



**Link Scheme Holdings Ltd
CPMI - IOSCO Public Disclosure
for the LINK Payment System
31st December 2019**

Responding Institution: Link Scheme Holdings Ltd

Jurisdiction: UK (Laws of England and Wales)

Authorities Regulating: The Bank of England
Payment Systems Regulator

Date of Disclosure: 31st December 2019

Disclosure Location: www.link.co.uk/publications/policies-and-regulation/

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1 Executive Summary

LINK is the UK's largest cash machine network. Effectively every cash machine in the UK is connected to LINK and it is one of only a few ways that banks and building societies can offer their customers access to cash across the whole of the UK. All of the UK's main debit and ATM card issuers are members of LINK.

LINK operates in a competitive market. There is no requirement to join LINK, and Visa and Mastercard are examples of competitors in the UK. As a purely domestic Scheme, LINK supports both a free-to-use and pay-to-use model, and has a clearly defined set of Rules and legal agreements in place in respect of its operations, all which are governed by English Law.

LINK currently has 35 Network 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 Network Members can be found on LINK's website at www.link.co.uk/membership/members.

Those applying for membership of the LINK Scheme must meet specific membership criteria, both at the time of application and throughout the duration of their membership. Each Network Member is obliged to sign binding contracts in the form of a Members Agreement and a Switching and Settlement Agreement.

The role LINK plays in the stability of the UK's economy has been recognised under s.184 of the Banking Act 2009, meaning that the Bank of England supervises LINK. The Bank achieves two objectives through its supervision of financial market infrastructures (FMIs) such as LINK: to ensure FMIs take appropriate steps to mitigate risks they face, given the systemic impact of a failure of an FMI; and to ensure that FMIs mitigate or do not increase risk in the financial system more generally.

As LINK is a recognised payment system, it must have regard to the internationally agreed CPMI-IOSCO Principles for Financial Market Infrastructures (Principles). This public disclosure sets out how LINK has performed against these Principles and is set out under the disclosure framework. The Principles can be found at www.bis.org/cpmi/publ/d101a.pdf.

There are sixteen Principles that apply to LINK: 1, 2, 3, 4, 5, 7, 8, 9, 13, 15, 16, 17, 18, 21, 22, and 23. The eight remaining Principles: 6, 10, 11, 12, 14, 19, 20 and 24 do not apply. The key questions have been answered based upon the policies and procedures in place at 30th September 2019.

This year's CPMI-IOSCO submission takes full account of the work completed to deliver a challenging agenda over the year to 30th September 2019. LINK has implemented improvements to bolster its maturing risk management framework, including strengthening the governance structure, improving its Enterprise Risk Management Framework (ERMF) and implementing a strong three lines of defence governance model, all against the backdrop of running a competitive tender for the LINK infrastructure, as well as facing challenges from the declining use of cash.

Material improvements to the risk management arrangements within Link Scheme Holdings Ltd (LSHL) have been achieved, incorporating recruitment of new skills into the Board and Senior Management Team; establishing a Risk Committee; and creating an independent second line risk function. This improvement in governance has increased LINK's ability to promote a safe and efficient service, which in turn supports the stability of the broader financial system.

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 Network Members are unable to settle their obligations to other Network Members. LINK has implemented an appropriate risk control framework to effectively manage these and the other associated risks that LINK faces.



2 Summary of Major Changes Since Last Disclosure

This year's submission takes full account of the work completed to deliver a challenging agenda. LINK has implemented improvements to bolster its maturing risk management framework, with notable changes this year including:

- The Board has been strengthened with the addition of three new Directors, all with strong risk management credentials. All three sit on the new Risk Committee, with John Gill as Chair, and Bill Raynal and David Rigney as attendees.
- A distinct second line of defence has been created, under the leadership of Tom Sleight, the Chief Risk Officer. The team has expanded to include a new Head of Compliance, who is focusing on compliance with policies and building a programme of second line assurance work to be delivered from 2020 onwards.
- An improved ERMF to identify and manage risks facing LINK. The ERMF has driven a new Risk Taxonomy, supported by Risk Appetites and Impact Tolerances to define the parameters within which the business expects to operate.
- Development of the new infrastructure contract to better support ongoing requirements for systemic risk management for the next 10 years.
- Full review and identification of all risks that LINK faces across the LINK ecosystem, in accordance with the requirements of the ERMF.
- LINK's enhanced Access to Cash commitments in line with the PSR's Specific Direction 8.

