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**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting  
Telephone Call held on Friday 29<sup>th</sup> July 2016**

**Present:**

Dr Ken Andrew - Chairman  
Tracey Graham  
John Howells  
Lord David Hunt  
Adrian Roberts  
Fiona Walmsley

**Apologies:**

Liz Richards

**In Attendance:**

Mike Knight – The FDCentre  
Sue Wallace – Link Scheme Executive

**1. Welcome**

The Chairman welcomed the Directors and confirmed that the purpose of the call was to update them on the outcome of the NMC extraordinary meeting held the previous day. The NMC meeting had been called by Lloyds Bank Group to consider motions regarding the operation of the LINK Scheme interchange mechanism.

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.

The Chairman then asked John Howells to brief the Board on the NMC meeting.

**2. Report on NMC Extraordinary Meeting regarding Interchange**

Prior to updating the Board on its content, John Howells advised that a procedural matter had been uncovered at the outset of the NMC meeting in that the NMC Chairman had been indisposed and a replacement was therefore needed to chair the meeting. Under this situation the Members Agreement requires that the chairman of the meeting is appointed from the Members attending. It transpired that some Members find it difficult to obtain internal approval to assume this role, particularly because of the nature of the topics that were being considered. He advised that it would be necessary to formulate a stronger

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contingency plan for such a scenario prior to the September NMC meeting. **ACTION: JOHN HOWELLS**

In terms of the proposals themselves:

- (i) The motion to explore the audit process was passed unanimously;
- (ii) The motion to request Frontier Economics create a Terms of Reference to support a fundamentally review the interchange structure was passed with 67.6% of the votes, although the decision on whether to actually start the work will be taken at the September NMC meeting.

The major substantive points raised during the discussions were:

- (i) There was a discussion on whether Frontier Economics or LSL should lead the work. John Howells had advised NMC that LSL was ready to assist NMC's requirement in this regard as an independent body. The proposal passed is for Frontier to be the independent body working for NMC;
- (ii) There were various views expressed on the potential impact on consumers and Members; and
- (iii) There were a broad range of legal, process, constitutional, and procedural matters raised in relation to whether the work can and should progress as proposed.

In response to questions from the Board, John Howells confirmed that the note on LSL's position regarding the proposed work on interchange had been circulated to Members and referenced during the NMC meeting.

### **3. Next Meeting**

The date of the next meeting is scheduled as Thursday 1<sup>st</sup> September 2016 at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED.