
Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting held on Thursday 7th February 2019 at (Redacted on Confidential Grounds).

Present:

Sir Mark Boleat – Chairman
John Gill
Tracey Graham
John Howells
Lord David Hunt
Bill Raynal
Liz Richards
David Rigney

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive
Gary Henshaw – LINK Scheme Executive
Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Adrian Roberts – LINK Scheme Executive
Tom Sleight – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors and those in attendance to the meeting. (Redacted on 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).

David Rigney declared his position as Non-Executive Director of Principality Building Society which has a contractual relationship with a Network Member.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meetings held on 9th January 2019 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 and Meeting Updates

Lord Hunt (Chair of the Remuneration and Nominations Committee) provided a report on the meeting that had taken place immediately prior to the Board Meeting. (Redacted on Confidential Grounds).

4. CEO's Report

The Board noted the contents of the CEO's Report, reviewing particularly the impact of the latest industry trends. Whilst LINK transactions are down 6.3% on an annualised basis, the last two weeks had seen an accelerated decline of approximately 11%. The Board noted that the long-term structural reduction in transaction volumes may in fact be higher than reported because of the impact of the branch closure programme. This would mean that LINK's planning assumption of a 7% annual decline in transaction volumes may be understated.

The Board discussed a number of topics which will be considered more extensively at the Board Strategy Day: (Redacted on Confidential Grounds).

5. Network Footprint Update

The Board was updated on the network footprint, the various initiatives underway to manage the network, and related meetings with the PSR. The Board noted that the decline in ATM numbers was in line with expectations. The Board was informed that:

- (i) Twelve Protected ATMs need to be replaced through direct commissioning. These have been offered to Network Members, in three batches of four locations in each, with a bid expiry date of 25th February 2019.
- (ii) The low volume premiums for Protected ATMs and Financial Inclusion ATMs will be implemented from 1st April 2019. The PSR had been briefed on the premiums and had subsequently written to LINK confirming that they "do not object" to the implementation of low volume premiums as a "short-term solution". No issues have been raised by Issuers, and the Acquirers said that they broadly welcomed the initiative. The amended Protected and Deprived ATM Policies will be brought back to the March Board meeting for approval.
ACTION : HEAD OF CONSUMER AFFAIRS.

(Redacted on Confidential Grounds).

The Board noted that the PSR had issued a draft Specific Direction 9 to VISA requiring proposals for a comprehensive communication plan for incident management. LINK will respond, offering a co-ordinated approach from LINK with other Schemes who wish it, including VISA. **ACTION : COO.**

6. Interchange Challenges

(Redacted on Confidential Grounds).

7. Approval of the Competition Approach in Relation to Specific Direction 8 Including Direct Commissioning

(Redacted on Confidential Grounds).

8. Tender Update

The Board reviewed the progress of the mandated tender (Redacted on Confidential Grounds).

9. Rule Change to the Members Agreement to Support the Tender

The Board noted the advice received in the updated memorandum from RPC setting out the revised proposed approach to governance to enable the Board to proceed through the tender process.

The Board approved the proposed amendment to the Members Agreement that was contained in the memorandum as Annex 1, noting that these changes will also require approval by a Network Members' Decision passed by an 80% majority.

Approval by the LSL Board will be confirmed by an e-mail vote. **ACTION : COO.**

10. Rule Changes to Support Specific Direction 8

The Board noted that a paper setting out the proposed amendments to the Members Agreement to support Specific Direction 8 and the Direct Commissioning of ATMs will be presented at the March Board meeting. These amendments are necessary to ensure that the Company's obligations under the Specific Direction and Acquirer Member's obligations with respect to Protected ATMs are recognised within the formal governance of the Scheme. **ACTION : COO.**

As part of the discussion, the Board asked that ongoing thought was given to coordinating rule changes so that they minimise the impact on Members. The Scheme Executive noted that this was already done to a large extent and agreed to continue to review the approach to ensure that it is optimal.

11. Approach to the Next Board Strategy Day

The Board was updated on the arrangements for the Board Strategy Day on 28th March 2019. (Redacted on Confidential Grounds).

12. Scheme Finances

The Board was updated on the Scheme's Finances.
(Redacted on Confidential Grounds).

13. Executive Risk Summary

The Board was briefed on the recent meeting of the CRO with the Bank of England, noting that the Bank will be looking for demonstrable behaviour of an independent second line of defence going forward.

The Board reviewed the update on the key risks currently facing LINK and the action being taken to mitigate these. (Redacted on Confidential Grounds).

The Board noted that both these risks continue to be closely managed with appropriate plans in place to either reduce the level of residual risk facing LINK, or to manage the impact should either of these risks materialise.

(Redacted on Confidential Grounds).

The Board noted that the Risk Committee would be considering the development of the Risk Dashboard, the maintenance of the LINK Policy Management Framework and approach to staff training on the new Enterprise Risk Management Framework. Where relevant, proposals will be brought to the Board for approval in due course.

(Redacted on Confidential Grounds).

14. Board Access to Scheme Documentation

The Board was updated on an investigation into how to provide Directors with secure online access to Scheme Documentation such as policies and contractual arrangements. (Redacted on Confidential Grounds).

15. Approval of Updated Rate Card

The Board approved:

- (i) The proposed amendments to the Rate Card removing the financial inclusion rules and eligibility criteria and including reference to the Protected ATM Policy.
- (ii) The new Financial Inclusion Policy.
- (iii) The amendments to Annex 1 which reflect the current interchange structure (contained in the Rate Card).

The Board authorised the Scheme Executive to present the changes to the Network Members for approval on the basis of an 80% majority.

16. Cyber Training Summary

Directors noted the value of the cyber training workshop presented by Promontory that had taken place on 9th January 2019 and had focused on the three key themes of:

- Understanding cyber threats.
- Understanding regulatory requirements for cyber.
- Giving a Board perspective of cyber risk.

The Board noted that some of the key questions that Boards should consider when challenging the information/cyber security posture of the organisation were:

- How do we implement an effective Information/Cyber Security strategy?
- What does the governance of that strategy look like?
- How can we use industry best practice to inform our approach to information and cyber security?
- What are LINK's Information/Cyber security key risks?
- What information does the Board require to measure progress?

The Board further noted that these questions had been discussed in detail at the workshop and will be addressed in the LINK Cyber Strategy which will be presented to the Board in due course as part of the 2019-2021 Information Security Strategy.

17. Corporate Governance and Independence

The Board noted the RPC memorandum summarising the definition of independence as it related to LINK's Directors. The Board asked that the note be developed to reflect the status of the Chairman as set out in the Company Articles. **ACTION : COO.**

The Board had already carefully considered the standing of all Directors and whether there are any conflicts of interest that would be of concern and had agreed that all Directors are independent.

In light of the RPC memorandum, the Board further considered the independence of Bill Raynal who had previously been a senior executive of YourCash Europe Ltd, a Network Member. Bill Raynal informed the Board that he had left the employment of YourCash Europe Ltd in December 2017 and no longer had any financial interest in that business.

Bill Raynal left the meeting.

After discussion, the Board agreed that it deemed Bill Raynal to be independent under the Company Articles and the provisions of the UK Corporate Governance Code.

Bill Raynal rejoined the meeting.

18. Noting of any E-mail Approvals

There were no e-mail approvals to note.

19. Any Other Business

There was no other business for the meeting.

20. Next Meeting

The next meeting will be held on Thursday 7th March 2019 at 10.30 am (Redacted on Confidential Grounds).

The Board Strategy Day will be held on Thursday 28th March from 1.30 pm to 5 pm (Redacted on Confidential Grounds).