3 General Background on the FMI

3.1 General Description of LINK and the Market it Serves

LINK is the UK's largest cash machine network. Effectively almost every cash machine in the UK is connected to LINK, and LINK is one of the few ways that banks and building societies can offer their customers access to cash across the whole of the UK. All of the UK's main debit and ATM card issuers are Network Members. Cash machine operators join LINK to offer cash to the 100 million-plus LINK-enabled UK cards in circulation.

LINK's 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 22,000 transactions a minute. In terms of scale, the LINK Network is a high resilience, high volume, real-time system connecting over 61,000 ATMs, and conducting over 2.5 billion transactions a year.

When a consumer withdraws cash from a LINK-enabled free-to-use machine which is not owned by the consumer's bank, the consumer's bank pays a fee to the ATM provider to cover the cost of its transactions. This fee is known as Interchange.

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 change was a phased reduction in Interchange, which began with a 5% (around 1p) reduction in July 2018. This position is reviewed annually, taking into account the impact on consumers.



LINK sets the Rules for ATM operators who want their cash machines to be part of the UK ATM Network or card issuers who want their cardholders to be able to use the UK ATM Network. Almost every cash machine in the UK, both free-to-use and pay-to-use, is connected to LINK, giving cardholders nationwide access to cash.

LINK is committed to maintaining free access to cash across the UK for as long as consumers need it. This includes maintaining the coverage of free-to-use ATMs in the most remote and rural locations, as well as improving free access in the most deprived areas of the UK.

LINK has operated a Financial Inclusion Programme (Programme) since 2006. The Programme is intended to improve free cash access in the most deprived and remote areas of the UK. LINK produces monthly Footprint and Dashboard Reports which give the public a view on the current status of the coverage of the ATM network in the UK. The latest reports can be downloaded from the LINK website. The Programme has developed over the past twelve months, including the development of a Direct Commissioning Process, where LINK can pay Network Members to install ATMs in remote or underserved areas.

In July 2018 LINK commissioned Natalie Ceeney CBE to chair a new, independent review to look at the impact of the shift from cash to digital payments - supported by a panel of consumer and industry experts. This review was a response to cash usage declining rapidly in recent years, and growing concerns about the sustainability of the supporting cash infrastructure.

The independent Access to Cash Review published its final recommendations in March 2019, calling on the Government, regulators and banks to act or risk leaving millions behind. The full report can be downloaded, and further details can be found on the Access to Cash Review's website www.accesstocash.org.uk/.

3.2 General Organisation of LINK

LSHL 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 it 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.

LSHL is a company limited by guarantee. The Network Members of the company are the 35 companies that issue cards used in ATMs and the companies that provide ATMs.

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

LINK has three sub-committees, the Risk Committee, the Remuneration and Nominations Committee, and the 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 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 a Non-Executive Chair. The Council provides advice on consumer issues relating to the UK cash machine network. The Council represents consumer interests and publishes an annual report. To find out more about the Consumer Council visit the website at <https://www.link.co.uk/initatives/consumer-council/>.



3.3 Legal and Regulatory

LINK is considered systemically important by UK policymakers 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 it meets the needs of its service users, and is effective at competition and innovation.

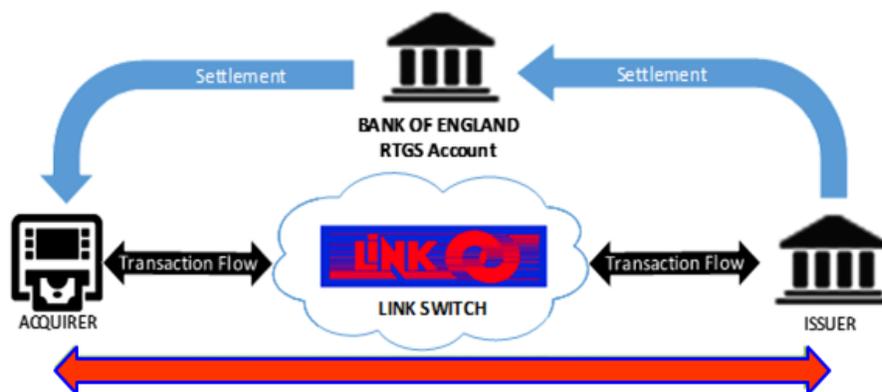
Both regulators work closely with the Board and the Scheme Executive.

LINK has in place a series of legally binding contractual documents between the various parties involved in the Scheme, 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 Network Members; and the Switching and Settlement Agreement which exists between LINK, the third party that provides the infrastructure, and the Network Members.

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 any 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 which 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);



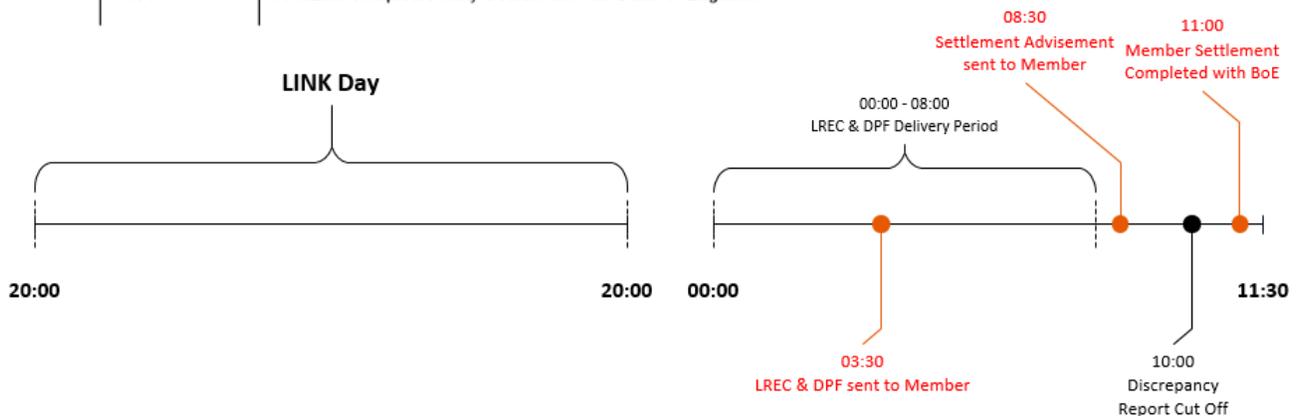
4. The Issuer conducts a series of checks to validate the request before returning a response, either providing approval for, or declining, the requested transaction;
5. The LINK Switch receives the response and relays it to the cash machine operator (the Acquirer) who will then process the transaction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

Typical Delivery Time	Contractual Delivery Time	Event
N/A	20:00 – 20:00	LINK Day.
03:30	00:00 – 08:00	LINK Reconciliation File (LREC) containing all financial transactions processed during the preceding LINK Day(s) upto the first Banking day and the Disputes Posting File (DPF) containing any disputed transactions.
08:30	09:30	Settlement Advisements sent to all Members showing by product their credit, debit & net financial position.
N/A	10:00	Time by which Members should advise VocaLink of any discrepancies between the settlement advisement data and their own reconciliation.
11:00	11:30	VocaLink completes daily Settlement with Bank of England.



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 in one settlement position per Network Member.

Overnight, Network Members are sent a record of their individual settlement positions by the 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 Network Members takes place at the Bank of England using the Bank's Real Time Gross Settlement System at 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 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 Scheme, fulfilling a variety of different roles:

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

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

Infrastructure Provider – The infrastructure which enables LINK is provided by an outsourced service provider, currently Vocalink. It is responsible for ensuring that the infrastructure is operated in accordance with the Switching and Settlement Agreement, including maintaining a high level of operational availability and resilience, as set out in the Service Level Agreements contained within the Switching and Settlement 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 Scheme Rules, 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 ATMs that make up the Network. They are responsible for ensuring that the ATMs they operate are run efficiently and securely, and that they are regularly replenished with cash, operating in accordance with the Scheme Rules, thereby contributing to the ongoing security and resilience of the Network.

