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**Minutes of a Link Scheme Ltd (the “Company”) Board Meeting  
Held on Thursday 5<sup>th</sup> January 2017**

**Present:**

Dr Ken Andrew - Chairman

Tracey Graham

John Howells

Lord David Hunt

Liz Richards

Adrian Roberts (except item 3 (part) and item 11)

Jonathan Simpson-Dent (except item 3 (part) and item 11)

Fiona Walmsley (except item 3 (part) and item 11)

**Apologies:**

None

**In Attendance:**

Mike Knight – The FDCentre

Graham Mott – LINK Scheme Executive (for item 3)

Sue Wallace – LINK Scheme Executive

**1. Welcome**

The Chairman welcomed the Directors to the meeting and wished everybody a Happy New Year.

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 7<sup>th</sup> December and 10<sup>th</sup> December 2016, and Matters Arising**

The Chairman stated that the minutes of the 7<sup>th</sup> December 2016 meeting had already been approved.

After discussion, the minutes of the 10<sup>th</sup> December 2016 meeting incorporating the changes as marked up were agreed.

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

There was one matter arising.

The Chairman informed the Board that, subsequent to the December Board meetings, he and John Howells had met David Bailey (Director, Financial Markets Infrastructure) of the Bank of England. David Bailey had made it clear that the Bank did not intend intervening in any dispute with Members on interchange, and was focused on matters of financial stability. Similarly, a meeting with Hannah Nixon, the Managing Director of the PSR, had also made it clear that the PSR has no intention of intervening. There would be a further meeting with the Bank and the PSR later in January to provide them with an update.

### 3. Interchange Strategy

*Graham Mott joined the meeting.*

The Chairman introduced the discussion on interchange strategy by noting the potential conflict of the three Member Directors, namely Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley. The Board agreed that the Member Directors should participate in the discussion because of their valuable insight into this matter but would leave the meeting when the Board agreed its approach. None of the Member Directors would participate in any Board vote on interchange.

John Howells presented to the Board the recommendations contained in the paper produced by Mark Falcon of Zephyre Consulting. He advised the Board that it would need to consider what it would do should any proposal put to the NMC not be approved. He also noted that the Board needed to consider the note from a Member (Member redacted due to confidentiality) requesting a meeting in the week commencing 16<sup>th</sup> January 2017.

The Member Directors then provided their comments and concerns which were discussed at length by the Board.

*Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley left the meeting.*

Following further discussion by the Independent Directors, the Board agreed:

- (i) To take a proposal to the NMC meeting on 26<sup>th</sup> January 2017 for a vote “in principle” and at 80% incorporating:

(Part of this discussion has been redacted under confidential grounds)

Papers are to be issued as soon as practical, and in time for the normal 2-week timetable on 12<sup>th</sup> January.

- (ii) To accept the offer of a meeting with a Member (Member redacted due to confidentiality) to meet in the week commencing 16<sup>th</sup> January 2017.

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- (iii) For the Chairman and John Howells to initiate a programme of meetings with Network Members over the period leading up to the January NMC meeting, in order to better understand Member positions.
  - (iv) Following feedback and the decision at the January NMC meeting, move to a binding vote on interchange at the March NMC meeting.
  - (v) Prior to the March NMC meeting, work out further detail on how the potential (amount redacted on commercial grounds) Financial Inclusion fund would be managed.
  - (vi) To in parallel prepare a Wind-Down Plan should a successful resolution not be achieved and the Scheme's interchange arrangements are no longer attractive to Members.
  - (vii) All of this approach to continue to be shared in detail with the Bank of England and with the PSR.

The Board noted that the "in principle" vote would allow all Members to express their views and understand the position of NMC overall, before moving to a final decision in March. The Board agreed that it was now necessary to understand the formal position of Network Members, given the lengthy period of interchange economic review that had been undertaken, with extensive Member dialogue, since January 2016. Board further noted that this approach still allowed for any alternative suggestions to be aired and considered in the run up to the final vote in March.

*Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley then rejoined the meeting and were informed of the Board's decisions.*

*Graham Mott left the meeting.*

#### **4. Setting up the CLG**

John Howells informed the Board that, as part of the restructuring in connection with the Independent Governance Review, 1 ordinary share of £1 (the "Share") in Link Scheme Ltd, which comprises the entirety of LSL's allotted and issued share capital, is proposed to be transferred from Dr Ken Andrew to Link Scheme Holdings Ltd (the "Transfer").

The Transfer was approved by the NMC at the September 2016 NMC meeting.

Dr Ken Andrew declared his interest in this transaction in accordance with section 177 of the Companies Act 2006 and the Company's Articles of Association, by virtue of being the counterparty to the transaction with LSHL.

The Board approved the registration of the Transfer, subject to the Stock Transfer Form being presented, and that Link Scheme Holdings Ltd (the "Purchaser") be entered in the Register of Members as the holder of the Share and that a share certificate be executed and issued in the name of the Purchaser.

#### **5. Responding to the Bank's Question on Wind-Down Plan**

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John Howells outlined to the Board LINK's proposed response to the Bank of England's requirement to set out the Scheme's Wind Down Plan in the face of a large issuer leaving. LINK's response is required by 31<sup>st</sup> January 2017. **ACTION : JOHN HOWELLS**

The Board agreed the proposed response.

## 6. Chairman Succession Update

Following completion of the NMC vote, formal approval for the appointment would be sought from the Bank of England. **ACTION : JOHN HOWELLS**

## 7. Response to the PSR's Consultation on Infrastructure Remedies

John Howells informed the Board that the PSR had recently published its proposed remedies on the competitiveness of infrastructure provision, and a final consultation on them. The proposed remedies included the mandated competitive procurement of future central infrastructure contracts at the next break point.

The Board discussed the implications of the potential remedy.

Part of this discussion has been redacted under confidential grounds.

## 8. Board Effectiveness Review Preparations

The Board discussed the proposed approach to the Board Effectiveness Review outlined by John Howells. The Board agreed that consideration of this Review will be deferred to the second quarter of 2017 and that Terms of Reference would be provided by the end of April 2017. **ACTION : JOHN HOWELLS**

In the meantime, suitable programmes for NED training would be investigated and offered to Directors. **ACTION : JOHN HOWELLS**

## 9. Scheme Risk Management

The Board noted the overall risk position summarised in the Risk Dashboard presented by John Howells. There were no major changes since the last review.

## 10. Scheme Finances

(The Board discussed the Scheme Finances but has been redacted due to confidentiality).

## 11. Update on MasterCard's Proposed Acquisition of VocaLink

*Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley left the meeting.*

(The Board discussed the update on MasterCard's proposed Acquisition of VocaLink but this has been redacted due to confidentiality).

## **12. Any Other Business**

There was no other business for the meeting.

## **13. Next Meeting**

The next meeting will be held on Thursday 2<sup>nd</sup> February 2017 at 10.30 am at 33 St James's Square, London SW1Y 4JS.