

# Minutes

## REDACTED FINAL



16 May 2017

Our Reference FB 058/17

To Board

From Board Secretary

### MINUTES OF THE MEETING OF THE FPSL DIRECTORS HELD ON 5 MAY 2017

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**Present:**

Nick Caplan	Independent Chairman* (FPSL) (NC) ***
Duncan Ingram	Independent Director* (FPSL) (DI)
Tanya Castell	Independent Director* (FPSL) (TC) (Teleconference)
Craig Tillotson	Chief Executive* (FPSL) (CT)
Paul Scott	Director* (nominated by Barclays) (PS)
Melanie Martin	Director* (nominated by Citibank) (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)
Dean Nash	Special Alternate* (nominated by Tom Dolan, Monzo) (DN) **
John Hutton	Director* (nominated by Nationwide) (JH)
Steve Pike	Alternate Director*(nominated by Aidan Pearson, Northern) (SP)
Mike Smith	Director* (nominated by Raphaels) (MS)
Jonathan Bye	Alternate Director* (nominated by Martin Wilson, RBS) (JB)
Robert White	Director* (nominated by Santander) (RW) (teleconference)
Julian Sawyer	Director* (nominated by Starling) (JS)
Helen Rose	Director* (nominated by TSB) (HR)
AG	Observer (Bank of England) (AG)
JC	FPSL (Secretary)

**Apologies:**

Nick Ogden	Clear Bank
Tom Dolan	Monzo
Aidan Pearson	Northern
Martin Wilson	Royal Bank of Scotland

\* Voting members of the Board of Directors - 18 out of 19 in attendance

\*\* Proxy vote received from Tom Dolan

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

**354. DECLARATION OF DIRECTOR INTERESTS**

**ACTION**

NC welcomed a Director, Helen Rose and, for the purpose of this meeting, a Special Alternate for Tom Dolan, Dean Nash.

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.

**355. REPRESENTATION OF SERVICE USERS**

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

**356. MINUTES OF LAST MEETING HELD ON 21 MARCH 2017**

The Board **UNANIMOUSLY APPROVED** the full and redacted minutes for the meeting held on 21 March and **NOTED** the redacted minutes will be available on the website within 5 working days.

*Secretary's Note: The redacted minutes for the March meeting were added to the FPSL website on 8 May 2017.*

**357. DIRECTOR CHANGES**

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

- Appointment of Helen Rose, Director, nominated by TSB Bank
- Appointment of Kate Patterson, Alternate Director, nominated by Helen Rose.

**358. PSO CONSOLIDATION**

NC advised that AG had offered to withdraw in the normal way should there be any areas where he may be in conflicted. The Board indicated they were content for AG to remain in the meeting.

NC stated that the report was published with an embargo date of 4 May together with a press release and a note and response from the PSR and Bank of England. The overall changes were fairly minimal as seen in the red line version. The Bank of England and the PSR expressed their views but it very much remains a document produced by the Delivery Group.

NC stated that Board are asked to make a recommendation to the members regarding the consolidation.

*[Redacted for commercially sensitive reasons]*

As a result, the Board and its members will not be asked to fund the set up costs of the NPSO with the exception of a small sum of money

that has already been approved to fund the work undertaken by the Delivery Group.

MC asked what will happen if the funding is not raised. NC stated that this has not been discussed thoroughly although there may be a consideration that the PSR may provide some regulatory direction. TC asked whether the viability of whether the funding will be received been assessed? NC stated that there is a reasonable assumption that it will be, dialogue is underway and a formal request is being compiled but not yet submitted to institutions as it is still in the dialogue phase. The commitment to raising the funding (to be non-voting) is expected by the end of May. NC confirmed that the NPSO will be raising the funds.

MC asked whether the NPSO has sufficient funds to initially set up the NPSO. NC confirmed that set up of the NPSO has been funded by the PSOs. *[Redacted for commercially sensitive reasons]*.

NC also advised that Rob Stansbury is speaking to Executives within a number of banking institutions. NC agreed to obtain the names of the individuals Rob Stansbury will be visiting and will advise each Board Director of the names within their own institution.

***Action 358 NC to obtain the names of individuals that Rob Stansbury will be visiting and advise each Board Director of the individuals being visited within their own organisation.***

NC stated that, whilst the mechanics are still being worked out in detail however the following will need to happen:

- FPSL's Articles of Association will require a small number of amendments.
- Participation Agreements will also need to change/be entered into to reflect that organisations are Participants of the Scheme rather than Members of the Company.
- The NPSO will need to be set up with its own Articles of Association
- The current Members will concurrently resign from FPSL and become members of the NPSO.
- The NPSO will become the sole Member of FPSL

NC

NC stated that a Special Resolution by the Members will be sought once the Competition Markets Authority (CMA) approves the

recommendation.

NC asked if there was any reason for not going down the route of a merger.

CT commented that the following does not change:

- the recognised entity as a PSO from a financial stability perspective remains as FPSL
- the designated body, under FSBRA and the PSR, remains FPSL and the Board of FPSL remains accountable for its regulatory duties.

