This also included outstanding points from a Service User GD4 audit done in 2017. The other 4 audit points reported as being past due in February had now been closed.

TC referred to the BDO external audit report on the accounts and advised that this is a clean audit report, with no management letter points, which is very unusual. Board **NOTED** the BDO external audit report.

Board **NOTED** the Audit Committee Annual Report documenting the work done to support the approval of the annual accounts and NC highlighted the statement from Internal Audit included in the Appendix.

The Board **UNANIMOUSLY APPROVED** the Going Concern statement prepared by management.

PK referred to the 2017 Financial Statements and sought Board approval.

Board **UNANIMOUSLY APPROVED** the 2017 Financial Statements and the BDO proposed Representation letter.

The Board **APPOINTED** Craig Tillotson to sign the 2017 Financial Statements and Letter of Representation.



CT referred to note FB 030 18 and advised that the recharge of the set-up costs was paid by UTSP to FPSL last year and the working capital loan will be repaid during 2018. CT advised that UTSP is now a stable, profitable entity. The Board **UNANIMOUSLY APPROVED** a Letter of Support for UTSP, and accompanying Board minute, from FPSL.

CT reported that a Procedures and Processes audit had been undertaken for which the Company received an 'A' rating.

TC advised that the internal audit resources had been of some concern with only one permanent member of staff and the remainder being contractors. UKPA are currently recruiting for a head of internal audit.

PK advised that the 2019 proposed budget was presented to Board at the December meeting and reported that, as at the end of March, it is a 'well funded' budget. PK briefed Board on the various components of the budget highlighting variances and summarised that all areas appear to be well provided for. There is, however, no certainty yet on the BoE supervisory fees. The Board expressed appreciation for the healthy position at Consolidation.

PK tabled two notes in relation to the FPSL banking arrangements with [Redacted – Confidential] and proposed that, with CT leaving the Company, that CT be removed from the Bank Mandate on 30 April and Matthew Hunt and George Odling be added as additional signatories.

The Board **UNANIMOUSLY APPROVED** the removal of CT and the addition of Matthew Hunt (from T2) and George Odling to the Bank Mandates [Redacted – Confidential].

Secretary's Note: The two notes regarding the Banking arrangements [Redacted – Confidential] were also made available on SharePoint on 26 April under reference FB 042 18.

PK highlighted that the Going Concern assessment, the Budget and the Forecast are all dependent on the Company being managed after

Consolidation with the same level of financial prudence as has been in place to date.

NC highlighted that the year-end procedures for FPSL, MPS and UTSP had been accelerated. The Board expressed appreciation to the team for achieving this in order that all was complete before Consolidation.

441. REMUNERATION COMMITTEE

No update provided here as it is covered under the Transition item

442. OPERATIONAL PERFORMANCE AND RESILIENCE

MB referred to the Operations and Service Delivery Report and asked if there were any questions.

MB stated that the on-boarding process is now 'business as usual'. MB also advised that version 14.1 of the FPS Procedures went live on 3 April.

TC asked if the UKPA HR support issues have been resolved. CT confirmed that an excellent HR Business Partner is now in place.

JB questioned 'high value' transactions which indicates £250k+ given that the Scheme Transaction Limit is currently set at £250k. MB advised that the figures obtained from [Redacted – Commercially Sensitive] are set in value bands and the band below ends at £249,999 and would not capture any payments of £250k.

NC referred to the Credit Payment Recovery item and highlighted that, whilst one institution had experienced challenges with their recovery rates, they had put a significant amount of effort into greatly improving their recovery rates.

CT advised that FMID have now closed Priority 16-03 for Cap Management. The Priority on Structural Reform (P17-02) is nearly complete and should close in July. The Priority for GDPR (P17-03) is on track. The Scheme is currently waiting for the [Redacted – Commercially Sensitive] contract change.

MB provided an update on the outstanding FMID non-objections. A meeting was held with FMID on 11 April and the Scheme is ensuring that FMID are engaged in the early stages of work undertaken.

