



**Link Scheme Holdings Ltd  
CPMI - IOSCO Disclosure  
for the LINK Payment System  
31<sup>st</sup> December 2018**

<b>Responding Institution:</b>	Link Scheme Holdings Ltd
<b>Jurisdiction:</b>	UK (English Law)
<b>Authorities Regulating:</b>	The Bank of England Payment Systems Regulator
<b>Date of Disclosure:</b>	31 <sup>st</sup> December 2018
<b>For further information, please contact:</b>	<a href="mailto:info@link.co.uk">info@link.co.uk</a>



## Table of Contents

<b>1. Executive Summary .....</b>	<b>3</b>
1.1 Background to LINK.....	3
1.2 Disclosure – Principles in and out of scope .....	3
<b>2. Summary of Major Changes Since Last Disclosure.....</b>	<b>4</b>
<b>3. General Background .....</b>	<b>4</b>
3.1 General Description of LINK and the Market it Serves .....	4
3.2 General Organisation of LINK .....	5
3.3 Legal and Regulatory .....	5
3.4 System Design and Operations.....	6
3.4.1 Overview .....	6
3.4.2 Processing a LINK transaction .....	6
3.4.3 LINK Settlement .....	7
3.4.4 LINK Participants.....	8
3.5 Framework for the Comprehensive Management of Risks .....	8
<b>4. Principle by Principle Summary Narrative Disclosure.....</b>	<b>9</b>
<b>5. List of Publicly Available Resource .....</b>	<b>18</b>



## 1. Executive Summary

LINK is the UK's largest cash machine network. Almost every cash machine in the UK is connected to LINK. LINK is the main way that banks and building societies can offer their customers access to cash across the whole of the UK. Most of the UK's main debit and ATM card issuers are LINK Members and as such it is recognised by HM Treasury as a payment system requiring oversight by the Bank of England.

LINK is defined as a Financial Market Infrastructure (FMI) and consequently is required to assess and must disclose how it meets a set of international Principles designed to ensure the stability of the payment system (the Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology, published by the Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commissions – CPMI-IOSCO).

This Public Disclosure sets out how LINK has performed against these principles, and is set out in accordance with the disclosure framework.

### 1.1 Background to LINK

LINK is the UK's largest cash machine network and the busiest cash machine transaction switch in the world. Since its inception in 1985, LINK has grown steadily with its network of Automated Teller Machines (ATMs) now extending to circa 65,000 machines, of which about 53,000 are free-to-use. There are currently over 100 million LINK-enabled cards in circulation in the UK and in 2017 there were over two billion LINK cash withdrawals by consumers amounting to £130 billion.

The LINK network is a fundamental part of the UK's payments infrastructure and cash machines are by far the most popular channel for cash withdrawal in the UK, used by millions of consumers every week. The total value of LINK cash withdrawals can exceed £10 billion per month and at its busiest, LINK processes over 1 million transactions an hour.

LINK is a not for profit organisation, owned by its Members and limited by Member Guarantee. LINK currently has 35 Members, made up of the UK's main debit card issuers (banks and building societies) and cash machine operators (banks, building societies and independent ATM deployers – IADs). A full list of LINK Members can be found on the website at [www.link.co.uk/membership/members](http://www.link.co.uk/membership/members).

LINK's aims are to continue to provide universal free access to cash at a time when the use of cash in the UK is generally declining. As such, LINK's primary risks include a significant processing outage which would prevent consumers from gaining access to their cash, or a failure of the settlement process, whereby Members are unable to settle their obligations to other Members. LINK has implemented an appropriate control framework in order to manage these and the other risks that LINK faces effectively.

### 1.2 Disclosure – Principles in and out of scope

The CPMI-IOSCO Principles can be found at [www.bis.org/cpmi/publ/d101a.pdf](http://www.bis.org/cpmi/publ/d101a.pdf).

There are sixteen Principles that fall into scope for LINK: 1, 2, 3, 4, 5, 7, 8, 9, 13, 15, 16, 17, 18, 21, 22 and 23. The remaining eight Principles: 6, 10, 11, 12, 14, 19, 20 and 24, are not applicable to LINK.



## 2. Summary of Major Changes Since Last Disclosure

This is the first time that LINK has had to make a disclosure under the CPMI-IOSCO Principles, therefore there are no changes to highlight in respect of previous disclosures. Recent changes to Governance, where appropriate, are highlighted in the following sections of this disclosure.

