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**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting  
held on Thursday 4<sup>th</sup> July 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  
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

***Bank of England, Financial Market Infrastructure Directorate***

Justin Jacobs – Interim Head of FMI Supervision (Item 2)  
Joanna Bibby-Scullion – Senior Manager (Interim) (Item 2)  
Jennifer Nwaghanata – LINK Supervisor (Item 2)

**1. Welcome and Conflict of Interest Declarations**

The Chairman welcomed the Directors and those in attendance to the meeting. He highlighted the significant issues affecting LINK which were relevant to the agenda:

- A new Prime Minister and government will soon be in place and it is expected that their focus will remain on Brexit.
- There is an accelerating decline in the use of cash, with a drop possibly as high as 15% a year in ATM transaction volumes being the long-term trend.
- The Board pack contains an interesting paper on person-to-person payments, including a new Facebook initiative, for Board information.
- The “*Future of Finance*” report by Huw van Steenis for the Bank of England, published on 20<sup>th</sup> June 2019, is both significant and useful. Its contents are entirely in line with LINK’s thinking.
- There has been some good joined up work in the production of LINK’s “*Preserving Access to Cash*” report.

(Redacted on Confidential Grounds)

- There is now the possibility of an interest rate reduction, which would necessitate a change in the interchange in line with agreed policy.

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. The Bank of England's Annual Priorities for LINK

*Justin Jacobs, Joanna Bibby-Scullion and Jennifer Nwaghanata joined the meeting.*

The Chairman welcomed the Bank to the Board meeting to present the findings of its Annual Risk Review of LINK and the actions it expects LINK to take as set out in its letter dated 1<sup>st</sup> July 2019.

(Redacted on Confidential Grounds)

## 3. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 6<sup>th</sup> June 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 two matters arising:

- (i) Given that the publicly available LSHL Board minutes are heavily redacted, a monthly LINK newsletter will be produced which will include statistics, key issues and major decisions. **ACTION: STRATEGY DIRECTOR.**
- (ii) Website data including the number of views of the Network Footprint will be assessed. **ACTION: STRATEGY DIRECTOR.**

## 4. Committee and Meeting Updates

Liz Richards (Chair of the Audit Committee) highlighted the main areas covered at the Audit Committee meeting on 6<sup>th</sup> June 2019:

- Review of LINK's approach to internal audit and the role of BDO.
- Risk and Audit Committee coverage.
- Status update on BDO recommendations from previous internal audit reports.

(Redacted on Confidential Grounds)

- Future Board development and training plans.

The minutes of the Audit Committee will be circulated to the Board. **ACTION: COO.**

The minutes of the Consumer Council held on 7<sup>th</sup> June 2019 had been circulated as part of the Board papers. Tracey Graham (Chair of the Consumer Council) summarised the main areas covered at the meeting:

- Citizens Advice are in the early stages of a report which looks into consumer access to financial services at the Post Office.

(Redacted on Confidential Grounds)

- The Post Office had accepted the invitation to join the LINK Consumer Council.

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. He informed the Board that the Committee had:

(Redacted on Confidential Grounds)

The minutes of the Remuneration and Nominations Committee will be circulated to the Board once finalised. **ACTION: FINANCE DIRECTOR.**

## 5. CEO's Report

The Board noted the contents of the CEO's Report which summarised the overall position of LINK. The key issues highlighted were:

(Redacted on Confidential Grounds)

## 6. Footprint Update

The Board considered the current status of the ATM footprint and related matters, including premiums and direct commissioning.

### ***ATM Footprint***

The Board noted that the number of free-to-use ("FTU") ATMs continues to fall, with the total number now below 49,000. However the footprint, and hence service to consumers, remains satisfactory.

(Redacted on Confidential Grounds)

### ***PSR Call for Views - Interchange Structure***

LINK is engaging with the PSR's Call for Views at several levels including a detailed and comprehensive formal response.

