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**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting  
Held on Thursday 1<sup>st</sup> September 2016**

**Present:**

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

**Apologies:**

None

**In Attendance:**

Mike Knight – The FDCentre  
Sue Wallace – Link Scheme Executive

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

**2. Minutes of the Previous Board Meetings on 18<sup>th</sup> July 2016 and 29<sup>th</sup> July 2016, and Matters Arising**

The Board agreed the minutes of the meetings held on 18<sup>th</sup> July 2016 and 29<sup>th</sup> July 2016.

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

There were no matters arising.

**3. Audit Committee Update**

Liz Richards provided the Board with an update on the meeting of the Audit Committee held on 11<sup>th</sup> August 2016.

The Board approved the Statutory Accounts of the Company for the year ended 31<sup>st</sup> December 2015 and supported the Going Concern Review which underpinned the basis of the accounts preparation.

John Howells had already been authorised by the Board to sign the Statutory Accounts once approved by the Board. The Board authorised the Chairman and John Howells to sign the Letter of Representation required by PWC prior to their signing of the audit opinion contained in the Statutory Accounts. **ACTION: CHAIRMAN and JOHN HOWELLS**

#### **4. Update on Upcoming NMC**

John Howells updated the Board on the key matters that are on the agenda for the NMC meeting on 8<sup>th</sup> September. The Board discussed LSL's position on each issue:

##### ***(a) Review of Interchange***

The Board discussed LSL's approach to the Lloyds proposal for a review of interchange by Frontier Economics, overseen by NMC rather than LSL, which will be voted on at the NMC meeting. It was agreed that LSL should continue along the current path which is to stand ready to support the membership in managing the way through the situation should there not be agreement on the way forward at the December NMC meeting.

##### ***(b) Establishing CLG***

John Howells advised the Board that the vote to set up CLG required an 80% threshold in order to be passed by NMC. Whilst there is no indication that this resolution will not achieve the required level of support, particularly now the power for CLG to set up subsidiaries without NMC permission has been removed, the Scheme Executive is monitoring the situation closely. The Board agreed that that setting up the CLG, which could be completed during Q4 subject to NMC approval, is a critical step in moving forward the implementation of the Independent Governance Review.

##### ***(c) Recognition by the Bank of England***

John Howells noted that the requirements of the Bank of England are proving very thorough in order to fully implement the "3 line of defence" model that LSL is putting in place.

Lord David Hunt advised the Board that he had received positive feedback from the Bank in terms of the approach the Scheme Executive had been adopting to the Bank's requests to date.

##### ***(d) Sale of VocaLink***

The Board agreed to continue to adopt a watching brief in respect of the VocaLink sale.

#### **5. Scheme Risk Management**

John Howells advised the Board that the Bank of England expects the management of risk to be either performed directly by the Board itself or delegated to a committee set up for this specific purpose. The Audit Committee had considered the option of the Board delegating risk management to the Audit Committee and reforming the Committee as an Audit and Risk Committee but recommended that, at this stage of LSL's evolution, it was more appropriate that risk should be a matter for Board. After discussion, the Board

agreed that it would directly own risk management for the foreseeable future. The approach would be reviewed in 12-18 months' time.

The Board then reviewed the format and content of the Risk Policy and Risk Register.

It was agreed that there is a need to align the Risk Policy and Risk Register with the Bank of England expectations. Specifically, this would require the adoption of the Bank's terminology and the separation of how issues are dealt with as opposed to risks.

**ACTION: JOHN HOWELLS/SUE WALLACE.**

A concern was also raised about Members' ability to self-certify compliance under the current arrangements. Sue Wallace advised that this will change as LSL completes the full implementation of CPMI -IOSCO principles. **ACTION: SUE WALLACE.**

## 6. Resolutions to Approve CLG

### 1.1 Background and Purpose

- (a) The Chairman explained that structural changes are to be made to the LINK Scheme and the LINK Network for the benefit of the Network Members. At present, Ken Andrew is the sole shareholder of the Company holding such share on behalf of the Network Members.
- (b) It is proposed that a new company limited by guarantee (**CLG**) is incorporated and that Ken Andrew transfer his shareholding in the Company to CLG so that the Company becomes a wholly-owned subsidiary of CLG (the **Transfer**). All present and future Network Members will become guarantor members of CLG and will execute a deed of guarantee for a nominal value of £1. This is only payable if CLG is wound up and a contribution is required for CLG to pay its debts. The guarantor members will exercise control over CLG on a one vote per member basis. The board structure of CLG will mirror the board structure of the Company.
- (c) The Chairman further noted that in order to maintain effective management of the LINK Scheme and LINK Network, CLG will become a party to the Members Agreement between the Company and the Present Network Members (the **Members Agreement**). In addition, amendments are to be made to the Members Agreement and the Operating Rules (the **Amendments**, and together with the Transfer, the **Restructuring**).
- (d) The Chairman noted that the purpose of the meeting was to consider, and if thought fit, to approve certain matters in respect of the Restructuring.
- (e) It was noted that capitalised terms used in these minutes would, unless otherwise defined, have the meaning given to them in the Members Agreement.

