

# BPSL Compliance Report

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- General Direction 2
- General Direction 4

## Form A - General Direction 2

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 2 (2.4, a-f). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

### a) Self-assessment by the operator on compliance of its access requirements with the obligation in Direction 2.1 throughout the relevant period.

*I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 2.1 throughout the relevant period.*

*You should cross-refer to a statement of compliance from a responsible person in this regard.*

#### **Access to Bacs Payment Services**

- *Bacs considers it is compliant with General Direction 2. Bacs' role is to encourage a vibrant and competitive market place for payment service providers requiring Bacs payments functionality.*
- *Please see the 'competent person' statement signed by Mike Chambers and presented with this template report for our confirmation of compliance.*
- *We consider that we have continued to ensure that membership of Bacs and access to its primary schemes is offered on a fair, open and transparent basis. This includes transaction price equality regardless of the volumes participants bring to the system.*
- *Bacs provides choice by offering a range of direct and indirect access solutions. Payment Institutions not joining Bacs directly do so because there is another access option available to them that better fits their particular business model requirements. Some PSPs decide that procuring access to Bacs services from an existing Bacs member is the most appropriate solution to meet their needs. Around 300 financial institutions currently connect to Bacs either directly or indirectly for the submission and receipt of transactions.*
- *There are also around 45,000 registered corporate businesses directly accessing Bacs services to submit payment transactions.*
- *Additionally a further 73,000 registered corporates access Bacs for the submission of payment transactions through a community of around 750 Bacs approved Bureaux that provide connectivity to Bacs services for third parties. These Bureaux provide a form of aggregated service, enabling a wide range of business customers, in the majority SME's, access to Bacs Direct Credit. Around 120 Bureaux also provide Direct Debit access services.*

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	<p>➤ <i>We consider that we have addressed the focus areas identified by PSR in the Access and Governance Report of 15 December 2015<sup>i</sup></i></p> <p><b>Public Disclosure of Access requirements</b> <i>Project is planned and underway. Bacs is conducting a documentation review to support on boarding to Bacs as part of our policy on information disclosure. This will help Bacs to make more information available to prospective users of Bacs services, and limit the requirement for the use of NDAs. The deliverables for this activity have been scoped and the project initiated with an estimated completion date of Q1 2017.</i></p> <p><b>Bank of England Settlement Accounts</b> <i>Prior to the Bank of England publishing its RTGS consultation in September 2016, Bacs assisted the Bank in a number of discussions relating to the approach and direction of its proposed RTGS review. Bacs has responded to the Bank of England consultation on 7 November and work is underway to work fully with the Bank on its decisions on RTGS. Bacs progress is intrinsically linked to the Bank of England progress which is due to report early in 2017.</i></p> <p><b>Regulatory status and different membership categories</b> <i>Bacs has conducted some initial thinking and preparatory work into the impact that different membership categories may have on access, and continuation of this work is being considered in line with other cross-scheme Access workstreams, and wider change projects across the payments industry. Due to the external inputs no completion date has been agreed at this time</i></p> <p><b>Technical operating requirements</b> <i>Bacs Access consultation encouraged stakeholders to consider our proposed options for enhancing existing technical access propositions by utilising an Aggregator model for access. This option has been refined and we are already discussing Aggregator status with six potential providers. Bacs identified an improved process for sort code allocation, implementing this in April 2016. This change was supported by a new access website which was launched in September 2016. This project is complete and fully operational.</i></p> <p><b>Mitigating the impact of pre-funding on EMIs</b> <i>The impact of pre-funding for EMIs is linked to the scope of the Bank of England's RTGS consultation. Bacs will consider the impact of pre – funding to EMIs as a direct consequence of the BofE RTGS consultation. This work is linked to the Bank of England's RTGS consultation and decision making which is expected to reach its next decision point early in 2017.</i></p> <p><b>Direct Debit Guarantee</b> <i>Bacs has progressed a major project to consider the Direct Debit Guarantee as part of a wider modernisation of the DD product, including qualitative and quantitative market research on the value, use and preferences related to the DD Guarantee, culminating in a public consultation questionnaire released in October. The research is seeking to understand the views of different stakeholders on a range of topics including ways to address detriments identified by the Payments Strategy Forum,</i></p>
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	<p><i>including potential changes to the DD Guarantee and will report findings in the first half of 2017. This project is planned and underway, and findings and recommendations on next steps will be presented to the Bacs Board in March 2017.</i></p> <p><b>Streamlined onboarding</b></p> <p><i>The Bacs work programme in 2016 has included a review and process definition for on-boarding and this will be complete in December 2016. Bacs is currently progressing four applications for Direct Access – the first since 2011 and will use these live-experiences to review, reform and test any process that would benefit from simplification and streamlining. Effectively, the project to improve technical access and enable aggregators to join Bacs is complete, with the timing of an announcement planned for December 2016.</i></p> <p><i>To ensure open access to all market participants Bacs has adopted an approach where any market participant can access the appropriate service directly and on equitable terms regardless of whether or not the institution is a member of Bacs or any other payment scheme.</i></p> <p><b>Access to Current Account Switch Service and other products</b></p> <ul style="list-style-type: none"> <li>➤ <i>As a supporting service offered by Bacs we have included a summary of access to CASS and related payments services. Bacs considers it is compliant to the requirements stated in General Direction 2 in relation to CASS.</i></li> <li>➤ <i>CASS is open to any provider of current accounts (and this includes the wider definition offered by the term 'payment account') and can be accessed through a range of channels including the Payment Services Website (PSW) suitable for the smallest market participant.</i></li> <li>➤ <i>Another example of the direct participation model we have adopted is our Cash ISA Transfer service where 48 brands have joined the scheme under a direct access model including a number of institutions that have no other direct link with Bacs or any other payment scheme. This direct, open access model is also being used with the Current Account Switch Service where brands representing in excess of 99% of the market place participate directly in the service. Five additional participants will have joined the scheme taking total membership to 44 brands by the end of the GD2/4 reporting period for 2016.</i></li> </ul>
<p><i>II) Please provide us with an explanation and evidence as to why you consider that your access requirements comply with General Direction 2.1.</i></p>	<p><b>Access to Bacs Payment Services</b></p> <ul style="list-style-type: none"> <li>➤ <i>Bacs publicly discloses its access requirements on its website (see the Access tab on our website <a href="http://www.bacs.co.uk">www.bacs.co.uk</a>) and is fully committed to accepting membership requests from any institution that meets the criteria for membership and is working with a number of institutions regarding direct membership of Bacs</i></li> <li>➤ <i>Bacs considers itself to observe fully CPMI-IOSCO Principle 18 (Access and Participation</i></li> </ul>

