

Minutes

REDACTED FINAL



4 April 2017

Our Reference FB 052/17

To Board

From Board Secretary

MINUTES OF THE MEETING OF THE FPSL DIRECTORS HELD ON 21 MARCH 2017

Present:

Nick Caplan	Independent Chairman* (FPSL) (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 Citi) (MM)
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)
John Box	Alternate Director* (nominated by Mike Smith) (JB)
Martin Wilson	Director* (nominated by Royal Bank of Scotland) (MW)
Robert White	Director* (nominated by Santander) (RW)
Julian Sawyer	Director* (nominated by Starling) (JS)
Andrew Grice	Observer (Bank of England) (AG)
FB	Attendee (FPSL) (FB)
MB	Attendee (FPSL) (MB) (from agenda item 344)
GO	Attendee (FPSL) (GO) (from agenda item 344)
SG	Attendee (FPSL) (SG) (from agenda item 344)
JJ	Attendee (FPSL) (JJ) (from agenda item 346)
CR	Attendee (FPSL) (CR) (Agenda item 350 only)
JC	Secretary (FPSL)

Apologies:

Nick Ogden	Director (nominated by ClearBank)
Mike Smith	Director (nominated by Raphaels)
PK	Attendee (FPSL)



* Voting members of the Board of Directors - 17 out of 18 in attendance

338. DECLARATION OF DIRECTOR INTERESTS

NC welcomed the new Directors.

NC asked the Board if there were any amendments required to the Register of Interests circulated with the Board pack.

TD advised he would email an update to FB.

Secretary's Note: TD's declarations have been received and added to the Register.

FB advised that JB had recently advised of a number of amendments which will be added to the Register.

Secretary's Note: The Register of Interests has been updated and uploaded onto the FPSL website.

339. REPRESENTATION OF SERVICE USERS

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

340. MINUTES OF LAST MEETINGS HELD ON 7 DECEMBER 2016 AND 7 FEBRUARY 2017

NC advised that a number of small adjustments made to the December minutes and a tracked change version was issued.

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

Secretary's Note: The redacted minutes for the December and February meetings were added to the FPSL website on 22 March.

341. OFFLINE DECISIONS SINCE THE FEBRUARY MEETING

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

342. GOVERNANCE AND REGULATORY

Director Changes

NC asked the Board to **NOTE** the following Director changes:

- Resignation of Helen White, Director, nominated by Northern Bank
- Appointment of Aidan Pearson, Director, nominated by

Northern Bank

- Re-appointment of Stephen Pike, Alternate Director, nominated by Aidan Pearson.
- Appointment of Nick Ogden, Director, nominated by Clearbank
- Appointment of Tom Dolan, Director, nominated by Monzo Bank
- Re-appointment of Tanya Castell as INED on a short contract until the end of 2017 given the potential PSOs' consolidation.

NC also advised that, following non-objection from the Bank of England, the Appointments Committee appointed Duncan Ingram as Senior Independent Director. Board **NOTED** the appointment of Duncan Ingram as Senior INED.

NC requested that FB set out the roles and responsibilities of a Senior INED in a note to the Board.

Secretary's Note: Note FB 049 17 was issued to Board on 28 March 2017.

Legislative and Regulatory Register Developments

FB referred to note FB 020 17 and provided updates to the following:
Point 2 Money Laundering Directive – Treasury publishing a further consultation

Point 2 Revised Wire Transfer Regulations – FCA may publish guidelines but the Company is waiting for the EBA to publish their guidelines.

The update has been expanded to include legislative developments which are also circulated to Risk Committee every quarter. This will be shared with the Board on a quarterly basis going forward.

Point 8 – PSR have a Board meeting in April to discuss their strategy regarding remedies arising from the Infrastructure Market Review.

VocaLink / Mastercard Merger – CMA extended their review until the end of May.

Point 13 – PSR Fees - All Participants have paid. PSR believe they have miscalculated the fees. Any adjustments will be made to the summer invoice which will be payable by September 2017. Any questions regarding this error should be sent to PSR directly however, it should be noted that the Company does not believe it is a material

error.

Secretary's Note: Further discussions with the PSR suggest that they were mistaken when they had suggested that there was an error in their fee calculation. Therefore no adjustments to the original fees will be required.