### 1.2 The Amendments

- (a) The Chairman explained that the following amendments were to be made to the Members Agreement:
  - i. CLG will become a party to the Members Agreement.
- (b) The Chairman noted that other than the changes described above, there will

be no other substantive amendments to the Members Agreement. All provisions relating to the operation of the LINK Scheme remain unchanged: the NMC will retain its existing powers and will continue to supervise governance issues relating to the LINK Scheme; the existing voting thresholds in the Members Agreement will remain in place; and the Company will continue to be the main operating company responsible for the day-to-day running of the LINK Scheme.

- (c) The Chairman explained that Section 1 of the Operating Rules describes the structure of the LINK Scheme. A few minor changes will be made to the description in order to reflect the new structure and the insertion of CLG as the sole shareholder of the Company. No substantive changes will be made to the operational rules themselves.
- (d) The Chairman noted that, in due course, the Company's articles of association would be updated to reflect the Restructuring.

### **1.3 Tabling of Documents**

- (a) The following were produced at the meeting:
  - i. a draft stock transfer form from Ken Andrew pursuant to which his one share of £1 nominal value in the Company will be transferred to CLG (the **Stock Transfer Form**);
  - ii. draft of the amended Members' Agreement (the **Amended Members' Agreement**); and
  - iii. a draft of the amended Operating Rules (the **Amended Operating Rules**, and together with the Stock Transfer Form and the Amended Members' Agreement, the **Documents**).

In addition, an explanatory note from A&O, and the proposed articles of association for CLG were produced.

The Directors carefully considered the Documents.

### **1.4 Consideration and Resolutions**

- (e) The Directors considered the purpose of the Restructuring and the Documents and concluded that they would promote the success of the Company for the benefit of the Company's sole member and the Network Members, having regard to the relevant factors set out in s.172 of the Companies Act.

### **1.5 IT WAS RESOLVED THAT:**

- (a) The Restructuring be and is hereby approved;
- (b) The amendment to the Company's articles of association to reflect the Restructuring be and hereby is approved in principle, subject to approval by the Company's sole shareholder;

- (c) The Documents are hereby approved and the Company be authorised to enter into the Documents in substantially the form presented to the meeting and to enter into any deeds of amendment and restatement to effect such amendments (the **Amendment Deeds**);
- (d) any of the Directors (or, in the case of a deed, any Director in the presence of a witness who attests the signature or any two Directors or any Director and the Secretary) be authorised to sign on the Company's behalf the Documents and the Amendment Deeds with such amendments as any of the Directors may in their absolute discretion deem necessary or desirable and to sign on the Company's behalf all other documents and to do all acts and things which any of the directors may in their absolute discretion deem necessary or desirable to effect the Restructuring; and
- (e) subject to the effective transfer of the one ordinary share in the Company to CLG, any one Director, or the Secretary, be authorised and instructed to:
- i. update the register of members of the Company to record CLG as the sole shareholder of the Company;
  - ii. issue a new share certificate to CLG; and
  - iii. sign any documents, or take any other actions, to effect the Transfer.

## 7. Scheme Finances

Mike Knight updated the Board on the Scheme finances.

## 8. Approval of Bank of England Settlement Service Provider Agreement

John Howells advised that the Bank of England Settlement Service Provider Agreement had been signed at the Bank's request but requires Board confirmation. The Board duly confirmed its authorisation of this agreement.

## 9. Any Other Business

### *(a) LINK Consumer Council*

Tracey Graham updated the Board on the activities of the LINK Consumer Council which were generally very positive.

One issue that had become apparent was that IADs did not currently have access to the Metropolitan Police DCPCU for fraud investigations. The Scheme Executive will enquire whether this can be provided. **ACTION: JOHN HOWELLS AND SUE WALLACE.**

Tracey Graham confirmed that she would come back to the Board by the end of 2016 with recommendations for the composition and operation of the LINK Consumer Council going forward. **ACTION: TRACEY GRAHAM**

## 10. NMC and LSL's Chairman's Contract and Succession Planning

Dr Ken Andrew left the meeting for this item. Lord David Hunt took the Chair.

### **11. Next Meeting**

The next meeting will be held on Wednesday 5<sup>th</sup> October 2016 at 10.30 am at 33 St James's Square, SW1Y 4JS.