

Minutes



10th December 2015

Direct Line 020-3217-8386
Stephanie.watson@chequeandcredit.co.uk

To C&CCC Board of Directors

From Stephanie Watson

MINUTES OF THE MEETING OF THE C&CCC BOARD HELD ON 10TH DECEMBER 2015

Present:	Jane Bevis	Chair
	Sameer Dubey	Barclays Bank
	Lorraine Suttie	Clydesdale Bank
	Dave Sanders	Co-Operative Bank
	Sue Yarham	HSBC Bank
	Graeme Donald	Lloyds Banking Group
	Colin Last	Nationwide Building Society
	Damian Pettit	Royal Bank of Scotland Group
	Bill Andrews	Santander UK
	Steve McArdle	Independent Director
	Sarah De Bunsen	Bank of England (Observer)
	Peter Sparkes	C&CCC Director, Risk
	Jason Aird	C&C FCM Programme Director (Item 1956 only)
	Gordon Madgwick	C&C Director, Operations (Items 1956 and 1959 only)
	Barry Covell	C&C Risk & Compliance Manager (Item 1957 only)
	Stephanie Watson	C&CCC Secretary

Jane Bevis welcomed Colin Last to his first Board meeting.

She also advised that the Chairman's Committee, which used to meet ahead of each Board, would not continue pending further consideration on how best to engage with senior committees and ensure reporting to Board is efficient. Directors were invited to share their views on the way in which this might best be achieved with a target to come to a view in time for a new format at the February Board meeting.

2 Thomas More Square
London E1W 1YN
T 020 3217 8200
www.chequeandcredit.co.uk

MEMBER CIRCULATION

1952 CONFLICTS OF INTEREST

There were no new conflicts of interest to add to the register.

1953 MINUTES OF THE BOARD MEETINGS HELD ON 17TH SEPTEMBER, 13TH AND 23RD NOVEMBER 2015

The minutes of the 17th September were approved. The action to advise shareholders of the decision by Board to sign the contract with CGI for the provision of the central FCM infrastructure had not been completed. **Secretary's Note:** Action completed 15th December 2015.

The minutes of the 13th and 23rd November were also approved.

Redacted versions were also approved and will be forwarded to PSR and published on the Company website.

1954 DIRECTOR APPOINTMENTS

The interviews for the post of interim CEO would be held on Monday 14th December. Both candidates have a strong payments background and are available to take up the role immediately.

There have been 229 applicants for the role of independent Non Executive Director to replace Jane Bevis following her appointment to Chair of the Board. A shortlist will be agreed with interviews planned for 7th and 13th January 2016.

1955 REVIEW OUTSTANDING ACTIONS

Action 1931(i) Jane Bevis reported that she had almost completed her 1:1 sessions with Directors following the recommendation arising out of the review of Board effectiveness. She added that this would be an ongoing process and that in the summer 2016 consideration would be given to the further recommendation for 360 degree Director feedback.

Action 1944 The realigned Company Budget is addressed under Minute 1959. **Action Complete.**

Action 1946 The output from the PWC review of Board strategy had been circulated. The interim CEO and Chair would examine the recommendations in more detail for a further report at the February Board meeting.

It was agreed that PWC should not be asked to do any further work at present; the focus for the Company being to implement the FCM Programme and ensure it is working properly. Depending on the availability of resource, a desk top exercise would be arranged in 1Q2016 to look at what else could or should be done.

Action 1946(i) An updated version of the recommendations arising out of the review of Board effectiveness would be circulated for information. A plan to address the remaining recommendations would be prepared for review at the February Board meeting.

1956 FUTURE CLEARING MODEL

Jason Aird presented a progress report which was noted.

Grateful thanks were expressed to Jonathan Spence for his expert management of the procurement process which had culminated in the contracts between CGI and C&CCC being signed in November. Jonathan has now stepped down as chair of the FCM Procurement Group.

