

Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting held on Thursday 5th September 2019 at (Redacted on Confidential Grounds)

Present:

Sir Mark Boleat – Chairman
John Gill
John Howells
Lord David Hunt
Bill Raynal
Liz Richards
David Rigney

Apologies:

Tracey Graham

In Attendance:

Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Adrian Roberts – LINK Scheme Executive
Tom Sleight – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors and those in attendance to the meeting. He highlighted the significant issues affecting LINK which were relevant to the agenda:

- The UK political situation is currently in turmoil, but the direct implications of Brexit on LINK are minimal, other than LINK’s role in ensuring that access to cash continues to be available during this period of uncertainty.
- The new senior appointments at the Bank of England and PSR have now been announced.
- LINK’s access to cash activities continue to go as planned, including the recent announcement of the LINK Retail Centre ATM Policy. In addition, the Centre for the Study of Financial Innovation (“CSFI”) will be hosting a lunch at which Professor Russel Griggs will present his work for LINK on the role of access to cash in rural communities.
- The infrastructure tender process is reaching a satisfactory conclusion, subject to a successful Member vote and any further input by regulators.
- (Redacted on 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, each Director (as applicable) 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).

David Rigney declared his position as Non-Executive Director of Principality Building Society which has a contractual relationship with a Network Member.

Bill Raynal informed the Board that he will be performing some consultancy work for the Scottish Building Society, but that he did not anticipate that this would present any conflict with the interests of the Company.

The Chairman advised the Board that, although Tracey Graham was unable to attend the Board Meeting because of a medical emergency, she had provided input on various topics on the agenda which would be fed into the discussion.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 4th July 2019 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 were no matters arising.

3. Committee and Meeting Updates

The approved minutes of the Risk Committee held on 4th July 2019 had been included in the Board papers for this meeting.

John Gill (Chair of the Risk Committee) highlighted the main areas covered at the Risk Committee meeting:

- Approval of the approach to the completion of the 2019 CPMI-IOSCO Submission, including the application of the IOSCO Principles. The submission was included for approval on the Board meeting agenda (see item 12 below).
- Revisions to the proposed Cyber Strategy which was now included for approval on the Board meeting agenda (see item 14 below).
- Consideration of the applicability of the Settlement Finality Regulations to LINK, with a request for a more detailed analysis to be provided at the next Risk Committee meeting.
- Further consideration of the policy approval process, which would result in a revised paper to be submitted to the next Risk Committee meeting.
- Reframing the Business Continuity Policy as a framework, which would be resubmitted to the Risk Committee for approval at the next meeting prior to presenting to the Board.

Liz Richards (Chair of the Audit Committee) highlighted the main areas covered at the Audit Committee call on 25th July 2019:

- Agreement of the BDO workplan for the remainder of 2019.
- (Redacted on Confidential Grounds)

Future minutes of all Sub-Committee meetings will be included in the Board pack.

ACTION: COO.

4. CEO's Report

The Board noted the contents of the CEO's Report which summarised the overall position of LINK. The key issues highlighted were:

(Redacted on Confidential Grounds)

The Board reviewed the latest data on ATMs and LINK transactions, noting the continued decline in each, and that regional differences are closing over time.

(Redacted on Confidential Grounds)

The axis on the LINK monthly volumes graph needs to be corrected for future reports.

ACTION: COO.

(Redacted on Confidential Grounds)

5. Footprint Update

The Board considered the current status of the ATM footprint and developments within the broader areas of consumer, PR and public affairs.

ATM Footprint

The Board noted that the number of FTU ATMs continues to fall, with the total as at the end of June dropping to 48,465. However, with only 47 closed Protected ATMs requiring replacement, the network footprint, and hence service to consumers, continues to remain satisfactory. (Redacted on Confidential Grounds)

The Board requested that geographical data be built in to network footprint reports.

ACTION: COO.

Premiums and Direct Commissioning

(Redacted on Confidential Grounds)

New Access to Cash Commitment

As noted in Item 4 above, the new Access to Cash Commitment based on retail centres and a trial to respond to MP and Council requests has been announced to a positive reception.