NC referred to the Cyber Operating Model and the reporting structure and, whilst NC noted that the reporting had improved, it was agreed that the reporting scope needed to be formalised as part of the model.

Action: The reporting structure on the COM to be agreed by the

Risk Committee (i.e. what should be reported when).

Risk Committee

Board **NOTED** the Operations and Service Delivery Report.

443. CHIEF EXECUTIVE REPORT

CT referred to his report and asked if there were any questions.

CT advised that, whilst the balanced scorecard was not available to issue with the report, these items were discussed at the Management meeting held on 20 April and there are no concerns.

No questions were raised.

Board **NOTED** the report.

444. ACTION LOG

NC referred to the Action Log and reported that all but one action are now closed. NC advised that the Scheme suggests the closure of action FB347(ii) as risk reporting to Board will now fall under the NPSO.

Board **UNANIMOUSLY AGREED** to the closure of the action.

TRANSITION

445. TRANSITION

NC referred to the merger of T1 and T2 phases which were due to take place at the end of the month and stated that there are a series of component parts that Board now need to go through as follows:

Offer Letter from NPSO

The accountability of FPSL will reside with NPSO from T2 and it is the responsibility of FPSL Board to ensure a safe handover. NC stated that he had expressed some concern to FMID that there will only be one individual guarantor, post T2. FMID advised that this would only be for a short period of time.

Board **NOTED** the Offer Letter from NPSO and **UNANIMOUSLY AGREED** that NC should sign the letter on behalf of FPSL.

Robert White joined the meeting. Karl Smith left the meeting.

Board Structure

There had been a number of discussions with NPSO and the Transition Assurance Committee in relation to the future structure. To facilitate the transition of the knowledge base and history of FPSL activities, the proposal is for the streamlined Board to be made up of the following:



- Three FPSL INEDs
- Executive
- Two current, long-serving Directors, those being Robert White and Tony Richter (following discussions at the meeting, this was revised to three to include Dougie Belmore who has replaced TAC member Jim Pettigrew as Director and who chaired the Access Steering Committee)

The Executive positions will be filled by John Jefferson following the resignation of CT's position on the Board and, from T2, Matthew Hunt, COO, NPSO. As a consequence all other Directors will need to resign on the date of transfer. Those Alternate Directors who are attending the meeting will need to speak to their Directors to explain the changes.

Secretariat Note: Following the meeting it was agreed based on legal advice that Matthew Hunt would attend the Board as an observer and not as a director.

Board Reporting Committees

The FPSL Risk and Audit Committees will report to FPSL Board and take directions from the NPSO Risk and Audit Committees.

The Appointments Committee will be handed over to the NPSO Chair, Remuneration Committee has been partially covered by briefings from CT and the rest will be handed over by TC to NPSO, the Rules and Governance Committee will not exist in its current form. The Transition Assurance Committee will cease following the date of transfer and the Technology, Outsourcing and Procurement Strategy Committee will continue to meet until such time when it will be handed over to NPA Board.

Board noted that the FPSL Risk and Audit Committees do not have Directors attending the meetings with the exception of the INEDs who currently chair these meetings.

The Service and Operations Committee, the Development Forum and the Finance Review Group will continue in their current form and report to the General Manager.

Board **NOTED** the Terms of Reference for the Risk Committee and Audit Committee and **RECOMMENDED** them to NPSO Board for



approval.

Directors' & Officers' Liability Insurance

The Directors remaining on the Board will continue to be covered by the D&O Insurance. TC noted that she had been asked to attend the NPSO Board as advisor for a few months.

Attestation Letter to FMID

NC referred Board to the Attestation Letter and asked if there were any questions. SBa asked if the Attestation Letter would be released to Guarantors to provide comfort as part of the due diligence. NC advised that the attestation is provided for the Regulators and A&O have been provided with a copy.

Board **UNANIMOUSLY APPROVED** the Attestation Letter to FMID and **UNANIMOUSLY AGREED** that NC sign the Attestation Letter subject to the update of the criteria to reflect the fact that Participants were no longer becoming guarantors of NPSO at T2.