TC raised a question on Point 7 regarding PKI operating on low level assurance and asked what exposure the Company has and what risks the Company has now. This is low level at the moment as the Company do not hold a regulated role at present as it is a new service; this is held by the service provider.

NC asked what the outcome was from the meeting held on 8 March in relation to GDPR. FB advised that Baker McKenzie are working on a review at present and is of more significance to Paym than FPSL.

Policies

FB stated this is an administrative matter and referred to the policies, some of which were adopted from UKPA, issued under reference FB 022 17 and sought approval of the following:

- Health and Safety Policy
- Whistleblowing Policy
- Anti-bribery and Corruption Policy
- Procurement Policy
- Modern Slavery Policy (which will be added to the FPSL website)

FB advised that UKPA, as a service provider, administer the policies and when staff TUPED over to FPSL staff signed letters acknowledging that the UKPA policies apply to FPSL as if the policies had FPSL branding. FB proposed that, with the consolidation work underway, the change of branding from UKPA on some of the policies should wait until after the consolidation process had been completed.

TC referred to the Health and Safety Policy, branded under UKPA, which refers to reporting to the Board and asked whether this should be made clearer, perhaps within a cover note, regarding reporting to FPSL Board. CT stated that some things are quite legitimately delegated to our service provider. NC proposed that a clear statement explaining the application within FPSL needs to be included

for clarity to UKPA policies.

Action 342 FB to include a statement for UKPA policies clarifying the FPSL responsibilities e.g. Health and Safety Policy and Board, this refers to FPSL Board.

FB

CT advised that where, for example, the Company are buying a service enhancement from VocaLink as our core service provider, the Company would not be able to follow the Procurement Policy by going to competitive tender. NC reminded that there is a financial limit where things like this get approved and quotations are approximates and not absolutes.

RW asked about a statement regarding minimum or living wage, which would include suppliers from a Procurement point of view as well as company staff.

FB stated that, within the service industry e.g. catering and cleaning services, a questionnaire will be issued to FPSL's suppliers asking if any personnel are on zero hours if so how many, being paid the living wage, etc although it may take some time for UKPA to gain the information from their suppliers, if it's provided at all. Board **UNANIMOUSLY AGREED** that this information should be obtained and that all workers should be paid the living wage.

TC referred to the Procurement Policy and stated that, where it talks about Legal reviewing contracts, the review process should also include Finance and this was agreed.

Board **UNANIMOUSLY APPROVED** all policies (subject to the agreed amendment to the Procurement policy) and **AGREED** that the rebranding should be undertaken post consolidation.

FPS Rules V10.1

FB summarised the 'Blue Strawberry' concept as set out in note FB 022 17. FB stated that Participants will sign a Participation agreement. The Rules were presented to the Rules and Governance Committee and, with the exception of one dissenting member, the Rules were recommended to Board for approval. The challenge raised at Rules and Governance Committee by the dissenting member was around Rule 12 and the assurance process.

MC stated that, given the expectation on the Company by the Bank of England, there should be a level playing field to minimise risk given

that varying organisations bring the same risk.

PS sought clarification on the extent of the investigative rights given the potential costs for Participants. FB confirmed investigative powers would solely focus on FPS related issues and NC noted that it would be governed by the Board. FB stated, given that the Rules were issued to the Rules and Governance Committee at short notice, a further week was given to review the Rule changes internally by their legal teams. Two large institutions confirmed they had referred the Rules to their internal legal teams and no objections were raised.

TC questioned whether any further Direct Agencies would be allowed to join the Scheme. CT stated that potential new Direct Agencies would be discouraged on the grounds that the 'Blue Strawberry' model is a better model.

TC asked a question concerning the ability to connect through an Aggregator or another 'third party' as stated in Rule 2.1d. NC advised that an Aggregator has specific definition where they are a technology service provider. CT stated that Participants may outsource whatever they wish to a third party but there are constraints around this.

TC asked what the governance and controls around what can be a third party will be. TC asked what the governance will be for the Aggregator Admission Criteria. FB advised that this will be produced by the Assurance Team. NC stated that the document will be presented to Rules and Governance Committee for agreement followed by Board for approval.

JS asked when the 'Blue Strawberry' goes live with an appropriate name. FB stated that Aggregators are due to go live in April subject to Bank of England not objecting and Blue Strawberries should be live by the summer.

MC sought clarity if there is the potential for 'Blue Strawberries' to be non-financial services and not regulated by the Regulators. CT confirmed this was the case. In such situations the accountability would sit with the sponsoring Participant.