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

The Bank of England – The Bank of England, through its Real Time Gross Settlement System, provides the system through which 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.

3.4.5 Framework for the Comprehensive Management of Risks

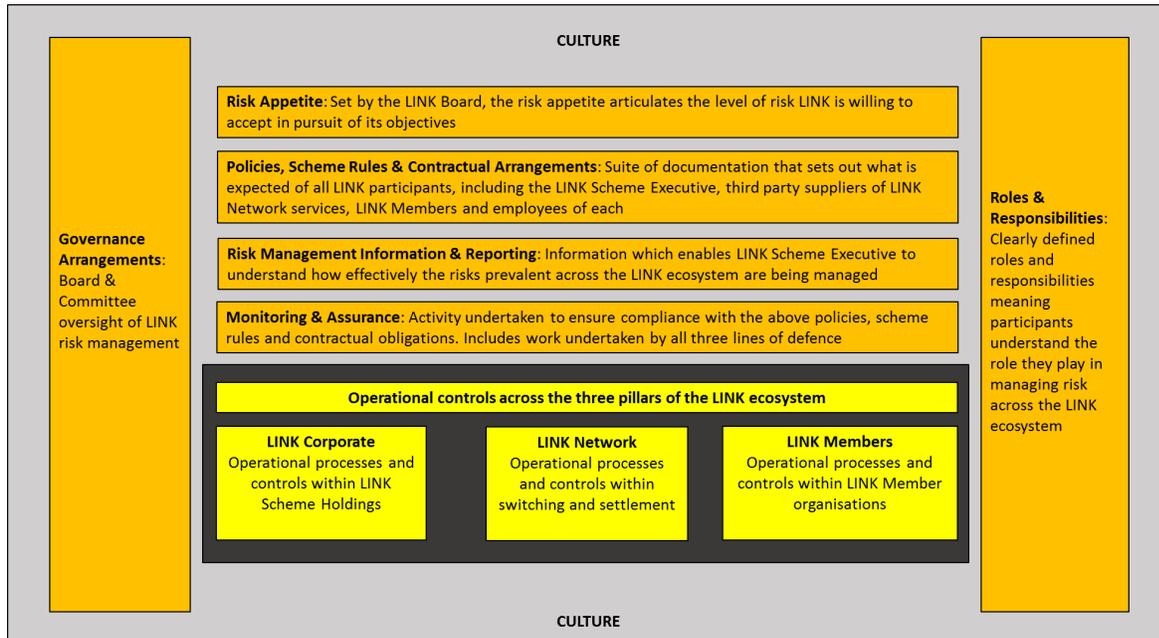
Having an effective framework for identifying and managing the risks facing LINK is critical to enable LSHL to meet its strategic objectives, and to deliver against its regulatory obligations as a systemic risk manager.

LSHL's approach to managing risk uses a three-pillar approach, ensuring that risks impacting Network Members, the Network, and LINK as a corporate entity are all considered and captured in LINK's risk register.

LINK has defined Risk Appetites and Impact Tolerances within which it aims to operate, set annually by the Board. These Appetites and Tolerances articulate the level of risk that



LINK is willing to accept in achieving its objectives and managing the different types of risk that it faces.



4 Principle by Principle Summary Narrative Disclosure

1. Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

LINK is UK based and has a clearly defined set of Rules and legal agreements in place in respect of its operations, all of which are governed by English Law. Processing and settlement take place in the UK. LINK has a small number of Network Members with overseas businesses (both Cards and ATMs). In 2019 the Board approved a one-year plan prohibiting the connection of any overseas ATMs from 1 June 2019, as well as providing a clear framework for removing those existing overseas ATMs currently connected to the LINK Network, by June 2020.

LINK Scheme documents and all relevant contractual agreements have been prepared with the support of external legal advisors.

2. Governance

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.

LSHL is a company limited by guarantee. LINK currently has 35 Network Members consisting of banks, building societies and independent ATM operators, who issue cards and/or operate ATMs.



