

**Draft Minutes of a Link Scheme Ltd (the “Company”) Board Meeting  
Held on Monday 18<sup>th</sup> July 2016**

**Present:**

Dr Ken Andrew - Chairman  
Tracey Graham  
John Howells  
Lord David Hunt  
Liz Richards  
Fiona Walmsley

**Apologies:**

Adrian Roberts

**In Attendance:**

Mike Knight – The FDCentre  
Sue Wallace – Link Scheme Executive

**1. Welcome**

The Chairman welcomed the Directors to the meeting and noted the apologies for absence received from Adrian Roberts.

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, Fiona Walmsley (a **Member Director**), confirmed and declared the nature and extent of her interest (whether direct or indirect) in accordance with section 175 of the Act and the Articles (the **Conflicted Director**). In particular:

- (i) Fiona Walmsley declared her existing relationship with RBS, being a Network Member.

**2. Minutes of the Previous Board Meetings on 8<sup>th</sup> June 2016 and 8<sup>th</sup> July 2016, and Matters Arising**

The Board agreed the minutes of the meetings held on 8<sup>th</sup> June 2016 and 8<sup>th</sup> July 2016.

There was one matter arising:

Following the Board's call on 8<sup>th</sup> July 2016 the Chairman and John Howells had duly notified the Bank of England, the PSR, and the NMC of Jenny Campbell's resignation as a Director. In terms of responses from the various parties, the Chairman and John Howells advised that:

- (i) the Bank of England had thanked LSL for informing them of the change. It had added that the Bank does not intend to assess all appointments to the LSL Board

and that its current intention is to assess proposed Independent Non-Executive Director's and Executive Director's appointments only and not Member Non-Executive Director's appointments. The Bank added that it did appreciate notifications of all Board changes and asked that it be notified when the new Member Non-Executive Director is appointed, for information purposes only.

- (ii) no response had been received from the PSR; and,
- (iii) Network Member's responses have been limited to questions on the replacement process.

It was requested that these communications be circulated to the Board. **ACTION: JOHN HOWELLS**

It was noted that YourCash had not yet approved the minutes of the NMC meeting held on 16<sup>th</sup> June 2016 and were in particular questioning matters of governance and accuracy. John Howells advised that if the NMC Members were unable to agree the minutes within the stipulated 8-week period, then the Bank of England and the PSR would need to be notified. **ACTION: CHAIRMAN and JOHN HOWELLS**

It was also agreed that LSL Board should be included on the distribution of NMC papers and minutes. **ACTION: SUE WALLACE**

All other actions have been completed or were on the agenda for this or future meetings.

### 3. Implementing the Independent Governance Review

John Howells advised the Board that the NMC had voted to approve in principle the balance of powers between NMC and CLG, and the transfer of the LSL shareholding to CLG. This means that the detailed work to revise the Members Agreement and prepare final Articles is underway with Allen & Overy. CLG therefore remains on track to be established in Q4 following formal agreement by NMC.

The final Articles and Members Agreement changes will also need approval by the Board prior to seeking NMC approval in September. The Board agreed that this approval could be provided by an exchange of emails.

### 4. Update on Recognition by the Bank of England

The Chairman and John Howells updated the Board on their meeting with David Bailey, (Director, Financial Market Infrastructure) of the Bank of England on 7<sup>th</sup> July 2016. They advised that it had been a constructive meeting with all parties positive about the role of Recognition. The Bank is initially conducting a broad review of the LINK payment system's workings in order to develop its understanding, and will issue focused requirements as needed once it has completed this activity, which is expected towards the end of this year.

It was noted that LSL's response to the Bank of England's letter dated 21<sup>st</sup> June 2016 regarding various supervisory requirements was now due. The Board agreed that it would provide its full support for meeting the Banks's requirements as set out in the letter. The Directors requested that John Howells make clear in LSL's response to the Bank that they are also happy to submit themselves to the vetting and interview process required for new appointees. **ACTION: JOHN HOWELLS**

In response to the Bank's stated requirements regarding personnel, Sue Wallace noted that the Bank had advised that retrospective approval of the recently appointed LSL employees responsible for audit and risk was not required.