Board debated Payments Originating Overseas submitted by PSPs and third parties, the domestic leg of such international payments, the responsibility of such payments lying with the sponsoring bank and how they are policed given that currently the data cannot be accessed from the CI. Following a debate CT stated that this forms part of the class B assurance requirements (assurance how the sponsor deals

with the 'Blue Strawberry').

MC questioned whether the point could be reached where, by opening up access, the sponsor's only liability would be what it has is for Settlement and the 'Blue Strawberry' is responsible for all other aspects. NC asked whether 'Blue Strawberries' should then be required to be regulated entities or whether there should be sponsor rules.

Following a further debate and recognising that there are a number of regulated PSPs who have expressed an interest in joining the 'Blue Strawberry' model and have potential sponsors, the Chairman proposed the Board vote on the adoption of v10.1 of the Rules with the following outcome:

- 17 votes in favour
- 0 against

Board **UNANIMOUSLY APPROVED** the adoption of the proposed FPS Rules v10.1 recognising that Rules and Governance Committee will consider a further proposed change to Rule 12 from one participant at the next meeting. Should Rules and Governance Committee recommend further changes, then these will be brought to Board.

Rules and Governance Committee

NC advised that FPSL's Corporate Governance will be discussed at the May meeting following a requirement to report back to the Bank of England in terms of potential resolution under their consultation.

NC also advised that, with the introduction of a Finance Director, the Audit and Finance Committee will become the Audit Committee. The Committee will continue to see high level finances. The Terms of Reference will be amended accordingly.

Board **NOTED** the minutes from the Rules and Governance Committee meeting held on 28 February 2017.

343. CONSOLIDATION DELIVERY GROUP UPDATE

NC advised that the purpose of the session was to enable Directors to discuss and understand implications of the recommendations coming from the Delivery Group noting that this is still work in progress. NC set out the timelines.

AG clarified his role on the Board as an Observer and stated that his primary role is running the payments business within the Bank of

England. AG stated that, as an Observer, there is a standing invitation for him to leave the meeting at the behest of the Board or if there are any discussions where he himself feels he should absent himself. AG also stated that, whilst the Bank is not a Participant in Faster Payments, they are a Participant in the other two Schemes which are impacted by consolidation. Board indicated they were content for AG to remain in the meeting.

NC referred to the slide deck (FB 023 17) from the Delivery Group and asked Board if they had any questions for clarification following which there will be an open discussion.

Initial questions included:

- Will there be any impact on governance on those who are not Participants of the other two schemes? (JS)
- Whether there would be one or two advisory bodies for engagement with stakeholders. (TC)
- Is there a view on the future role of the Electronic Affiliates Group? (CT)
- What is the reason for CASS being a Board Committee?

NC responded, in order, as follows:

- Eventually it will be easier to participate in other services following the convergence of the Rules at a later date.
- The Delivery Group tried to look at adequate mechanisms to come to Board regarding two communities (end user community and the participants/PSP community).
- The Delivery Group remained silent on the Electronic Affiliates Group but this question should be taken back to the Group following the Board meeting.
- There has been a CMA resolution requiring CASS to be a Board reporting committee.

Board discussed the mechanics and benefits of being a Guarantor of the Company (or not) and being a Participant in the Scheme. Potentially all participating organisations could be a Participant and not Guarantor which is potentially not ideal. In the event of a crisis there would be a requirement to raise the fees from the Participants, not Guarantors, to make good any shortfall and the Regulatory

Reserves would provide liquidity in the interim.

NC advised that there will be a request for funding as there will be costs incurred in establishing the new entity in the form of operating expenditure and an intention to add a little more capital to provide an additional buffer into the Regulatory Reserves.

The proposal is that the new organisation will issue an instrument such as a Perpetual Note as a capital instrument, to replace the current Regulatory Reserves. This proposal needs to be checked to ensure it is acceptable under CPMI IOSCO, and the Reserves could be distributed to the current Participants, subject to decision from the existing PSO Boards. MC noted that the accounting treatment of the reserves contribution for Participants should be considered

NC stated that a request will be received from PSR and PSF for funding from end of March until the NPSO can take on its work. Definitive figures and how it is broken down is still to be confirmed.

NC confirmed there will be three items of funding which the Board will be asked to agree, those being:

- PSF continuation work until year end
- Establishment of NPSO costs
- Capitalisation to replace/supplement current Reserves.