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 Network Members, and other contractual arrangements in place between LINK, Network Members, and parties who provide services to LINK.

The Board is ultimately responsible for overseeing the running of LINK, making decisions and ensuring that effective governance arrangements are in place. The Board is made up of a Non-Executive 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 redacted minutes of Board meetings.

In addition to the Board, LINK operates the following Board sub committees: Audit Committee; Risk Committee; and Remuneration and Nominations Committee. Each Committee has delegated responsibility for overseeing specific aspects of its operations. The responsibilities of each Committee are set out in Terms of Reference which are reviewed annually by the Board.

Recognising the importance of LINK's role in providing consumers with access to cash, the Board is supported by a well-established Consumer Council, comprising of representatives from Network Members and independent consumer representatives. The Consumer Council provides independent advice to the Board on consumer issues.

LINK operates a three lines of defence risk governance model consisting of first line management, responsible for the day-to-day operations of LINK; a second line independent risk management team, responsible for providing independent advice and challenge to the business on the effective management of risk; and internal audit, the third line of defence.

LINK is regulated by the Bank of England and the Payment Systems Regulator.

3. Framework for the comprehensive management of risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

LINK recognises the importance of managing risks effectively in delivering against its strategic objectives and fulfilling its obligations as an FMI in managing systemic risk across the LINK ecosystem. LINK has an Enterprise Risk Management Framework (ERMF) to enable the business to identify, manage and mitigate operational risk. The ERMF is approved annually by the Board.

The ERMF consists of several different component parts, all of which work together in enabling LINK to understand and effectively manage risk. These include:

- Clearly defined risk appetites and impact tolerances, set by the Board and which LINK aims to operate within;
- Policies, and contractual agreements, 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.

The risks facing LINK are documented in a risk register. The risk register is reviewed and updated monthly by the Senior Management Team, with a summary of key risks being reported to the Board monthly. The key risks are also reviewed in detail on a quarterly basis by the Risk Committee. Risks are scored in respect of impact and likelihood and information captured in the risk 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.

A risk dashboard enables the Risk Committee to oversee how effectively risks are being managed and, importantly, whether LINK is operating in accordance with the risk appetite and impact tolerances set by the Board. The dashboard consists of a suite of MI which enables the effectiveness of risk management to be assessed.

LINK is currently reviewing and evolving its Recovery and Wind Down Plan, to include detailed financial recovery planning and enhancing operational resilience across the LINK ecosystem.

4. Credit risk

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.

Credit risk arises between individual Network Members due to settlement taking place on the day after a LINK transaction takes place.

A robust framework is in place to manage settlement and the associated credit risk between Network Members as set out in the Switching and Settlement Agreement.

LINK makes use of a Liability Management tool which monitors outstanding settlement positions real-time and issues alerts (issued by the infrastructure provider to the Scheme Executive) when pre-agreed exposure thresholds are reached. This enables LINK to alert individual Network Members so that they can investigate any abnormally high credit exposures that are emerging and for any such situation to be monitored closely.

LINK carries a low level of credit risk, as settlement obligations arise between Network Members on a bilateral basis, meaning LINK itself has no credit exposure. LINK requires every Network Member to settle its net indebtedness for transaction values with cleared funds on the first banking day following the day of the transaction.

Procedures exist to manage the situation should a Network Member default on their settlement obligations.

5. Collateral

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.

LINK does not currently hold collateral on behalf of its Network Members, although consideration is given to holding collateral for any new Network Members.

Settlement obligations are covered by cash held at the Bank of England.

6. Margin

N/A

7. Liquidity risk



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.

Liquidity risk arises between Network Members in respect of their liquidity commitments for daily settlement positions and in respect of Interchange fees. The settlement process for cash withdrawals and Interchange fees is set out in the Members Agreement, Operating Rules and Switching and Settlement Agreement.

Network 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.

LINK makes use of a Liability Management tool which monitors outstanding settlement positions real-time and issues alerts (issued by the infrastructure provider to the Scheme Executive.) when pre-agreed exposure thresholds are reached. This enables LINK to alert individual Network Members so that they can investigate any abnormally high credit exposures that are emerging and for any such situation to be monitored closely.

