
**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting
held on Thursday 2nd February 2017**

Present:

Dr Ken Andrew - Chairman
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts (except item 4 (c) part)
Jonathan Simpson-Dent (except item 4 (c) part)
Fiona Walmsley (except item 4 (c) part)

Apologies:

None

In Attendance:

Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive
Nigel Constable – NoteMachine (for item 4(b))
Peter McNamara – NoteMachine (for item 4(b))

1. Welcome

The Chairman welcomed the Directors to the meeting.

He 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:

- (i) Adrian Roberts declared his existing relationship with Bank of Ireland, being a Network Member and a shareholder of VocaLink.
- (ii) Jonathan Simpson-Dent declared his existing relationship with Cardtronics, being a Network Member.
- (iii) Fiona Walmsley declared her existing relationship with RBS, being a Network Member and a shareholder of VocaLink.

Lord David Hunt advised the Board that he would be stepping down as Chair of the Lending Standards Board at the end of March 2017.

2. Minutes of the Previous Board Meetings on 5th January, 20th January, and 28th January 2017, and Matters Arising

The Chairman stated that the minutes of the meetings on 5th January, 20th January, and 28th January 2017 had already been approved.

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

There were three matters arising:

- (i) John Howells informed the Board that the LINK Scheme Wind-Down Plan required by the Bank of England had been submitted exactly as had been agreed by the Board. A meeting with the Bank to discuss the Plan has been arranged for 14th February 2017.
- (ii) John Howells confirmed that the NMC had voted to approve the appointment of Mark Boleat as Chairman. Mark Boleat's interview with the Bank of England has been arranged for 7th February 2017. Following that meeting and formal approval from the Bank, the transition plan with Dr Ken Andrew will be formulated.
- (iii) John Howells confirmed that an exemption for a two-year period from the next competitive procurement of the infrastructure contract had been requested from the PSR.

3. Committee Meeting Minutes

The Board noted the contents of the minutes of the Audit Committee meeting dated 7th December 2016.

Liz Richards advised the Board that BDO had duly been appointed as LSL's outsourced internal auditors.

4. Interchange Strategy, Presentation from NoteMachine and Update on MasterCard's Proposed Acquisition of VocaLink

The Chairman proposed that these agenda topics be taken together as they were inter-related. Given their potential conflicts, the same process would be followed as at previous meetings where the Member Directors contributed to the discussion but would leave the meeting when the Board agreed its approach.

a) MasterCard's Proposed Acquisition of VocaLink

(The Board discussed MasterCard's Proposed Acquisition of VocaLink but this has been redacted due to confidentiality).

b) Presentation from NoteMachine

Peter McNamara and Nigel Constable joined the meeting.

Peter McNamara and Nigel Constable presented NoteMachine's perspective on the current interchange dispute to the Board, including their concerns about the potential reduction in free-to-use ATMs. There followed a discussion with the Board on the potential consequences of any change to the current interchange arrangements.

Peter McNamara and Nigel Constable left the meeting.

c) Interchange Strategy

John Howells provided the Board with a status update on the establishment of the Working Group of the 8 largest Members whose objective it is to reach agreement on interchange. Barclays is responsible for setting up the Working Group, and the CEO of LSL will be in attendance. LSL has agreed to cover the cost of providing a facilitator.

The Board then discussed Interchange Strategy in the context of the linkage that some Members were making between the potential VocaLink sale and resolution of the interchange dispute. The Board also discussed its approach for the remedies negotiated with VocaLink and MasterCard.

The Board also reaffirmed its support to full implementation of the Independent Governance Review which would result in the abolition of the NMC following its meeting on 23rd March 2017, if accepted by Network Members. The Board felt that it would be appropriate to clarify to the Members at the next NMC and at the Working Group that, following the abolition of the NMC, the Working Group should report to the LSL Board. This would address both governance and competition law matters. **ACTION : JOHN HOWELLS.**

John Howells noted that the Chairman and CEO were keeping the Bank of England informed through David Bailey (Director, Financial Market Infrastructure Supervision) and his team. The Bank's view, as expressed to LSL, is that they are interested in stability of the system, but not in preserving a particular scheme's economic model.

John Howells confirmed that LSL was also providing regular updates to Hannah Nixon and her team at the PSR. LSL continues to work to the PSR's requirement that LINK is a competitive scheme and must succeed or fail on that basis.

John also confirmed that HM Treasury is being briefed in detail on all matters involving the Scheme, including interchange.

John noted that the three regulators appeared to be working closely together on payment matters.

Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley left the meeting.

Following further discussion by the Independent Directors, the Board agreed:

- (i) To request the CMA to push back its decision on the Phase 1 investigation into the proposed remedies by the maximum period possible (c.2 months) in order to negotiate a robust solution and so that the Working Group has the best possible opportunity to reach agreement on interchange. **ACTION : JOHN HOWELLS.**
- (ii) That it remains supportive of the deal with VocaLink/MasterCard as it stands and that it continues to believe that the package of remedies agreed is in the best interests of LSL and the LINK Scheme.

Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley then rejoined the meeting and were informed of the Board's decisions.

5. Setting up the CLG

John Howells informed the Board that the Stock Transfer Form transferring the share in LSL from Dr Ken Andrew to LSHL had been duly executed on 26th January 2017. LSL was therefore now a 100% subsidiary of LSHL.

He advised that the Accession Agreement has not yet been signed and this will be progressed in March alongside the governance changes required to support the implementation of the IGR and the Bank's consultation on governance.

6. Appointing of a LINK Scheme Deputy CEO

John Howells advised the Board that he had asked Russell Reynolds to benchmark the Deputy CEO role and quote for the provision of professional advice.

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

7. Chairman Succession Update

The update on the Chairman succession had already been provided under Matters Arising. The Board authorised Lord David Hunt to sign the contract for the new Chairman on the basis of the terms agreed. **ACTION : LORD DAVID HUNT.**

8. Scheme Risk Management

The Board noted the overall risk position summarised in the LSL Risk Management Dashboard presented by John Howells. John highlighted the potential risk of brand and trademark infringement from BT.

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

He commented that overall the risk management process was working well.

9. Scheme Finances

Mike Knight updated the Board on the Scheme Finances.

(The Board discussed the Scheme Finances but has been redacted due to confidentiality).

10. Any Other Business

Sue Wallace advised the Board that the Audit Committee had approved the PWC Engagement Letter for the 2016 Audit. The Board authorised John Howells to sign the letter on behalf of LSL. **ACTION : JOHN HOWELLS.**

11. Next Meeting

The next meeting will be held on Thursday 2nd March 2017 at 1.30 pm.