
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 10th December 2020 by videoconference**

Present:

Sir Mark Boleat – Chairman
John Gill
Tracey Graham (*Items 1-10*)
John Howells
Lord David Hunt
Bill Raynal
David Rigney
Liz Richards

Apologies:

None

In Attendance:

Deanne Clifton – LINK Scheme Executive
Suzanne Davidson – LINK Scheme Executive (*Item 15 only*)
Mike Knight – LINK Scheme Executive
Graham Mott – LINK Scheme Executive
Tom Sleight – LINK Scheme Executive
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman declared that a quorum was present and that the meeting had been duly convened. He welcomed the Directors and those in attendance to the meeting. He particularly welcomed Deanne Clifton who had joined LINK as Chief Transformation Officer at the beginning of December. He highlighted the significant issues affecting LINK which were relevant to the agenda:

(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).

Bill Raynal declared his position as a consultant to Scottish Building Society which has a contractual relationship with a Network Member.

David Rigney declared his position as Non-Executive Director of Principality Building Society which has a contractual relationship with a Network Member.

The Chairman noted that Tracey Graham would not be able to attend the whole of the meeting because of a prior commitment.

2. Minutes of the Previous Board Meetings and Matters Arising

The Chairman stated that the minutes of the meeting held on 5th November 2020 had already been approved.

The minutes will be separated out in Diligent for future meetings to enable easier access. **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 no matters arising.

3. Committee and Meeting Updates

The approved minutes of the Risk Committee held on 5th November 2020 had been included in the Board papers for this meeting.

John Gill (Chair of the Risk Committee) highlighted the main areas covered at the Risk Committee meeting:

(Redacted on Confidential Grounds)

The draft minutes of the Consumer Council meeting held on 1st December 2020 had been included in the Board papers for this meeting. Tracey Graham (Chair of the Consumer Council) informed the Board that it had been an excellent meeting with all Members participating. She noted that it was the first meeting attended by Paul Maynard MP and that Kerry Fern had re-joined as the DWP representative. She highlighted the two main topics covered at the meeting:

- An update on pay-to-use activity and LINK's research to understand whether there is a risk of consumer detriment (*see Item 10*).
- The update on the Terminal Trial and the need to ensure there is enabling legislation to support a nationwide rollout.

4. CEO's Report

The Board noted the contents of the CEO's Report, which summarised the overall position of LINK. The key issues highlighted mainly related to the FCA/PSR's Roundtable initiative:

(Redacted on Confidential Grounds)

As Chair of the Consumer Council, Tracey Graham had attended the Regulatory Consumer Roundtable on 4th December 2020. (Redacted on Confidential Grounds)

The Board held a wide-ranging discussion on the likely Roundtable output and potential implications for LINK's strategy, noting the following observations from individual Directors:

(Redacted on Confidential Grounds)

In terms of other key issues, the Board noted that:

(Redacted on Confidential Grounds)

5. Introduction from Deanne Clifton, LINK's New Chief Transformation Officer

Deanne Clifton introduced herself to the Board and provided a brief overview of her career and experience to date. She informed the Board that her onboarding had been excellent, and she was looking forward to meeting individual Directors over the coming weeks.

6. Roundtable Update

The Board noted that, because the Roundtable Steering Committee meeting had been delayed until 18th December, the expected progress update was not available for this meeting. The Board had already covered this topic extensively under the CEO's Report (*see Item 4*).

7. Footprint Report

The Board noted the Footprint Report, which outlined LINK's effectiveness in meeting its commitments to consumers.

ATM Footprint

The Board noted that:

- After the November lockdown started, ATMs inside shops, leisure and entertainment venues began to close again, including some ATMs which had come back online after April's lockdown. Approximately 42% (54% last month) of the 4,000 free-to-use (FTU) and 3,000 pay-to-use (PTU) ATMs that temporarily closed in April are now transacting. There are around 60 publicly accessible Protected ATMs that are temporarily closed (40 last month). LINK is monitoring these closely and receives regular updates from Members. If any of these ATMs do not re-open, then LINK is ready to replace them using Direct Commissioning. Given that there are currently 55 Protected ATMs that are confirmed to have permanently closed and require replacement (57 last month), ATM coverage continues to be broadly satisfactory.