Procedures exist to manage any Network Member default. In the event of a default, the Network Member concerned is removed from the settlement calculations and daily settlement takes place between all the other Network Members, using the new set of settlement positions.

LINK does not guarantee settlement in the event of any Network Member default. As such, LINK is not exposed directly to liquidity risk relating to settlement obligations.

8. Settlement finality

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.

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.

9. Money settlements

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.

LINK settlement takes place in sterling using the Bank of England's Real Time Gross Settlement (RTGS) System.

Any Network Member that does not hold a Bank of England RTGS account must enter into an agreement with another Network Member who holds a RTGS account prior to being admitted as a Network Member.

Network Members are notified of their settlement position at 9.30am on the day following the relevant transactions, and settlement takes place by 11.00am that day.

LINK does not conduct settlement on its own books or on the books of another commercial entity.



10. Physical Deliveries N/A
11. Central Security Depositories N/A
12. Linked Obligations N/A
13. Participant-default rules and procedures An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.
<p>LINK has established procedures in place to manage default by any Network Member, as set out in the Switching and Settlement Agreement.</p> <p>In the event of default, a Network 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 Network Members, thereby limiting the exposure of other Network Members to further intra-day balances.</p> <p>Any outstanding obligations of the defaulting Network Member are then dealt with under English insolvency law.</p>
14. Segregation and Portability N/A
15. General business risk 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.
<p>LINK's approach to risk is set out in its 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 Network 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>LINK is currently reviewing and evolving its Recovery and Wind Down Plan, to include detailed financial recovery planning and enhancing operational resilience across the LINK ecosystem.</p>



16. Custody and investment risks

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.

Link Scheme Ltd assets are held on deposit at a regulated UK bank. LINK does not hold any realisable investments.

17. Operational risk

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.

LINK's approach to risk is set out in its 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 access to cash, resilience and service continuity is of paramount importance. The ERMF has been designed to ensure a high degree of security and operational resilience across all aspects LINK, including its Network Members, and its Critical Service Providers.

Risks, including all operational risks, are captured in a risk register. The risk 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, with key risks reported in detail at the quarterly 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.

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. These plans detail how it will ensure a timely recovery of operations and fulfil its 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.

Network Members are subject to an annual self-assessment whereby they are required to provide details of their operational controls; confirms their compliance with Scheme Rules; and focuses on identification and management of risks. The information provided by Network Members is then validated by LINK through follow up checking of returns and engagement with individual Network Members as necessary. Information security forms a key part of the assessment process.

18. Access and participation requirements



<p>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</p>
<p>LINK's membership criteria set out what is expected of any prospective Network 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 Issuers who issue cards but do not operate ATMs; Independent ATM Deployers, who operate ATMs but don't issue cards; and Mobile Payment Only Members, who only issue or receive mobile payments.</p> <p>LINK's membership criteria are publicly available and can be viewed on LINK's website at www.link.co.uk/membership/joining/ . Scheme Rules and detailed requirements of membership are made available to interested parties who have signed an appropriate Non-Disclosure Agreement (NDA).</p>
<p>19. Tiered participation arrangements</p> <p>N/A</p>
<p>20. FMI Links</p> <p>N/A</p>
<p>21. Efficiency and effectiveness</p> <p>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</p>
<p>The Scheme has been designed to meet the needs of its Network Members and customers, by connecting the UK's cash machines and 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. Performance against objectives and Service Levels is reported in a monthly Service Report, rolled up into a Report, which is reviewed monthly by the Board.</p>
<p>22. Communication procedures and standards</p> <p>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.</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>23. Disclosure of rules, key procedures and market data.</p> <p>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.</p>



LINK's membership criteria are publicly available and can be viewed on the LINK website at www.link.co.uk/membership/joining/.

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.

Upon joining the LINK, the Members Agreement and Switching and Settlement Agreements together with their respective Appendices and Schedules form the Rules and Procedures that Network Members must adhere to.

Scheme Rules are fully disclosed to existing Network Members. These documents are available 24/7 to Network Members and reissued as and when changes are made.

24. Disclosure of Market Data by Trade Repositories

N/A