
**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting
held on Thursday 6th April 2017**

Present:

Mark Boleat - Chairman

Tracey Graham

John Howells

Lord David Hunt

Liz Richards

Adrian Roberts (except item 5 part)

Jonathan Simpson-Dent (by phone; except item 5 part)

Fiona Walmsley (except item 5 part)

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

The Chairman welcomed the Directors to the meeting. He highlighted two key issues on the agenda for the Board to consider, which were Interchange (see item 5 below) and.

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, Jonathan Simpson-Dent 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 and a shareholder of VocaLink.
- (ii) Jonathan Simpson-Dent declared his existing relationship with Cardtronics, being a Network Member.
- (iii) Fiona Walmsley declared her existing relationship with RBS, being a Network Member and a shareholder of VocaLink.

Lord Hunt declared his interest as a Partner of DAC Beachcroft LLP.

(Part of this discussion has been redacted under confidential grounds.)

2. Minutes of the Previous Board Meetings held on 2nd March 2017, and Matters Arising

The Chairman stated that the minutes of the meeting on 2nd March 2017 had already been approved.

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

There was one matter arising:

The Board was informed that the visit to the VocaLink back up site would take place at the beginning of September.

3. Committee Meeting Minutes

The minutes of the Audit Committee and Consumer Council meetings dated 2nd March 2017 were noted. The amended Terms of Reference for the Audit Committee will be presented to the Board for approval at the next meeting. **ACTION : SUE WALLACE.**

Mary Buffee, John Howells, Graham Mott, and Sue Wallace left the meeting.

(Part of this discussion has been redacted under confidential grounds.)

Mary Buffee, John Howells, Graham Mott and Sue Wallace re-joined the meeting.

4. CEO's Report

The CEO Report was noted. All Directors agreed that it was very helpful and should continue to be provided for future Board meetings.

The Board requested a short paper on the decision-making process post the NMC abolition, including Members' approval of budgets, for the next meeting. **ACTION : JOHN HOWELLS/SUE WALLACE.**

5. Interchange Update

Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley left the meeting.

The Independent Directors had a further discussion on interchange, including the positions of the PSR and HM Treasury.

Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley then re-joined the meeting.

(Part of this discussion has been redacted under confidential grounds.)

6. Scheme Governance Implementation Update

It was confirmed to the Board that, at its meeting on 23rd March 2017, the NMC had duly voted to abolish itself with effect from 1st May 2017.

7. The Bank of England's Priorities for LINK in 2017/2018

The Board was informed that the Bank of England had advised that it would be delivering its Priorities for the LINK Scheme to the Board around the end of May. David Bailey, Director, Financial Market Infrastructure will attend a future Board meeting to explain the Bank's requirements to Directors.

Board is already aware of the importance placed by the Bank on cyber security. As part of the Scheme's general support for Board development, any Director who wishes to attend the seminar "Cyber security in the UK: policy and technology priorities" on 18th May 2017 should inform Sue Wallace, who will arrange for a place. **ACTION : DIRECTORS/SUE WALLACE.**

8. Agenda Item

(This point has been redacted due to confidentiality.)

9. Proposed Approach to the Board and Governance Effectiveness Review

The Board agreed the proposed approach to the Review of Governance which would be carried out by the Chairman with the support of Mary Buffee and would focus on:

- (i) The effectiveness of the IGR recommendations and their implementation.
- (ii) The effectiveness of the operation of the LSL Board.

The responses to the Directors' questionnaires would be collated and anonymised in early June and would be followed by individual sessions with the Chairman during that month. **ACTION : CHAIRMAN.**

The Board agreed to open up the review to all Members and a letter would be drafted accordingly. **ACTION : JOHN HOWELLS/MARY BUFFEE.**

10. Proposed Strategy Day and Annual Cycle of Meetings Plan

The Board agreed that it would be valuable to hold a strategy day in July 2017 in London. The plan for the session will be finalised by the Chairman and the CEO. **ACTION : CHAIRMAN/JOHN HOWELLS.**

The Board agreed the plan for the Annual Cycle of Meetings as presented.

11. Approval of the Amendment of the Members' Agreement and the Accession by Link Scheme Holdings Ltd to the Members' Agreement

The Board was informed that final approval was needed for the Members' Agreement and the Accession by Link Scheme Holdings Ltd to the Members' Agreement which now reflected the final changes necessary to implement the IGR and the Bank of England Consultation on Governance. These changes had been approved by NMC at its meeting on 23rd March 2017.

