

**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 7th November 2019 at (Redacted on Confidential Grounds)**

Present:

Sir Mark Boleat – Chairman
John Gill
Tracey Graham
John Howells
Lord David Hunt (Items 1 -16)
Bill Raynal
Liz Richards
David Rigney

Apologies:

None

In Attendance:

Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Nick Quin – LINK Scheme Executive (Item 6 only)
Adrian Roberts – LINK Scheme Executive
Peter Sabourn – LINK Scheme Executive (Item 21 only)
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 thanked the Directors for attending the Board Dinner the previous evening, noting that there had been a good general discussion on the current environment within which LINK is operating. He also noted that the Directors’ tour of the Vocalink facility (Redacted on Confidential Grounds) the previous day, which was their first visit since the start of the tender process two years’ previously, had been very helpful. It was evident that Vocalink is a very professional outfit with good systems and effective people. Directors noted that it was clear that Vocalink personnel were very pleased to have been awarded the new infrastructure contract and had been exceptionally co-operative to LINK’s requests since the award was made. This level of co-operation should be encouraged to continue. The Board agreed that the PSR Chairman should also be invited to visit Vocalink as it would be useful for him to see the facility first hand. **ACTION: CHAIRMAN/CEO.**

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

1. With the election date now announced, access to cash is in the public eye as the parties start their campaigns. LINK’s position is not to get involved with election activity.
2. LINK is in the driving seat on access to cash, with the announcement of the Community Request an ATM Initiative having been particularly well-received.

3. The Chairman and Professor Russel Griggs had been panellists at the Centre for the Study of Financial Innovation event earlier in the week. (Redacted on Confidential Grounds)
4. (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 declared his position as a consultant to Scottish Building Society which has a contractual relationship with a Network Member.

The Chairman informed the Board that he had been appointed non-executive Chair of Andium Homes Limited, which is the Jersey Government's social housing provider. This does not represent a conflict and the time commitment can be managed without affecting responsibilities as Chairman of LINK.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 3rd October 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.

From individual discussions with Directors, the Chairman noted the suggestion that one or more of the formal monthly Board Meetings could potentially be replaced with an additional strategy or training session. The Meeting Cycle for 2020 will be reviewed in this context. **ACTION: COO.**

3. Committee and Meeting Updates

Lord Hunt (Chair of the Remuneration and Nominations Committee) gave a report on the meeting that had taken place immediately prior to the Board Meeting. He informed the Board that a huge amount of preparatory work had been undertaken prior to the meeting, including commissioning of remuneration benchmarking reports from Mercer Kepler. This meant that the Committee was very well-informed in order to make its recommendations on remuneration. For the Chairman and Non-Executive Directors ("NEDs") these were as follows.

Sir Mark Boleat vacated the Chair and did not participate in consideration of the issue.

(Redacted on Confidential Grounds)

Sir Mark Boleat resumed chairmanship of the meeting.

(Redacted on Confidential Grounds)

The NEDs did not participate in consideration of the issue

(Redacted on Confidential Grounds)

The minutes of the Remuneration and Nominations Committee will be circulated to the Board once finalised. **ACTION: FINANCE DIRECTOR.**

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 [Community Request an ATM] initiative has also been widely welcomed by politicians, media and consumer groups (including Which?).
- Operational resilience is a major theme for the Bank of England. LINK continues to emphasise the need to strengthen the role of cash as a fallback for digital systems as well as the need for stronger cross-cutting work with schemes such as Visa and Mastercard to support the LINK Wind Down Plan (Redacted on Confidential Grounds)
- (Redacted on Confidential Grounds)
- LINK is meeting the PSR later in the month to hear about the deliberations of the JACS Group on its proposed way forward for access to cash.

The Board reviewed the latest data on ATMs and LINK transactions, noting that the number of free-to-use ATMs is now down to 47,500. This reduction is in line with expectations and the Network Footprint remains satisfactory. The Board further noted that the recent rate of transaction volume decline had increased to 12%.

The Board agreed that the inclusion of additional statistics on the website was useful.

The Board reviewed the table of Notifiable Incidents and discussed the level of severity of those included in the report. The Board noted that in each case, the Service Level Agreement ("SLA") was not breached, (Redacted on Confidential Grounds). An additional column will be added to the report to indicate whether each incident is a Member issue or a LINK SLA issue. **ACTION: COO.**

The Board noted the information provided on the Vocalink Minimum Commitment Analysis and Operational Key Performance Indicators.

5. Footprint Report

The Board noted the Footprint Report which outlined LINK's effectiveness in meeting its commitments to consumers and communities through the Protected ATM, Retail Centre and Community Request an ATM Initiatives, and the financial impact on Network Members.