Secretary's Note: A signed copy of the attestation was issued to the FPSL Guarantors on 27 April indicating "that it is provided for information only, on a non-reliance basis".

Staff

The running of the Company will be the responsibility of a General Manager, John Jefferson, and his direct reports will be extended to the assurance capabilities, on-boarding and product management. All other responsibilities, e.g. Change, Risk and Legal will fall under the NPSO.

NC briefed the Board on the positions of the Senior Management Team and TC confirmed that JJ's appointment, the restructuring and the handling of any potential redundancies had been agreed at the Remuneration Committee. CT confirmed that there were no employment or litigation issues outstanding and people had been protected to achieve the best outcome for them and the Company.

PK advised that the financial implications of the changes have been included within the financial forecasts. NC stated that external legal support was obtained to assist in this process.

On behalf of the Board, NC thanked the Senior Management Team for their commitment and professionalism during a difficult time to



ensure stability within the Company.

Board

NC advised that, with effect from T2, the recommendation from TAC was that John Jefferson and Matthew Hunt should be appointed to the FPSL Board.

NC also proposed that, in line with the board structure discussed earlier, the contracts for DI and TC should be extended to 31 October following a request from NPSO. The Board, excluding the Independent Directors and Chair, discussed and agreed that fees for the Chair and Independent Directors should be based on the higher monthly time commitment that had originally been introduced to cover TAC and TOPS committee attendance and payable until 31 October. Board **UNANIMOUSLY APPROVED** the appointment of JJ and Matthew Hunt to the Board from T2 and the extension to DI and TC's contracts to 31 October 2018.

FB sought confirmation from all attending Directors, with the exception of those Directors who had been asked to remain due to their extensive experience to oversee an orderly handover, of their agreement to resign. FB agreed to provide a confirmatory email as discussed earlier in the meeting.

The Board **UNANIMOUSLY AGREED** the proposed future composition of the Board to be the three independent non executive directors, JJ, Matthew Hunt (from T2) and Robert white, Tony Richter and Dougie Belmore.

Secretary's Note: Subsequent to the meeting SBa formally advised that he is not prepared to resign at this point. An email to all Board Directors regarding the confirmation of the decision made in relation to the FPSL Board composition was issued on 26 April. This noted that SBa had declined to resign.

MPSCo

FB advised that MPSCo will become a wholly owned subsidiary of FPSL as previously approved by the Board and agreed at the MPSCo Board on 24 April.

Delegated Authority

NC advised that the delegated authority provided by the FPSL Board

to the FPSL Executive will be withdrawn with effect from T2. At this point, any delegated authority will be provided by the NPSO.

Board **UNANIMOUSLY APPROVED** the amalgamated move of stages T1 and T2 and **CONFIRMED** the intention to complete the move on 30 April subject to any material changes arising.

Board **NOTED** the TAC minutes from the meetings held on 27 February, 12 March and 26 March.

446. REGULATORY

FB referred to the Legislative and Regulatory Developments Summary and advised there was no further update since the note was issued. FB asked if there were any questions.

No questions were raised.

Board **NOTED** the report.

FB referred Board to the Modern Slavery Statement and Due Diligence Report. FB advised that the Statement had been reviewed and will now move to bi-annual reviews being conducted by the NPSO.

Board **UNANIMOUSLY APPROVED** the revised Modern Slavery Statement.

FB confirmed that the updated version will now be uploaded onto the FPSL website.

447. ANY OTHER BUSINESS

KP expressed thanks on behalf of her organisation for their support following a number of issues they have experienced this week.

NC expressed his thanks to CT for his commitment, hard work and dedication to the Board and the associated Committees since his appointment in June 2012. NC wished him, on behalf of the Board, every success for the future.

NC expressed his sincere thanks to the Board for all their efforts, support and participation during his tenure as Board Chairman.

Board also expressed their thanks to NC for his leadership and focus since June 2013.