## 3. General Background

### 3.1 General Description of LINK and the Market it Serves

LINK is the UK's largest cash machine network. Almost every cash machine in the UK is connected to LINK. LINK is the main way banks and building societies can offer their customers access to cash across the whole of the UK. LINK provides the operational services and contractual certainty that connects card issuers and cash machine operators to enable card holders to access their cash. LINK membership consists of most of the UK's main debit and cash machine card issuers (banks and building societies) and most of the main cash machine operators (banks, building societies and independent ATM deployers – IADs).

Almost all of the UK's 65,000 cash machines are LINK-enabled and about 53,000 of these ATMs are free-to-use. There are over 100 million UK issued LINK-enabled cards in circulation.

Transaction volumes and values fluctuate from week to week, however in 2018, LINK has processed between 55 and 60 million transactions per week (down circa 5% on 2017 volumes). On the busiest day so far in 2018, LINK processed 8.4 million cash withdrawals amounting to £604 million.

When a consumer withdraws cash from a LINK-enabled free-to-use machine, the customer's bank pays a fee to the ATM provider to cover the cost of its transactions. This fee is known as Interchange.

LINK's objective is to provide nationwide access to cash for consumers. Financial inclusion is a key common objective of all LINK's Members. LINK and its Members are committed to defending and where possible improving access to cash. This is especially important given the decline in cash usage for payments underway in the UK. In pursuit of this, LINK has operated a Financial Inclusion Programme since 2006. This Programme has been enhanced during 2018 by increasing the subsidies paid to ATM operators in areas without a free-to-use ATM. This subsidy is made via a premium to Interchange for qualifying ATMs. The Financial Inclusion Programme will continue to be strengthened to maintain consumer access to cash in the coming years. In addition, all existing free-to-use ATMs over one kilometre from the next nearest free machine will have their interchange protected, and if necessary enhanced, in order to maintain free access to cash in areas where they are sited and there is no other alternative source of cash for consumers.

LINK's Members compete to identify and secure new cash machine locations. There is no central organisation or plan for cash machine locations, rather competition to meet consumer demand. This has proved very effective, with UK consumers enjoying excellent access to free-to-use cash machines.

LINK has a Consumer Council to provide advice on relevant consumer issues and to represent consumers in the governance and development of the network. It gives advice to the Scheme's governing body and can independently publish its views as it wishes.



In January 2018, LINK announced changes to Interchange to help secure the footprint of free-to-use ATMs. These changes were aimed at maintaining and rebalancing the UK's ATM network – shifting incentives from deploying ATMs in urban centres to remote and less affluent communities.

The main changes are a phased reduction in Interchange, which began with a 5% (around 1p) reduction in July 2018. This position will be reviewed annually, taking into account the impact on consumers.

The LINK rules also support pay-to-use cash machines as they supplement the strong free-to-use network with additional machines to improve consumer access. These cash machines do not receive an Interchange fee for dispensing cash. There are around 12,000 such machines (18% of all ATMs) but they account for less than 3% of cash withdrawals. All decisions about charging are made by the ATM operator in agreement with the owner of the premises where the ATM is located, and not by LINK itself. Most pay-to-use ATMs are in low transacting locations.

LINK is currently tendering its infrastructure platform, undertaking a competitive procurement for switching and settlement services, the mechanism that links together the card issuers and ATM operators. This will be completed in the first half of 2019.

### 3.2 General Organisation of LINK

Link Scheme Holdings Ltd is the operator of the LINK Scheme as set out in the Financial Services (Banking Reform) Act 2013. LINK is recognised as an inter-bank payment system under section 184 of the Banking Act 2009, bringing LINK into the scope of the Bank of England's supervisory regime. This is because of the crucial role that LINK plays in the UK economy as the main facilitator of free-to-use cash withdrawals.

Link Scheme Holdings Ltd is a company limited by guarantee. The members of the company are the 35 companies that issue cards used in ATMs and that provide ATMs.

The LINK Board comprises of an independent Chair, six Non-Executive Directors and the LINK Chief Executive. An overview of the individual LINK Board members is provided on the LINK website at <https://www.link.co.uk/about/governance/>.

The Risk Committee is a new Committee that was established during 2018 to strengthen Board oversight of risk management, and the Remunerations and Nominations Committee existed previously as two separate committees which were amalgamated during 2018 and their duties combined. There is also an Audit Committee.

All three Committees have delegated authority from the Board, however ultimate responsibility for key decisions rests with the Board, including the setting of Scheme Rules and Interchange fees.

