

Minutes



REDACTED VERSION

16th July 2015

To Board of Directors

From Stephanie Watson

Direct Line 020-3217-8386

Stephanie.watson@chequeandcredit.co.uk

CCB/088/15

MINUTES OF THE MEETING OF THE C&CCC BOARD HELD ON 16TH JULY 2015

Present:	Jane Bevis	Deputy (Interim) Chair
	Sameer Dubey	Barclays Bank
	Lorraine Suttie	Clydesdale Bank
	Dave Sanders	Co-Operative Bank
	John Blanchfield	HSBC Bank (Alternate)
	Richard Hill	Lloyds Banking Group (Alternate)
	Mike Roberts	Nationwide Building Society
	Judy Lenihan	Royal Bank of Scotland Group
	Bill Andrews	Santander UK
	Steve McArdle	Independent Director
	Sarah De Bunsen	Bank of England (Observer)
	Peter Sparkes	C&CCC, Head of Risk (Item 1937)
	Bob Silverman	Programme Director, Future Clearing Model (Item 1934)
	David Boast	Programme Manager, Future Clearing Model (Item 1934)
	Helen Pitcher	CEO, Advanced Boardroom Excellence (Item 1933 only)
	Lorraine Bateman	Advanced Boardroom Excellence (Item 1933 only)
	Angela Thomas	C&CCC Chief Executive Officer
	Stephanie Watson	C&CCC Secretary

Directors were advised that since the last Board meeting, the following written resolution, That approval be given for the payment of REDACTED: SENSITIVITY by the Company to Leslie Thwaites, as consideration for or in connection with his retirement from his office as Chairman and as a director of the Company was passed by a simple majority of shareholders. Directors were advised that Les Thwaites resigned with effect from 15th July, and agreed that Jane Bevis, Deputy Chair should take the Chair for this meeting.

Judy Lenihan sought clarification as to the reason for the Chair's resignation as she had full confidence in his ability and performance as Chair. She added that discussions at the 16th June meeting centred on agreement of a package for the Chair in the event of his departure but at no time

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

MEMBER CIRCULATION

MINUTES OF THE MEETING OF THE C&CCC BOARD HELD ON 16TH JULY 2015

was the Board advised that the Chair was about to resign. The Board had not had any opportunity to discuss the situation. Other Directors concurred.

Angela Thomas explained that Les Thwaites had been in discussions which had led him to the view that he did not have the support of shareholders and that it would, therefore, be better for the Company if he were to resign. His resignation was his own decision.

Concern was expressed by some Directors who were not aware of any dissatisfaction on the part of shareholders, noting that when appointing a new Chair, the Board would need to keep in view any perceived shortcomings and seek to address them in the new appointment. It was noted that responsibility for appointing the Chair rests solely with the Board and not shareholders.

In discussing the need for greater transparency, Directors called for better, more structured, communication between shareholders and Directors as part of Company Governance. Jane Bevis noted the comments received and agreed that it was important for Directors to understand shareholder views whilst maintaining appropriate separation from them in the interests of Directors' obligations to act exclusively in the interests of the Company.

The debate concluded with a unanimous acknowledgement of Les Thwaites' much valued contribution to C&CC Board and appreciation of the support he had given to the Company and to Directors, individually, since he was appointed in 2011.

1926 CONFLICTS OF INTEREST

In view of recent changes, particularly regarding Payments Council being replaced by Payments UK, and the resultant review of the committee structure it was noted that some of the conflicts recorded would require review.

All Directors and Alternates were asked to review their own entry and advise any changes to the Secretary for inclusion on the register.

1927 MINUTES OF THE BOARD MEETING HELD ON 14TH MAY 2015

The full minutes were approved subject to a minor amendment under the Fraud Liability section of the FCM Programme update.

The redacted version was also approved and would be sent to PSR and published on the C&CCC website.

1928 MINUTES OF THE BOARD MEETING HELD ON 16TH JUNE 2015

The full minutes were approved.

The redacted version was also approved, subject to a minor amendment to leave in, in full, Minute 1923. The redacted version would be sent to the PSR and published on the C&CCC website.

1929 DIRECTORS AND ALTERNATES

There were no new appointments.

1930 REVIEW OUTSTANDING ACTIONS

Action 1901 Discussion re the removal of Alternate Director role will be included within the agenda for Planning Day. Dave Sanders said that the pros and cons should be carefully considered.

Action 1904 A proposal for facilitating discussion on the Company strategy is reported under Minute 1935. **Action Complete.**

Action 1916 The new Appointments & Nominations Committee has been set up. See Minute 1933. **Action Complete.**

Action 1917 The adoption of a late payment policy for C&CCC invoices is being considered via ARCC. **Action Complete**

Action 1917(i) The demonstration re Cyber security has been postponed and will take place at a later date, to be confirmed.

Action 1919 The formation of a Participant Liaison Group will be considered via GSM as part of their work on PSR directives. **Action Complete.**

Action 1919 (i) Clydesdale have completed their internal review of the recommendation re change of ownership of C&CCC A Ordinary shares and have confirmed they are in agreement to the proposal set out and approved in principle at the May meeting. **Action Complete.**

Action 1921 Discussion of merits of recognition under Banking Act 2009 are covered under Minute 1936. **Action Complete.**

1931 **ADVANCED BOARDROOM EXCELLENCE**

Helen Pitcher and Lorraine Bateman were welcomed to the meeting and gave a presentation on the findings of their recent review of the C&CCC Board which included interviews with all 13 current Board directors of the Cheque and Credit Clearing Company (C&CCC), as well as James Geddes, who recently resigned as a Director, and the Board Secretary. A structured questionnaire was used in all cases to review 13 categories of Board effectiveness.

Advanced Boardroom Excellence also observed a Board meeting, and reviewed historical Board and senior committee papers, including documents from the committee meetings. They also observed a meeting of each of the senior committees reporting direct to Board.

Helen Pitcher drew attention to the key findings/ recommendations contained in the report:-

- The good relationship between Directors and the existing senior committee structure is a very positive strength.
- Review pattern/ frequency of Board meetings given the major programme of change which is underway.
- Establishment of separate Audit and Risk Committees is underway but appointment of a third Independent Director, with risk expertise, to act as an Independent Committee Chair would also help to improve balance on the Board.
- Review the order of agenda items, with key items on first in order to avoid running out of time to debate important issues at meetings.
- Review the process for nomination and selection of member Directors, in order to bring in a wide skill set to the Board.
- Consider applying a fixed term of office for all Directors.

- More socialising/ informal discussion of issues facing the Board would be a good idea.

During a short session of open questions Directors were advised that C&CCC compares well with organisations of a similar size and that the Board demonstrates excellent operational proficiency but faces strategic challenges.

The CEO noted that the review came at an important juncture with the Company having transferred its staff from UKPA and facing a number of challenges, such as being wholly responsible for setting clear Company values and culture for the first time.

The Deputy Chair thanked ABE for their time and for answering the questions raised. At this point Helen Pitcher and Lorraine Bateman left the meeting.

The Deputy Chair asked Directors to read the full report and advise their views on which recommendations should be prioritised for immediate action. There would be a more detailed session, at Planning Day, to review and agree the way in which prioritised recommendations should be taken forward.

It was agreed that feedback on the 1:1 interviews between ABE and Directors should be given to each Director by Jane Bevis.

1932 COMPANY REPORT

Audit Risk & Compliance

Directors agreed that because the 2014 Financial Statements and Letter of Representation were issued late and now required amendment following Les Thwaites' resignation, they would be signed off at the next Board meeting.

Operations Management Committee

The proposal for the way in which major incidents should be communicated was approved.

1933 APPOINTMENTS & NOMINATIONS COMMITTEE

Angela Thomas introduced the paper from Les Thwaites which explained that the (old style) Appointments Committee met on 9th June and approved the Terms of Reference for the (new style) Appointments and Nominations Committee. This reformed committee would continue to be responsible for the recruitment and appointment of the Chairman and Director representatives for the Employment & Remuneration Committee, the Audit & Finance Committee and the Risk Committee.

