

MINUTES

TO Board
FROM Rachel Langworth, Committee Manager
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DATE 29 March 2018

MINUTES OF THE BOARD MEETING HELD VIA CONFERENCE CALL ON 21 MARCH 2018

PRESENT	David Rigney	Chair
	Mike Chambers	CEO
	Martin Henry	AIB
	James Meyrick	Barclays (<i>in person</i>)
	Andrew Grice	Bank of England
	Melanie Martin	Citi
	Dougie Belmore	Clydesdale (<i>in person</i>)
	Vicki Hassan	Danske
	Sue Yarham	HSBC
	Anne Trolland	Lloyds Banking Group
	Mark Nalder	Nationwide
	Liz Cooper	Santander
	Ian Smith	TSB
	Kathy Lennon	RBSG
	Alan Duff	Virgin Money
	Andy Hollingdale	Bacs (<i>Attendee</i>)
	Rachel Langworth	Bacs (<i>Secretariat</i>)
	Julie Nash	Bacs Legal Advisor (<i>Attendee</i>)
APOLOGIES	Julian Sawyer	Starling Bank
	Resat Bilgin	Turkish Bank

ID	ITEM	ACTION
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03/18.01 NPSO OFFER LETTER

The Chair introduced the call, noting the purpose of the meeting was to discuss the New Payment System Operator (NPSO) Offer Letter which was circulated to Board on 20 March 2018, and agree whether the Chair can sign the letter and subsequently issue the Set 2 legal document set for execution. Apologies were noted from J Kenrick and A Beaton; M Chambers noted that their comments have been received offline.

Referring to the letter, M Chambers advised the letter has been through the NPSO governance process and can be treated as final. It was confirmed Bacs

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	<p>has provided comments against previous iterations which are reflected in the letter.</p> <p>[DELETED – COMMERCIALY SENSITIVE] M Chambers referred Board to section 9G which refers to Independent Non-Executive Directors (INEDs); NPSO has stated that it would like for the Chairs of the Board sub-committees to remain on the Bacs board and continue to execute their roles as chairs of those committees. Bacs has secured its INEDs until the end of 2018, which is consistent with the timeline NPSO are expecting. This would mean the INEDS would have to remain in their roles post consolidation; the letter now states Bacs will ‘use reasonable endeavours’ to fulfil this request rather than a contractual commitment, as requested by Bacs.</p> <p>Referring to 9H, M Chambers noted that the letter states that any NED who chooses to resign will be invited to become an advisor. While not inconsistent with the Articles of Association, Bacs made Board aware that if a NED does resign and agrees to become an advisor there is a risk that they could be acting as a shadow director. This was noted as a material item for the Bacs NEDs to consider.</p> <p>Section 11 indicates that the NPSO will assume the Bacs ring-fenced regulatory reserves. The reserves will remain allocated to the Bacs system but under the legal ownership of NPSO and can still only be used for their intended purpose of Regulatory Reserves. M Chambers noted his previous concern that Bacs does not have any material non ring fenced financial assets and Bacs may not be able to meet the financial obligations in respect of any exit and wind down costs (including staff exit costs). NPSO has sought to address this and states in the letter that it will agree to underwrite any such financial obligations.</p> <p>Noting J Kenrick’s feedback regarding what level of confidence Bacs has that the NPSO will be suitably resourced to hand over Bacs responsibilities, M Chambers advised that this matter will be dealt with via the NPSO attestation to the Bank of England (BoE) and the BoE’s non-objection process.</p> <p>D Rigney suggested that NEDs take independent legal advice when they reach</p>	

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	<p>the point of being invited to be an advisor.</p> <p>D Belmore queried whether there is an obligation on Bacs to ensure all Members sign in accordance with the timeline that will see transition occur on 1 May. Bacs advised that as a company it is not obligated; Bacs' role will be to encourage members, and will liaise with the other PSO's and the NPSO to ensure as much alignment as possible. It was noted that the NPSO target date for execution of the legal document set is 29 March.</p> <p>J Meyrick queried if the letter answers the outstanding items in the Considerations Log; Bacs confirmed it does provide an answer to a number of items but Bacs does not have a view on if the answer provided is satisfactory or not as this is an assessment for Board to make; the only key item outstanding relates to the attestation process. [DELETED – COMMERCIAL SENSITIVE] D Rigney clarified that if T2 occurs on 1 May, the Bacs Board will only be discussing the transfer of knowledge and transitional it will not be discussing the operations of the scheme. [DELETED – COMMERCIAL SENSITIVE] [DELETED – COMMERCIAL SENSITIVE] 'Member' will remain as 'Participants' of the scheme. Ceasing to be a 'Member' of Bacs means that the obligations to Bacs Payment Schemes Limited as a company will fall away.</p> <p>L Cooper queried whether Board will receive NPSO TOM V1.0; M Chambers hopes to be able to share it in the coming days. Bacs intends to share the Bacs TOM overlaid with the NPSO TOM, mapping of staff, and mapping of the governance model.</p> <p>A Grice queried the reference to due diligence in the NPSO Offer Letter, and if there is an update on the current status of NPSO due diligence. M Chambers confirmed Bacs has yet to have sight of the NPSO's due diligence. The NPSO External Auditors have asked Bacs to sign a 'hold harmless' letter ahead of the information being released.</p> <p>A Grice queried the reference to 'underpinned documents' in Section 6, and whether Bacs expects to see the documents. [DELETED – COMMERCIAL SENSITIVE] A Grice noted that the letter states that the NPSO will engage with Guarantors; however A Grice has not received any such engagement. J</p>	

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	<p>Nash advised that the NPSO was looking to engage with Members legal teams.</p> <p>All agreed for the Chair to sign the Offer Letter.</p> <p>All agreed the issuance of Set 2 to the Members for execution.</p>	
03/18.02	AOB	
	<p>No other items of business were noted.</p>	

Date of next meeting: 30 April 2018 at 13:00