In addition to the Board and its respective sub-Committees, the Board has established an independent Consumer Council. The Council was established in 2006 and consists of independent consumer and LINK Member representatives, and is chaired by an independent Chair. The Council provides advice on consumer issues relating to the UK cash machine network. The Council represents consumer interests and publishes its own report each year. To find out more about the Consumer Council visit the website at [www.link.co.uk/about/news/link-consumer-council-report-2017/](http://www.link.co.uk/about/news/link-consumer-council-report-2017/).

### 3.3 Legal and Regulatory

LINK is considered systemically important by UK policy makers and as such is designated as a Financial Market Infrastructure under the Financial Service (Banking Reform) Act 2013. Accordingly, LINK is regulated by the Bank of England as one of a handful of systemic payment systems in the UK. The Bank's focus is on ensuring that LINK manages systemic integrity effectively.



LINK is also regulated by the Payment Systems Regulator (PSR), which is concerned with ensuring that LINK meets the needs of its service users, and is effective at competition and innovation.

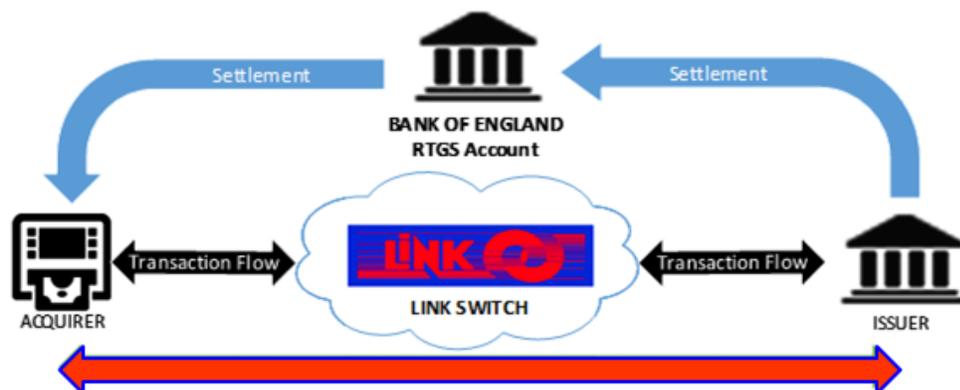
Both regulators work closely with the LINK Board and LINK Scheme Executive.

LINK has in place a series of legally binding contractual documents between the various parties involved in the LINK Scheme (governed by English law), which provide an effective framework within which the Scheme operates. The most important of these are Members Agreement which sets out the Governance and Rules for LINK Members; and the Switching and Settlement Agreement which exists between LINK, the third party that provides the LINK infrastructure, and the individual Members of the Scheme.

### 3.4 System Design and Operations

#### 3.4.1 Overview

LINK provides the infrastructure that enables consumers in the UK who have a LINK-enabled card issued by their Bank or Building Society to access their cash from a LINK enabled ATM. It does this by linking the Issuer (the Bank or Building Society that issued the card and with whom the consumer holds their account) and the Acquirer (the Bank, Building Society, or IAD who operates the machine from which cash is withdrawn), and providing a mechanism for balances owed by Issuers to Acquirers to be settled.



#### 3.4.2 Processing a LINK transaction

A typical LINK transaction follows these basic steps, and usually takes no more than a few seconds to complete:

1. A customer with a LINK-enabled card makes a request at a LINK cash machine (operated by an Acquirer), usually to withdraw cash;
2. The Acquirer sends relevant cardholder information together with the transaction request to the LINK Network;
3. The LINK Switch reads the information, undertakes basic checks, and forwards an authorisation request to the customer's Bank or Building Society (the Issuer);