(Redacted on Confidential Grounds)

Financial Inclusion Programme ("FIP")

The Board noted that, of the 2,763 areas under the scope of the Programme, 2,166 have free access to cash through either a Post Office or a free-to-use ATM, leaving 597 without. If the Post Office was not included within the Programme, then there would have been 1,835 areas with access via a free-to-use ATM and 928 without. This month, deprived areas in Consett (North East) and Ystrad (Wales) have had free access to cash restored as a result of community requests.

Community Requests for an ATM

The Board noted that:

- The Community “Request an ATM” initiative, launched in October 2019, has now received over 3,700 requests for ATMs from communities relating to 2,700 unique locations. There have been very few new requests in recent months and almost 99% of locations have now been formally reviewed and either progressed to a site visit or removed from the process.
- LINK has visited 250 communities and 32 new free-to-use ATMs are now live (31 last month) with a further 51 sites in the pipeline for Direct Commissioning. A further six ATMs have been installed in areas where the local high street did not have free access to cash, with another 13 ATMs due to be installed to meet LINK’s Retail Centre Commitment.

(Redacted on Confidential Grounds)

8. Stakeholder and Communications Update

The Board considered the update on LINK’s stakeholder engagement and communication strategy.

(Redacted on Confidential Grounds)

9. Developing LINK’s Strategy for 2021

The Board reviewed the approach for developing LINK’s Strategy in 2021, the Strategy Scorecard performance for 2020, and the Scorecard for 2021 which were included in the Board paper.

The Board noted that LINK’s Strategy Scorecard was approved by the Board as part of the Strategic Plan 2020-2022 which was published in March. The RAG status for all sections remains Green. There are no changes to the Scorecard for 2021 at this stage in the strategy cycle, beyond noting that LINK is now two years into a three-year transformation of its approach to risk management. Performance against this is next due for formal Board assessment in mid-2021.

The Board further noted that the next version of Strategic Plan itself will cover the period 2023 to end 2025 and therefore a detailed process will be developed in H2 2021 to guide the Plan’s drafting in H1 2022 and a completely new Scorecard to cover 2023-2025 will be prepared then. The Board is scheduled to sign off the new Plan in mid-2022. A Board Strategy Event will also be scheduled for April 2021 to give the Board an opportunity to consider the future strategic direction and options for LINK.

A Director proposed that LINK should consider the wider retail financial services environment as it could see significant changes over the next 12-18 months (e.g., possible negative interest rates, end of free banking). A suitable input will be prepared for the Strategy Event. **ACTION: STRATEGY DIRECTOR.**

The Board approved the proposed Scorecard performance for 2020 and the new Scorecard for 2021 as set out in the Board paper.

10. Developments in the Pay-to-Use Market

(Redacted on Confidential Grounds)

Tracey Graham left the meeting.

11. Operational Summary

The Board considered the report on the overall operational position of LINK, including the latest Operations Dashboard included in the Board pack, which provided updates in the following areas:

(Redacted on Confidential Grounds)

12. Executive Risk Summary

The Board considered the overview of key risks contained in the Board paper and the attached Key Risks Report, including the management of these risks and the actions undertaken to mitigate them.

(Redacted on Confidential Grounds)

13. Board Awareness Planning

The Board considered the proposals for Board awareness update sessions which were contained in the Board paper.

The Board noted the non-exhaustive list of potential awareness topics included in the Board paper, namely:

(Redacted on Confidential Grounds)

In addition, a Director proposed that an increased awareness of the likely trends in the retail financial services market over the next five years would be beneficial. Details of suitable contacts for this topic will be provided. Directors should let the CRO know any suggestions for other topics after the meeting. **ACTION: CRO/DAVID RIGNEY.**

The Board noted that LINK is able to fund any individual training courses where Non-Executive Directors considered training may be useful.

The Board agreed that:

- (i) An awareness update programme should be created for 2021 which should include a total of two to three sessions (including the annual cyber awareness event, but excluding the Committee awareness event described below), depending on availability, and be run as sessions distinct from the Board meetings to ensure sufficient time remains available for Board business to be transacted.
- (ii) A joint awareness session should be held for the members of the Audit Committee and Risk Committee. The topic will be to understand the regulatory expectations of those Committees, and best practice in place elsewhere within the payments and financial services industry.

- (iii) The CRO is authorised to develop and arrange delivery of the programme of awareness updates in 2021.

