

**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 3rd September 2020 by videoconference and (Redacted on
Confidential Grounds)**

Present:

Sir Mark Boleat – Chairman
John Gill (*by videoconference*)
Tracey Graham
John Howells
Lord David Hunt
Bill Raynal (*by videoconference*)
David Rigney (*by videoconference*)
Liz Richards (*by videoconference*)

Apologies:

None

In Attendance:

Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive (*by videoconference*)
Ross O’Leary – LINK Scheme Executive (*by videoconference, Item 7 only*)
Adrian Roberts – LINK Scheme Executive (*by videoconference*)
Tom Sleight – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive (*by videoconference*)

1. Welcome and Conflict of Interest Declarations

The Chairman declared that a quorum was present and that the meeting had been duly convened. He welcomed the Directors and those in attendance to the meeting, noting that although it was a hybrid video and face-to-face meeting, it was good to get back to some semblance of normality. The Board dinner the previous evening had shown the value of informal discussion between those who were able to attend.

The Chairman highlighted the significant issues affecting LINK which were relevant to the agenda:

(Redacted on Confidential Grounds)

The Policy on the printing of Board papers will be reviewed, with input from the Chairman. In the meantime, the Board meeting agenda will be distributed as a PDF for future meetings. **ACTION: COO.**

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).

Bill Raynal declared his position as a consultant to Scottish Building Society which has a contractual relationship with a Network Member.

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

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 2nd July 2020 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 2nd July 2020 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:

(Redacted on Confidential Grounds)

The process by which Policies are prepared by the LINK Executive, reviewed by the Risk Committee and then presented to the Board for approval will be reviewed with the objective of shortening the timescale. **ACTION: CRO.**

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 Chairman noted that it had been a very useful discussion and that the Board should return to the strategic issues raised in its forthcoming meetings.

5. Footprint Report

The Board noted the Footprint Report, which outlined LINK's effectiveness in meeting its commitments to consumers.

The key issues highlighted were:

ATM Footprint

The Board noted that:

- (i) As national restrictions resulting from the coronavirus crisis continue to ease, ATMs that had been temporarily closed are steadily re-opening. These ATMs are generally located within businesses that had temporarily closed including shops, bars, casinos and other leisure locations. There are also some ATMs that had closed because the host businesses in merchant fill locations had either ceased accepting cash or are now taking insufficient cash to stock the ATM. At the peak, it is estimated that around 4,000 FTU and 3,000 PTU ATMs temporarily closed, 120 of which were Protected. Approximately 30-40% of these have now re-opened and LINK continues carefully to monitor the footprint. Where ATMs do not re-open and the ATM is Protected, then they will be replaced using Direct Commissioning. Given that there are currently 58 Protected ATMs that are confirmed to have permanently closed and require replacement, ATM coverage continues to be broadly satisfactory.

(Redacted on Confidential Grounds)

Retail Centre Commitment

The Board noted that when LINK introduced the retail centre commitment in August 2019, there were 6,900 retail centres, six of which did not have free access to cash. LINK has now commissioned ATMs in three of these locations, with the remaining three installations scheduled. The annual review of this Commitment has now been completed and the data relating to retail centres, ATMs and Post Offices has been refreshed. Despite substantial changes in high streets, ATM numbers and the Post Office footprint, the total number of retail centres remains similar and only two new locations have been identified as requiring an ATM. This is indicative of the fact that ATM closures and conversions have largely been taking place where the density of ATM coverage is high, therefore having little effect on the overall footprint. LINK has visited both locations and will shortly designate them for Direct Commissioning.

Financial Inclusion Programme (“FIP”)

The Board noted that the FIP continues to be updated under the guidance of the LINK Consumer Council to ensure that the right areas are continuing to be targeted, and that LINK’s resources are used as effectively as possible. Of the 2,763 areas in the scope of the Programme, 2,140 have free access to cash through either a Post Office or a free-to-use ATM, leaving 623 without. If the Post Office was not included within the Programme, then there would have been 1,801 areas with an FTU ATM and 962 without. The next steps are for all outstanding areas to be manually reviewed, newly deprived areas brought into the Programme, and those that are rural with no conurbations and no retail premises that could host an ATM to be removed from the Programme. In response to a Director’s question, the Board was informed that this review process is expected to be completed by the end of 2020. Research is also being commissioned from Toynbee Hall to identify if and where pockets of financial exclusion exist, and the longer-term impact of COVID-19 on target areas.