PSR Call for Views - Interchange Structure

(Redacted on Confidential Grounds)

6. Tender Update

The Board considered the progress of the infrastructure tender, noting that:

(Redacted on Confidential Grounds)

7. Consider Approval of BDO Report on Tender Contractual Arrangements

The Board considered the internal audit report on the Tender Contractual Arrangements as at 10th May 2019 which was included in the Board papers.

Noting that it had been reviewed by the Audit Committee at its July meeting, the Board now approved the report and the management responses.

8. Consider Approval of Switching and Settlement Agreement Changes

(Redacted on Confidential Grounds)

9. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

10. Proposal to Develop the TVRLSMS Fee Structure to Give Flexibility for Pay-to-Use Transaction Charges

(Redacted on Confidential Grounds)

11. Executive Risk Summary

The Board considered:

- (i) The key risks currently facing LINK and the actions underway to mitigate these.
- (ii) Progress in strengthening LINK's approach to managing risk.

(Redacted on Confidential Grounds)

12. Consider Approval of the 2019 CPMI-IOSCO Submission

The Board considered the draft 2019 CPMI-IOSCO return and covering letter which were included in the appendix to the Board papers.

(Redacted on Confidential Grounds)

Subject to reflecting the above points, the Board approved the IOSCO return and draft covering letter. The Board further approved the CRO to update the documents to reflect any changes between the date of the drafts included in the Board papers and the date of submission, and to submit those updated drafts to the Bank by the end of September. ACTION: CRO.

13. Internal Audit Review Update

(Redacted on Confidential Grounds)

14. Consider Approval of Proposed Cyber Strategy

The Board considered the updated LINK Cyber Strategy which was included in the Board papers, noting that it had been updated following review by the Risk Committee in July 2019.

After discussion, the Board approved the LINK Cyber Strategy on the basis that it was an acceptable baseline.

The Board noted that an updated, refreshed strategy would be prepared by January 2020 using external help as needed. **ACTION: COO.**

15. HR Report

The Board considered the HR Report and discussed a number of the issues covered, noting that it was a helpful paper.

The Board noted that soft skills training for staff, in particular on oral and written communication, would be beneficial. **ACTION: CEO.**

16. Proposed LINK Response to HMT's Regulatory Consultation

The Board considered the draft response to the call for evidence on the financial services regulatory framework issued by HM Treasury included in the Board papers.

(Redacted on Confidential Grounds)

The Board authorised the Chairman and CEO to finalise the response to the call for evidence taking into account the above feedback. **ACTION: CHAIRMAN/CEO.**

17. Proposed Annual Cycle of Meetings and Board Agenda

The Board considered the proposed process for agreeing and setting the Annual Cycle of Meetings and Board Agenda.

Directors made the following points:

- Feedback from the Consumer Council meetings should be included quarterly.
- Regular HR updates should be included.

- The Annual Cycle of Meetings Plan, as updated, should be included in the monthly Board papers. **ACTION: COO.**

Subject to reflecting the above points, the Board approved the Annual Cycle of Meetings and Board Agenda as presented, and that it is reviewed annually in January.

18. Proposed Format for Monthly LINK Public Report

The Board considered the draft monthly LINK report that was included in the Board papers.

Subject to the inclusion of an opening paragraph setting the scene on the Network Footprint and a note on Protected ATMs, the Board approved the format and content of the report and that the Scheme Executive should prepare and publish such reports on a monthly basis. ACTION: STRATEGY DIRECTOR.

19. Noting of any e-mail Approvals

The Board noted the following approvals which had previously been given by e-mail:

- 8th July 2019 – Approval of the amendment to the 2020 Budget.
- 12th August 2019 – Approval of the next version of the Vocalink contract prior to the Network Member vote.
- 15th August 2019 – Approval of the Review of the Internal Audit Function.
- 19th August 2019 – Approval of the Retail Centre ATM Policy.

20. Any Other Business

- Link Scheme Holdings Ltd AGM. The Board was informed that the Company's AGM will be held on 13th November 2019.
- LINK website: The Board was informed that improvements will be made to the website to make it more informative about LINK's activities. **ACTION: STRATEGY DIRECTOR.**

21. Next Meeting

The next meeting will be held on Thursday 3rd October 2019 at 10.30 am (Redacted on Confidential Grounds)