NC stated that he has stressed to the Delivery Group that there should be just the one request for funding for all these needs and not repeated requests. NC confirmed that the Independent Chairs of the other two affected Schemes were in agreement.

NC summarised transition stages one and two following CMA and Shareholder approval.

Board discussed the timelines as set out on page 20 and the likely sequence of events for the processes and Participant consideration for Guarantor status and recognised that the timelines are very tight, particularly for decisions from Participants, and considered whether they are achievable.

Board discussed the additional required funding and costs for Participants and indicated it would be helpful to see a 24 month cash flow for the three consolidated schemes in terms of the cost of running the NPSO. It was noted that it was hard to quantify the long term benefits of consolidation given the level of change in the sector.

NC stated that the Delivery Group will present its report to the Co-ordination Group with a three week turnaround after which it will be presented to the Boards for agreement. The Competition and Markets Authority will then have eight weeks to consider the consolidation.

CT stated that the communications plan is important as there are 100 plus staff who continue to keep operations running.

MC asked how morale was within the Company. CT stated that morale is fairly robust however at Senior Management level is a little more volatile.

TR asked if there was anything further that could be done. CT said that being open, pragmatic and sensitive is appreciated.

NC summarised the key points from this discussion as:

- Capitalisation Funding and removal of implicit guarantees
- Funding Requirements and benefits
- Achievable timelines

NC said that Board Directors wishing to raise any points, should do so as soon as possible given that the report will be broadly complete by 24 March.

344. ACCESS PROGRAMME

MB, GO and SG joined the meeting.

GO advised that a number of outstanding items have been completed since the last meeting. One remaining key item to complete, which is the PKI service. GO stated that the contract has now been signed and the build is underway. *[Redacted for commercially sensitive reasons]* The assurance policy will be presented to Risk Committee followed by Board for approval.

GO advised that the Access Steering Committee unanimously agreed that there is no longer a need to continue with the Committee and track any outstanding items through the Executive to Board.

GO stated that one question raised by the Committee was about the overall cost of the project. It was £3m which covers the on-boarding of five new Participants from a standing start.

MB advised that the process of on-boarding a new Participant is much slicker. CT stated that, since the on-boarding of the five new

Participants, there has been an increase in interest with the number of NDAs increasing from 50 to 70 from potential participants.

Board **NOTED** the closure of the Steering Committee and expressed their thanks to all Committee members for their commitment and participation, in particular D. Belmore who chaired the Committee.

Board asked how D Belmore's efforts could be recognised. CT advised that he intends to hold a party to be held May / June time involving the Board, Access Steering Committee, new Participants and the Company staff involved. This will provide an opportunity to thank a number of people including D Belmore.

GO stated that D Belmore has been a pleasure to work with and turned around work quickly and efficiently.

345. STRUCTURAL REFORM PROGRAMME

MB stated that, at the last Board, there was concern around the volume of transactions that will result in redirection as a result of structural reform. Detailed feedback has been received from 4 out of the 5 institutions that have provided information however *[Redacted: one Participant]* is unable to provide such information until the summer. Information to date has indicated that c1.3m accounts, including an estimate from one Participant, will be redirected across the industry as a result of structural reform with an estimated volume of 5 – 8 million payments each month.

A questionnaire was issued to Participants three weeks ago regarding the updating of mandates and, to date, 7 out of 15 responses have been received.

RW asked a question around the mass upload of transactions and the new accounts to be added and the possibility of getting the download of the redirection table which would assist some Participants in updating the mandates in advance. Also, from a financial crime perspective, there are concerns from the FCA and others that mis-directions may be created. Institutions could use this as intelligence for new mandates being created and would act as a control mechanism.

MB took the action to raise this with Bacs/CASS Management to gain agreement of the value this would bring.

It was agreed this should not be seen as a competition issue given volumes of switches will be generally known and is a regulatory-driven activity and RW proposed he would arrange for this to be raised

through FFA UK.

Action 345(i) MB to raise the possibility of getting the download of the redirection table which would assist some Participants in updating the mandates in advance.

MB

TC asked how the non-compliance with FPSL rules by sending banks, as set out in note FB 025 17, is reported and escalated via the risk or governance framework to the Board / Board committees? CT agreed that the Company will investigate.