## 5. Independent Economic Review of Interchange

John Howells advised the Board that the evening before the NMC meeting on 16<sup>th</sup> June 2016, LSL had received a proposal from Lloyds Bank for a more fundamental review of the interchange arrangements than had been hitherto been conducted by LSL with the support of Frontier Economics. The NMC Independent Chairman and John Howells had suggested to the Network Members at that meeting that LSL's proposals, based on Frontier's work-to-date, be tabled at a later meeting to allow time for Members to consider the Lloyds' proposal. This was agreed to. Lloyds Bank subsequently requested an extraordinary meeting of the NMC to consider its proposal. This request has received the support needed from other Members under the terms of the Members Agreement and is now scheduled for 28<sup>th</sup> July 2016. It was noted that the PSR is in favour of a full and transparent review of the interchange arrangements.

The Board requested that the un-redacted NMC Minutes of the 16<sup>th</sup> June meeting be circulated to the Directors. **ACTION: JOHN HOWELLS**

The Board then discussed at some length the formal position that LSL should adopt if the Lloyds proposal is approved at the extraordinary NMC meeting. Lord David Hunt reminded the Board that the NMC has decided that the LINK Scheme should operate through a CLG and, whilst the situation is complicated by the fact that the CLG is not yet set up, this should not mean that LSL is excluded from the process. The Board agreed that LSL should have an input to both the process and the engagement of any further review commissioned by NMC as a result of Lloyds' proposal and would advise NMC accordingly. **ACTION: CHAIRMAN and JOHN HOWELLS**

## 6. Appointment of a Nominations Committee

The Board approved the setting up of the Nominations Committee, chaired by Lord David Hunt and consisting of the Independent Non-Executive Directors. The Nominations Committee will be responsible for identifying and appointing a new Member Non-Executive Director from the "Acquirer only" constituency. The Nominations Committee will initially solicit nominations via NMC from those interested in the position. **ACTION: CHAIRMAN and LORD HUNT**

## 7. Update from the Audit Committee

Liz Richards updated the Board on the discussions of the first Audit Committee meeting held on 28<sup>th</sup> June 2016 and advised that the full list of actions arising were included in the Board pack. In particular, it was noted that PriceWaterhouseCoopers had been appointed as the Company's external auditors and had commenced the audit of the 2015 accounts with a view to reporting their findings at the next Audit Committee meeting scheduled for 11<sup>th</sup> August 2016.

Liz Richards also advised that the Audit Committee had requested that John Howells issue the Risk Register and Risk Policy to the Board for discussion at the Board meeting scheduled on 1<sup>st</sup> September 2016. **ACTION: JOHN HOWELLS**

## 8. Discussions with VocaLink

The Board noted these discussions and agreed to continue to delegate authority to the Chairman and John Howells to pursue negotiations on behalf of LSL.

## 9. Scheme Finances

Mike Knight presented the financial reports to the Board.

## 10. Any Other Business

None.

## 11. NMC Chairman's Contract and Succession Planning

Dr Ken Andrew, Mike Knight, and Sue Wallace left the meeting for this session. Lord David Hunt took the Chair.

Lord Hunt explained that RemCom had been asked earlier in the year by Board to assess and recommend the correct level of remuneration for the role of Scheme Chairman. The CEO of LINK Scheme had then made an additional request to RemCom for it to prepare a succession plan for the Chairman roles (ie for both the roles of Chairman of LSL and of Chairman of NMC). The paper sent out to Board addresses both of these areas. Each area was then discussed in turn.

Finally, it was agreed that the Bank and PSR should be updated on the Board's decisions in relation to the role of Chairman. This should include reassurance on the Board's plans to ensure no disruption during transition. This minute and the Board paper should be shared as an indication of intent. **ACTION: JOHN HOWELLS**

## 12. Next Meeting

The date of the next meeting is scheduled as Thursday 1<sup>st</sup> September 2016 at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED.