
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 1st March 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 highlighted the status of the key issues that were on the Agenda:

(Part if this discussion was redacted under 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).

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.

The Chairman informed the Board that he no longer had a small financial interest in and was no longer a director of Yatterbox, a company now wholly-owned by Cicero Group.

2. Minutes of the Previous Board Meeting and Matters Arising

The Chairman stated that the minutes of the meeting on 23rd 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.

3. Committee Meeting Minutes

The minutes of the Remuneration Committee meeting on 23rd January 2018 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, other than recruitment, were covered by separate agenda items.

On recruitment, which was being dealt with by the Remuneration Committee, the Board was informed that:

(Part if this discussion was redacted under Confidential Grounds)

The Board reviewed the data on ATM usage, noting the trend of declining transaction volumes. The Board requested a scenario analysis showing the potential impact on the Scheme's finances of a range of reductions in projected LINK transaction volumes.

ACTION : FINANCE DIRECTOR.

The Board also requested weekly volume bulletins for the time being. **ACTION : HEAD OF STRATEGY.**

5. Interchange Consultation Announcement

The Board was updated on the announcement of changes to interchange made on 31st January 2018 as a result of the interchange consultation, including the PR and public affairs campaign.

(Part if this discussion was redacted under Confidential Grounds)

The Board agreed that a communication and perhaps seminar on the Financial Inclusion Programme for all ATM operators would be a good idea at the appropriate time. **ACTION : HEAD OF CONSUMER AFFAIRS.**

The Board was informed that everything was in place technically to implement the rate change on 1st July 2018.

6. Systemic Risk Management Strategy Implementation Plan

The Board reviewed the Systemic Risk Management Strategy Implementation Plan for the Bank of England and was provided with an update on the Board Risk Appetite work.

The Board was advised that the additional staff that needed to be recruited under the Implementation Plan (along with resources for the mandated tender) necessitated a move to larger offices in Harrogate which was planned for Summer 2018.

The Board approved the Implementation Plan for submission to the Bank of England.

ACTION : COO.

The Board agreed that a copy of the submitted Implementation Plan should be provided to BDO as it would influence their internal audit work. **ACTION : COO.**

7. Progress of the Mandated Tender

The Board was provided with:

- An update of the progress of the mandated tender activities.
- An outline of the next PSR report due at the end of March.

(Part if this discussion was redacted under Confidential Grounds)

8. Enhanced LINK Financial Inclusion Programme (FIP)

The Board was updated on the work underway to establish the enhanced FIP which consists of two main components:

- (i) Protected ATMs – where there is no other free-to-use ATM within one kilometre.
- (ii) FIP premiums to improve access in deprived areas that do not have an ATM, or prevent “deserts” where current free-to-use access is removed.

(Part if this discussion was redacted under Confidential Grounds)

The Board agreed that relevant information on FIP intervention should be added to the Board data in the COO Report. **ACTION : COO.**

9. Outline Terms of Reference for the Review of Long Term Access to Cash

(Part if this discussion was redacted under Confidential Grounds) The Board noted that the plan was to launch the Committee in April 2018.

The Board discussed the draft Terms of Reference. It was noted that, under risk of a cyber-attack, people would be likely to wish to use more cash. The Board therefore agreed to ask Promontory to include this item in the Board Risk Appetite workshop on 5th March 2018. **ACTION : HEAD OF CONSUMER AFFAIRS**

10. Innovation and Use of the Development Fund

The Board was provided with a general update on innovation (Part if this discussion was redacted under Confidential Grounds).

11. Scheme Risk Management

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

(Part if this discussion was redacted under Confidential Grounds)

12. Scheme Finances

The Board was updated on the Scheme's Finances.

(Part if this discussion was redacted under Confidential Grounds)

13. This item was redacted under Confidential Grounds

14. Board Update on the Approach for PCI Key Blocks

The Board was updated on the developing findings and recommendations of the impact assessment of the Payments Card Industry (PCI) key blocks requirements on the LINK Network.

The Board noted that the Scheme Executive will continue to develop an implementation plan for key blocks in line with the PCI timetable and also set out a roadmap for updating the encryption used.

15. LINK Exceptional 2019 Release

The Board was advised that the proposed contents of the next LINK Release are as follows:

- Contactless ATM Transactions through LINK (subject to approval from the International Card Schemes with regards to use of their Application Identifier).
- Automated Disputes; Amendable Settlement amount at Arbitration stage.
- ATM Database Download file.
- Enhanced Financial Inclusion Programme.
- Decommissioning of Common Ownership.
- Counter cash withdrawals.
- Disaggregation of Settlement.
- Separation of LINK and non-LINK transactions.

The Board noted that:

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- (i) Network Members have been advised of the proposed contents of the Release along with the timeline required in order to implement the changes in June 2019.
- (Part if this discussion was redacted under Confidential Grounds)
- (ii) Vocalink requires notification of the changes to be included in the Release by 30th April 2018.
- (iii) Formal Board approval will be sought via an e-mail vote on or around 23rd April, by which time the Scheme Executive will have completed its assessment of Vocalink's response to the proposed contents of the Release and confirmed the changes to be progressed.

16. Approval of Changes to the ERMF and Risk Principles

The Board was updated on the Enterprise Risk Management Framework ("ERMF") which takes into account the full end-to-end system in line with LINK's obligations as a systemic risk manager.

The Board noted that the ERMF is now structured according to a three pillars approach to address the end-to-end payment system. The pillars are:

- **Pillar 1:** Corporate - This Pillar covers all aspects of LSHL internal and business activity.
- **Pillar 2:** Network - This Pillar captures the risks generated by the transactional and settlement aspects of the LINK Network, and focuses on the risks generated by the Critical Servicer Providers (including the Infrastructure Provider).
- **Pillar 3:** Member - This Pillar covers the risks generated by the Members.

The Board further noted that the updated ERMF will align with the System Risk Management work underway, including the Risk Appetite work being supported by Promontory.

17. Noting of any Email Approvals

There were no e-mail approvals for the meeting to note.

18. Any Other Business

- (i) ***Impact of possible move of Infrastructure Contract from Vocalink***

(Part if this discussion was redacted under Confidential Grounds)

19. Next Meeting

The next meeting will be held on Thursday 5th April 2018 at 10.30 am (Redacted under Confidential Grounds)

Lord Hunt apologised in advance that he will be unable to attend the meeting.