
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Tuesday 23rd January 2018**

Present:

Sir Mark Boleat - Chairman
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts
Fiona Walmsley

Apologies:

None

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 summarised the status of the big issues that were on the Agenda:

- LINK was well prepared on interchange, with the final decision due to be announced on 31st January 2018 following the consultation.
- (Redacted under Confidential Grounds)
- LINK was doing everything being asked of it by the PSR in terms of progressing the mandated tender activities although this presents a number of risks.

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).

In particular:

- (i) Adrian Roberts declared his existing relationship with Bank of Ireland, being a Network Member and a shareholder of Vocalink.
- (ii) Fiona Walmsley declared her existing relationship with RBS, being a Network Member and a shareholder of Vocalink.
- (iii) Lord Hunt declared his interest as a Partner of DAC Beachcroft LLP.

- (iv) The Chairman declared a small financial interest in Yatterbox, a company now owned by Cicero Group.

2. Minutes of the Previous Board Meeting and Matters Arising

The Chairman stated that the minutes of the meeting on 4th January 2018 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 the minutes of the meeting on 4th January 2018.

In respect of the telephonic Board Meetings on interchange on 12th December 2017, 21st December 2017 and 28th December 2017, the Board agreed that the minutes should be amended to record that the Member Non-Executive Directors had conflicts of interest in respect of the business to be discussed and therefore had not received the papers for those meetings and had apologised for absence.

ACTION : FINANCE DIRECTOR

3. Committee Meeting Minutes

The minutes of the Audit Committee meeting on 30th November 2017 and of the Consumer Council meeting of 14th December 2017 had already been circulated to the Board.

4. CEO's Report

The Board noted the contents of the CEO Report and that the key matters were covered by separate agenda items.

The Board discussed the impact of the decline in transaction volumes. The Board was informed that this trend had continued into January where the volumes were 5% down year-on-year for the month to-date. The Board requested that the weekly data were made more visible on the LINK website. **ACTION : HEAD OF STRATEGY**

The Board was informed that, whilst the number of ATMs was reasonably stable, it would decline in the coming months because of the lag following the decline in transaction volumes.

(Part if this discussion was redacted under Confidential Grounds)

5. Interchange Consultation

Adrian Roberts and Fiona Walmsley left the meeting.

The Board studied carefully the package of information that had been provided, noting that these were intended as public documents. The package consisted of:

- “LINK Interchange Final Decision 31 January 2018” and Impact Assessment
- Announcement “LINK Interchange Consultation Announcement 31 January 2018”

- Summary of responses received to the consultation “LINK Interchange Consultation Responses”
- KPMG Interchange Report dated 22nd January 2018

The Board noted that, in line with the PSR’s request, these documents are to be provided to the PSR immediately after the Board meeting.

The Board also considered the communication plan that was presented.

(Part if this discussion was redacted under Confidential Grounds)

After taking full account of the comments from the Interchange Consultation, consideration of the competition law advice provided by A&O and consideration of the systemic risk implications, the Board approved the interchange proposals presented without modification. In addition, the Board approved the communication plan and authorised the Chairman and CEO to finalise the various submissions including final amendments. **ACTION: CHAIRMAN/CEO**

Adrian Roberts and Fiona Walmsley re-joined the meeting and were informed of the Board’s decisions.

6. This Agenda item has been redacted under Confidential Grounds

7. Progress of the Mandated Tender

The Board was provided with an update of the progress of the mandated tender activities and reviewed the Selection Criteria that will be used when deciding to award the contract to the successful bidder.

The Board was informed that a fully compliant process is now underway which is being led by the newly-appointed interim Head of Procurement, Jonathan Lea. The Board requested that:

- Jonathan Lea’s CV is circulated.
- A meeting with the Chairman is arranged.
- He is asked to attend a future Board meeting.
- The notice period/term of his appointment is reviewed to ensure it is sufficient.

