
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 1st November 2018 (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
Adam Grimshaw – LINK Scheme Executive (*item 6*)
Gary Henshaw – LINK Scheme Executive
Mike Knight – LINK Scheme Executive
Adrian Roberts – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors and those in attendance to the meeting which was the first to be held at LINK’s new offices in Harrogate. He highlighted the big issues that were on the Agenda for Board consideration, noting that good progress was being made on each:

- The mandated tender.
- The Access to Cash Review and interchange (Redacted on Confidential Grounds)

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. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that a correction to the minutes of the meeting on 4th October 2018 is required. In Item 7, the second sentence of the second paragraph should be replaced by:

(Redacted on Confidential Grounds)

The Board approved the corrected minutes of the meeting on 4th October 2018.

John Gill advised the Board that his meeting with the Bank of England had been omitted from the table included in the Board papers. **ACTION : COO.**

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) The Chairman confirmed that Chris Pond (Chairman of the Lending Standards Board) has accepted the invitation to join the Board for an informal discussion over lunch after the December Board meeting.
- (ii) A summary paper will be prepared on the 2018 UK Corporate Governance Code setting out the changes from the previous version and the applicability to LINK's governance. **ACTION : COO.**

3. Committee Updates

(i) *Risk Committee*

John Gill (Chair of Risk Committee) provided a report on the meeting that had taken place on 31st October 2018. He informed the Board that the Committee had:

- Held strong and valuable discussions on LINK's Risk Appetite and the categorisation of critical risks.
- Reviewed and approved what are very readable revised Enterprise Risk Management Framework ("ERMF") and Systemic Risk Management Strategy Implementation Plan ("SRMSIP") documents.
- Reviewed the reporting to the Bank of England.
- Conducted a good discussion on the Bank's Discussion Paper on Operational Resilience for the UK Financial Sector.

The Risk Committee papers will be distributed to the Board with the minutes of that meeting. **ACTION : HEAD OF RISK TRANSFORMATION.**

(ii) *Remuneration Committee*

Lord Hunt (Chair of Remuneration 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:

- Reviewed and approved the compensation proposals for the senior management team.

- Reviewed and agreed the organisational structure following the recruitment of two new senior team members, particularly the separation of the 1st and 2nd line of defence functions.
- Discussed and approved the appraisal and compensation of the CEO.
- Reviewed the Terms of Reference of the integrated Remuneration and Nominations Committee which are recommended for Board approval (see item 11).

The Remuneration Committee minutes will be distributed to the Board. **ACTION : FINANCE DIRECTOR.**

4. CEO's Report

The Board noted the contents of the CEO's Report and that the key matters were covered by separate agenda items.

The Board was informed that:

- a. Regulators are developing their thinking on cash and its role in the UK.
- b. The Access to Cash Review is working to align its recommendations with the emerging thinking of regulators.
- c. An All Party Parliamentary Group had been formed as a result of the closure programme of Post Offices. The Board noted the parallels of this programme to the ATM industry (Redacted on Confidential Grounds)

The Board considered the latest data presented in the COO's Report, noting that there was a clear sign of acceleration in the declining use of cash with the most recent weekly year-on-year LINK ATM withdrawals showing a reduction of c.9%. The Board agreed that in the short term the focus would remain on the Protected ATMs but during the next two years, the focus would increasingly widen to the whole estate as the rate of ATM closure and moves to charging accelerate.

(Redacted on Confidential Grounds)

The Board discussed the impact of charging on transaction volume reductions, noting that consumer behaviour was such that there would likely only be a small change in the first month, so the third month would be more representative. (Redacted on Confidential Grounds)

Over the longer term, the Board noted that the message would need to emphasise that, whilst it was inevitable that there would be a decline in ATM numbers as demand for cash decreases, LINK's focus is on maintaining the overall footprint of free ATMs for consumers. This is a significant structural change with major financial inclusion implications for policymakers. LINK's current approach is to manage this decline in a way that maintains the geographical spread of ATMs. The Board considers that LINK needs to continue to be central to the solution. It is likely that more proactive work and engagement will be needed with policy makers to help with this. The Access to Cash Review will play a central part. It was also noted that the Post Office will probably be a key part of the solution.