The key issues highlighted were:

Summary of Initiatives

The Board noted that LINK's initiatives regarding the Network Footprint are:

1. Protected ATMs, which maintain the Network Footprint.
2. Retail Centre ATMs, which provide LINK's commitment where consumers spend cash.
3. The Financial Inclusion Programme, which covers deprived areas.
4. The Community Request an ATM Initiative, which is the safety valve for communities where other initiatives have not provided the required support.

(Redacted on Confidential Grounds)

ATM Footprint

The Board noted that the number of Free-to-Use ("FTU") ATMs continues to fall, with the total number now at 47,500. However, with only 50 closed Protected ATMs requiring replacement, the network footprint, and hence service to consumers, continued to remain satisfactory.

The Board reviewed the table on page 11 of the Board papers which showed the number of Protected ATMs that had been in the process since its commencement. The Board noted that of 78 ATMs targeted for replacement, 28 had been resolved. The table will be amended in future reports to make this statistic clearer. **ACTION: CCO.**

Financial Inclusion Programme

The Board agreed the plan for a complete review of the Financial Inclusion Programme which will be discussed at the December Consumer Council Meeting:

- Phase 1: New data will be generated by bringing in Post Offices.
- Phase 2 (early in 2020): Data cleansing will be performed, including addressing output areas with dispersed populations.
- Phase 3: Alignment with work on Community Requests to formulate a single, consistent approach.

Community Request an ATM Initiative

The Board noted that there had now been approximately 150 requests under this initiative, although some were duplicates e.g. Rochester. LINK's approach is:

- Step 1: High level analysis.
- Step 2: Phone call to requestor to understand the specific access to cash issue.
- Step 3: Site visit.
- Step 4: Direct Commissioning process followed if the decision is made to install an ATM.

A full analysis of Community Requests will be provided at a future Board meeting.
ACTION: CCO.

(Redacted on Confidential Grounds)

6. PR Update

Nick Quin joined the meeting

Nick Quin, LINK's new Head of Financial Inclusion, introduced himself and provided his early impressions of LINK's public affairs activities and PR profile. (Redacted on Confidential Grounds)

The Board noted that LINK had launched the Community Request an ATM Initiative on 2nd October 2019 with a proactive media campaign which had resulted in extensive media coverage. The recent Daily Mail article in this regard will be distributed to the Board. **ACTION: CCO.**

Individual Directors will be attending site visits. Prior to each visit Directors will be provided with a verbal briefing and written briefing note which will include ownership and transaction volumes of nearby ATMs. The Rochester site visit briefing note will be distributed to the Board as an example. **ACTION: CCO.**

(Redacted on Confidential Grounds). The Board also noted that LINK has been invited to give oral evidence to the Scottish Parliament's Economy, Energy and Fair Work Committee on 10th December 2019.

Nick Quin left the meeting.

7. Stakeholder Update

The Board considered the update on LINK's engagement with stakeholders, including regulators and Network Members.

(Redacted on Confidential Grounds)

8. Structure of LINK's Strategic Plan

The Board considered the paper outlining the high-level structure for LINK's Strategic Plan, (Redacted on Confidential Grounds)

The Board was informed that the Strategic Plan will be further developed over the coming months and brought back to the January 2020 Board Meeting with additional content. Directors will feed in any minor points on the content of the paper prior to that meeting. Directors requested that it should also include the areas for action which had been considered, but not included, in addition to those that have. **ACTION: CEO.**

After discussion, the Board approved the structure of LINK's Strategic Plan.

The Board noted that the development of an updated Recovery and Wind Down Plan is a component of the existing Systemic Risk Management Strategy Implementation Plan due 31st December 2019.

(Redacted on Confidential Grounds)

9. Tender Closedown Report

The Board considered the Programme Implementation Review included in the Board papers. This Review incorporates the findings and conclusions of the lessons learned and programme evaluation sessions from the Tender Programme.

The Board noted that the tender had been a conspicuous success and an exemplar to other organisations.

(Redacted on Confidential Grounds)

After discussion, the Board agreed the contents and conclusions of the Review. The full Tender Programme closure pack will be distributed to the Board. **ACTION: COO.**

10. Board Development Plan

The Board was provided with an overview of regulatory expectations in respect of Board and Board Committee development, effectiveness and efficiency, and an analysis of likely future developments and expectations in respect of senior managers. The Board noted the Scheme Executive's work to assess at high level the impact of the Senior Managers & Certification Regime. It also notes the work by the COO to strengthen the company secretarial function.

The Board agreed that:

- Board development, succession planning and strategy should be added to the Strategic Plan. **ACTION: CEO.**
- Terms of Reference for the Board were not required as the Board's responsibilities were adequately covered elsewhere. The reserved matters for the Board was a governance matter.