Directors approved the process for nomination of representatives as described and noted and approved the names of Directors serving on the relevant committees as follows:-

Audit and Finance Committee

Graeme Donald as Chairman, with Director reps being Steve McArdle, Mike Roberts and Barclays.

Risk Committee

Dave Sanders as Chairman with Director representatives being Judy Lenihan and Glyn Warren. Lloyds Banking Group and Barclays would also nominate senior risk experts.

Acknowledging that whilst it is recommended practice to appoint Independent Chairs, Directors were not supportive, at this point, for the recruitment of a third Independent Director with risk based skills, preferring to take a view at a later date based on the way in which the new committee is operating.

Employment and Remuneration Committee

Director representatives would be Lorraine Suttie, Jane Bevis and Mike Roberts.

The Appointments & Nominations Committee would review all committee nominations and would have full authority to decide on the makeup of the committees.

The new Nominations Form for committee representatives and Chairs was approved as a good start point to identify the required skills, although it was acknowledged that Directors often have little input regarding who was selected to represent their organisation on committees and that the range of options is often limited.

Chair Appointment

The recruitment process for the appointment of the new Board Chair was approved. Bill Andrews queried the need for a new Chair to be appointed given that Jane Bevis, as Deputy Chair was prepared to act as Chair and could do so for a prolonged period. The consensus was that, in the interests of maintaining good corporate governance, the process to appoint a new Chair should commence immediately but focusing on obtaining the best candidate and not having them in place by Planning Day.

Jane Bevis confirmed that she was content to assume the role of Interim Chair whilst the recruitment process was undertaken. Directors were appreciative but noted that there could be some conflict given that Jane is the C&CCC Board Independent Director representative on the C&CCC FCM Senior Sponsors Group (SSG). It was also noted that, under the terms of reference for the SSG, the Board Chair is part of the escalation panel for referral of any matters where consensus cannot be reached at SSG. The CEO noted this comment and explained that the escalation process required review for a number of reasons, e.g involvement of the former Payments Council which has transitioned into the trade association Payments UK.

The Board agreed to Jane Bevis, Deputy Chair, undertaking the interim Chair role and the recruitment processing commencing for a new Chair. The Board then appointed Steve McArdle as Chair of the Appointments and Nominations Committee for this recruitment, noting that by doing so the Deputy Chair would be free to apply for the role. The following comments were provided and would be incorporated in the Chair's job description:-

- banking experience should be an 'essential' or 'preferred' quality
- reference to change management and digital knowledge/ experience

The Appointments & Nominations Committee would meet as soon as possible to launch the process.

1934 FUTURE CLEARING MODEL

Bob Silverman and David Boast joined the meeting to present the progress update.

Lorraine Suttie, Chairman of the FCM Communications Group, advised that a message for publication had been approved and would be offered for final sign off at the 30th July SSG meeting. **Secretary's Note:** A copy of the message was issued to Directors on 16th July for information, as requested.

Work on agreement of the high level content of the Business Requirements Document is nearing completion.

The C&CCC Scheme Legal Sub Group will meet on 22nd July to discuss fraud liability.

Travers Smith has been appointed to assist with drafting Governance Agreements and Settlement rules.

The timeline for delivery of the FCM Programme has also been the subject of discussion. The options for delivery the full programme, ensuring it is safe and controlled whilst taking account of HMT's expectations for delivery and being mindful of stakeholder requirements, will be the subject of detailed discussion and agreement at the 30th July SSG meeting. Bill Andrews drew attention to an operational issue concerning the recognition by all banks of all Members' agency banks which has not yet been addressed and which must be included before any image based processing can commence.

Jane Bevis reiterated that Mark Curran, Chairman of SSG, felt that delivery must happen in 2016.

Angela Thomas provided feedback from the recent Cheque User Forum which had been well attended. Corporates emerged as very positive about the new system and could see a business case for themselves in the move to image based processing. Serious concern was expressed as to the potentially long migration path during which dual systems (paper and image) would operate.

