
**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting
Held on Wednesday 5th October 2016**

Present:

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

Apologies:

None

In Attendance:

Mike Knight – The FDCentre
Sue Wallace – LINK Scheme Executive

1. Welcome

The Chairman welcomed the Directors to the meeting, and particularly Jonathan Simpson-Dent to his first meeting as a Director of the Company.

It was noted that the Board had formally approved Jonathan Simpson-Dent's appointment by e-mail on 16th September 2016, subject to ratification by NMC which had subsequently been received.

The Chairman then 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.
- (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.

2. Minutes of the Previous Board Meetings on 1st September 2016, and Matters Arising

The Chairman stated that the minutes of the 1st September 2016 meeting had already been approved, noting that Jonathan Simpson-Dent had not been appointed at that time.

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

There were no matters arising.

3. Approach to Interchange

John Howells summarised the main contents of the Bank of England Consultation Paper “*Draft Code of Practice and Supervisory Statement relating to governance in recognised payment system operators*” which had been circulated to the Board prior to the meeting. He informed the Board that he would be meeting the Bank for an initial discussion on 20th October and that a formal response from LSL was required by 2nd December 2016.
ACTION : JOHN HOWELLS.

The Chairman stated that LSL’s response would be guided by the Independent Governance Review (“IGR”) and that a key issue to get the Board’s view on in this regard was interchange. After discussion, it was agreed that the Consultation Paper was helpful in clarifying the LSL Board’s authority over the interchange issue and governance issues generally. It was noted that the Bank’s consultation appeared to lead to much more authority being vested in the CLG/LSL Board than envisaged by the current IGR implementation plan and that this would need discussing with NMC once the position became clearer.

John Howells will report back to the Board following the meeting with the Bank on 20th October and agreed to provide a paper for the next Board meeting including:

- (i) A gap analysis between the contents of the IGR and the Bank’s Consultation Paper;
- (ii) Consideration of the role of CLG/LSL as a Systemic Risk Manager (as per the Bank’s Paper) vs the innovation and competition objective (for the PSR);
- (iii) Steps if required to potentially dissolve NMC and the proposed timeline;
- (iv) Status of implementation of the IGR.

ACTION: JOHN HOWELLS.

The Chairman informed the Board that the Members Working Group on interchange was meeting on 13th October 2016 and that the Bank of England’s Consultation Paper is a significant input to that meeting. He felt it was unlikely that the meeting would agree a way forward on interchange. If that is the outcome he will press for LSL to take back control of the issue. **ACTION: CHAIRMAN.**

4. Update on Setting up the CLG

John Howells updated the Board on the next steps in terms of setting up the CLG.

In particular, every Member has been asked to sign and return a Deed of Guarantee by the end of October. The Accession Agreement to bring the CLG into the Member’s Agreement will then need to be approved by NMC at its meeting on 8th December 2016 and executed. Following that meeting, the CLG will be incorporated. The first Board meeting of CLG will be held on 5th January 2017 to coincide with the LSL Board meeting. At these meetings the shareholding of LSL will be transferred from Dr Andrew to CLG.

The Board authorised John Howells to sign the Accession Agreement on behalf of LSL as required.

5. Cyber Guidance and the Role of Board

John Howells provided the Board with a summary of the main elements of the Bank's approach to cyber risk, and the role of the Board in this regard.

The Board discussed the Bank of England's Cyber Guidance and acknowledged their responsibility to provide leadership and oversight in this area.

It was agreed to provide regular substantive sessions for the Board on cyber risk. The first of these would be held at Harrogate in December 2016 and would include:

- (i) A discussion on potential vulnerabilities of the ATM infrastructure;
- (ii) A review of LSL's risk and audit organisation and the implementation of the three line of defence model.

ACTION : JOHN HOWELLS/SUE WALLACE.

It is a requirement of the Bank that a senior individual is responsible to the Board for cyber risk. The Board agree that this is John Howells.

6. Board Conflict of Interest Guidance

The Chairman noted that earlier in the year he had discussed with individual Directors the issue of conflict of interest. These discussions had been summarised in the minutes of the 11th May 2016 meeting. John Howells had subsequently asked A&O to prepare guidelines for Directors for managing conflicts of interest which were now presented to the Board for approval.

The Board duly considered the guidelines on Director's conflict of interest and confirmed its approval.

7. Approval of PSR Submission

John Howells outlined LSL's draft response to the PSR's annual General Direction 3 and 4 return on Access and Governance. He stated that LSL had been working in a collaborative way with the PSR on the submission and that there were no fundamental changes to last year. The formal submission was due by 31st October 2016.

The Board considered the draft response and confirmed their approval of its submission. **ACTION: JOHN HOWELLS.**

8. Scheme Risk Management

John Howells presented the revised Risk Register to the Board reflecting comments made at the previous meeting.

The Board noted that the presentation was much enhanced.

It was agreed that the next review should cover Amber risks, including consideration of reputational risks. It will also include an assessment of how risks have changed, and a net versus gross analysis. The complexity of cyber security as a scheme risk was discussed and will be reviewed at the next Board discussion on risk. Finally, it will

include an assessment of the risk rating mechanism to expand it beyond purely financial impacts. **ACTION: JOHN HOWELLS/SUE WALLACE.**

9. Scheme Finances

Mike Knight updated the Board on the Scheme finances for 2016 and the proposed Income and Expenditure budget for 2017.

The Board duly approved the 2017 LSL Income and Expenditure Budget.

10. Chairman Succession Update

Lord David Hunt provided the Board with an update of the Nominations Committee's progress in implementing the Chairman succession plan. A note will be provided to NMC and the Bank explaining the position: **ACTION: LORD HUNT/JOHN HOWELLS.**

Lord Hunt thanked Tracey Graham and Liz Richards for their continued support and guidance throughout the process.

11. Any Other Business

VocaLink Sale

(a) December Board meeting

John Howells and Sue Wallace will provide a high level summary of the arrangements for the Board visit to Harrogate in December, including the Board meeting on 7th December. **ACTION: JOHN HOWELLS/SUE WALLACE.**

12. Next Meeting

The next meeting will be held on Thursday 3rd November 2016 at 10.30 am at 33 St James's Square, SW1Y 4JS.