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	<p><i>Requirements) and is of the opinion that it also complies with the access requirements contained in General Direction 2.1 which are consistent with the PSR's competition objective.</i></p> <ul style="list-style-type: none"> <li>➤ <i>During the past twelve months Bacs has been pleased to accept application requests for new members of the Current Account Switching Service, Cash ISA Transfer Service and the Affiliates group.</i></li> <li>➤ <i>During the past 12 months, Bacs has not received any concerns or objections or requests for potential changes to Bacs' access requirements.</i></li> <li>➤ <i>Bacs strategy includes commitments to open up PSP access to Bacs. In February 2016 we consulted on Access options and in August announced our plan to deliver open access to PSP specifically via an aggregator facility.</i></li> <li>➤ <i>Ring fencing, Pre-Funding and market developments regarding technical access to Bacs may lead to material updates to Bacs access requirements.</i></li> <li>➤ <i>Bacs has publically disclosed its access requirements by the following:</i></li> </ul> <p><i>Access requirements are available on our web site <a href="http://www.bacs.co.uk">www.bacs.co.uk</a> – from the home page click on 'Join Bacs' and then click on 'Direct Membership'. A copy of the relevant requirements listed on the web site has been provided to the PSR.</i></p> <p><b>Access to Current Account Switch Service</b></p> <ul style="list-style-type: none"> <li>➤ <i>The CASS is open to any provider of qualifying current accounts (and this includes the wider definition offered by the term 'payment account') in the UK. The process for joining and the associated technical requirements are published in the take on process document which is available on the Bacs website. These are objective and linked to the ability of the provider to operate within the service rules, thereby maintaining consumer confidence in the brand trust mark.</i></li> </ul>
<p><i>III) Please highlight any changes that have been made to the access requirements over the</i></p>	<ul style="list-style-type: none"> <li>➤ <i>In February 2016 Bacs consulted on opening access for PSPs to Bacs services. The consultation was well-received and enabled Bacs to develop proposals for change, which we announced publically in August 2016. We did this via our website and by sending a letter to all our key</i></li> </ul>

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<p><i>relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 2.1. and how they addressed any relevant concerns or focus areas we have identified.</i></p>	<p><i>stakeholders. We also announced our proposals via social media channels, for example, Twitter and LinkedIn.</i></p> <ul style="list-style-type: none"> <li>➤ <i>Our Access roadmap, which we published on our website, shared via social media and sent to key stakeholder's outlines the changes we propose to make and are summarised in Section II(e) of this report</i></li> </ul>
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**b) Details of all occasions in the relevant period when an expression of interest in potentially securing direct access or direct technical access has been made and details of the operator's response to, and outcome of, such expression of interest.**