ACTION : CEO/COO

The Board was informed that the next PSR compliance report is due on 30th January 2018 and will be issued for Board review prior to submission. **ACTION : CEO/COO**

(Part if this discussion was redacted under Confidential Grounds)

8. Enhanced LINK Financial Inclusion Programme Preparations

The Board was provided with:

- A summary of how the current Financial Inclusion Programme (FIP) operates.

- An outline proposal on commercial changes to the Programme as part of the revised interchange arrangements that are being considered for introduction later this year.
- An outline of how the FIP can be managed by the Board and the LINK Consumer Council.

After discussion, the Board agreed that:

- (i) the large IADs should be formally contacted to request details of which ATMs are under threat of closure as a result of the interchange reductions.
ACTION : CEO/HEAD OF CONSUMER AFFAIRS
- (ii) it would be useful if Guy Opperman MP (Parliamentary Under-Secretary of State for Pensions and Financial Inclusion at the Department for Work and Pensions) and John Glen MP (Economic Secretary to the Treasury and City Minister) were briefed on the proposed enhancements to the FIP.
ACTION : TRACEY GRAHAM/HEAD OF CONSUMER AFFAIRS

The Board authorised the LINK Scheme Executive to implement the enhanced FIP which includes:

- Protecting free ATMs where there is not another free ATM within one kilometre.
- The introduction of new premium levels at 20 and 30 pence to resolve the more challenging sites.
- (Redacted under Confidential Grounds)
- Implementation of the MI and monitoring outlined in the paper to support Board supervision.
- Establishment of additional quarterly reporting on the Consumer Council agenda and report back to Board.

ACTION : COO/HEAD OF CONSUMER AFFAIRS

9. Innovation and Proposed Use of the Development Fund

The Board was provided with an overview of the status of the innovation work on piloting cash access at retailers' tills. (Part of this discussion was redacted under Confidential Grounds)

The Board noted the update and reiterated its support for the concept.

10. Scheme Risk Management

The Board reviewed and discussed the risk position as shown in the Risk Management Dashboard, which consisted of the following reports:

- Overview on Risk Management.
- Risk Summary.
- Risk Register Overview.
- Operational Risk Management.
- Member Risk Management.
- LSHL Cyber Resilience.
- GDPR 12 Step Plan.

The Board noted the following items during its review, that:

(Part if this discussion was redacted under Confidential Grounds)

In accordance with its rolling programme of in-depth reviews, the Board considered the risks related to Brand and Reputation.

The Board noted that there are ten brand and reputational-related risks in the Risk Register.

The following Risks have been identified as Amber risks:

(Redacted under Confidential Grounds)

The following Risks have been identified as Green risks:

(Redacted under Confidential Grounds)

After discussion, the Board agreed that all Brand and Reputational Risks are in hand and are being actively managed.

The Board asked for its appreciation for the work of the Principal Risk & Compliance Manager and her team in a challenging environment to be relayed to the relevant personnel. **ACTION : CEO/COO**

11. Scheme Finances

The Board was updated on the Scheme's Finances.

(This discussion was redacted under Confidential Grounds)

12. This Agenda Item has been redacted under Confidential Grounds

13. Noting of any Email Approvals

There were no email approvals for the meeting to note.

14. Any Other Business

(i) **Bank of England at Board**

The Board was informed that Victoria Cleland and Martin Etheridge of the Bank of England Notes Division are scheduled to present to the Board at the 5th April 2018 Board meeting.

(ii) **Consumer Council Annual Report**

The Board was advised that the Consumer Council Annual Report will be distributed shortly to Network Members, regulators, MPs, Peers and journalists,

amongst others. The Board requested that Cicero is asked how they intend to use it to maximise the PR benefit. **ACTION : CEO/HEAD OF STRATEGY**

15. Next Meeting

The next meeting will be held on Thursday 1st March 2018 at 10.30 am (Redacted under Confidential Grounds)