



MINUTES OF THE PHONEPAYPLUS BOARD MEETING

**THURSDAY 17th JUNE 2010
NO. 372**

12.30-16.30

PHONEPAYPLUS LIMITED, CLOVE BUILDING, 4 MAGUIRE STREET, LONDON SE1 2NQ

Board Members present:

Sir Alistair Graham (Chairman)

Matti Alderson

Bob Chilton (Deputy Chairman)

David Clarke

Ruth Evans

Hugh Griffiths

Jeremy Hallsworth

Howard Webber

Paul Whiteing

In attendance:

Samantha Russell (Mazars LLP) item 2.0

Simon Bates

Bradley Brady

Neil Hardwick (item 2.0)

James Harris (item 3.0)

David Oatway (item 6.1.1)

Stephanie Ratcliffe (Minutes)

Pre-meeting discussion

The Board received a presentation from Anil Malhotra of Bango on the potential future for mobile payments.

1.0 Apologies

David Cockburn
Peter Phillips
Claudio Pollack

2.0 Annual Report and Accounts sign-off

Neil Hardwick presented the Board with the annual accounts and representation letter from Mazars LLP, confirming the audit of the annual accounts year ended 31st March 2010. The Executive confirmed the Audit, Risk & Corporate Governance Committee of PhonepayPlus had considered and approved the accounts at its last meeting and had no further issues to address.

Samantha Russell, from the Company's auditors Mazars LLP, was available to answer enquiries from the directors, and confirmed that the audit had run smoothly and there were no material issues of concern.

The directors of PhonepayPlus Ltd approved the signing of the annual accounts to take place with the auditor present on 17th June 2010. Sir Alistair Graham duly signed copies of the director's report and audited annual accounts on behalf of the Board. Following the new structure for signing accounts under the recent regulation of Companies Act 2006, whereby three sets of audit reports are required; Samantha Russell signed copies on behalf of herself (for shareholder purposes); Mazars LLP (for publication and website purposes); and dated a copy for Companies House.

The Board noted that the statutory accounts for IMCB for the year ended 31st March 2010 had been approved and signed by the directors of that Company.

3.0 Code Compliance Panel

James Harris delivered the CCP report to the Board on Tribunals for the period 15th April to 27th May 2010.

The following points were noted:

- In respect of the oral hearing with Transact Ltd, a draft decision is pending following written submissions on two matters not addressed at the hearing.
- Eight cases were adjudicated; four informal representations heard.
- All 12 applications for prior permission were granted.
- One application for review was refused; no Emergency Procedure cases were heard.
- New subscription services and call routing international services are on the increase.
- The Couchplay Ltd oral hearing is likely to be 'struck off' following the party's failure to respond to directions.
- There has been an increase in oral hearing requests; four further hearings are in the pipeline (two for Blue Stream Mobile Ltd regarding pay-per-page WAP services, and one for K Singh Abhol and one for Starcomm Ltd, both concerning 070 missed call issues).

The following emerging issues were discussed:

- Checks on providers via Companies House enable PhonepayPlus to observe company statuses more closely and gain information on any company dissolutions.
- The Venista GmbH & Co KG case was adjourned following previous informal representation – four of the five alleged breaches were upheld and a fine imposed.
- The Bay Telecom Ltd case that dealt with the Information Provider's breach of sanction. This case illustrates the IP pass-through procedure; where an Information Provider fails to pay, the fine falls back on the Service Provider to pay. The case highlights the requirement for a separate IP breach to be addressed in the new Code.

The increase in fraud reference to 070 call scams will be covered under agenda item 6.3.1.

4.0 Minutes of the 371st Board Meeting held on 22nd April 2010

The minutes were approved without amendment.

4.1 Matters arising and Action Log

- Strategic planning for 2010-2014 will be discussed in detail at the Board Away Day on 30th June.
- Action Log – contextualise and consolidate content; include timescales and deadlines.
- AC234 – re-circulate stakeholder perception audit paper from April 22nd Board meeting.