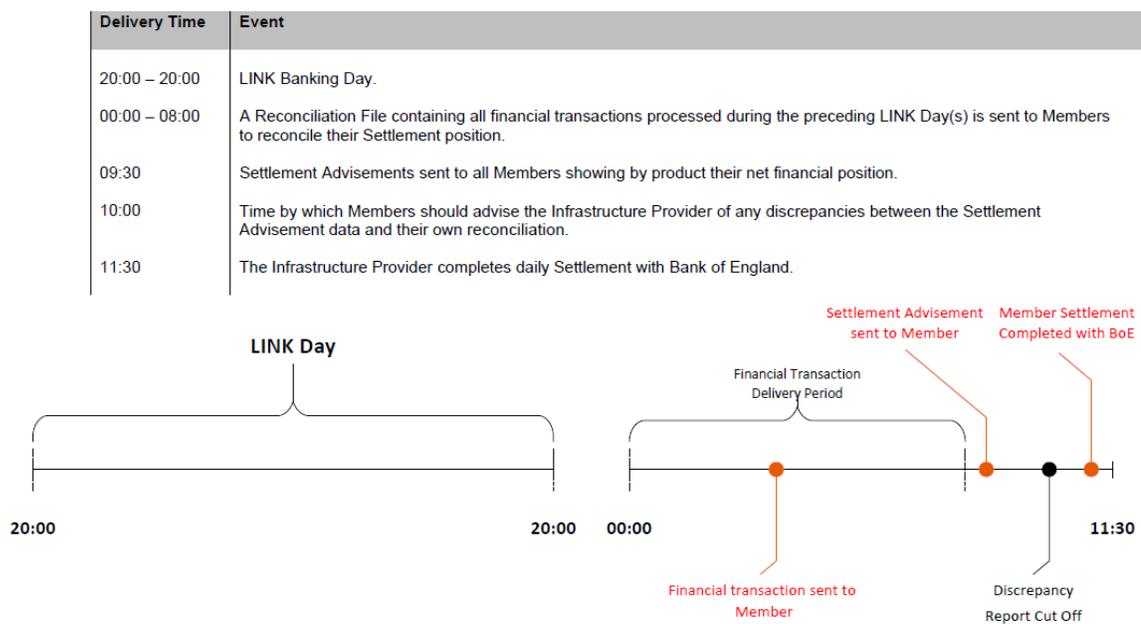


4. The Issuer conducts a series of checks to validate the request before returning a response, either providing approval for, or declining, the requested transaction;
5. The LINK Switch receives the response and relays it to the cash machine operator (the Acquirer) who will then process the transaction or indicate that it has been declined.

The funds for each approved cash withdrawal are paid by the Issuer to the respective Acquirers through the LINK Settlement process. The LINK Settlement process runs each English Banking Day.

### 3.4.3 LINK Settlement

An overview of the LINK Settlement process is as follows:



LINK transactions can take place at any time of the day or night; therefore, a LINK day runs over 24 hours - from 8pm on any given day to 8pm on the following day. All LINK transactions that are processed during the LINK day are then netted off for settlement purposes resulting one settlement position per Member.

Overnight, LINK Members are sent a record of their individual settlement positions by the LINK Infrastructure Provider, so that they can reconcile this with their own internal records. Any discrepancies need to be notified to the infrastructure provider so that these can be investigated and resolved prior to settlement taking place.

Settlement of monies owed to and from LINK Members takes place at the Bank of England using the Bank's Real Time Gross Settlement System shortly before 11.00am on the banking day following the close of the LINK day. In the case of weekends and Bank Holidays, positions accumulated over preceding LINK days are amalgamated and are settled on the first banking day following the weekend or Bank Holiday.

Interchange fees due in respect of LINK transactions are calculated by the LINK infrastructure provider on the first working day of the month and settled on the second working day of the month.



### 3.4.4 LINK Participants

There are several different participants in the LINK, fulfilling a variety of different roles:

**Link Scheme Holdings Ltd** – The Operator of the LINK Payment Systems as set out in the Financial Services (Banking Reform) Act 2013.

**LINK Scheme Executive** – The LINK Scheme Executive is accountable to the LINK Board and is responsible for the day-to-day running of the LINK Scheme and managing the Scheme from a strategic perspective. The role of the Scheme Executive includes overseeing the performance of service providers, ensuring that they meet their contractual obligations towards the Scheme, administering Scheme membership and overseeing Members, ensuring that they are operating in accordance with Scheme Rules.

**LINK Infrastructure Provider** – The infrastructure which enables the LINK Scheme is provided by an outsourced service provider, currently Vocalink. It is responsible for ensuring that the infrastructure is operated in accordance with the Switching Settlement Agreement, maintaining a high level of operational availability and resilience as set out in the Service Level Agreement.

**Issuers** – The Banks and Building Societies that issue LINK-enabled cards to their customers. They are responsible for ensuring that they comply with the Rules of the LINK Scheme, thereby contributing to the ongoing security and resilience of the Network, and for ensuring that Settlement is funded.

**Acquirers** – The Banks, Building Societies and IADs who operate the cash machines that make up the LINK Network. They are responsible for ensuring that the machines they operate are run efficiently and securely and that they are regularly replenished with cash, operating in accordance with the Rules of the LINK Scheme, thereby contributing to the ongoing security and resilience of the LINK Network.