The Board duly considered the documents presented which included the Amended Members' Agreement ("Amended MA"), a form of consent for changes to the Members Agreement ("MA Consent") and a Deed of Adherence for LSHL to accede and adhere to the Members' Agreement ("Deed of Adherence") and, in each case having regard (amongst other matters) to the matters referred to in section 172(1) of the Companies Act 2006, resolved that:

- (i) that the entry into the MA Consent (and the associated amendment and restatement of the Members' Agreement) would promote the success of the Company for the benefit of its members as a whole and/or achieve the purposes of the Company (as applicable) and the Implementation be, and is hereby, approved;
- (i) the MA Consent (which appends the Amended MA) be, and is hereby, approved;
- (ii) the Amended MA be, and is hereby, approved;
- (iii) any director and, in the case of any document requiring execution as a deed, any two directors or any director (duly witnessed) be, and hereby are, authorised for and on behalf of the Company, to sign under hand or execute as a deed (as appropriate), the MA Consent, and any further deeds or documents which may need to be signed or executed as a deed (as appropriate) and to do all such other acts and things necessary in order to give effect to the Implementation;
- (iv) the accession by LSHL to the Amended MA pursuant to the Deed of Adherence would promote the success of the Company for the benefit of its members as a whole and/or achieve the purposes of the Company (as applicable) and is hereby approved; and
- (v) the form of Deed of Adherence to be entered into by LSHL to accede to the Members' Agreement is approved.

12. Approval of the MasterCard Changes

The Board was informed that approval was needed for amendments to the Members' Agreement ("MA") in connection with the proposed acquisition of VocaLink Limited by MasterCard UK HoldCo Limited. In light of the uncertainty as to when the MasterCard Transaction Completion Date may occur, two versions of the MA have been prepared, incorporating the cumulative amendments comprising Initial MasterCard Amendments and Further MasterCard Amendments. Version 1 incorporates the cumulative amendments into the existing MA; Version 2 incorporates the cumulative amendments into the Amended MA.

The Board duly considered the draft agreements presented and resolved as follows, in each case having regard (amongst other matters) to the matters referred to in section 172(1) of the Companies Act 2006:

- (i) to approve each of the Further MasterCard Amendments; the Version 1 Amendments; the Version 2 Amendments;
- (ii) that the MasterCard Amends shall come into force and effect as set out in the paragraph entitled "*Summary of Approach*" as outlined in the papers presented to the Board;

- (iii) that any director be authorised to give and sign under hand or execute as a deed (as appropriate), for and on behalf of the Company, any approval, consent or authorisation which is requested from the Company in connection with the Members' Agreement for the implementation of the Further MasterCard Amendments, the Version 1 Amendments, the Version 2 Amendments and/or the MasterCard Amends; and
- (iv) that each of the resolutions above would promote the success of the Company for the benefit of its members as a whole and/or achieve the purposes of the Company (as applicable).

13. Approval of the Amendment of the Members Agreement in Connection with the Service Mark User Agreement

The Board was informed that approval was needed for amendments to the Members' Agreement to add a mechanism by which each Service Mark User Agreement ("SMUA") between a Network Member and the Company can be amended by way of an 80% majority and with the consent of both the Company and, on and from the Further Restructuring Effective Date, LSHL.

The Board duly considered the draft agreements presented, which incorporated the amendments to the SMUA ("SMUA Amends"), and resolved as follows, in each case having regard (amongst other matters) to the matters referred to in section 172(1) of the Companies Act 2006:

- (i) that the SMUA Amends would promote the success of the Company for the benefit of its members as a whole and/or achieve the purposes of the Company (as applicable);
- (ii) to approve the SMUA Amends; and
- (iii) that the SMUA Amends shall come into force and effect as set out in the paragraph entitled "*Summary of Approach*" of this Agenda Item (including the Further Implementation).

14. Scheme Risk Management

The Board reviewed the overall risk position summarised in the LSL Risk Management Dashboard. It was noted that the Red Risks (LSL01 Scheme governance breaks down, LSL02 Issuer Members move to other schemes, and LSL03 Interchange settlement not sustainable) have all been specifically reviewed as part of individual Board agenda items.

(Part of this discussion has been redacted under confidential grounds.)

The Board requested that additional wording be added to the risk on the introduction of Business Rates to explain the reducing risk profile. **ACTION: SUE WALLACE.**

15. Scheme Finances

The Board approved the Statutory Accounts of the Company for the year ended 31st December 2016, and supported the Going Concern Review which underpinned the basis of the accounts preparation.

The Board authorised John Howells to sign the Statutory Accounts and the Letter of Representation required by PWC prior to their signing of the audit opinion contained in the Statutory Accounts on behalf of the Company. **ACTION : JOHN HOWELLS.**

(Part of this discussion has been redacted under confidential grounds.)

16. Noting of any e-Mail Approvals

The Board noted the approval to changes in the Members' Agreement to support the MasterCard transaction which had unanimously been given by e-mail.

17. Any Other Business

There was no other business for the meeting.

18. Next Meeting

The next meeting will be held on Thursday 4th May 2017.