DI stated that he understands that it remains the responsibility of the Board until is satisfied that the NPSO is ready to take on the responsibility. CT stated that the Bank of England will also need to be satisfied.

MC stated that he is unable to see how transaction costs will remain the same or cheaper. There was some discussion regarding how total costs might change rather than just looking at the transaction costs. CT stated that the preferred direction would be to go to the most cost effective model and what the best view of what the new payments infrastructure will look like.

NC asked the Board to vote on the proposal to recommend that FPSL becomes a wholly owned subsidiary of the NPSO.

The Board **UNANIMOUSLY AGREED TO RECOMMEND** that FPSL becomes a wholly owned subsidiary of the NPSO.

Those in favour – 19

Those against – 0

### **359. CONSOLIDATION CMA APPLICATION**

NC stated that, as a result of the Board recommendation, there is a need to make submissions to the CMA regarding the consolidation. NC sought agreement to delegate the authority to the Chair and the Chief Executive to make the submission on behalf of the Board.

TC requested that the final submission is shared with the Board. MC requested that the Board are kept updated. NC agreed that the submission is shared with the Board and will also provide updates.

JS asked if there was any chance that the CMA won't agree with the recommendation. NC stated that there is a chance they refuse however there are four possible forms of response as follows:

- Yes
- No
- Adapt and make changes
- A broader review is required

TR asked whether there would be one submission for all the Schemes. NC advised that there would be a joint submission but there are some component parts that need to be submitted separately.

The Board **AGREED TO DELEGATE** authority to the Chair and Chief Executive to make the application to the CMA on behalf of FPSL.

### **360. INDUSTRY FUNDING REQUIREMENTS**

#### **FPSL's Contribution to the Budget**

*[Redacted for confidentiality reasons]*

#### **PSO Transition Costs**

NC advised that this has been broadly covered already.

#### **PSF Interim Funding Plans**

NC had advised that he had hoped to be able to bring to the Board more detailed and specific funding requests around all of the PSF work but he was not currently in a position to do so. As a consequence of the Strategy Forum, there are a number of projects and initiatives underway, some of which will transition across to the new NPSO in due course. Currently this work is being funded by a gift from a number of banks and the next piece will be funded by Payments UK until the end of June. RC advised that this has now been extended to the end of the year. RC advised that Payments UK Board discussed this at their last meeting and, with the exception of one attendee, all agreed to the extension.

NC stated that he would contact Maurice Cleaves regarding the Payments UK Board discussion and establish what the current situation is with the objector.

**Action 360 NC to contact Maurice Cleaves, Payments UK regarding the possible extension of funding to the end of 2017.**

**NC**

SP asked what would happen if the CMA delayed delivering their response until later in the year. NC stated that it is a statutory

requirement for the CMA to deliver their response within eight weeks of receiving the submission and would not be impacted by the General Election. NC also stated that it is probable that the outline 2018 budget will be discussed at the September Board meeting as FPSL will still exist and will be a wholly owned subsidiary of the NPSO. The NPSO Board and Executive may not be fully in place and in a position to consider budgets therefore it may be prudent to consider it at FPSL Board with a view to recommend it to the NPSO. This will also provide the opportunity for the underlying entities to create their budgets.

The Board debated funding further and the possible increase in costs to the underlying entities.

### **361. ANY OTHER BUSINESS**

#### **Staff**

CT advised that the embargoed draft report to staff on 3 May and also held a Company briefing to discuss any staff concerns. A Company meeting will be held on 15 May where scheme consolidation will be discussed further. The Executive and staff continue to run the business.

TR asked if there are sufficient retention tools at the Company's disposal. CT confirmed that there are and this was being discussed at the Remuneration Committee.

TC asked about the impact on UKPA as a number of staff have been lost. CT advised he was more concerned two to three months ago. CT talks to his service providers on a regular basis and any concerns have now stabilised.

Board discussed retention and resourcing at length, ensuring the right people are involved in the consolidation work and also consideration needs to be given to the change programme and, perhaps, re-prioritise some of the projects.

NC stated that in the coming months, there will be a need to hold more frequent Board meetings over and above the quarterly meetings, probably held via teleconference.

CT stated that with the bringing together of three entities and the need to keep this piece of work moving, it will affect the way FPSL plans for the future two years or more.

JB referred to the relationship with Paym and where this fits in. CT



advised that, at the recent Paym Board meeting it was agreed in principal that, subject to how the consolidation work moves forward, MPSCo would come into FPSL, possibly NPSO. A Paym Board teleconference call is scheduled for mid-June to discuss progress and creating a Board model that is consistent with FPSL. However there will be a request to FPSL Board to become the sole member of MPSCo through a formal Special Resolution as a Reserved Matter.

#### **PKI Service**

CT advised that the PKI Service is now live and the first user of the service *[Redacted for confidentiality reasons]* went live on 5 May. CT also advised that three signed contacts have been received with a further strong commitment from an additional five customers.

#### **Additional Board Meetings**

NC stated that additional dates for short teleconference calls will be circulated shortly, including a potential date for early June and a date between the June and September Board meetings.

Directors were asked to submit any suggested agenda items to the Secretary and Nick Caplan.