
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 7th September 2017**

Present:

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

Apologies:

Liz Richards

In Attendance:

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

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors to the meeting. He observed that there had been a huge number of things happening over the preceding weeks. There was therefore a full agenda covering important topics including progress on interchange, the PSR mandated tender, the approval of the 2018 budget by Members and the commencement of the Bank of England’s mandated review of systemic risk management.

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:

1. Adrian Roberts declared his existing relationship with Bank of Ireland, being a Network Member and a shareholder of Vocalink.
2. Jonathan Simpson-Dent declared his existing relationship with Cardtronics, being a Network Member.
3. 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 6th July 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 Bank of England Meetings for 2017 and 2018

The Board requested that where a person scheduled to meet the Bank of England is external to LINK that the name of their organisation is added.

ACTION : COO

3. Committee Meeting Minutes

In her role as Chairman of the LINK Consumer Council, Tracey Graham provided the Board with a verbal update on the meeting held earlier that day. In summary, she felt that it had been a very productive session where the main discussion concerned ideas for innovation.

Three specific matters were explored in this respect:

- (i) Extending the Financial Inclusion programme by introducing a “super premium”. This idea was endorsed by the Consumer Council and will be further explored by the Working Group and the Board.
- (ii) How to use the existing ATM network to improve access to cash. A costed proposal for resourcing and a pilot scheme will be presented to a later meeting, potentially to be drawn down from the Innovation Fund.
- (iii) Potential new transaction types. This idea was felt to lack potential.

The Chairman, who had attended the Consumer Council for the first time, commented that he had found it to be an excellent meeting. The members all contributed constructively to the discussion and the Council was playing a valuable role in the scheme.

4. CEO's Report

The CEO Report was taken as read. It was noted that the most important topics covered by the report had been included as specific agenda items for the meeting.

5. This Agenda item and discussion has been redacted under confidential grounds.

6. Approach to the Bank of England's Governance Code of Practice

The Board was updated on the programme for LINK to become fully compliant with the Bank's Governance Code and Supervisory Statement.

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

The Board reviewed and, subject to the above, approved the response to the Bank required by 30th September 2017 containing the self-assessment and the implementation plan to meet the Code requirements by the date it comes into force, ie 21st June 2018. **ACTION : CEO**

7. Update on Progress Against the Bank's Priorities, including Update on the S195 Requirement

The Board was informed that progress to meet the Bank's Priorities was on track.

(i) Systemic risk management – end August 2017

Promontory has been selected as the preferred supplier following the competitive procurement. The Bank has confirmed its acceptance of this recommendation and a draft contract was sent to the Bank for its approval on 24th August 2017.

(ii) Board effectiveness is not yet demonstrated – end September 2017

See item 6 above. On track to meet the Bank's deadline.

(iii) Interchange and recovery and orderly wind-down – end July 2017 (wind-down) and end October 2017 (recovery)

The Recovery and Wind-Down Plan was approved by the Board and submitted to the Bank on plan and as required at the end of July 2017.

(iv) Risk management controls are immature – end August 2017

The implementation plan for each of the items required was submitted to the Bank on plan and as required at the end of August 2017.

(v) Disaster Recovery - end July 2017

The Business Continuity Management Policy, Business Continuity and Disaster Recovery Plan and BC & DR Plan Annex A were approved by the Board and submitted to the Bank on plan and as required at the end of July 2017.

The Board noted the progress that had been made in each area and approved delegating its authority to the CEO and the Chairman to finalise and sign the contract letter with Promontory once it is approved by the Bank. **ACTION : CEO**

It was noted that Promontory would be holding meetings with individual Directors as part of its study. The arrangements for these meetings will be advised in due course and a pack, including the Promontory bid response, distributed to Directors in advance. **ACTION : HEAD OF CONSUMER AFFAIRS**

8. Next Steps on Interchange

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

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

9. Review of all Waivers, Variances and Dispensations

The Board was provided with an update on the status of current Member Waivers, Variances and Dispensations. It was noted that the detailed report, which included

specific details on Network Member organisations and their commercial positions, was circulated to the Independent Non-Executive Directors only.

The Board noted the status of the current Member Waivers, Variances and Dispensations and concluded that there was nothing that caused concern.

10. This Agenda item and discussion has been redacted under confidential grounds.

11. Approval of the IOSCO Submission

The Board reviewed the 2017 CPMI-IOSCO Self Assessment as presented. A question was raised in relation to colour coding. This has subsequently been checked and is correct.

12. Approval of the Updated Authorisation Matrix

The Board reviewed, and duly approved, the Memorandum on Board Decision-Making and the LSHL Authorisation Matrix.

13. PCI Industry Changes

The Board was briefed on the forthcoming Payments Card Industry (PCI) Security Standards Council change to PIN security which may require significant change across the industry, including LINK. It was noted that, whilst nothing was happening yet and Members had differing views on how and when to implement the changes, they had the potential to be exceptionally onerous and costly.

The Directors acknowledged that this was a complex area and that it would be useful for them to have a more detailed briefing at the appropriate time. **ACTION : COO**

14. Scheme Risk Management

The Board actively reviewed and discussed the risk position summarised in the Risk Management Dashboard, including the contents of the following reports:

- (i) CEO Overview on Risk Management
- (ii) Risk Summary
- (iii) Risk Register Overview
- (iv) Operational Risk Management
- (v) Member Risk Management
- (vi) LSHL Cyber Resilience

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

The Board requested that a paper is prepared for the next meeting on the Company's plan to comply with the General Data Protection Regulation. **ACTION : COO**

15. The Bank of England's Consultation on Levying Fees for FMI Supervision

The Board was informed that the Bank of England had issued a consultation paper seeking views on the Bank's proposal to introduce a new funding structure for the supervision of FMI's.

The Board noted its contents and agreed that LSHL should respond positively to the consultation. **ACTION : COO**

16. Scheme Finances including 2018 Budget Approval

The Board was updated on the Scheme's Finances.

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

17. Noting of any Email Approvals

There were no email approvals for the meeting to note.

18. Any Other Business

(i) Visit to Vocalink Disaster Recovery Site

The Chairman informed the Board that the Directors' visit to the Vocalink DR site had been very worthwhile. A detailed note will be prepared for the October meeting. **ACTION : CEO**

(ii) Meeting with Innovation Fund Trustee

The CEO reported that he and Tracey Graham had met with Smith and Williamson, who have been appointed by Mastercard as Trustees for the administration of the CMA remedies including the Network Access Remedy, and also of the Innovation Fund. The pragmatic approach adopted by the Trustee was encouraging. A proposal will be brought to the October meeting for the first drawdown from the Innovation Fund. **ACTION : CEO**

2. Next Meeting

The next meeting will be held on Thursday 5th October 2017 at 10.30 am.