
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 6th July 2017**

Present:

Sir Mark Boleat - Chairman
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts
Jonathan Simpson-Dent
Fiona Walmsley

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive
Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

VocaLink

Gregor Dobbie – UK MD (item 4)
Paul Stoddart – CEO (item 4)

KPMG

Michelle Plevy – Principal Consultant (item 9)
Simon Walker – Partner (item 9)

1. Welcome

The Chairman welcomed the Directors to the meeting. He highlighted two key issues on the agenda for the Board to particularly focus on:

(Part of this discussion has been redacted under confidential grounds.)

The Chairman reminded the Directors of their obligations under the Companies Act 2006 and the Articles of Association of the Company to declare the nature and extent of their interests (whether direct or indirect) in a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

As required by section 175 of the Act and the Articles, Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley (each a Member Director, and together the Member Directors) confirmed and declared the nature and extent of his/her interest (whether direct or indirect) in accordance with section 175 of the Act and the Articles (the Conflicted Directors). In particular:

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- (i) Adrian Roberts declared his existing relationship with Bank of Ireland, being a Network Member and a shareholder of VocaLink.
 - (ii) Jonathan Simpson-Dent declared his existing relationship with Cardtronics, being a Network Member.
 - (iii) Fiona Walmsley declared her existing relationship with RBS, being a Network Member and a shareholder of VocaLink.

Lord Hunt declared his interest as a Partner of DAC Beachcroft LLP.

2. Minutes of the Previous Board Meeting and Matters Arising

The Chairman stated that the minutes of the meeting on 1st June 2017 had already been approved.

All actions from the previous meetings of the Company have been completed or were on the agenda for this or future meetings.

There was one matter arising:

Dates of all Board and Committee Meetings for 2017

The Board requested that this schedule include the Board Strategy and Remuneration Committee meeting dates. **ACTION : COO**

3. Committee Meeting Minutes

It was requested that the Minutes of the Audit Committee, Consumer Council and Remuneration Committees should, in future, be sent to the Board as soon as they are approved, rather than wait for the next meeting. **ACTION : COO**

4. Presentation from VocaLink

Gregor Dobbie and Paul Stoddart joined the meeting.

Paul Stoddart provided the Board with an update on VocaLink following completion of its acquisition by MasterCard at the beginning of May 2017. He explained the structure of the new Board of Directors and senior management team and outlined the investment and integration programme that was being implemented.

(Part of this discussion has been redacted under confidential grounds.)

Gregor Dobbie then presented potential innovation ideas for the Board's consideration.

The Chairman thanked VocaLink for attending the meeting.

Gregor Dobbie and Paul Stoddart left the meeting.

The Board had an initial discussion on the ideas presented and agreed to consider them in more detail at the Strategy Day on 24th July 2017. **ACTION : CHAIRMAN/CEO**

5. CEO's Report

The CEO Report was noted.

In terms of the further development of the report, individual Directors made the following comments:

- (i) The intention of this report is to cover the routine reporting of the business. More detail on operational performance including data eg on outages and year-on-year trends was needed.
- (ii) An understanding of the risks in terms of the Member compliance area is important.
- (iii) The Board needs to agree KPIs, performance against which would be included in the report, and analysis needs to accompany the data.
- (iv) It continues to move in the right direction and will evolve over time.

The CEO Report will be developed over the coming months to include more operational items and reflect the Board's comments above. **ACTION : CEO/COO**

The Board then discussed the plan for the Board Strategy Day on 24th July 2017. It was noted that there are many issues potentially up for discussion but the time available is limited. Hence, the issues addressed on the day would need to be prioritised. The plan for the structure of the day would be circulated to Directors shortly. **ACTION : CHAIRMAN/CEO**

6. Agenda Item 6

This agenda item has been redacted under confidential grounds.

7. Shortlisting of Consultants for Systemic Risk Management Study

The Board was informed that the Terms of Reference as presented had been agreed with the Bank of England.

(Part of this discussion has been redacted under confidential grounds.)

Following discussion on the relative weightings of the categories for selection, it was agreed that a higher percentage should be given to understanding the requirements. The short-listed companies would be invited to present to a sub-set of the Board in the week commencing 24th July 2017. At a minimum, this would consist of the Chairman, CEO and Chair of the Audit Committee. Any other Director was also welcome to participate provided they could attend all the presentations.

The exact dates and logistics will now be finalised. **ACTION : MARY BUFFEE**

8. Update on Progress with the Bank's Priorities

The Board was updated on the progress with the Bank's Priorities as follows:

(Part of this discussion has been redacted under confidential grounds.)

The Board noted that several of these deliverables would require Board review and approval by e-mail over the summer, given the Bank's timescales. Although this is not ideal, given the substantial nature of some of the deliverables, it was agreed that this would be the approach taken.

9. Working Group Update and Cost Study Approach

The Board was updated on the most recent meeting of the Interchange Working Group.