**Certified Service Bureaux (CSB)** – LINK Members (both Issuers and Acquirers) can choose to connect directly with the LINK Network or through a third party CSB. The CSB is responsible for ensuring that it operates in accordance with the Rules of the LINK Scheme and that the LINK Member(s) that it operates on behalf of remain connected to the LINK network and do so in a secure and reliable manner.

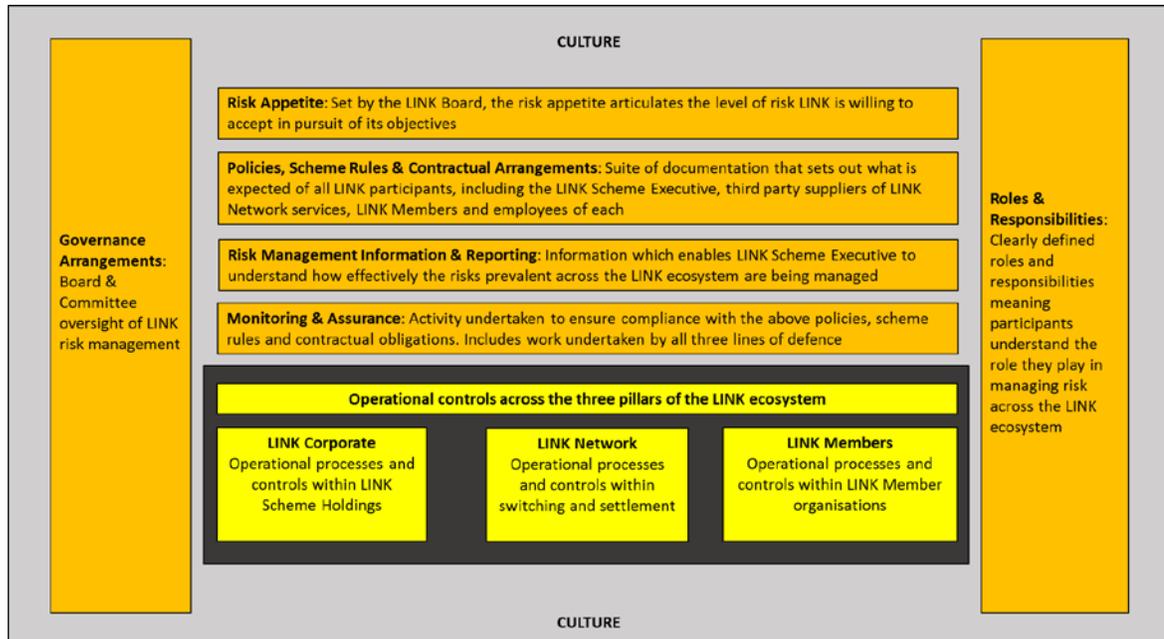
**Bank of England** – The Bank of England, through its Real Time Gross Settlement System, provides the system through which settlement of LINK Settlement takes place.

**Customers** – Customers of the Banks and Building Societies who issue LINK-enabled cards. Their responsibilities extend to keeping their cards and PIN details secure, thereby contributing to the secure operation of the Network and protecting it from fraudulent activity.

### 3.5 Framework for the Comprehensive Management of Risks

During 2018, LINK has undertaken a thorough review of its Enterprise Risk Management Framework (ERMF) with a view to assessing its effectiveness in enabling LINK to fulfil its responsibilities and manage systemic risks across the LINK Scheme effectively. As a result of this work, a number of changes have been made to the ERMF, an overview of which is provided below.

#### LINK Enterprise Risk Management Framework



Collectively the above elements of the ERMF enable LINK to manage its risks effectively.

#### 4. Principle by Principle Summary Narrative Disclosure

Principle	Summary
<p><b>1. Legal basis</b></p> <p><i>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i></p>	<p>LINK is UK based and has a clearly defined set of rules and legal agreements in place in respect of its operations which are governed by English Law. Processing and settlement takes place in the UK. However, LINK has a small number of Members with overseas businesses (both Cards and ATMs).</p> <p>LINK Scheme Documents and all relevant contractual agreements have been prepared with the support of external legal advisors.</p>
<p><b>2. Governance</b></p> <p><i>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</i></p>	<p>Link Scheme Holdings Ltd (“LINK”) is a company limited by guarantee. LINK currently has 35 Members consisting of banks, building societies and independent ATM operators, who issue cards and/or operate ATMs.</p> <p>LINK has in place clearly defined governance arrangements, as set out in the Articles of Association, Members Agreement and Switching and Settlement Agreement which govern the participation of Members, and other contractual arrangements in place between</p>