The Board approved that:

(i) Training:

- **A structured Board training plan should be created, initially designed to address regulatory expectations of the Board and the various Committees. It is recommended that four sessions each year are organised, to take place immediately before or after Board meetings. It is recommended that the first session is delivered before the end of January 2020, focusing on risk management and the role of the Risk Committee (which PwC has offered to deliver). Consideration should be given to including within the above programme, high level training on LINK's operational, regulatory and legal environment. ACTION: CRO.**

(ii) Other Recommendations to Close Gaps to Regulatory Expectations:

- **Alignment of effectiveness reviews: Currently, there are three effectiveness reviews (for each of the Board, Audit Committee and Risk Committee) spread throughout the year. Those effectiveness reviews could be better scheduled, so that the Audit and Risk Committee reviews immediately precede the Board effectiveness review, in order**

that the output can be considered by the Board as part of its overall effectiveness review. ACTION: CRO.

11. Operational Summary

The Board considered the report on the overall position of LINK which provided updates in the following areas:

- Operational strategy overview.
- Staffing and capability highlights.
- Summary of next steps from the tender.
- Summary of strengthening Member oversight.
- Update on Critical Suppliers.

The Board noted that there are no major areas of concern.

12. 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)

13. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

14. Approval of PwC's Review of LINK's Internal Audit Function

The Board considered the findings and recommendations of the PwC Review of LINK's Internal Audit Strategy which was included in the Board papers. The Board noted that the Audit Committee had reviewed the report at its meeting on 29th October 2019 where PwC had presented its findings and was now recommending it for Board approval.

(Redacted on Confidential Grounds)

The Board approved the findings of the PwC Review of LINK's Internal Audit function and instructed the Scheme Executive to work with BDO to agree next steps and to define the timeline for delivery, for agreement by the Audit Committee in its December meeting. ACTION: COO.

15. Capital and Liquidity Update

The Board considered the paper summarising LINK's current position on capital and liquidity (Redacted on Confidential Grounds)

16. Agenda item Redacted on Confidential Grounds

Lord Hunt left the meeting as he had to return to London for a prior commitment.

17. Cash Usage Analysis

The Board considered the paper providing background information on recent analysis by LINK of transaction patterns by time of day and of a recent UK Finance publication on cash.

Noting that the latest UK Finance figures were from 2018 and were therefore already well out of date because of fast declining cash usage, the Board requested previous years' figures so that the trend could be observed. **ACTION: STRATEGY DIRECTOR.**

Tables should be added to the various charts included in the paper, and the font size increased for clarity. **ACTION: STRATEGY DIRECTOR.**

18. Background Supporting the Rationale for LINK's Commitment Targeting High Streets and CACI's Definition of Retail Centres

The Board considered the paper summarising the data supporting LINK's strategy of focusing efforts to maintaining the network footprint through the Protected ATM initiative and measures relating to retail centres.

The Board noted the conclusions of the paper:

- The existing footprint data shows that ATMs are concentrated in urban areas where there are large numbers of alternative ATMs. The opposite is true in more rural and remote areas. So, it is appropriate to focus efforts on maintaining the broad network footprint rather than absolute numbers of ATMs. The Protected ATMs are a good indicator of coverage so a focus on discouraging these from closing and promptly replacing those that do close will maintain broad coverage.
- The existing footprint data demonstrates that ATMs are largely concentrated in locations where there is significant retail activity. This is as expected, given that retailers provide both suitable premises to host ATMs and an opportunity for consumers to spend cash. As LINK is committed to maintaining the existing footprint of free-to-use ATMs rather than enhancing it (except in unresolved financial inclusion areas) it is appropriate to focus access to cash commitments on retail centre locations.

19. Member Assurance Review Update

The Board reviewed the findings of the "2018/2019 Member Assurance Review – Report to Board", included in the Board papers, noting that the review had concluded successfully on schedule on 31st October.

The Board noted that the review had provided reasonable assurance that the activities of Network Members are generally well controlled and that areas such as information security frameworks and policies, cyber-risk layered detection mechanisms, and encryption key management processes were adequately embedded in the control frameworks for most Members. The Board further noted the following thematic weaknesses and non-compliances that had been observed as summarised in the Report and which will be addressed by LINK's Operational Assurance team over the coming months:

- Governance and Oversight.
- Completeness of Coverage.
- Risk Management and Control Maturity.
- Infrastructure and Technology Planning and Use of Legacy Systems.

Directors questioned what the approach would be to Members whose response to the follow up was not satisfactory. The Board was advised that the new rules in the Members Agreement would be utilised with the ultimate sanction of temporary suspension from the Scheme if necessary.

20. Noting of any e-mail Approvals

There were no e-mail approvals to note.

21. Any Other Business

There were two items of AOB:

- The Board was informed that there will be an upcoming routine LSL e-mail vote to update the Authorisation Matrix (Redacted on Confidential Grounds)

Peter Sabourn joined the meeting.

- Peter Sabourn, LINK's new IT Coordinator (Redacted on Confidential Grounds), introduced himself and provided a brief introduction to his role. His contact details and the procedure for Directors obtaining IT support will be e-mailed out to Directors. **ACTION: COO.**

Peter Sabourn left the meeting.

22. Next Meeting

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