The Board noted that Hannah Nixon (Managing Director of PSR) has been invited to the Consumer Council meeting on 7th December 2018. This will provide an opportunity to discuss the structural change in the ATM industry in response to the decline in the demand for cash. **ACTION : TRACEY GRAHAM/HEAD OF CONSUMER AFFAIRS.**

In conclusion to a lengthy and wide-ranging discussion, the Board agreed its continued support for the position that the Scheme has taken in terms of dealing proactively with the challenging media environment around ATM closures (Redacted on Confidential Grounds)

The Board requested that the Fraud data is extended to show absolute numbers of incidents in addition to percentages. **ACTION : COO.**

5. Update on the PSR's Specific Direction and LINK's Potential Commercial Development and Current LINK Reporting

The Board was updated on the discussions with the PSR regarding Specific Direction 8 (SD8) on Protected ATMs, including the key deliverables required, and on LINK reporting.

The Board was informed that:

(Redacted on Confidential Grounds)

The Board noted that the September ATM Footprint Report is due to be published on 12th November 2018. This will show that a total of 23 Protected ATMs have been removed from service since the beginning of February and which need replacing. (Redacted on Confidential Grounds)

The Board discussed the draft report on the Impact of the Reductions in Interchange on the Free-to-Use ATM Estate which is required to be published. The Board agreed that comments on the structure and content of the report should be provided to the Chairman and CEO to take into account prior to finalisation. **ACTION: DIRECTORS.**

In summary, the Board noted that LINK is on track to comply with all requirements of SD8.

6. PCI PIN Key Block Adoption Across the LINK Network

Adam Grimshaw joined the meeting.

Adam Grimshaw, LINK's Information Security Manager, provided the Board with an overview of the functional area he leads at LINK.

The Board was then briefed on the findings of the assessment into the impact of the Payment Card Industry ("PCI") requirements for Key Blocks on the LINK Network. The Board carefully considered the findings, noting that there are implications for PIN pads when Key Blocks are rolled out to ATMs which is scheduled for 2023.

After further discussion, the Board agreed that LINK should adopt Key Blocks in line with PCI PIN requirements in the interest of continued security and sustainability of the LINK network, to ensure LINK remains aligned with best industry practice, and to continue to offer interoperability with the International Card Schemes. **ACTION : COO**

The Board discussed the security of information contained in Directors' electronic communications. The Board agreed that potential solutions should be investigated. **ACTION : COO.**

Adam Grimshaw left the meeting.

7. Update on the Mandated Tender

The Board was updated on the progress of the mandated tender, including the current position with VISA and the latest communications with the PSR and the Bank of England.

(Redacted on Confidential Grounds)

8. Executive Risk Summary

The Board considered the update on the key risks currently facing LINK and the high-level view of the action being taken to mitigate these risks. (Redacted on Confidential Grounds)

9. Scheme Finances

The Board was updated on the Scheme's Finances.

(Redacted on Confidential Grounds)

10. Annual Review of the Cyber Strategy and Implementation Plan

The Board was updated on the work that is being undertaken to develop and implement the revised Cyber Security Strategy for 2019-2021 which is being overseen by the Risk Committee. The Board noted that this is a deliverable of the SRMSIP and therefore an annual review of the existing Cyber Strategy and Implementation plan is not now planned.

The Board noted that the Cyber Strategy's objectives are aligned with the three pillars set out in the ERMF (Corporate, Network and Member) and it is consistent with the implementation of the LINK Information Security Management System.

(Redacted on Confidential Grounds)

11. Approval of the Terms of Reference for the Remuneration and Nominations Committee

The Board considered and approved the Terms of Reference for the Remuneration and Nominations Committee.

12. Noting of any E-mail Approvals

There were no e-mail approvals to note.

13. Any Other Business

There was no other business for the meeting.

14. Next Meeting

The next meeting will be held on Thursday 6th December 2018 at 10.30 am (Redacted on Confidential Grounds)