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

Present:

Mark Boleat
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts (except item 6 part)
Jonathan Simpson-Dent (except item 6 part)
Fiona Walmsley (except item 6 part)

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive
Mike Knight – The FDCentre
Graham Mott – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome

The Board was advised that Dr Ken Andrew had resigned as a Director and Chairman of the Company on 28th February 2017 and that Mark Boleat had duly been appointed as a Director and Chairman of the Company with effect from 1st March 2017.

The Chairman then welcomed the Directors to the meeting. The Chairman said that it was a great pleasure to be taking on the role at a time of great change and challenge for LINK.

On behalf of the Board, Lord David Hunt expressed his delight that the Chairman had taken on the role. He also wished to place on record his thanks to Dr Ken Andrew who had performed the NMC and LSL Chairman roles with great skill and dedication for many years. The Board endorsed these sentiments.

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.

2. Minutes of the Previous Board Meetings on 2nd February 2017, and Matters Arising

The Chairman stated that the minutes of the meetings on 2nd February 2017 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. Committee Meeting Minutes

Tracey Graham, in her role as Chair of the LINK Consumer Council, provided the Board with a verbal update of the meeting that had taken place immediately prior to the Board Meeting. It was noted that Hannah Nixon of the PSR had confirmed her attendance at the June meeting.

4. Approval of the Amendment of the Members' Agreement and the Accession by Link Scheme Holdings Ltd to the Members Agreement

The Board was informed that various documents that exist in relation to the LINK Scheme needed to be amended so that the LINK Scheme may comply with the recommendations of the IGR to as full an extent as the Board considers prudent and recommends for approval to Network Members.

The Board duly considered the documents presented which included the Amended Members' Agreement ("Amended MA"), a form of consent for changes to the Members Agreement ("MA Consent") and a deed of adherence for LSHL to accede and adhere to the Members' Agreement ("Deed of Adherence") and, in each case having regard (amongst other matters) to the matters referred to in section 172(1) of the Companies Act 2006, resolved that:

- (i) the entry into the MA Consent (and the associated amendment of the Members Agreement) 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) and the Implementation be, and is hereby approved.
- (ii) the MA Consent (which appends the Amended MA) is hereby approved.
- (iii) the Amended MA is hereby approved.
- (iv) Any Director and, in the case of any document requiring execution as a deed, any two Directors or any Director (duly witnessed) be, and hereby are, authorised for and on behalf of the Company, to sign under hand or execute as a deed (as appropriate), the MA Consent, and any further deeds or documents which may need to be signed or executed as a deed

(as appropriate) and to do all such other acts and things necessary in order to give effect to the Implementation.

- (v) The accession by LSHL to the Members' Agreement 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) and is hereby approved.
- (vi) The form of Deed of Adherence to be entered into by LSHL to accede to the Members' Agreement is approved.

5. Approval of the Circulation of a Written Resolution

The Board was informed that it was proposed to amend the Articles in regard to the termination of the appointment of Directors and to the notice period of general meetings to make them consistent with those of LSHL.

It is proposed that the Company will circulate a written special resolution (the "Written Resolution") for the approval of the amendment of the LSL Articles by LSHL, as the sole member of LSL.

The Board duly considered the amended LSL Articles presented and approved the circulation of the Written Resolution to LSHL, the sole member of the Company.

6. Interchange Update

The Board was updated that the first meeting of the Interchange Member Working Group had been held on 21st February 2017, at which John Howells had attended as an observer for LSL. The agreed position from the meeting had already been communicated to the Board, NMC, and regulators.

The Working Group had requested LSL to produce a revised interchange proposal that met the principles agreed by the Group prior to their next meeting at the end of March. This will include what interchange will be, and what will change and why. It was agreed that the Company would accept this request. **ACTION: JOHN HOWELLS.**

The Member Directors then gave their individual assessments of the progress made by the Working Group to-date.