	<p>LINK, Members and parties who provide services to LINK.</p> <p>The LINK Board is ultimately responsible for overseeing the running of the Scheme, making decisions and ensuring that effective governance arrangements are in place. The Board is made up of an independent Chair, six Non-Executive Directors and the Chief Executive. Details of the Board members' backgrounds and experiences are published on the LINK website, as are minutes of LINK Board meetings.</p> <p>In addition to the main Board, LINK has the following Board sub committees: Audit Committee; Risk Committee; and Remuneration and Nominations Committee. Each has delegated responsibility for overseeing specific aspects of LINK's operations. The responsibilities of each Committee are set out in a Terms of Reference and these are reviewed annually by the LINK Board.</p> <p>Recognising the importance of LINK's role in providing consumers with access to cash, the Board has established the LINK Consumer Council, comprising of representatives from LINK Members and independent consumer representatives. The Consumer Council provides independent advice to the LINK Board on consumer issues.</p> <p>LINK operates a three lines of defence model consisting of first line management, responsible for the day-to-day operations of LINK; an independent risk management team, responsible for providing independent advice and challenge to the business on the effective management of risk; and internal audit, LINK's third line of defence.</p> <p>LINK is regulated by the Bank of England and the Payment Systems Regulator.</p>
<p><b>3. Framework for the comprehensive management of risks</b></p> <p><i>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</i></p>	<p>LINK recognises the importance of managing risks effectively in delivering against its objectives and fulfilling its obligations as an FMI in managing systemic risk across the LINK ecosystem. The Scheme has recently undertaken a comprehensive review of its Enterprise Risk Management Framework</p>

	<p>(ERMF), with a view to identifying and addressing any gaps that existed. The ERMF is approved by the Board.</p> <p>The ERMF consists of several different component parts, all of which work together in enabling LINK to understand and effectively manage risk. These include a clearly defined risk appetite, set by the Board and which LINK aims to operate within; Policies, Members Agreement and Switching and Settlement Agreement, which set out what is expected of the various parties operating within LINK; defined roles and responsibilities setting out who is responsible for what; effective monitoring and oversight to ensure the above are being complied with; and operational level controls, in place to manage day-to-day activities.</p> <p>The risks facing LINK are documented in a Risk Register. The Register is reviewed regularly by the LINK Scheme Executive, with a summary of risks being reported to the Board monthly. The Register is reviewed on a quarterly basis by the LINK Risk Committee. Risks are scored in respect of impact and likelihood and information captured in the Register includes likely impacts should the risk materialise, controls currently in place to mitigate the risk, and any actions which need to be taken to manage or eliminate that risk going forward.</p> <p>A Risk Dashboard has been developed which enables the Risk Committee to oversee how effectively risks are being managed and, importantly, whether LINK is operating in accordance with the risk appetite set by the Board. The Dashboard consists of a suite of MI which collectively enables the effectiveness of risk management to be assessed.</p>
<p><b>4. Credit risk</b></p> <p><i>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.</i></p>	<p>Credit risk arises in the LINK Scheme between individual Members due to Settlement taking place on the day after a LINK transaction takes place.</p> <p>A robust framework is in place to manage settlement and the associated credit risk between Members as set out in the Switching and Settlement Agreement, a legal agreement signed by all LINK Members.</p>

	<p>LINK makes use of a Liability Management tool which monitors outstanding settlement positions real-time and issues alerts (issued by the LINK infrastructure provider to the LINK Scheme Executive and then passed on to Members) when pre-agreed exposure thresholds are reached. This enables LINK and individual Members to be aware of any abnormally high credit exposures that are emerging and for any such situation to be monitored closely.</p> <p>LINK Members are informed of settlement positions in advance of settlement being affected at the Bank of England and are required to fund settlement through accounts held at the Bank.</p> <p>Procedures exist to manage the situation should a LINK Member default on their settlement obligations.</p>
<p><b>5. Collateral</b>  <i>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</i></p>	<p>LINK does not currently hold collateral on behalf of its Members, however consideration is given to holding collateral from start-up participants, (where credit risk is considered high).</p> <p>Settlement obligations are covered by cash held at the Bank of England.</p>
<p><b>6. Margin</b></p>	<p>N/A</p>
<p><b>7. Liquidity risk</b>  <i>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</i></p>	<p>Liquidity risk arises through Members in respect of their liquidity commitments for daily settlement positions and in respect of interchange fees payable by Members. The settlement process for cash withdrawals and Interchange fees is set out in the Members Agreement, Operating Rules and Switching and Settlement Agreement.</p> <p>LINK Members are informed of settlement positions in advance of settlement being affected at the Bank of England and are required to fund settlement through accounts held (directly or indirectly) at the Bank.</p> <p>LINK makes use of a Liability Management Tool which monitors outstanding settlement positions real-time and issues alerts (issued by the LINK infrastructure provider to the LINK Scheme Executive and then passed on to Members) when pre-agreed exposure thresholds are reached. This enables LINK and individual</p>