John Blanchfield said that the Company must be careful when going to HMT with any suggestion of a revised timeframe for implementation, making sure there are well researched reasons for any delay so as to avoid having to go back to them with further revisions later on.

Steve McArdle was concerned that concentrating on getting the mobile app up and running first could be seen as discriminatory to those customers who do not intend to use a mobile app and that care must be taken to ensure that it is clearly understood that implementing the mobile app is a justifiable first step to full implementation. There is a danger that the public perception is that cheque imaging starts and ends with the mobile app which is clearly not the case.

A meeting with HMT is expected in early August but no firm date has been set as yet.

Directors noted that Bob Silverman would leave the FCM Programme on 21st August.

Jane Bevis was joined by all Directors in thanking him for his contribution over the past 18 months in getting the programme to the point where the infrastructure supplier and the full support team is now in situ. Tim Yudin, Payments UK is undertaking an informal audit of the programme. The current SSG recommendation is to recruit a new

Programme Director rather than bringing in an external firm such as PWC but further discussion will take place at SSG on 30th July.

1935 PLANNING DAY

Angela Thomas introduced her paper outlining her proposal that, for this year's Planning Day meeting in September, an external consultancy should be asked to facilitate a discussion on the Company Strategy and do some work on the recommendations arising from the Review of Board Effectiveness carried out by ABE.

There was full support, in principle, for the proposal but some concerns were voiced over using CGI given their involvement in the FCM programme.

It was agreed that Directors should provide their recommendations for other Companies to approach with a view to providing them with a brief and selecting one to facilitate the start of the Corporate Strategy work for the Company at Planning Day, their views on how the Company strategy should be developed.

The cost of this exercise would be covered within the 2015 approved budget.

1936 REGULATORY UPDATE

Recognition under the Banking Act 2009

Directors were going to discuss and reach agreement, at the May Board meeting, on the proposal that Recognition would be beneficial and that the Company should lobby for same. There had been insufficient time to do so but Angela Thomas explained that events had moved forward somewhat since May. The Events Horizon Scanning meeting has already taken place with the Bank of England which has confirmed that whilst Recognition is an HMT decision, they would not see the move to FCM as a relevant consideration.

The statutory information request has subsequently been received which will look at volumes and values as previously but also, for the first time, considers the underlying nature of cheque transactions to understand their importance to the UK economy.

1937 COMPANY BUDGET

Peter Sparkes joined the meeting to introduce his paper concerning initial 2016 budget predictions.

Directors noted that there is, as yet, no certainty as to the total call for 2016; the current estimate being that it will be in the region of £22million. There will be more clarity in time for the September Board meeting.

The estimate for BAU aspects of the budget, amounting to £6.5 million, including parallel running and regulatory demands etc. was noted. This will also be the subject of further analysis between now and the September Board meeting.

Lorraine Suttie asked for a clear summary of the BAU and FCM costs for 2015 and 2016 so that Members can allocate costs to their own costs centres correctly.

An independent economic review of cost allocation for FCM is underway but the current assumption is that the allocation of charges going forward will remain on a volume based approach.

Date of Next Meeting:

Planning Day 16th & 17th September 2015,
Ashdown Park Hotel.

OUTSTANDING ACTIONS

Ref	Owner	Action	Target Date for completion
1901	Company Office	Discuss removal of Alternate Director role at Planning Day	Planning Day 2015
1917(i)	Company Office	Arrange a Cyber Security presentation	
1926	Directors & Alternates	Review your conflicts and advise any changes particularly in the light of the Payments UK committee review and restructure.	For September meeting
1931	Directors	Review the full report from ABE and advise your views on prioritisation of recommendations	By end of July
1931(i)	Jane Bevis	Provide 1:1 feedback on ABE individual findings to all Directors	
1932	Directors	Approve Financial Statements and Letter of Representation for signature on behalf of the Board	September Board meeting
1935	Directors	Provide your recommendation of a suitable company to approach to work on Company strategy at September Board.	