14. Finalising the IOSCO Submission

The Board noted that the IOSCO return is due to be submitted to the Bank of England by the end of December 2020. (Redacted on Confidential Grounds)

The Board considered the recommended self-assessment ratings against each applicable Principle which were included in the Board paper. The Board noted that completion of Systemic Risk Management Strategy Implementation Plan actions, namely the Recovery and Wind Down Plan, revised Business Continuity Framework, and the Financial Resilience work, has enabled LINK to improve its self-assessment against four of the applicable Principles. There are no Principles where the self-assessment has gone backwards. This evidences the evolution of LINK's approach to risk management, reflecting the effective enterprise risk management in place across the LINK ecosystem.

The Board further noted that the self-assessment ratings were discussed at the Risk Committee meeting on 5th November 2020, where the Committee resolved to recommend the approach and grading to the Board for approval.

The Board approved the above self-assessment ratings as shown in the Board paper and authorised the CRO to submit the self-assessment response to the Bank in December. ACTION: CRO.

15. Closure of the Systemic Risk Management Strategy Implementation Plan

Suzanne Davidson joined the meeting.

Suzanne Davidson, Head of Risk, made a presentation to update the Board on the development and delivery of the Systemic Risk Management Strategy Implementation Plan which was included as an Appendix to the Board paper. The key points highlighted were:

- In 2018, LINK commenced a risk management transformation programme, the Systemic Risk Management Strategy Implementation Plan (the "Plan"). The Plan was designed to help LINK achieve its objectives as a recognised FMI. This included a substantial programme of work to ensure that LINK became a stable and resilient systemic risk manager. The Plan was scheduled to take three to five years but has been delivered within two years. Implementation of the Plan is intended to ensure LINK achieves a mature risk management framework, an adequate control environment, and systemic resilience across the three pillars which comprise the LINK ecosystem.
- Recently, Internal Audit has reviewed the documented progress in delivery of the Plan, paying particular attention to the recommendations as set out in the original s195 Promontory report (the "Report"), together with a review of the governance process. That audit concluded that the process adopted in tracking delivery of the Plan was "*robust and thorough*".

- In accordance with a discussion at the Risk Committee meeting, initially in July and again at its meeting in November, it was now therefore proposed that the Plan be formally closed. At the Risk Committee meetings, the Committee requested reassurance that each of the items which had been delivered under the Plan will continue to be monitored, embedded and developed over time. This reassurance would then ensure the continued evolution and improvement in LINK's approach to risk management. The final presentation to the Risk Committee in November included an analysis of how delivery of the Plan has addressed the original recommendations in the Report.
- In addition to the business-as-usual activities, which will support the ongoing embedding of the Plan actions, Second and Third Line will, as part of Second Line assurance and Third Line audit planning in the coming years, test compliance with, and the robustness of, a number of these actions.

The Chairman noted that the implementation of the Plan had been a huge exercise for LINK and thanked Suzanne Davidson for her presentation.

Following the recommendation from the Risk Committee, the Board approved the formal closure of the Systemic Risk Management Implementation Plan (Redacted on Confidential Grounds) ACTION: CRO.

Suzanne Davidson left the meeting.

16. Finance Report

The Board considered the Scheme's Finances.

(Redacted on Confidential Grounds)

17. Consideration of Proposed Operational Assurance Control Framework

The Board considered the Operational Control Framework ("Framework") and Risk and Control Self-Assessment ("RCSA") which were included in the supplementary papers pack for the Board meeting, noting the considerable progress that had been made in the development and implementation of the Three Lines of Defence model over recent years. The Board further noted that the Framework and RCSA had been reviewed at the Risk Committee meeting on 5th November 2020 and recommended to the Board for approval.

The Board approved the Operational Control Framework and Risk and Control Self-Assessment for implementation by the First Line.

18. Consideration of Proposed Operational Resilience Framework

The Board considered the Operational Resilience Framework ("Framework") and Standard Operating Procedure ("SOP") which were included in the supplementary papers pack for the Board meeting.