### ***Post Office Channel***

The inclusion of Post Office locations on the LINK App is now live and has been well-received.

(Redacted on Confidential Grounds)

### **Updated Policies**

The Board noted that, in order to support the developing approach to Direct Commissioning and also to improve clarity in a number of areas, the Protected ATM Policy and Deprived FIP Policy have been revised. RPC has provided advice in relation to the changes and the PSR had also been consulted as required under Specific Direction 8.

**The Board discussed and approved the revised Protected ATM Policy v3.0 effective from 1<sup>st</sup> July 2019 and the revised LINK Policy on Financial Inclusion ATMs in Deprived Areas Version 2.1 effective from 5<sup>th</sup> July 2019, both of which were included in the Board papers.**

## **7. Setting Interchange for the Next Calendar Year**

The Board carefully considered all of the information in the Board Paper (the “Paper”) regarding the setting of interchange for the next calendar year. The Paper confirmed the procedure, as set out in the Rate Card, for the Board to follow when determining standard interchange rates. The Board also carefully considered the latest KPMG Cost Study and the note from RPC (Redacted on Confidential Grounds) which were attached to the Paper.

In particular, the Board noted that: (Redacted on Confidential Grounds)

**Having regard to its regulatory and competition law obligations and as previously announced by LINK, the Board confirmed that the third 5% reduction set out at the time of its interchange decision announcement in January 2018, and that was scheduled for implementation in January 2020, will no longer go ahead. This is because the current level of interchange is supporting the satisfactory achievement of all of the Board’s objectives, including in terms of the Objects, the Regulatory Framework, and the Board’s objective of the maintenance of a satisfactory geographical spread of free-to-use ATMs in the UK.**

The Board agreed that the fourth 5% reduction set out at the time of its interchange decision announcement in January 2018, and scheduled for implementation on 1<sup>st</sup> January 2021, remains under review. This position will be restated in the “Annual Interchange Notification”. The Board further noted that it may, at its discretion, review interchange at any time, for example, to respond to market events such as a change in the base interest rate. The Annual Interchange Notification will now be set to Members.  
**ACTION: COO.**

## **8. Tender Update**

The Board considered the progress of the infrastructure tender, noting that:

(Redacted on Confidential Grounds)

## 9. Scheme Finances

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

## 10. Executive Risk Summary

The Board considered:

- (i) The key risks currently facing LINK and the actions underway to mitigate these.
- (ii) Progress in strengthening LINK's approach to managing risk.

(Redacted on Confidential Grounds)

## 11. 2020 Release Proposed Contents Phase 1

The Board noted the first phase of the 2020 Release which includes the following changes:

(Redacted on Confidential Grounds)

## 12. Approval of the Exit Plan

The Board considered the Exit Plan version 5.0 as defined in the Switching and Settlement Agreement dated 1<sup>st</sup> April 2016 and included in the Board papers.

**The Board approved the Scheme Executive recommendation that no changes are required to the Exit Plan as part of the 2019 review and that the 2018 version remains in place.**

## 13. LINK Report - Preserving Access to Cash

The Board reviewed the final version of the LINK report "*Preserving Access to Cash*".  
(Redacted on Confidential Grounds)

## 14. Potential Impact of New P2P Payment Apps on UK Cash Usage

The Board considered the paper exploring the potential impact of new person-to-person payment applications in the UK, including the Libra initiative from Facebook. The Board noted that potential security and regulatory concerns may limit their take up but will keep the impact on cash usage under review.

## 15. Noting of any e-mail Approvals

There were no e-mail approvals to note.

**16. Any Other Business**

On behalf of the Board, the Chairman thanked Mary Buffee for the great job she had performed for LINK over many years and wished her all the best for the future.

**17. Next Meeting**

The next meeting will be held on Thursday 5<sup>th</sup> September 2019 at 10.30 am (Redacted on Confidential Grounds)