
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 2nd November 2017**

Present:

Sir Mark Boleat - 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
Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

Promontory:

Clare Arthur – Regulatory Analyst, Promontory (item 3)
Tony Boorman – Managing Director, Promontory (item 3)

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors to the meeting. He highlighted three of the key issues on the agenda for Board consideration:

- Media activity following press announcements on interchange, the outcome of which was satisfactory so far.
- The recent letter from the PSR concerning the mandated tender.
- The interim update from Promontory on their review of the Systemic Risk Management of the LINK Scheme.

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.

The Chairman declared a small financial interest in Yatterbox, a company now owned by Cicero Group.

2. Minutes of the Previous Board Meeting and Matters Arising

The Chairman stated that the minutes of the meeting on 5th October 2017 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. Presentation from Promontory to Update on the Systemic Risk Management Review

Clare Arthur and Tony Boorman (Promontory) joined the meeting

The Board was provided with an update by Tony Boorman and Clare Arthur of Promontory on the progress of its review of Systemic Risk Management as required by the Bank of England.

(This discussion has been redacted under confidential grounds.)

Clare Arthur and Tony Boorman (Promontory) left the meeting

4. Committee Meeting Minutes

Remuneration Committee

Lord David Hunt (Remuneration Committee Chairman) provided the Board with a brief verbal report of the Remuneration Committee meeting that had met immediately prior to the Board Meeting.

5. CEO's Report

The Board noted the contents of the CEO Report and observed that the key issues were covered by separate agenda items.

It was noted that references to “Independent” Board and “Independent” Chairman should not be used in future reports as it is the Directors who are independent rather than the Board itself. **ACTION : CEO**

The Board reviewed the recent data on network outages and questioned the recent increase in lost Issuer minutes. The COO informed the Board that this was a one-off incident (Part of this discussion has been redacted under confidential grounds.)

The Directors discussed the data included in the report and noted the recent decline in year-on-year LINK cash withdrawal volumes. In order to aid their understanding of the trend, the Board requested that:

- The date of the Payments UK cash payments 2017 forecast is shown on the Cash Usage chart.
- Relevant reports from Payments UK and UK Payments Administration on cash usage, demographics and cash machines are distributed to the Board when available.
- The actual percentages are shown on the Cash Withdrawal graphs.
- Data is provided monthly where possible in order to assess whether the trend is accelerating.

ACTION : CEO/GRAHAM MOTT

The Board felt that it would be helpful if this data were discussed with the PSR at an appropriate point in the dialogue on a tender. **ACTION : CEO**

6. Interchange Consultation Update

The Board was updated on recent PR and media activities:

- (i) A group of four Directors had recently conducted an exercise to appoint a PR agency. As a result of this process, four companies were interviewed and Cicero, who stood out in terms of their experience and expertise, had been appointed. A kick-off meeting had already been held.
- (ii) LINK is adopting a proactive PR policy with the media, will target MPs and will emphasise the Scheme’s independence and public interest responsibilities.

(This discussion has been redacted under confidential grounds.)

7. Board Vote on Governance Changes

The Board reviewed the papers that identified the changes necessary in its view to support the implementation of the Bank of England’s Code of Practice and Supervisory Statement.

These papers comprised:

- Board Paper and Resolutions.
- Summary Memorandum from RPC describing the key changes.
- Member Agreement Changes.
- Amended Articles of Association.

The Board confirmed that there was no change to the position of the LINK Consumer Council following these governance changes and that it remained an independent body. The Terms of Reference need to be corrected to reflect LINK Consumer Council's status as an advisory body to the Board rather than a Board sub-committee.

ACTION : CHAIRMAN/TRACEY GRAHAM

The Board 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:

1. that the SGR Amendments (whether such amendments are effected by way of amendment or amendment and restatement) and the SGR Effective Date (in each case, with any additions, deletions or amendments (which are not material) as may be approved in his discretion by any director of the Company) be, and are hereby, approved;
2. that the SGR Article Amendments be, and are hereby approved;
3. that any director be authorised to call an Extraordinary General Meeting of the Company for the approval of the SGR Article Amendments;
4. 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, authorisation or instruction in connection with the SGR Amendments (with such additions, deletions or amendments (which are not material) as may be approved in his discretion by any director of the Company) which is requested from the Company in connection with the SGR Amendments, such approval, consent, authorisation or instruction to constitute the irrevocable grant of any and all rights of approval, consent, authorisation or instruction which the Company has in connection with the Members' Agreement or the implementation of the SGR Amendments; and
5. 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).