Action 345(ii) JJ to investigate why redirection rule breach is not being escalated formally.

JJ

Board **NOTED** the BPRS Structural Reform Note.

346. CHANGE PROGRAMME

CT provided a brief update on the interactions that are going on within the industry.

New Payments Architecture

CT sits on the Steering Committee for the NPA which meets every week and has four work-streams as follows: elaborating end user needs, new payments architecture design, transition planning and a funding model.

Financial Crime

There are a number of work streams, one in which FPS needs to be involved in which is payments transaction data analysis. There is a tactical piece and strategic piece of work being led by FFA and JJ will be involved in both items *[Redacted for commercially sensitive reasons]*.

[Redacted for commercially sensitive reasons]

CT advised that, at last week's Steering Committee meeting, it was agreed that a contract is required between VocaLink and a suitable body. CT proposed that the suitable body should be FPSL as there is already a contract relationship with VocaLink and a participation agreement.

Open Banking Implementation Entity

R Mabbott and other staff continue to be involved in the technical and proposition work on PISP and AISP functionalities and the implications on the payment system as the carrier of data.

RTGS Review

Work between the Bank and FPSL on settlement models continues and good progress has been made.

RTGS Blueprint

FPSL are engaged with the Bank of England on the widening of access to settlement accounts for EMI's and PI's and next steps.

JJ joined the meeting.

Industry Tracker

GO advised that there are gaps within the Industry Tracker and will be updated to include the PSF work-streams.

Action 346(ii) GO to update the Industry Tracker with PSF work-streams.

GO

Project Devon Project Definition Document (PDD)

The PDD was circulated for information. NC stated that he will raise a number of points offline. NC advised that he has raised concerns that the Executive Team involved in this project will be stretched and a CTO should be introduced and included within the PDD.

CT confirmed that there is no duplication of effort with the NPA work and Project Devon.

NC stated that timelines will become stretched with some of the other key projects.

[Redacted for commercially sensitive reasons]

TC asked about the governance of Project Devon.

CT stated that the PDD needs to be agreed at June Board which will include the full governance process. NC suggested that the Executive may have delegated authority and that a monthly report that will be issued to the Board. However another option would be to have a steering committee with those directors who were not conflicted.

CT also stated that the PSF will issue a further consultation in July setting out the new architecture plan going forward. NC said that he believes co-ordination has improved over the last few months.

DI asked if there were change of ownership clauses regarding FPSL's contract with VocaLink. NC confirmed there is not.

NC suggested that any comments on the draft PDD for Project Devon

should be directed to GO.

CT advised that, when the PDD is presented to June Board, approval will be sought to move to the next stage of the programme and be clear on exactly what is being approved and how it aligns with the new payments architecture discussions.

Project Avon Project Definition Document (PDD)

The PDD was circulated for information.

MB advised that, in relation to Project Avon, two quotes have been received from professional services companies and work will be undertaken over the next few days to discuss the right approach going forward.

JB asked if this will be a payment initiation service? CT stated it is a billing service.

JS asked if there are any hard dates when it will be delivered. CT stated that we are not currently in a position to provide dates.

TC observed that the PDD states that the PDD was approved in February however the Board had asked for more information.

MB stated that it would not be possible to produce a finalised document for approval at the June Board meeting, however an update will be provided.

NC asked that any comments on the PDD for Project Avon be sent to MB.

BC referred to the Business Initiatives document and asked if the SIP Availability window and Instant SIP is mandatory?

CT advised that the governance is still being worked through and the expectation is that they will be mandatory.

Board **NOTED** the summary of responses from the Business Hours Consultation as set out in FB 032 17.

NC proposed that the banding work which includes the business hours proposal be presented to June Board for sign off.

Action 346(iii) Include the Business proposition including banding on the June agenda for approval.

Secretary

MC asked whether summary notes could be issued rather than issue detailed documents as the pack is rather large.

NC stated that, once the PDDs are agreed they will no longer be included in the pack. Additionally there was the new version of the

Rules which is not a regular document. The pack should be somewhat smaller in June.

Board **NOTED** the Development Programme Report.

RW asked about ASPM and whether Phase 3 will go live. MB confirmed that this will go live tomorrow but the metrics for automatic log off for issues not of a Participants making will not be switched on at this point.

347. RISK COMMITTEE

DI referred to the Risk Committee Report and stated that the Company is within the existing risk appetite. DI highlighted there are three new risk appetite tolerance statements and in each of these the Company is outside the appetite.

