

## MINUTES

TO Board  
FROM Rachel Langworth, Board Secretariat  
DIRECT 020 3217 8393  
EMAIL [rachel.langworth@bacs.co.uk](mailto:rachel.langworth@bacs.co.uk)  
DATE 23 May 2017

### MINUTES OF THE BOARD MEETING HELD ON 17 MAY 2017

PRESENT	David Rigney	Independent Chairman ( <b>Chair</b> )
	Rachel Langworth	Bacs ( <b>Secretariat</b> )
	Mike Chambers	Bacs
	Dave Stockwell	Bacs
	Anne Pieckielon	Bacs
	Fergus Ryan	Bacs
	Craig Rice	Bacs Chief Security Officer ( <i>AI 05/17.02 only</i> )
	Martin Henry	AIB ( <i>conference call</i> )
	Andrew Grice	Bank of England ( <i>Observer</i> )
	James Meyrick	Barclays
	John Walsh	Citi ( <i>conference call</i> )
	Dougie Belmore	Clydesdale ( <i>conference call</i> )
	Graeme Donald	Lloyds Banking Group ( <i>conference call</i> )
	Mark Nalder	Nationwide
	Stephen Pike	Northern Bank
	Liz Cooper	Santander ( <i>conference call</i> )
	Kate Patterson	TSB ( <i>Observer – conference call</i> )
	David Malley	RBSG
	Otto Benz	Virgin Money
	Ailsa Beaton	INED
APOLOGIES	Jo Kenrick	INED
	Sue Yarham	HSBC

ID	ITEM	ACTION
05/17.01	<p>The Chairman welcomed Directors to the meeting, noting apologies from Jo Kenrick and Sue Yarham. K Patterson was welcomed as an observer ahead of TSB being formally admitted as a Member. The conflicts of interest register was noted.</p> <p>The Chairman provided an update regarding the latest activities of the New Payment System Operator (NPSO) Delivery Group (DG), and noted that the purpose of the discussion was to agree the proposal as outlined in the DG's final report published 4 May 2017. A Grice offered to recuse himself for the</p>	

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	<p>discussion; however all were content that he remained. The Report proposes that Bacs becomes a wholly owned subsidiary of the proposed NPSO. A separate debate is being held at Member level regarding the funding for the implementation and set up costs of the NPSO, which is being managed by members of the DG. Discussion was held regarding the transition arrangements for the activity relating to the Payment Strategy Forum's (PSF) strategy within the three schemes; it was confirmed that the majority of the work relating to the PSF will fall within the remit of NPSO and therefore transition plans will need to be agreed. A number of Directors commented on the unprecedented level of change within the industry in the coming years, and while there is broad support for the proposal, the Members will require clarity regarding the systemic risk, legal and funding aspects of the proposal. The Chairman advised that it is likely that this level of detail will not be fully debated and agreed until the NPSO Board is in place. D Rigney advised that the recruitment for the Chairman of the NPSO has begun; the DG expects to have the Chairman role filled by July 2017.</p> <p>M Chambers informed Board that the NPSO Implementation Steering Group (ISG) has formed and has met twice; the Terms of Reference (ToR) for the Group has been agreed by the DG. The Group is appointing a Programme Director on a fixed term contract to manage the NPSO implementation activities, and utilising subject matter experts from the three PSO's to assist. This causes an additional strain on current resources, further amplifying the need to secure the commitment to fund all aspects of the implementation activities. <b>[DELETED – COMMERCIALY SENSITIVE]</b> M Nalder noted that it was important to keep a record of how NPSO activity undertaken by Bacs in 2017 has been funded to demonstrate that the costs have not been absorbed without impact. It was acknowledged that any risks or issues relating to funding, or any other relevant matter, will be communicated to the Board as the implementation and transition activities progress. Discussion was held regarding the development of the 2018 budget profile; it was agreed that it should be built on the basis of BAU and exclude the</p>	

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	<p>creation and impact of the NPSO at this stage. It was noted that S Yarham had advised ahead of the meeting that she was supportive of the direction of the NPSO report, approved in principle the proposal in the report in and agreed that a Member resolution should be tabled. It was also noted that J Kenrick had advised offline that she supported the proposals and timeframes outlined in the NPSO report.</p> <p>Noting the priority of Bacs to ensure it remains a going concern and given its systemic risk management responsibilities, Board <b>agreed</b> in principle to the NPSO DG proposals as outlined in the Payment System Operator Delivery Group’s report ‘New Payment System Operator’ published on the 4 May 2017. It was agreed that M Chambers will write to Directors requesting agreement for a Member resolution to be tabled. As the Memorandum and Articles of Association does not specify who within the Member organisations should sign in agreement of a resolution, M Chambers will write to Members requesting the name of the nominated representative for this matter.</p>	<b>M Chambers</b>
<b>05/17.02</b>	<p><b>CYBER SECURITY</b></p> <p>C Rice, Bacs Chief Security Officer (CSO), presented a cyber security update covering general advice and good practice, recent incidents, industry issues and those issues specifically relating to Bacs. <b>[DELETED – COMMERCIAL SENSITIVE]</b>.</p>	
<b>05/17.03</b>	<p><b>DIRECT DEBIT</b></p> <p>A Pieckielon provided Board with an update regarding the latest status of the Direct Debit (DD) proposition review, and the progress made by the DD Proposition Working Group (DDPWG) which is chaired by J Meyrick. Following discussion at the March Board meeting regarding addressing the Payment Systems Regulator’s (PSR’s) concerns regarding the unlimited nature of the guarantee, the DDPWG has continued with the development of the agreed work packages. Also, following the DD proposition consultation, the output and research findings data are due to be shared with the Electronic Affiliates Interest Group on 23 May, and published on 24</p>	

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	<p data-bbox="384 353 448 387">May.</p> <p data-bbox="384 409 1305 1086">Following the discussion at March Board, Bacs facilitated a tri-partite meeting with HM Treasury (HMT), the Financial Conduct Authority (FCA) and the PSR. All three regulators acknowledged that DD is a highly effective product and noted Bacs' proposal to promote and advance the existing offering, it was also stressed that at this stage Bacs are 'testing' a refined proposition and have not committing to delivering proposition changes. Board requested that Bacs continue to feed into the Payment Strategy PSF End User Needs Group regarding the Request to Pay proposition and the New Payments Architecture (NPA) activity. J Meyrick thanked the Bacs team for its work to date, noting the value of publishing the consultation findings and research data. J Meyrick also thanked those members that have been involved in the work of the DDPWG, and welcomed further engagement and involvement from participants.</p>	
<b>05/17.04</b>	<b>AOB</b> No other items of business were forthcoming.	

**Date of next meeting: 13 June at 10:30**