Programme Planning

The key milestones of 13th March 2017, being the 'go live' date for all participants to be ready for in-clearing, and migration to implementation of both in and out clearing for all participants by 31st October 2017 are critical, **REDACTION- COMMERCIAL SENSITIVITY**

The proposal for an Image Exchange Pilot (IEP) to run in 1Q2106 between Barclays and LBG (and others if they wish to participate) aims to prove image quality and facilitate a simple exchange (not using the central infrastructure). The idea is to provide an opportunity to identify and address any image quality and exchange issues ahead of the full industry test programme. The proposed test does not provide a shorter clearing cycle but sets out only to test end to end image quality. The participants have agreed to share learnings with the Programme.

A number of Directors said communication about the IEP must be very carefully managed drawing attention to the risk that the IEP could be seen as good publicity for LBG and Barclays, as 'industry leaders'. The issue would be raised at the FCM Communications & Stakeholders meeting on 17th December.

The FCM SSG will consider, at their 15th December meeting, the merits of a proposed Early Test and Learn Pilot which would start in October 2016 using the central infrastructure but involving a limited number of participants.

Communications Press Release

A press release was approved at SSG, and planned for 1st December mentioning FCM implementation in Spring 2017. The release did not go ahead following intervention from HMT who wanted the release to be more specific as to actual delivery dates given that they had previously published 2016 as being the target for implementation of the FCM. The press release has, at HMT's request, been deferred and will be released in conjunction with them, linked to activity by the Economic Secretary to the Treasury, in January 2016.

Programme Risks

The key Programme risks were noted as :-

- The late delivery of the Agency bank proposition which will impact the time available for agency banks to make their decision as to the basis of their

participation in the clearing.

- The 'big bang' approach to 13th March 2017 in-clearing readiness.
- The diversion of resource away from mainstream delivery and on to the ET&L pilot.
- Member readiness for 13th March 2017

Jason Aird confirmed that he viewed the lateness of the agency bank proposition as being of the greatest concern.

Agency banks must be given enough information on what they need to do, and the associated costs, to enable them to make a decision on whether to participate as full settlement members of C&CCC or to participate as agency banks sponsored by a C&CCC member. The proposal was due to be ready at the end of November and now looks unlikely to be issued until January. Directors noted that whereas the operating principles for open access must all be in place by 13th March 2017, it was feasible and indeed likely, that many agency banks would elect to maintain their existing participation arrangements for launch and consider amending them at a later date. This would be acceptable.

The risks and potential alternatives to the 'big bang' approach re the 13th March 2017 date are being explored in more detail by the Programme and a decision is expected by April 2016. The decision will include a contingency plan, in the event that the 'big bang' approach is favoured, and a communications plan.

Fraud

Following a challenge on the defender model approved via SSG in October, a small sub set of SSG Members met to revisit the proposal. An amended defender model was recommended. This amended model is now being challenged by some agency banks which have stated a preference for the original defender model. It was noted that HMT are drafting regulations, in support of the Small Business, Employment and Enterprise Act, which are due for publication in January 2016 with a view to laying them before Parliament in March 2016. The context of the regulations in terms of fraud liability may assist in finalising the liability model which will then be included in the operational rules.

Directors sought clarity from Jason Aird as to whether all participants would be required to load their fraud data to the central fraud engine for access/ use by all other participants.

The overall status of the Programme against Board objectives is reporting GREEN.

The arrangements for an external audit of the Programme are underway with the selection of the auditor expected by 18th December.

Bill Andrews, Chair OMC, asked that consideration be given to the way in which queries arising on cheques processed via the paper clearing would be managed once FCM is implemented, given that such queries may be raised by customers up to 12 months after a cheque is paid.

C&CCC Target Operating Model

Gordon Madgwick, Operations Director, joined the meeting at the request of the Chair to give a presentation on the planned target operating model and the way in which C&CCC is preparing for the Image Clearing System (ICS).

Noting the progress to date, Directors asked for a further report in February including a structure chart for the Company Office in 4 years time.

They also asked for sight of a plan for addressing queries during the warranty period immediately following implementation which, under the CASS programme, saw a surprisingly high level of queries which proved difficult to manage.

C&CCC staff capability in the new digital environment must be assessed and any skill gaps addressed.

A further, more detailed, discussion on staff matters would be held at the February Board meeting with regular reviews going forward up to and following implementation.