The Board noted that the Bank of England's Consultation Paper on Operational Resilience for Recognised Payment System Operators and Specified Service Providers

had set out the Bank's clear plans and requirements for FMIs to develop and implement an Operational Resilience Framework with an original implementation timeframe of Autumn 2021. Having prepared the draft Framework and SOP, attention has turned to the formation of an Operational Resilience Steering Group and an Operational Resilience Working Party. These fora will now oversee the development of the following:

- Identification of the important business services that, if disrupted, could cause harm to consumers or market integrity, threaten the viability of firms or cause instability in the financial system.
- Setting of impact tolerances for each important business service, which quantify the maximum level of disruption that LINK will tolerate.
- Identification and documentation of the people, processes, technology, facilities and information that support the important business services.
- Setting out the actions (plan) required to be able to remain within the impact tolerances through a range of severe but plausible disruption scenarios.
- Definition of a Test Strategy to validate/test these actions/plan on a regular basis.

The Board noted that these important business services, impact tolerances, plan and test strategy will be presented to the Risk Committee during the course of next year, prior to seeking approval from the Board.

The Board further noted that the Framework and SOP had been reviewed at the Risk Committee meeting on 5th November 2020 and recommended to the Board for approval.

The Board approved the Operational Resilience Framework and Standard Operating Procedure for implementation by the First Line.

19. Consideration of Proposed Updated Business Continuity Framework and Business Continuity Policy

The Board considered the Business Continuity Framework ("Framework") and the Business Continuity Policy ("BCP") which were included in the supplementary papers pack for the Board meeting. The Board noted that the Framework and BCP are subject to annual review by the Risk Committee and both had been updated to reflect minor changes proposed by the CRO. The Board further noted that the updated Framework and BCP had been reviewed at the Risk Committee meeting on 5th November 2020 and recommended to the Board for approval.

The Board approved the Business Continuity Framework and the Business Continuity Policy.

20. Consideration of Proposed Amendments to the Authorisation Matrix

The Board noted that a review of LINK's Authorisation Matrix had been carried out with the support of RPC and a number of minor changes had been proposed (the "Proposed Amendments") which were set out in a "redline" document included in the supplementary papers pack for the Board meeting, along with a clean new version.

The Board considered the updated LINK Authorisation Matrix, noting that, in summary, the Proposed Amendments are as follows:

(Redacted on Confidential Grounds)

The Board approved the LINK Authorisation Matrix (as amended by the Proposed Amendments) and that the Authorisation Matrix will come into force and effect as at the date of this Board meeting.

21. Consideration of Proposed Annual Cycle of Meetings for 2021

The Board considered the proposed Annual Cycle of Meetings Plan 2021 which was included in the Board papers. The Board noted that this had been subject to routine annual review and had been updated to reflect the following:

- As agreed at the December 2019 Board meeting, meetings are not scheduled for April or October. Instead, 30-minute Board calls are scheduled to deal with urgent business. In addition:
 - The 30-minute Board call in April will include an item for the Board to review and approve the Report and Financial Statements and the PwC Representation Letter.
 - The 30-minute Board call in October will include an item for the Board to review and approve the contents of 2021 Annual Release (if there is one), and the PSR Annual Compliance Report.
- A Strategy Event will be scheduled for April.
- The Board's annual cyber awareness session will be scheduled for February/March.

The Board approved the Annual Cycle of Meetings for 2021.

22. Update on LINK Volume Forecasts for 2021

The Board noted the paper on LINK transaction volumes and the current forecast for 2020 and 2021. (Redacted on Confidential Grounds)

The Board agreed that this information should be shared with the regulators.

23. Consideration of Updated Cyber Security Strategy

The Board considered the Cyber Security Strategy which was included in the supplementary papers pack for the Board meeting. The Board noted that the Cyber Security Strategy is subject to annual review. The latest version had been updated in January 2020 following an extensive review, so only limited changes were now being proposed. These changes reflect LINK's current practice, ongoing plans and latest threats. The changes are shown in the marked-up version of the document in the supplementary papers pack. (Redacted on Confidential Grounds)

The Board further noted that the updated Cyber Security Strategy had been reviewed at the Risk Committee meeting on 5th November 2020 and recommended to the Board for approval.

The Board approved the updated Cyber Security Strategy.

24. Noting of any e-mail Approvals

There were no e-mail approvals to note.

25. Any Other Business

There was no other business for the meeting.

26. Next Meeting

There will be a call to update the Board on the progress of the FCA/PSR Roundtable work and other matters on Tuesday 12th January 2021 at 10.30 am. The next meeting will be held on Thursday 4th February 2021 at 10.30 am by videoconference.