
**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting
Held on Thursday 3rd November 2016**

Present:

Dr Ken Andrew - Chairman
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts
Jonathan Simpson-Dent
Fiona Walmsley

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive (for item 10)
Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive (for item 4)
Sue Wallace – LINK Scheme Executive

1. Welcome

The Chairman welcomed the Directors to the meeting. He 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.

2. Minutes of the Previous Board Meetings on 5th October 2016, and Matters Arising

The Chairman stated that the minutes of the 5th October 2016 meeting had already been approved.

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

There were no matters arising.

3. Update on Setting up the CLG

John Howells provided an update to the Board on the progress in setting up the CLG.

In summary, everything is on track to set up the CLG prior to its first scheduled Board meeting on 5th January 2017.

Every Member has been provided with a Deed of Guarantee to sign and return. Sixteen Deeds of Guarantee had currently been returned but as there is no requirement to have all Members as guarantors on day one, it will be proposed to the NMC on 8th December 2016 that the CLG is incorporated initially with a subset of Members as guarantors. The Accession Agreement to bring the CLG into the Members' Agreement will also be approved by the NMC at that meeting.

The Board approved this approach.

The Board asked for clarity on the position of individual Members should they not sign the Deed of Guarantee in a timely manner. This will be added to the agenda for the December Board meeting. **ACTION : JOHN HOWELLS**

4. Approach to Interchange

Graham Mott joined the meeting.

The Chairman and John Howells summarised the current status of the economic review of interchange.

Following the meeting of the NMC Working Group in October 2016, LSL has been asked to resume leadership of this review. LSL has been asked to make a recommendation of what needs to happen at the NMC Meeting on 8th December 2016.

The Chairman and John Howells updated Board on discussions with a number of Members which are ongoing and providing useful feedback.

The Board then discussed the issues surrounding interchange at some length.

Graham Mott left the meeting

5. Feedback from the Meeting with the Bank of England

John Howells provided the Board with a summary of the Bank of England's requirements following his meeting with the Bank on 20th October 2016. These covered the areas of Governance, Risk Management and Audit, Wind-down Plan, and Outsourcing Arrangements.

In terms of the LINK Scheme's response:

- Governance - see item 6 below.

- Risk Management and Audit – response to be provided by 30th November 2016 in line with previous Board discussions.
- Wind-down Plan – will be discussed at the December Board meeting.
- Outsourcing Arrangements – the Bank will review in Q1 2017.

ACTION : JOHN HOWELLS

6. Responding to the Bank’s Consultation on Scheme Governance

John Howells presented a paper on the Bank of England’s requirements in relation to Scheme governance.

A key issue that needs to be addressed to comply with the recently published Bank of England’s draft Code of Practice and Supervisory Statement is to ensure that the Operator’s Board becomes the “*ultimate decision making body*”.

The Board also:

- (i) Agreed in principle to the paper forming the basis of the response to the Bank on implementing the Code and Supervisory Statement and on progress on implementing the IGR;
- (ii) Confirmed its support to the proposed Code and Supervisory Statement and its commitment for its implementation in line with the paper.

This is subject to e-mail Board approval of the final submission when it has been prepared. **ACTION : JOHN HOWELLS**

7. Update on the Proposed Sale of VocaLink to MasterCard

The Chairman reminded the Directors of their previous declaration on conflicts of interest.

8. Setting up an Innovation Company to meet LINK’s Regulatory Objectives

John Howells reminded the Board of the PSR’s requirement to drive innovation and competition and the potential conflict that this presents with the Bank’s requirement that the Scheme operates as a systemic risk manager. It is therefore proposed that a separate innovation company is set up as contemplated by the IGR. The initial Board would comprise of Dr Ken Andrew, Lord David Hunt, and John Howells.

9. Scheme Finances

John Howells and Mike Knight provided the Board with a brief update on the Scheme Finances.

10. Review of the LINK Consumer Council

Mary Buffee joined the meeting.

Tracey Graham, in her role as LINK Consumer Council Independent Chairman, presented her draft report following the review of the LINK Consumer Council ahead of its planned publication in December 2016.

She thanked Mary Buffee for her help and support in producing the report.

The Board approved all the recommendations set out in the draft report, namely:

- Adoption of the new Terms of Reference (“TOR”).
- Appointment of new independent members of the Council.
- Commencement of election of a new card-issuing NMC member.
- Expanded scope of TOR to include areas of broader interest.
- Establishment of initial cross-scheme consumer meeting.
- Invitation to the PSR to attend a Council meeting annually.

Tracey noted that the final report would be presented to the Consumer Council at its meeting in December 2016 prior to publication. **ACTION : TRACEY GRAHAM**

Mary Buffee left the meeting.

11. Scheme Risk Management

John Howells provided the Board with an update on LINK Scheme risk management. He advised that LSL is in the process of developing a three lines of defence model of governance which is intended to be consistent with the Bank of England’s requirements of a systemic risk manager.

He noted that the 1st Line (Business Management Controls) and 2nd Line (Risk Management and Compliance) were in place and that the Company was currently conducting a tender to appoint an external firm to perform the 3rd Line (Internal Audit). It was anticipated that the tender would be completed in time for Board approval to be sought for the chosen firm at the meeting on 7th December 2016.

The Board approved the proposed Risk Management Agenda item for the December Board meeting, namely:

- Review and approval of the plan to develop the Enterprise Risk Management Framework.
- Review and approval of all Red and Amber Risks within a revised Risk Register framework.
- Approval of the Internal Audit supplier, and consideration of initial areas for review (subject to tender being concluded).
- Review of the analysis of cyber risks across the end-to-end LINK payment system.

It was agreed to invite the LSL Senior Risk Manager to be present for that part of the meeting. **ACTION : JOHN HOWELLS/SUE WALLACE**

12. Chairman Succession Update

Lord David Hunt advised the Board that the Nominations Committee had selected three candidates for interview on 1st December 2016. He will arrange for brief CVs to be sent to Directors. NMC input would be sought in accordance with the letter provided to Members at the NMC meeting on 8th September 2016. Bank of England input on the favoured candidate would also be sought. The Nominations Committee will make a recommendation to the Board on the appointment as soon as it can: **ACTION : LORD HUNT**

13. Any Other Business

(a) Fiona Walmsley

Fiona Walmsley advised the Board that she will be taking on a new role within the Royal Bank of Scotland as Head of Workplace Services with effect from 1st January 2017. The Board congratulated her on her appointment.

(b) 2017 Board Meetings

The dates of all Board and Committee Meetings for 2017 were listed in the Board papers. It was confirmed that there would be no Board meeting in August 2017 and the invitation for that meeting would be cancelled. **ACTION: SUE WALLACE**

It was also noted that Board has already asked for the January meeting to consider a Board effectiveness review.

14. Next Meeting

The next meeting will be held on Wednesday 7th December 2016 at 10.45 am in Harrogate.