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

Following further discussion by the Independent Directors on the likely components of the revised proposal, the Board agreed that:

- (i) The Chairman, Tracey Graham and Liz Richards would provide guidance to John Howells as he formulated the revised LSL proposal, supported by Graham Mott. The revised proposal would then be communicated to the Board prior to submission to the Interchange Member Working Group.
ACTION: CHAIRMAN, TRACEY GRAHAM, LIZ RICHARDS, GRAHAM MOTT, JOHN HOWELLS.

Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley then rejoined the meeting.

7. Approval of Changes to Implement Remedies Associated with the Sale of VocaLink to MasterCard

Note: because of potential conflicts, the Member Directors did not vote on this item 7.

The Board was informed that the NMC had approved the proposed changes to support the remedies, in connection with the sale of VocaLink to MasterCard, at the NMC meeting on 28th February 2017. The revised Agreements to reflect these changes were now presented to the Board for consideration. It was noted that the CMA may or may not accept the remedies, but that the outcome of the current CMA Consultation into them would be known in mid-March.

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

The Board approved that changes to the Framework Agreement and the Switching and Settlement Agreement and the associated Change Control Schedule would come into effect from the date of completion of the proposed acquisition of VocaLink by MasterCard.

8. Proposed Approach to the Review of Governance

The Board discussed the proposed approach to the Review of Governance. It was agreed that the Chairman should conduct the initial review, supported by Mary Buffee. They would prepare Terms of Reference, which would focus on:

- (i) The effectiveness of the IGR recommendations and their implementation.
- (ii) A health check on Board effectiveness.

It was noted that the audit of governance being undertaken by BDO, whilst coming from a different perspective, would also feed into this process.

The Board agreed to consider Terms of Reference for the Review at the meeting on 6th April 2017. **ACTION:CHAIRMAN/JOHN HOWELLS.**

9. Proposed Annual Cycle of Meetings and Strategy Workshop

The Board agreed that, once the current period of high change stabilised, it would be valuable to agree an Annual Cycle of Meetings plan and hold a Strategy Workshop. This will be further discussed at the April Board meeting. **ACTION: JOHN HOWELLS.**

10. Approval of the Payment of the Annual PSR On Account Fees for 2017

Board was informed that the annual PSR On-account Fees from Members for 2017 will be just under £950,000 and becomes due on 31st March 2017. In line with the authorisation matrix, the Board approved John Howells and Sue Wallace to make the payment to the PSR of the fees collected from Members when it is due. **ACTION: JOHN HOWELLS/SUE WALLACE.**

11. Scheme Risk Management

The Board reviewed the overall risk position summarised in the LSL Risk Management Dashboard. It was noted that the Red Risks (LSL01 Scheme governance breaks down, LSL02 Issuer Members move to other schemes, and LSL03 Interchange settlement not sustainable) has all been specifically reviewed as part of individual Board agenda items.

The Board agreed that it would be useful to instigate a process whereby a short summary of key points from each Bank of England Supervision Meeting was documented.

ACTION: JOHN HOWELLS/SUE WALLACE.

The Board agreed that it would be sensible for it to visit the VocaLink back up site at some point in order to review its operations. **ACTION: JOHN HOWELLS/SUE WALLACE.**

The Board requested that the CEO provides a 1-2 page report for each future Board meeting highlighting key issues and activities. **ACTION: JOHN HOWELLS.**

The Board asked for the report on Cyber Risk to be circulated with an explanatory note. **ACTION: SUE WALLACE.**

12. Scheme Finances

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

13. Any Other Business

(This point has been redacted due to confidentiality).

a) Directors' notice periods

It was agreed that DAC Beachcroft LLP will review the terms of the Directors' contracts and prepare a report for the Board on any changes required. **ACTION: LORD DAVID HUNT/JOHN HOWELLS.**

Post Meeting note:

The Remuneration Committee meeting to consider items 13(b) and (c) above has been arranged for 9am on Thursday 6th April 2017.

14. Next Meeting

The next meeting will be held on Thursday 6th April 2017.