
**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting
Held on Wednesday 13th April 2016**

Present:

Dr. Ken Andrew - Chairman
Jenny Campbell (for items 1-2)
Tracey Graham
John Howells
Lord David Hunt (for items 1-5)
Liz Richards
Adrian Roberts
Fiona Walmsley

Apologies: None

In Attendance:

Mary Buffee – Secretariat (except item 7)
Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive (for item 6)
Sue Wallace – LINK Scheme Executive (except items 3, 4 and 7)

1. Welcome

The Chairman welcomed the Directors to the meeting and advised that Mike Knight was attending the meeting in his capacity of providing support to the Company on financial and secretarial matters.

The Chairman advised that because Jenny Campbell could only attend the first part of the meeting the order of the agenda would be changed so that the item “Approach to Innovation” would be considered first.

2. Approach to Innovation

The Board considered the proposal presented by Jenny Campbell for a trial involving on line PIN authentication of Point of Sale transactions.

The potential benefits of the Scheme to Members, consumers and the Company were discussed.

John Howells advised that the Company does not currently have the authority to run such a trial as this resides with the NMC. It was noted that the value would primarily arise if such a process were universally accepted by the Members although the Board recognises that issuers can reach bilateral commercial arrangements should they wish. It was also noted that Members are likely to have questions regarding security.

Tracey Graham raised the point about needing to ascertain the commercial value of such a proposal to the Company before proceeding.

It was agreed to get feedback on the proposal initially from the big issuers, noting that it would be important to talk to the right people in these organisations. **ACTION: JOHN HOWELLS.**

3. Minutes of the Previous Board Meetings on 2nd and 23rd March 2016 and Matters Arising

The Board agreed the revised minutes of the meetings on 2nd March 2016 and 23rd March 2016. All actions have been completed or were on the agenda for the meeting.

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, 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.

There were no other matters arising from either meeting.

4. Future Scheme Governance

John Howells briefed the Board on the progress of the implementation of the recommendations of the Independent Governance Review.

It was noted that the Governance Members Working Group (“GMWG”) did not support an interim structure as initially proposed and wished to get the final Company Limited by Guarantee (“CLG”) structure in place as quickly as possible. This process is likely to take to the end of Q3.

The proposal, to be discussed further at the GMWG on 15th April 2016, is therefore to present draft Articles of the CLG for review at the Company’s Board meeting in May 2016. These would then be presented to the NMC in June with the intention that the new structure is fully implemented by September 2016.

The Board discussed the issue of the relative powers of the Company and NMC. It was noted that there are some areas of agreement and some areas where further discussion is needed. It was concluded that the Company should be responsible for regulatory issues, with financial and risk considerations that affect Members being reserved to Members. This issue will be discussed further at the GMWG before bringing a proposal to the Company’s Board meeting in May. **ACTION: JOHN HOWELLS**

It was noted that DAC Beachcroft are providing legal advice in connection with the drafting of the CLG Articles and that the Board should monitor potential conflicts on an ongoing basis.

5. Commercial Workstream and Separation

John Howells advised the Board that the separation of the Company’s operations from those of VocaLink on 1st April 2016 had been completed without undue problems. All

operational processes (e.g. invoicing and IT) have been operating smoothly since that date. The Company's employees are also positively engaged in the new working environment.

Adrian Roberts suggested that the Board considers holding a future Board meeting at the Harrogate offices. **ACTION: MARY BUFFEE**

The Board discussed contract with VocaLink, these discussions have been redacted due to their confidential nature.

6. Next Steps on Independent Economic Review of Interchange

The Board was updated by John Howells and Graham Mott on the progress of the Independent Economic Review of Interchange that the Company is conducting with the support of Frontier Economics. This is redacted on commercial grounds.

The Chairman would also speak to individual members of the Board to ascertain their views on the issue of conflict in respect of Board Directors generally and would report back at the May Board meeting. **ACTION: CHAIRMAN**

7. Review and Approval of RemCom Actions

Tracey Graham updated the Board on the various actions considered at the previous RemCom meetings. The action sheet from those meetings will be updated and circulated **ACTION: TRACEY GRAHAM**

Future RemCom meetings will be held on alternative dates to Board meetings. **ACTION: TRACEY GRAHAM**

The Chairman advised that there needed to be a change in the Terms of Reference of the RemCom to recognise that the RemCom did not currently have a secretary.

The Board approved that the current clause 3 of the Terms of Reference is replaced in its entirety by:

3. Minute Secretary

3.1 *The Company Secretary or nominated member shall be appointed at the start of each meeting to keep a record of:*

3.1.1 *The action points arising from the meeting*

3.1.2 *The membership of and the dates of any changes to the membership of the Committee.*

3.1.3 *Any person or firm who provides advice or services to the Committee or materially assists the Committee on matters relating to Directors' remuneration. The Company Secretary shall keep a record of the nature of any other services provided by that person to the Company during the year.*

The member taking a note of the meeting shall circulate the minutes of such meetings to the Chairman of the Committee and, once agreed, to all members of the Board.

8. Response to the PSR's Interim Report on the Ownership and Competitiveness of Infrastructure Provision

The Board discussed the proposed response to the PSR report. It was agreed that the content of the response was sensible but that the tone should be altered to emphasise the Company's support of the PSR's objectives of increasing the transparency and competitiveness of infrastructure ownership, and the use of industry standards to encourage innovation. Subject to rewording, the Board approved the response. **ACTION: JOHN HOWELLS**

9. Approach to Audit Committee and Draft Terms of Reference

Liz Richards presented the key points regarding the Audit Committee approach and draft Terms of Reference to the Board.

It was noted that all Non-Executive Directors are "independent" and are therefore eligible to be appointed to the Audit Committee. For the avoidance of doubt, the Board approved the Terms of Reference subject to the removal of "*independent*" in clause 1.2 in relation to the non-executive directors who are eligible to be members of the Audit Committee. This ensures that Member Directors can also serve as needed. **ACTION: LIZ RICHARDS**

The first meeting of the Audit Committee will be in June and a report will be made to the Board after that meeting. **ACTION: LIZ RICHARDS**

10. Scheme Finances

John Howells updated the Board on the Scheme finances.

He reported that the Scheme is operating within the approved budget. The Board then discussed the budget which has been redacted due to its confidential nature.

It is anticipated that full management accounts will be provided to the Board from the June meeting onwards **ACTION: JOHN HOWELLS**

11. AOB

The Board authorised the Chairman and John Howells to make the payment of the £570,000 PSR instalment on 15th April 2016. **ACTION: CHAIRMAN AND JOHN HOWELLS.**

The Board authorised Sue Wallace to enter into Non-Disclosure Agreements with potential new Members on behalf of the Company.

Tracey Graham raised the issue of Bank of England Recognition. John Howells reported that, from his regular meetings with the Treasury, that this is an option that the Treasury is considering but that there is no further information on timings or intentions.

12. Next Meeting

The date of the next meeting is Wednesday 11th May 2016 at 33 St James's Square, SW1Y 4JS.

Lord David Hunt gave his apologies for this meeting.