FCM Capability Statement

The Chair asked for comments on the Capability Statement issued by Jason Aird. Comments may be addressed direct to Jason Aird or to the Board Secretary in the first instance.

1957 ANNUAL RISK ASSESSMENT

Barry Covell joined the meeting to give a presentation on the Company's risk management methodology and the results of the Company's annual business risk assessment exercise. Dave Sanders, Chair of Risk Committee, explained the Risk Committee had already seen the presentation and had made recommendations concerning the top risks for Board approval.

The annual risk assessment process was explained including the way in which the resultant risks are categorised and monitored via the Risk Committee. The approach is supported by a detailed, written account of the process contained in the C&CCC Risk Assessment Guidelines.

Eleven top risks had been assessed in detail as part of the annual process and these risks had been reviewed by the Risk Committee and the categorisations had been agreed.

The main focus, not surprisingly, was FCM and the risk that it would fail to deliver and implement within the agreed timescales. The FCM Programme runs its own Risk Register and with the FCM SSG meeting every two weeks, the risks are constantly assessed. Following the external audit of FCM Programme, an independent risk assessment of the FCM Programme will be considered by the C&CCC Risk Committee.

Colin Last asked if there was also a 'people risk' given the long hours worked by the Programme team, especially Jason Aird and David Boast.

Attention was also drawn to the potential cyber risk and the heavy investment made by the electronic schemes to address it. Directors were comforted by the fact the C&CCC Risk Committee had representatives on it who are highly competent risk experts, recommended for attendance at this committee by Directors.

The Board formally accepted the risks identified in the 2015 end to end risk assessment and confirmed the actions proposed.

Risk Appetite Framework

Having reviewed the statement, some amendments were proposed to ensure that content of the Company's Risk Appetite statement is consistent throughout, e.g it was suggested that 'very low risk' appetite relating to integrity should be amended to 'no risk appetite' and that it is more obviously linked to the Company objectives. Several Directors raised the detailed work that had been undertaken by the electronic schemes following the RTGS incident, and felt that C&CCC should take on board the learnings from these processes.

Colin Last offered his assistance to lead a review of the Risk Appetite framework, taking account of these comments.

The Company's Risk Policy is in draft form, awaiting approval of the Risk Appetite Framework before it can be completed.

An updated Risk Appetite statement would be submitted to the February Board meeting.

1958 REGULATORY UPDATE

The Board receives a Regulatory Update report at each Board meeting.

Given the absence on sick leave of the CEO, and the fact that the interim CEO had not yet been appointed, the report was noted without further comment.

The interim CEO, when appointed, would represent C&CCC on PSR cross scheme forums.

Lorraine Suttie asked for clarity on the arrangements for major incident management given that UKPA have advised that they will no longer be co-ordinating this activity for the Schemes.

1959 COMPANY REPORT

CEO Report

Jane Bevis asked for guidance on the way in which C&CCC should respond to the request from Maurice Cleeves, CEO Payments UK, to provide input to the Payments Industry Governance Taskforce's examination of the options for streamlining the payments system operators.

Directors were broadly supportive of engagement by the Chair and Interim CEO but warned against diverting essential resource away from the current priority, delivery of FCM.

C&CCC is believed to be in a strong position given that, with FCM implemented, it will be working on a world class system, with brand new architecture, based on an ISO20022 message format. Given that C&CCC is committed to a complex and extensive programme of change, the basis of engagement in the process has to be clear and clarity on the PSR view of the Payments UK proposals would be essential before joining the process. In addition, the terms on which C&CCC are prepared to engage would be set down and the Payments UK starting principles challenged.

Audit & Finance Committee

Premises

Graeme Donald gave a short summary of the position received from UKPA regarding options for office space in Thomas More Square, as an alternative to the ground floor space which is only available until the 31st July 2016.

The preferred option is appropriate for C&CCC use until the end of the FCM Programme at which point the space will be too big. The landlord has offered a 9 year lease with a 5 year break point but even with that concession, this exceeds the term the larger space will be needed by C&CCC. It would only be possible to take on the lease if the landlord agrees that the space may be sublet by UK Payments for years 3 to 5 of the term. No such agreement has been reached as yet.