4.2 Standing and other declarations of interest

There were no standing nor other declarations of interest recorded, except Matti Alderson in respect of item 5.1, on the appointment of Hilary Bainbridge.

5.0 SECTION A: REPORTS FROM THE CHAIRMAN, CHIEF EXECUTIVE and CHAIRS

5.1 Chairman's Report

The Chairman reported on developments since the last Board meeting:

- Recruitment – Hilary Bainbridge has been appointed as complaints Lay Assessor to PhonepayPlus and commences her appointment on 1st July. The Chairman thanked Ruth Evans for her participation in the interview process.
- Meeting with Colette Bowe, Ofcom – proposal agreed that it would of mutual benefit for Sir Alistair Graham and Bob Chilton to attend Ofcom executive team meetings to discuss resource and other issues arising. A copy of PhonepayPlus' Annual Report will be sent to Ofcom Board members.
- Board Member annual performance reviews are being arranged.

5.2 Chief Executive's Update

The Chief Executive reported on recent developments and issues of interest:

- The closing date for tenders on the Registration Scheme, which includes previous experience in a similar field, was 11th June 2010.
- New Code – consultation is ongoing, a Programme Board meeting was held on 16th June. We continue to liaise with Ofcom to ensure the process remains co-

ordinated and to discuss possible ways to advance the new Code's approval process.

- Market developments – amendment to read the 'PRS market has *declined* by 1.6%'.
- The recruitment process for a Director of Operations is in progress, team changes within the IS team have been confirmed and contracts agreed.
- Payforit – following Ofcom's internal approval, a review of regulatory arrangements are expected to be completed by March 2011.
- Orange/T-Mobile meeting addressed issues concerning the merger.
- AIME – feedback on how to improve the knowledge gap between the industry and PhonepayPlus will be addressed at the next Board meeting.

5.3 Reports from Committee Chairs

Audit, Risk and Corporate Governance Committee

Bob Chilton reported on the recent Audit Committee meeting which focused on: the annual report and accounts; statement of internal control; and risk registers, in particular the risk of 'dialware,' which is of growing concern and currently under Executive assessment.

Finance, Budget and Performance Monitoring Committee

Sir Alistair Graham reported on the Finance Committee meeting which focused on: the year-end accounts and management summary report, which require some adjustments in detail; budget developments for the Registration Scheme; and debt collection policy.

6.0 SECTION B: REPORTS FROM EXECUTIVE TEAM

6.1 STRATEGY, POLICY AND REGULATORY EFFECTIVENESS

6.1.1 Consumer-focused research at PhonepayPlus

Bradley Brady provided the Board with an introduction on consumer research carried out on premium rate services. David Oatway explained the method and purpose behind the research and presented a summary with results.

The report brings together findings from research commissioned to obtain a view of consumers' engagement with PRS and seeks to explore how consumers understand the services. The report explores the levels of trust in the services, what drives use and trust, and identifies consumer vulnerability and protection.

Top findings show that consumers feel positive about the existence of a regulator and, where a problem arises within PRS, a refund and apology will generally suffice.

The Board noted the excellent report which, by showing the market state and identifying areas that require addressing, acts as a form of 'whetting the appetite'.

The following recommendations were made:

- Assess how realistic consumer self-assessment is.
- Ensure focus remains on the basics – 'do consumers understand PRS?'
- Ensure different issues remain separate and that the report is evidence-based.
- Build on and illustrate how the findings will affect PhonepayPlus' work on consumers and the industry.
- Refer economic factors to Ofcom and other regulatory bodies.

- Ensure behavioural issues, such as 'know your numbers', are tackled.
- Research consumer expectations of the registration database and ensure the database is not regarded as quality assurance, or as a platform for reliance.
- With regard to existing budget constraints, consider conducting joint research and share findings with other bodies.
- Review the terminology of 'vulnerability' and obtain Code Compliance Panel feedback within the context of the new Code and its guidance notes.

Next steps will include an action plan and timescales. The Board approved the recommendations made to publish the research report, address evidence-based issues, include a statement on the most effective terminologies to achieve a better understanding and announce dates for workshops.