	<p>Members to be aware of any abnormally high settlement positions that are emerging in order that they can make the necessary arrangements to fund settlement.</p> <p>Procedures exist to manage any Member default. In the event of a default, the Member concerned is removed from the settlement calculations and daily settlement takes place between all the other LINK Members, using the new set of settlement positions.</p> <p>LINK does not guarantee settlement in the event of any Member default. As such, LINK is not exposed directly to liquidity risk relating to settlement obligations.</p>
<p><b>8. Settlement finality</b>  <i>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</i></p>	<p>A transaction within the LINK system is final once a cash withdrawal is made, as the transaction is processed instantaneously. Settlement occurs on the following banking day via Bank of England settlement accounts.</p> <p>LINK is not currently designated under the Settlement Finality Regulations.</p>
<p><b>9. Money settlements</b>  <i>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</i></p>	<p>LINK settlement takes place in sterling using the Bank of England's Real Time Gross Settlement (RTGS) System.</p> <p>Any LINK Member that does not hold a Bank of England RTGS account must enter into an agreement with a sterling clearing bank that does prior to being admitted as a Member.</p> <p>Members are notified of their settlement position at 9.30am on the day following the relevant transactions, and settlement takes place at 11.30am that day.</p> <p>LINK does not conduct Settlement on its own books or on the books of another commercial entity.</p>
<p><b>10. Physical Deliveries</b></p>	<p>N/A</p>
<p><b>11. Central Security Depositories</b></p>	<p>N/A</p>
<p><b>12. Linked Obligations</b></p>	<p>N/A</p>
<p><b>13. Participant-default rules and procedures</b>  <i>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be</i></p>	<p>LINK has established procedures in place to manage default by any Member, as set out in the Switching and Settlement Agreement.</p>

<p><i>designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</i></p>	<p>In the event of default, a Member is removed from the Settlement process and the Settlement obligations are recalculated. This ensures that Settlement can continue to take place on a timely basis for all other Network Members.</p> <p>In the event of ongoing liquidity problems, the ability exists to switch off Members of the Scheme, thereby limiting the exposure of other Members to further intra-day balances.</p> <p>Any outstanding obligations of the defaulting Member are then dealt with under English insolvency law.</p>
<p><b>14. Segregation and Portability</b></p>	<p>N/A</p>
<p><b>15. General business risk</b>  <i>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</i></p>	<p>LINK's approach to risk is set out in its Enterprise Risk Management Framework (ERMF) which is approved by the Board. This articulates LINK's approach to managing all risks, including general business risk.</p> <p>LINK finances are managed on an ongoing basis and are reviewed each month by the Board.</p> <p>LINK holds cash reserves equivalent to 50% of annual operating costs to cover any unexpected operating expenses. These are held in cash, deposited with a UK regulated bank. LINK is funded by its Members in accordance with rules set out in the Members Agreement. These include provision for raising additional funding outside of the normal funding cycle, should there be a requirement to do so.</p> <p>In the even that scenarios arise that prevent LINK from being able to operate as a going concern, LINK has a Recovery and Wind Down Plan in place which has been reviewed and approved by the Board that considers the risks in such a scenario and provides for an orderly wind down of the LINK Scheme.</p>
<p><b>16. Custody and investment risks</b>  <i>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</i></p>	<p>Link Scheme Ltd assets are held on deposit at a regulated UK bank. LINK does not hold any realisable investments.</p>
<p><b>17. Operational risk</b></p>	<p>LINK's approach to risk is set out in its Enterprise Risk Management Framework</p>

*An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.*

(ERMF) which is approved by the Board. This articulates LINK's approach to managing all risks, including operational risk.

Given LINK's principle objective is to provide UK consumers with universal access to cash, resilience and service continuity is of paramount importance. LINK's ERMF has been designed to ensure a high degree of security and operational resilience across all aspects of the Scheme – LINK, its Members, and its Critical Service Providers.

Risks, including all operational risks, are captured in a Risk Register. The Register details the nature of the risk and controls that are in place to mitigate the impact, should the risk materialise, together with any further action that needs to be taken to reduce the risk further. The Risk Register is updated regularly to reflect any new and emerging risks, and is reviewed quarterly by the LINK Risk Committee.