The Board agreed that the Chairman and CEO are delegated to finalise the various documents. It was noted that Network Members will now be asked to approve via an e-mail vote and LSL approval will also be required via e-mail. **ACTION CHAIRMAN/CEO/COO**

8. This Agenda Item was redacted under confidential grounds

9. Approval of Selection Criteria for Potential Infrastructure Suppliers

The Board reviewed the criteria proposed for the assessment of potential infrastructure suppliers under the competitive tender required by the PSR's Specific Direction Four.

The Board requested that, in addition to the criteria listed in the paper presented, the following items were included:

- Financial strength and capital strength.
- Sustainability (in terms of ensuring behaviours are not changed once the contract has been awarded).

- That Operational Integrity is ranked higher than other factors.

Subject to reflecting the above factors in a revised version, the Board approved the Proposed Criteria. **ACTION : CEO/COO**

10. Innovation and Proposed Use of the Development Fund

The Board reviewed and approved the request for the initial £500k drawdown from the £2m Development Fund from Mastercard that had been prepared by the LINK Scheme Executive with oversight from Tracey Graham.

The Board agreed that authority to finalise the submission to the Monitoring Trustee (Smith & Williamson) is delegated to Tracey Graham and John Howells.

ACTION : CEO/TRACEY GRAHAM

11. Scheme Risk Management

The Board reviewed and thoroughly discussed the risk position as shown in the Risk Management Dashboard, which consisted of the following reports:

- Overview on Risk Management.
- Risk Summary.
- Risk Register Overview.
- Operational Risk Management.
- Member Risk Management.
- LSHL Cyber Resilience.
- GDPR 12 Step Plan.

The Board noted that there had been one risk removed since the last report due to the successful introduction of the Polymer £10 note.

As agreed at the previous meeting, the Board subjected two sub-categories of risk to an in-depth review. For this meeting, the two areas reviewed were:

(i) *Risks that feature in the Recovery and Wind Down Plan that forms part of the Priorities package for the Bank of England*

- The Board noted that the three critical risks that the Scheme faces (Supplier contract end point introduces instability, Interchange settlement not sustainable, and Issuer Members move to other Schemes) are all included in this sub-category but had already been discussed as separate agenda items.
- The Board agreed that the other three risks in this sub-category (Issuer Member fails to settle, Interruption to processing due to Vocalink insolvency, Operator Company ceases operation) were all Green Risks, ie potentially severe in impact, but low probability and well mitigated.

(ii) *Risks that have a brand or reputation impact*

- The Board noted that there are three risks recorded in this sub-category, all of which have been discussed by the Board within the last 3 months as separate agenda items. (redacted under confidential grounds)
- After further discussion of the current PR situation, the Board agreed that reputational damage as a result of the recent publicity on interchange should be added to the Risk Register, noting that the appointment of Cicero was a mitigating action.
- The Board also asked that the risk to the Scheme as a result of limited scale and capability within the Scheme Executive, including on succession, is added.
ACTION : CEO/COO

12. Scheme Finances

The Board was updated on the Scheme's Finances.

(This discussion has been redacted under confidential grounds.)

The Board approved the implementation of a Treasury Policy in respect of bank deposits as follows:

"The LINK Scheme Executive is authorised to place surplus LSHL/LSL funds on deposit with major UK banks on maturities of no more than one year having regard for the likely requirement for the funds. Only UK Banks with credit ratings for long-term debt of at least Moody's A3 or equivalent will be utilised. No more than £5m will be placed with one institution."

13. Approval of Revised Minutes Policy

The Board reviewed and approved the Revised Minutes Policy to reflect the new governance arrangements.

14. Board Update on Settlement Disaggregation and Transaction Splitting

The Board was updated on the changes required to support separation of LINK Scheme transactions from other Vocalink transactions. The Board noted that this was required to allow effective risk management and, separately, to support an ability to tender the infrastructure contract.

15. Board Update on Vocalink Outsourcing Controls

The Board was updated on the provisions for LSHL oversight of Vocalink outsourcing and supplier management. The Board noted that this area is not considered to be of major risk by the LINK Scheme Executive and that steps are in place to deal with outsource provision not already in scope of existing strong controls in line with BDO's recommendations.

16. Board Update on Free-to-Use ATM Challenges in Australia

The Board noted the report on the current challenges facing the Australian Free-to-Use ATM market and discussed the parallels to the UK market.

17. Noting of any Email Approvals

There were no email approvals for the meeting to note.

18. Any Other Business

(This discussion has been redacted under confidential grounds.)

19. Next Meeting

The next meeting will be held on Thursday 30th November 2017 at 1 pm (Redacted under confidential grounds)

It was agreed that, rather than hold a face-to-face meeting on 3rd January 2018 as originally scheduled, telephonic Board meetings would be held during December and January as necessary. **ACTION: CHAIRMAN/CEO**