Community Requests for an ATM

The Board noted that:

- There continued to be very few new requests, so the total remains at just over 3,500 requests relating to 2,600 unique locations since the launch of this initiative on 2nd October 2019. (Redacted on Confidential Grounds)

Pay-to-Use ATMs

The Board noted that there is a degree of stakeholder concern emerging over PTU ATMs and whether they are causing detriment to some consumers in deprived areas (see Items 4 and 6). LINK is undertaking research to better understand where these ATMs are (Redacted on Confidential Grounds).

6. Stakeholder and Communications Update

The Board considered the update on LINK's stakeholder engagement and communication strategy.

(Redacted on Confidential Grounds)

7. Operational Summary

Ross O'Leary joined the meeting.

Ross O'Leary, Head of Operations, made a presentation on LINK's Information Security function and activities. The key points highlighted were:

(Redacted on Confidential Grounds)

Maintaining Operations in the Light of Coronavirus Restrictions

The Board noted that LINK's operation is being run remotely with overall performance continuing to remain satisfactory. The work required to prepare the office for when staff return to the workplace is progressing well. The staff have been briefed on the plans for the next stage, i.e. Split Team Working, and appear comfortable with the approach.

Enhanced monitoring continues satisfactorily with the checks reported at the previous Board meetings embedded in day-to-day operations.

Summary of Strengthening Operational Resilience

The Board noted that The Operational Resilience Manager (ORM) and Head of Operational Assurance (HOA) have prepared a draft Operational Resilience Framework for review by the COO before sharing with Second Line and then the Risk Committee.

An Operational Resilience Working Group (as set out in the Bank's Operational Resilience consultation) has been established and, pending formal review and approval of the Operational Resilience Framework, will be used as an initial vehicle to help ensure that Operational Resilience remains at the forefront of Operations' thinking, introduce the Operations staff to the Bank's requirements and enable them to contribute to the ongoing development of the Framework.

The HOA and the ORM have also made good progress with the development of the new First Line control framework, a draft version of which has now been prepared for review and agreement by the COO.

Recovery and Wind Down Planning

(See Item 8 below).

Summary of Third Line (Internal Audit) Activities

The Board noted that delivery of the 2020 Audit Plan is ongoing. The summary progress/revised plan is as follows:

(Redacted on Confidential Grounds)

Summary of Next Steps from the Tender

(Redacted on Confidential Grounds)

Staffing and Capability Highlights

The Board noted that, since the last Board meeting, LINK has been successful in filling two vacancies: an Operational Assurance Manager with specific responsibility for Business Continuity and Supplier Management, and a Special Projects Lead who will assume day-to-day responsibility for the management of the Members Agreement and Switching and Settlement Agreement and also assist the COO with specific projects such as the development of the Wind Down Plan. Other recruitment is ongoing, but the process is proving to be more challenging than before the coronavirus crisis.

Update on Critical Suppliers

(Redacted on Confidential Grounds)

Member Incidents

(Redacted on Confidential Grounds)

Operations Dashboard

The Board reviewed the latest data on ATMs, LINK transactions and Cash Usage by Region, noting that the total number of ATMs at the end of July was 54,550 of which 41,551 were FTU. As noted in Item 5, this represented an increase from the previous month from 40,961 FTU ATMs out of a total of 53,775 ATMs. The Board further noted that transaction volumes had varied in recent weeks between a 35% and 40% decline versus the equivalent weeks in 2019.

The Board noted the information provided on the Vocalink Minimum Commitment Analysis, LINK Service Performance including Notifiable Incidents, Operational Programmes, LINK Liability and Settlement, Network Member Assurance, the Financial Inclusion Programme, LINK Cyber Security, ISMS and the LINK website.

Ross O'Leary left the meeting.

8. Recovery and Wind Down Plan

The Board carefully considered the LINK Wind Down and Recovery Plan and its appendices (Detailed Plan, Financial Resources and Test Strategy and Plan, together the "Plan") plus the BDO report on the process, all of which were included in the supplementary papers pack for the Board meeting.

(Redacted on Confidential Grounds)

On behalf of the Board, the Chairman thanked the COO for her efforts in leading the work on the development of the Recovery and Wind Down Plan to a successful conclusion.

After careful, detailed and extensive consideration, the Board approved the Recovery and Wind Down Plan, including the associated attachments, and

authorised the Scheme Executive to make any necessary non-substantial changes
(Redacted on Confidential Grounds) **ACTION: CEO/COO.**

9. Revised Operational Resilience Consultation Paper

The Board considered LINK's updated response to the Bank's Consultation on Operational Resilience as shown in the marked-up draft included in the Board pack. This draft incorporated the following changes to the original response which was approved by the Board in March in order to reflect current circumstances:

- How the coronavirus crisis has given additional focus to the need for a resilient payments market in the UK.
- Benefits of taking a cross-cutting approach covering all the major payment systems, noting the major changes underway in how consumers make payments and the transition from cash to digital.
- The need for a financially inclusive and proactive approach to digital access.
- De-emphasis of retaining cash as a backup in case digital payment systems fail.
- The revised implementation dates.

The Board approved LINK's updated Operational Resilience Consultation paper for submission to the Bank. ACTION: COO.

10. Executive Risk Summary

The Board considered the overview of key risks contained in the Board paper and the attached Key Risks Report.

(Redacted on Confidential Grounds)

11. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

12. Update on Delivering the Strategic Plan

The Board noted the paper providing a mid-year checkpoint on performance against the Strategic Plan Scorecard, in line with the approved review approach.

The Board noted that the status is green overall and for each of the four strategic objectives:

- (i) Deliver Satisfactory Access to Cash in the UK.
- (ii) Ensure Effective Operational Resilience of the LINK Payment System.
- (iii) Ensure Systemic Risk Management of the LINK Payment System.

(iv) Sustain a Viable LINK Membership

13. Cash Spending Patterns

The Board noted the paper on how cash spending patterns are developing through the coronavirus crisis which included information on where consumers spent cash, ATM locations that consumers are now favouring and wider recent trends in retail locations. The Board agreed that the paper provided useful background information.

14. The Banks' Approach to Central Bank Digital Currencies (CBDCs)

The Board noted the briefing paper covering the background to CBDCs, (Redacted on Confidential Grounds). The Board further noted the current position with respect to their possible introduction (both within the United Kingdom and abroad) and the potential impact and opportunities that CBDCs might present to LINK. A Director observed that CBDCs may present dangers to the businesses of large commercial banks which would need to be considered before they were introduced. The Board agreed that, whilst this was a long-term issue, LINK should continue to monitor developments in CBDCs and contribute to the debate where relevant.

15. Policies for Consideration by the Board for Approval

The Board considered the Business Continuity Plan (Corporate), Business Continuity Plan (Member), Business Continuity Plan (Network), Major Incident Management and Communication Policy and Testing Strategy and Plan (together the "Documents") which were included in the supplementary papers pack for the Board meeting. The Board noted that the Documents had been reviewed at the Risk Committee meeting on 2nd July 2020 and recommended to the Board for approval.

The Board noted that the coronavirus crisis had not resulted in any substantive changes to the Documents and had validated LINK's response.

The approval process for policies covered in Item 3 was further discussed by the Board. Where there is a review of existing Policies, a covering paper of the main changes plus a tracked changes version of the new version of the policy will be provided. **ACTION: CRO.**

The Board approved the Business Continuity Plan (Corporate), Business Continuity Plan (Member), Business Continuity Plan (Network), Major Incident Management and Communication Policy and Testing Strategy and Plan.

16. Financial Resilience – Capital Values and Replenishment Proposals

(Redacted on Confidential Grounds)

17. Noting of any e-mail Approvals

There were no e-mail approvals to note.

18. Any Other Business

There was one item of AOB:

- After discussion, the Board agreed that the Board call scheduled for Thursday 1st October should be replaced by a face-to-face meeting, but with a later start time of noon to take account of travel arrangements. Consideration will be given to rebalancing the agenda between the October and November meetings.

ACTION: COO.

19. Next Meeting

The next meeting will be held on Thursday 1st October 2020 from 12 noon to 2.30 pm
(Redacted on Confidential Grounds)