Damian Pettit queried the need for C&CCC to be based in the city or central London at all. Gordon Madgwick reminded Directors that the Company still requires support services provided by UKPA so a move to a location away from TMS would bring other significant issues when the focus should remain on delivery of FCM.

Damian Pettit noted this and said that it might be possible to find space within one of the Member's London offices. This option would be explored along with the contingency arrangements detailed in the paper from Jennifer Michael, C&CCC Development Manager. Directors approved the appointment of an agent, Strutt & Parker LLP, on the terms quoted, to complete an initial search and arrange viewings of a shortlist of suitable properties.

A further update would be provided at the February Board meeting.

Company Budget

Peter Sparkes introduced the revised Company Budget and funding requirement for 2016 for approval.

The budget was approved but Directors asked for the presentation of the BAU budget to be redrafted to enable a direct comparison with the 2015 budget on a per item/ like for like basis. The PSR charges would be shown separately to avoid confusion.

A summary of the call figures on an individual Member basis would be produced at the end of the year to help manage expectations and Directors were reminded of the need to settle call invoices on receipt to avoid a funding shortfall.

Risk Committee

The proposed, cosmetic, amendments to the Escalation Policy for Non Compliance and the Exclusion Procedures were approved together with the amended Terms of Reference for the Risk Committee.

Governance & Stakeholder Management Committee

Melanie Espin's paper, 'Representation of Service User Requirements' outlined a proposal for tracking issues and concerns raised by service users as part of the

stakeholder engagement process.

The Board approved the recommendation that GSM should formalise a regular review of output from the stakeholder engagement programme, as described in the paper, and refer any actions arising to the appropriate workstream/ committee. The Board would receive update reports as part of the Company Board Report with a more detailed discussion in February including the ongoing work to engage with agency banks.

Operations Management Committee

Bill Andrews reported that the review of options for processing euro cheques post FCM implementation had commenced. He also reported that the SLC Panel met in October to review LBG's performance re Wrongly Claimed Debits with a further Panel planned for February. The investigations carried out by LBG to improve their performance had led to some interesting learnings re image quality which are relevant for FCM.

1960 NON AGENDA ITEMS

Directors asked for meetings to be advised to them using the calendar invite method to ensure they were in diaries with the right amount of time allocated. A list of all Board meeting dates for 2016 is given below:-

Thursday February 18th 10:30am to 1:30pm

Thursday May 12th 10:30am to 1:30pm

Thursday July 14th 10:30am to 1:30pm

Wednesday 14th & Thursday 15th September [Planning days]

Thursday December 8th 10:30am to 1:30pm

Also attached is a list of all senior committee meeting dates.

Date of Next Meeting:

2, Thomas More Square

Thursday 18TH February 2016

10:30am

OUTSTANDING ACTIONS

Ref	Owner	Action	Target Date for completion
1931(i)	Interim Chair	Jane Bevis had commenced a series of 1:1 sessions with Directors to provide feedback to them as part of the ABE exercise.	
1946	Company Office	To progress an action plan for the Board Effectiveness and Governance actions from Planning Day	February Board
1946(i)		CEO and Chair to examine the PWC strategy recommendations in more detail for a further report at the February Board meeting. Depending on the availability of resource, a desk top exercise would be arranged in 1Q2016 to look at what else could or should be done.	February Board
1956	Company Office	Produce a detailed TOM and structure for 4 years time, i.e well after implementation of FCM.	February Board
1956(i)	FCM	Plan for addressing queries during potentially busy warranty period. Review comments on capability statement. Discussion on staff matters e.g. skills gaps in CO.	
1957	Company Office	Review Risk Appetite Statement for agreement and present Risk Policy for endorsement.	
1958	Company Office	Clarify arrangements for management of major incidents given that UKPA have advised that they will no longer coordinate this activity on behalf of the schemes	
1959	Company Office	Premises update	February Board
1959(i)	Company Office	Provide a report, via GSM, to expand the representation of service user proposal to include the ongoing work to engage with agency banks.	February Board