(Part of this discussion has been redacted under confidential grounds.)

The Board noted the points raised and thanked KPMG for its work. It was noted that these reports would be distributed to the Members and that a "business as usual" approach applied to the Cost Study, unless changed by the Members under their reserved powers on interchange.

Michelle Plevvey and Simon Walker left the meeting

10. Request for Exemption from the PSR's Direction 4 (the Mandated Tender Requirement)

The Chairman advised the Board that he and the CEO had met the PSR's Managing Director on 12th June 2017 to discuss the potential mandated tender (and the PSR's interchange study). The PSR has confirmed that the mandated tender Direction would apply to LINK and that an exemption process would be included.

(Part of this discussion has been redacted under confidential grounds.)

11. The Bank of England's Governance Code of Practice

The Board was presented with a gap analysis for LINK against the Bank of England's recently published Governance Code of Practice for recognised payment system operators. It was noted that the Bank requires a LINK self-assessment by 30th September 2017 including a plan to become fully compliant by 21st June 2018. It was noted that the Code supported the transfer of reserved matters to the Board.

Final consideration of the issues and actions, namely strategy, reserved matters and the role of Member Directors, will be given at the Board Strategy Day on 24th July 2017.

12. Board Review of the Board Effectiveness and IGR Implementation Feedback

The Board was provided with feedback data from the recent assessment of Board Effectiveness and IGR Implementation.

The Chairman stated that the Review had produced some good results. He highlighted the key findings that:

- (i) The Board does not spend enough time on strategy.
- (ii) Whilst the Member Directors handle themselves impeccably, there are inherent conflicts in their roles. Consideration should therefore be given to alternative ways of providing industry experience on the Board.
- (iii) Matters reserved for Members should be transferred to the Board.

The Chairman noted that the scores on the effectiveness of the IGR recommendations were generally lower, partly because what seemed a good idea at the time had been overtaken by events.

It was agreed that the legal work to transfer reserved matters to the Board by Q4 should be started immediately, in anticipation of that decision. **ACTION : COO.**

It was agreed that this would be funded from the remainder of the Board contingency in the Budget. The final decision on moving reserved matters will be taken at the upcoming Strategy Day, including how to engage with Members on the change as their agreement at the 80% level will be required.

In general, the Board agreed that this had been a useful exercise and more detailed consideration of the findings would take place at the Board Strategy Day on 24th July 2017.

13. Scheme Governance Simplification

The Board noted the progress of the operational implementation of the IGR and the plans for simplification of governance, particularly with regards to the co-existence of LSHL and LSL Boards.

The Board was informed that Deeds of Guarantee have now been received from all Network Members, other than for one which is signed and in transit.

14. Approval of the Information Security Policy

The Board reviewed the policies that underpin the Information Security Plan which was approved by the Board in its June meeting. These are the:

- (i) End User Policy.
- (ii) Access Control Policy.
- (iii) Information Asset Classification Policy.
- (iv) Information Security Incident Management.
- (v) Supplier Management Policy and Management of Outsourced Services.

In addition, the Information Security Policy had been amended to reflect feedback from the previous Board meeting.

Noting that future versions would need to be amended to support planned procedures for Board Members in addition to Employees, the Board duly approved the policies as presented. These will now move to implementation, and the COO will report back in due course.

15. Approval of Responses to Internal Audit Recommendations

The Board reviewed and discussed the Internal Audit Report on Governance Arrangements from BDO.

The Chairman highlighted two of the recommendations which should be adopted immediately:

- (i) More regular operational reporting at Board meetings.
- (ii) Inclusion in minutes of debate by individual Board and Committee members, along with consideration of risks.

The Board approved the report and agreed the management responses **ACTION : CEO/COO/MIKE KNIGHT**

16. Agenda Item 16

This agenda item has been redacted under confidential grounds.

17. Scheme Risk Management

The Board reviewed the overall risk position summarised in the Risk Management Dashboard. The Chairman noted that the big issues identified had already been discussed as separate agenda items.

The Board requested that a paper is prepared for the next meeting which:

- (i) Explains the self-certification process.
- (ii) Details and analyses all exemptions (such as waivers) that have been granted to Members.

If disclosure of an individual Member's compliance data presents potential conflict issues for Member Directors, then this information will be provided to Independent Directors only. **ACTION : COO**

18. Scheme Finances

The Board was updated on the Scheme's Finances.

(The Board discussed the Scheme Finances but has been redacted due to confidentiality.)

19. 2018 Meeting Dates

The Board agreed the Meeting Schedule as presented. It was requested that this schedule be extended to include the dates for the Consumer Council, Remuneration Committee and a future Board Strategy Day in July 2018, and that calendar invites are sent out. **ACTION : COO**

20. Any Other Business

There was no other business for the meeting.

21. Next Meeting

The next meeting will be held on Thursday 7th September 2017 at 10.30 am.