[Redacted for Financial Stability reasons]

DI also stated that the Committee agreed to a thematic review of what Stakeholders believe integrity means.

TC questioned RA 23, *[Redacted for Financial Stability reasons]* and is there a timeline to work to. CT advised that the Company is speaking with the institution and their Sponsor. NC also questioned what other mechanisms are there to be within the risk appetite. The Board debated this *[Redacted for Financial Stability reasons]*.

Board **NOTED** the changes to the FPSL Risk Profile.

Board **UNANIMOUSLY APPROVED** the CPMI-IOSCO Self-Assessment and Disclosure for submittal to the Bank of England.

Board **DELEGATED** approval of the CPMI-IOSCO Self-Assessment Public Disclosure to the Chief Executive for 2017 and all future years.

Board **REVIEWED** and **UNANIMOUSLY APPROVED** the Faster Payments Risk Register.

NC requested that he be provided with a walkthrough of the Risk Register. SG to arrange.

Action 347(i) SG to arrange a walkthrough of the Risk Register with NC.

SG

Board **UNANIMOUSLY APPROVED** the Risk Appetite Statement.

Board **NOTED** the Risk and Assurance Dashboard and the Risk Committee Report.

NC commented that SG has asked for and would be keen to receive

comments on the Dashboard and on making the Dashboard clearer.

[Redacted for Financial Stability reasons]

NC stated that the debate has highlighted that the reporting isn't as clear as it could be and this should be revisited and, perhaps a presentation to Board on how things are being reported.

Action 347(ii) Risk Team to ensure risk reporting is made clearer and, if necessary, provide a presentation to Board.

Risk

348. AUDIT AND FINANCE COMMITTEE

TC stated that there had been ad hoc committee meetings to review and recommend the PKI and 2017 budget to the Board for approval.

TC highlighted the following:

- The Committee had discussed the extent to which there was appropriate documentation and controls recognising the size of FPSL and further discussions were to take place
- No material concerns have been raised by the internal audit reports issued.
- External audit are currently working on the production of the accounts.
- The requirement to undertake an internal audit on the BCP had been withdrawn but may be reinstated. The committee is waiting for the outcome of the review the Bank is undertaking.
- Audit on compliance of GD4 (Service Users) had identified c16 – 18 audit points around the process though nothing material.

CT advised that the compliance report around GD4 and GD2 has now been received from the PSR. PSR highlighted that FPSL and LINK have better Service User engagement than their peers although FPSL considered that more can be done.

Board **NOTED** the Audit and Finance Committee minutes from the meetings held on 29 November 2016, 27 January and 14 February 2017.

Board **NOTED** the progress report from the Finance Director (FB 040 17) on overdue financial management audit actions and their closure.

349. REMUNERATION COMMITTEE (REMCO)

Company staff and AG, with the exception of CT at the behest of the Chairman, left the meeting.

TC reported back on the last Remuneration Committee meeting.
[Redacted for Confidentiality reasons]

NC reported on the strong performance of FPSL against its LTIP objectives and agreed to circulate this assessment to the Board.

Secretary's Note: This was circulated to Board on 29 March under reference FB 050 17.

CT left the meeting to allow Board to have a private discussion.

The evolution of the LTIP was reported. It was also noted that the impact of the proposed consolidation had been discussed.

350. OPERATIONAL PERFORMANCE AND RESILIENCE

Company staff and AG, together with CR, re-joined the meeting.

JJ referred to the Operations and Service Delivery Report and highlighted the following:

VocaLink Issues

December incidents were discussed at the last full Board meeting after which there were issues in January which have been taken up with VocaLink. The Company were not happy with the handling of incidents by VocaLink. This has been taken up with VocaLink recognising that there were different flavours of similar incidents. This has been escalated up to Director level. There has not been any repeat of communication issues since the February issue. VocaLink need to consider the consequences and impact on Stakeholders of incident management and communication.

JJ

Bank of England Supervision

Two areas of 2016 review P16:02 Participant Risk and P16:03 Cap Management.

Proposals to the Bank around P16:02 were submitted to the Bank past the agreed deadline due to staff sickness. An extension request was submitted to the Bank which they declined. Board **NOTED** the delay and accepted it was due to exceptional circumstances. CT noted that communication with the Bank had not been as good as it should have been.