LINK monitors the performance of its infrastructure provider through regular receipt of information on the operational performance of the service and through a series of governance meetings with the provider to monitor and discuss performance.

LINK, in cooperation with the infrastructure provider, reviews network capacity regularly. Currently, the Scheme has considerable excess capacity and has already been proven resilient and able to process greatly increased transaction volumes.

Additionally, LINK seeks annual assurances on the effectiveness of the infrastructure provider's control framework, including the adequacy of its physical and information security arrangements. This is provided through an annual ISAE 3000 service audit, conducted by an independent firm of auditors.

Similarly, LINK gains assurances on the effectiveness of operational controls over the Settlement Services provided for LINK by the Bank of England through an annual ISAE 3402 service audit.

	<p>In the event of an operational failure, LINK has Business Continuity and Disaster Recovery plans in place covering all aspects of the Scheme's operations, prepared in accordance with CPMI – IOSCO Principles. These plans detail how LINK will ensure a timely recovery of operations and fulfil LINK's objective of continuing to provide consumers with access to their cash, and make provision for recovery in the event of a widescale or major disruption.</p> <p>LINK Members are subject to an annual self-assessment whereby they are required to provide details of their operational controls and confirm their compliance with LINK Scheme Rules. The information provided by Members is then validated by LINK through follow up checking of returns and engagement with individual Members as necessary. Information security forms a key part of the assessment process.</p>
<p><b>18. Access and participation requirements</b>  <i>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</i></p>	<p>LINK's membership criteria set out what is expected of any prospective Member wishing to join the Scheme. LINK considers that the membership criteria strike an appropriate balance between openness of membership and ensuring the ongoing security and stability of the LINK Scheme.</p> <p>LINK offers four different categories of membership: General Members who issue cards and operate ATMs; Card Issuer Members who issue cards but do not operate ATMs; Independent ATM Deployer Members, who operate ATMs but don't issue cards; and Mobile Payment Only Members, who issue or receive mobile payments.</p> <p>LINK's membership criteria are publicly available and can be viewed on the LINK website at <a href="http://www.link.co.uk/membership/joining/">www.link.co.uk/membership/joining/</a>. Scheme Rules and detailed requirements of LINK Membership are made available to interested parties who have signed an appropriate Non-Disclosure Agreement (NDA).</p>
<p><b>19. Tiered participation arrangements</b></p>	<p>N/A</p>
<p><b>20. FMI Links</b></p>	<p>N/A</p>
<p><b>21. Efficiency and effectiveness</b></p>	<p>The LINK Scheme has been designed to meet the needs of its Member and customers, by connecting the UK's cash machines and</p>

<p><i>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</i></p>	<p>providing consumers with widespread access to their cash.</p> <p>LINK's objectives, which are reviewed annually by the Board, reflect this and consider its role in managing systemic risk across the LINK Scheme.</p> <p>Operational performance levels are set and tracked through Service Level Agreements, which are monitored to ensure efficient and effective delivery of its service.</p> <p>Performance against objectives and Service Levels is reported in a monthly Service Report, rolled up into a COO/CEO Report, which is reviewed monthly by the LINK Board.</p>
<p><b>22. Communication procedures and standards</b></p> <p><i>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</i></p>	<p>LINK supports international telecommunications standards for connections into the LINK Network and the LINK messaging standard (LIS5) meets the international for card originated financial transactions (ISO 8583).</p>
<p><b>23. Disclosure of rules, key procedures and market data.</b></p> <p><i>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</i></p>	<p>LINK's membership criteria are publicly available and can be viewed on the LINK website at <a href="http://www.link.co.uk/membership/joining/">www.link.co.uk/membership/joining/</a>.</p> <p>On completion of an appropriate NDA, information is made available to enable prospective Members to have a full understanding of the different categories of LINK membership; requirements of them under the membership criteria; fees; and other costs associated with joining LINK.</p> <p>Upon joining the LINK Scheme, the Members Agreement and Switching and Settlement Agreements together with their respective Appendices and Schedules form the Rules and Procedures that Members must adhere to.</p> <p>LINK Scheme Rules are fully disclosed to existing Members. These documents are available 24/7 to Members and reissued as and when changes are made.</p>
<p><b>24. Disclosure of Market Data by Trade Repositories</b></p>	<p>N/A</p>



## 5. List of Publicly Available Resource

In addition to the information contained within this document, all publicly available resources can be found on our website: [www.link.co.uk](http://www.link.co.uk).