
**Minutes of a Link Scheme Ltd Board Meeting
Held on Tuesday 5th January 2016
via Teleconference**

Present:

Dr. Ken Andrew - Chairman
Tim Allen
Jenny Campbell
John Howells
Lord David Hunt
Michael Coffey

In Attendance:

Mary Buffee – Secretariat
Sue Wallace – LINK Scheme Executive

1. Welcome and Minutes and Matters Arising from the Board Meeting on 2nd December

The minutes of 2nd December had already been approved via e-mail. All actions were completed or on the agenda for the meeting.

2. Setting up the LSL Board and Next Steps on the Governance Review

The Board discussed progress on the establishment of the new LSL Board. The NMC had voted unanimously to support the appointment of Liz Richards and Tracey Graham as new Independent Non-Executive Directors of LSL. The Board then agreed their appointments for a 3 year term with effect from 5th January.

The Panel is in the process of conducting interviews for the Member Non-Executive Directors and it is anticipated that its recommendations will be available in the next few days. The Board agreed to delegate the authority to approve the appointment of these three Director roles to the Independent Chairman, Tracey Graham, John Howells, Lord Hunt, and Liz Richards.

The Board agreed to the appointment of John Howells as a Director of LSL for a 3 year term with effect from the 1st January 2016 and delegated the authority to sign John's letter of appointment to Ken Andrew. The Board also agreed to delegate authority to Ken Andrew to approve John Howells' TUPE employment contract on behalf of LSL for the role of LINK Scheme CEO, subject to the NMC approval of the restructuring with VocaLink.

The Board discussed the set-up of the Independent Economic Review of Interchange. From a number of consultancy organisations approached, Frontier Economics is the recommended firm to support this work. It was noted that Frontier is a leading economic consultancy and has participated in work of this nature in the past. The approval will be on the agenda for the upcoming Board in February. A&O has also been asked to provide additional competition advice on issues that might arise from Member Non-Executive Directors having involvement in the Review through their roles on the LSL Board. This will be provided at the next meeting. **ACTION: JOHN HOWELLS.**

3. Update on the Commercial Workstream Including Contract Negotiation and Separation

The Board discussed the progress on the Commercial Workstream and the contract negotiations, this discussion has been redacted due to its confidential nature.

4. Potential Recognition of LINK by The Bank of England

The Board discussed the recommendation by The Bank of England to the Treasury to Recognise LINK under the Banking Act 2009.

HMT has been asked to provide an explanation for the basis of The Bank's recommendation, but has not yet responded. If approved, Recognition would bring LINK under the supervision of The Bank of England as well as of the PSR. The Treasury has asked for LSL's comments by the 31st January, and Board then discussed its response to this request.

It was noted that LINK does not appear to be a systemic scheme. Not only are there alternative network providers such as the international card schemes available, there are also alternative sources of consumer cash access, such as at all Post Office counters, and issuer's own customers do not route through LINK when using one of their own ATMs. It was also noted that the benefits of recognition should be explored despite the likely and significant increase in the cost base. An impact assessment is underway to quantify this, but initial indications are that this could require very substantial headcount increases and increases in capital reserves. The extra cost and resource burden from recognition could put the LINK Scheme in a difficult position relative to other operators who not process UK ATM transactions. This will reduce the competitive attractiveness of LINK, and may even risk the Scheme. Board agreed that all of these matters should be explained in the response to the Treasury and that Recognition should not be supported. NMC should also be updated on LSL's response. **ACTION: JOHN HOWELLS.**

5. Scheme Finances

Board was updated on the position with Scheme finances, which overall remain on track.

It was noted that the current finance and risk management capability of the Scheme post separation will be very limited, and very reliant on externally outsourced providers. Therefore, the new Board will consider options for how to move to a more robust standard structure at its first meeting in February.

6. AOB and the Date of the Next Meeting

Board noted that the current Member Director's terms will shortly expire and need to be removed from the Director's register at Companies House. **ACTION: MARY BUFFEE.**

The Chairman and Lord Hunt gave their thanks to the outgoing Member Directors noting their valuable contributions to LSL over the last 12 months.

The date for the next meeting is Wednesday 3rd February at 10.30. This meeting will be held at a new venue, 33 St James's Square, SW1Y 4JS.