Work is underway on P16:03 and a proposal paper is being presented to the Risk Committee for discussion on 24 March and, subject to agreement, will be sent to the Bank of England by 31 March.

Secretary's Note: This was agreed by Risk Committee and submitted to FMID on 30 March.

Availability of data for Payments Originating Overseas

The creation of underlying data information for POO payments, *[Redacted for Commercially Sensitive reasons]*.

Secretary

It was agreed that the report should include the volume of reported POO traffic.

Action 350(i) JJ to include volume of reported POO traffic in the Operations and Service Delivery Report.

Settlement Error

During work undertaken over the weekend of 11/12 February, 1600 transactions were not correctly captured. As a result, manual settlement took place during the following week to settle the differences. This was caused by poor testing of a Back Office upgrade.

Security Update

A number of summaries within the report including DDoS.

SHA1 / SHA256

[Redacted for Financial Stability reasons]. The infrastructure has been upgraded to SHA256 *[Redacted for Financial Stability reasons]* The PKI service is SHA256.

RW asked whether the Company was focusing enough attention on Credit Payment Recovery (CPR) process which appears to be struggling. NC proposed that CPR be a topic for discussion at the June meeting.

Action 350(ii) Secretary to include Credit Payment Recovery discussion on the June agenda.

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

Board **NOTED** the Payments Originating Overseas Labelling Feasibility Study (FB 042 17).

CR left the meeting.

351. CHIEF EXECUTIVE REPORT

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

No questions were raised.

Board **NOTED** the report.

352. ACTION LOG

NC walked through the action log and Board **AGREED** to close the following as they had been completed:

297 GO to present a PDD for Project Devon.

314 Board members to assist NC in identifying a suitable person from each Participant that he can speak to as part of the Delivery Group ToR.

316(ii) Company to undertake data analysis re POOS (this has been merged with action 317 which remains open).

316(iv) CT and JJ to produce a clear statement around the submission of POOs together with a plan of action on how to obtain data, longer term planning/arrangements and how the Scheme is doing it.

316(v) Scheme to arrange a review by an external organisation of the recent POO incident and incorrect attestation submissions.

316(vi) JJ to review whether it is sustainable for the Scheme to have no relationship with agencies.

316(i) Bulk Payment Redirections Service manager to be invited to March Board

320 Secretary to circulate the 2017 Internal Audit Plan to Board.

324 MB to review and amend the flowchart for Project Avon.

325 CT to share with Board the legal opinion from external lawyers around any competition law implications concerning Scheme consolidation.

334(i) MB and GO to present PDDs for Projects Devon and Avon to March Board.

334(ii) GO to produce an industry timeline relating to all payments change to help clarify what is achievable.

334(iii) MB to provide a summary of responses from the Business Hours consultation and the proposed next steps.

334(iv) GO to include a summary of change initiatives and progress, including progress against milestones and spend to date against budget.

335(ii) MB to engage with Payments UK re Request to Pay to determine synergy and avoid duplication of effort.

336 Same as 334(i)

The following actions remain open:

285 JJ is arranging a walkthrough of Business Continuity processes, in relation to Priority 15-03, with NC and TC.

302(i) The Risk Committee will reconsider the decision to decrease the risk impact for R0034 (FPSL Internal Process Failure) at their meeting scheduled for 13 April.

302(ii) The Chairman to write to each Direct Scheme Participant reminding them that the Scheme limit has increased to £250,000 and to consider how to ensure a broader section of users can make use of this facility.

316(i) Company to document incident triggers and how to change them for the future.

317(vii) CT to diagnose what went wrong and lessons learnt regarding the recent POO incident.

316(ii) Risk Committee to discuss redirection advices and the number of advices that Participant systems can process and whether there could be downstream impacts for smaller financial institutions or corporates at their meeting on 13 April.

316(iii) MB to investigate the communications being issued to consumer and business customers in terms of redirections.

317 JJ to liaise with the I.M. team in an attempt to identify the number of POO payments being sent.

318 GO to present the Access Programme PIR to Board.

322 MB to investigate whether a centralised system for CPR could be devised as part of the infrastructure renewal. To be discussed at June Board.



323 MB to provide a plan for the delivery of the service user strategy.

335(i) Estimate of project costs, risks and issues including minimum customer and biller participation in the final PDD for Project Avon.

353. ANY OTHER BUSINESS

None.