(Action: Bradley Brady/David Oatway)

6.1.2 Update on Strategic Plan 2010-14

Bradley Brady provided the Board with an update on the proposed approach to developing the strategic plan and outlined the plan for the Board Away Day. A draft of the strategic plan consultation document and section on vision, mission and objectives was circulated to the Board, along with the proposed structure and five organisational objectives.

The Board was asked to approve the recommendations and provide further steer for the Executive on its development.

The following points were noted and recommendations made:

- The strategy is in draft format only, and we continue to provide transparencies and drive efficiencies whilst exploring other issues. The plan will form the main subject for the Board Away Day.
- Draft plans will be subject to further discussions with advisers, key stakeholders and other regulators, to identify any gaps.
- Due to market and economic changes, consider a pre-review of the strategy in 18 months.
- Ensure the vision and mission statement is fit for purpose.
- Values – emphasise new values of efficiencies and transparencies; demonstrate the benefits PhonepayPlus brings to the industry and consumers; reflect previous progress made and how the balance between consumer and market is addressed.
- Encourage collaborative working with providers and mobile network operators.

The Board agreed further discussion will take place at the Board Away Day and further feedback provided offline.

(Action: Bradley Brady)

6.2 REPORTING AND PERFORMANCE

6.2.1 KPIs and process report update

Paul Whiteing presented the Board with an overview of performance data using new KPIs along with a summary version of the new financial reporting pack. The Board was asked to note the paper and offer comments for future information requested. The Executive intends to develop a quarterly reporting pack which will be published for the industry and stakeholders.

The following points were noted and recommendations made:

- The KPIs have received Ofcom's approval.
- The report represents how first time targets are being measured and illustrates positive progress.
- The report provides a snapshot of what will be entered on to the website, the 'dials' will appear as live interactive media.
- Review the allowance on number of days required for KPIs and illustrate the consequences of failure to comply.
- Annex A: KPI no. 3 – identify the end goal and possible improvements to be made.
- Annex A: KPI no. 5 – ensure the right kind of measures are in place and provide, under outcome, a breakdown of duties performed.

The Board approved the KPI update and noted that the existing monitoring report will be replaced and merged together with the KPI report, to provide one single report.

(Action: Paul Whiteing)

6.2.2 Risk management summary

Paul Whiteing provided a summary of risk management and explained that the risk registers are produced on a regular basis. The registers were previously reviewed at the Audit, Risk and Corporate Governance Meeting on 8th June. The Executive confirmed that prevention of risks is reviewed alongside risks.

The Board was asked to note the emerging risks in particular. The Board noted the paper and recommended the inclusion of a risk on the Board agenda planning.

(Action: Paul Whiteing)

6.3 PROJECTS

6.3.1 Fraud liaison – update on intelligence sharing with law enforcement agencies

Simon Bates updated the Board on the ongoing efforts of PhonepayPlus in working with and sharing intelligence with law enforcement agencies. He explained our own limits of enforcement powers in ensuring action is taken against the most serious offenders, to prevent them from operating within the premium rate industry.

PhonepayPlus has met with the City of London Police (CoLP) to discuss telecom hacking issues and continue to work vigorously with agencies, such as the National Fraud Intelligence Bureau (NFIB) and the National Fraud Authority (NFA) and Action Fraud to help counter fraud activity.

The Board noted the excellent paper and work in progress.

7.0 SECTION C: ITEMS FOR INFORMATION ONLY

7.1. Update on engagement plan for new Code consultation

Copies of the new Code consultation document were circulated to the Board for further discussion at the Board Away Day.

7.2 55+ consumer literacy campaign to educate older consumers to 'know your numbers'

Examples of advertising materials currently in distribution were circulated for information.

8.0 AoB

None

Next Meeting:

Date: Thursday 16th September 2010

Time: 12.30 – 17.00

Location: PhonepayPlus, Clove Building, 4 Maguire Street, London SE1 2NQ