<p><i>I) Information for publication on expressions of interest and demand for access.</i></p>	<p><i>Complete the following table. Data should be correct as at 30 September 2016.</i></p> <p><b>Access to Bacs Service</b></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="width: 25%;"><i>Number of Expressions of interest</i></th> <th style="width: 25%;"><i>Number of signed letters of intent</i></th> <th style="width: 25%;"><i>Number of new members/direct participants during reporting period</i></th> <th style="width: 25%;"><i>Number of members/direct participants</i></th> </tr> </thead> <tbody> <tr> <td>➤ 6</td> <td>➤ 2</td> <td>➤ 0</td> <td>➤ 16</td> </tr> </tbody> </table> <p><i>Expressions of interest could be expected to include: written communications or verbal notifications (where the interested party has made contact).</i></p> <p><b>Access to CASS</b></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="width: 25%;"><i>Number of Expressions of interest</i></th> <th style="width: 25%;"><i>Number of signed letters of intent</i></th> <th style="width: 25%;"><i>Number of new members/direct participants during reporting period</i></th> <th style="width: 25%;"><i>Number of members/direct participants</i></th> </tr> </thead> <tbody> <tr> <td>➤ 20</td> <td>➤ 6</td> <td>➤ 5</td> <td>➤ 44</td> </tr> </tbody> </table>	<i>Number of Expressions of interest</i>	<i>Number of signed letters of intent</i>	<i>Number of new members/direct participants during reporting period</i>	<i>Number of members/direct participants</i>	➤ 6	➤ 2	➤ 0	➤ 16	<i>Number of Expressions of interest</i>	<i>Number of signed letters of intent</i>	<i>Number of new members/direct participants during reporting period</i>	<i>Number of members/direct participants</i>	➤ 20	➤ 6	➤ 5	➤ 44
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<p>II) Confidential information on demand for access.</p>	<p>Please see <b>confidential annex 1</b></p>
<p><b>c) Details of all occasions in the relevant period when an enquiry or objection regarding potential changes to the access requirements has been made to the operator and details of the operator's response to, and outcome of, such enquiry or objection.</b></p>	
<p>I) Specify the number of enquires made in relation to change access requirements</p>	<p>(e.g. queries regarding eligibility criteria, queries about operational rules)                  ➤ <b>Not applicable – Bacs is unaware of an enquiry or objection regarding potential changes to access requirements made to an operator.</b></p>
<p>II) Please provide a general explanation of the process you follow in dealing with these enquires.</p>	<p>➤ Any enquiry into eligibility criteria received by Bacs would be dealt with utilising the standard approach to enquiries and complaints. Enquiries and / or complaints can arrive at the Bacs service centre, a help desk facility who would either respond fully to the enquiry or forward onto an expert in Bacs to discharge. Some enquiries can be presented directly to the Bacs team and in such cases they would be dealt with consistently, using identical recording, reporting and response approaches.</p> <p>➤ All complaints / queries received direct or via the Bacs service desk are logged on the Bacs Complaints and Queries spreadsheet. Complaints must be acknowledged within 2 working days – advising whether we can assist or not. Where we are unable to assist the customer must be advised of the reasons why and given further escalation routes, where appropriate. Where we are able to assist it is possible that further information may be required. Where possible this should be sought when acknowledging the complaint. Where no further information is required the acknowledgement letter should advise that once our investigation is complete we will write to them with our conclusion. When the further information is received a letter of acknowledgement should be sent advising that once our investigation is complete we will write to them with our conclusion. In all cases if it takes more than 10 working days to resolve the complaint, the customer must be kept informed at regular intervals.</p>
<p>III) Specify the number of objections made to any proposed changes</p>	<p>➤ zero</p>
<p>IV) Provide a general explanation of the process that is followed to</p>	<p>➤ Please see the response in (c)II</p>

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<i>deal with these objections.</i>	
<i>V) Confidential information on enquiries and objections.</i>	<i>Please complete the table at <b>confidential annex 2</b>. This information will not be published.</i>
<b>d) Details of all occasions in the relevant period when the operator has engaged with, and considered, the views of payment service providers and other interested parties on the operation and effectiveness of its access requirements.</b>	
<i>I) Please provide a general explanation of the process you follow to engage with interested parties.</i>	<i>In February 2016 we published a consultation: "Payment Service Provider Access: Widening Access and Choice" to engage with interested parties on how Bacs could develop options for access to its services to PSPs. We consulted for eight weeks and received a number of responses. Please see our response to section II(e) for a summary of views.</i>
<i>II) Confidential information on views expressed relating to the operation and effectiveness of the access requirements.</i>	<i>Please complete the table at <b>confidential annex 3</b>. This information will not be published.</i>
<b>e) Details of any anticipated operator review, or engagement with payment service providers and other interested parties, that the operator plans to take over the following 12-month period in relation to its access requirements.</b>	
<i>If you are <b>currently</b> reviewing your access requirements please include a description of that work. You should explain the aim of the work (and how it related to the GD2 obligation), the progress that has been made to date, the</i>	<p><b>Access to Bacs payment services</b></p> <ul style="list-style-type: none"> <li>➤ <i>In February 2016 we issued a consultation on access titled 'Payments Service Provider Access: Widening Access and Choice'. The consultation sought to offer more choice to PSPs to enable them to participate and gain access to our products. Our aim is (and always has been) to provide a fair, competitive environment in which PSPs can effectively offer services to their customers. The consultation was well received by key stakeholders across the value chain and produced a wide range of views. In particular we have embraced the current thinking with regard to</i></li> </ul>

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<p><i>way in which stakeholders have informed of the work and the expected completion date.</i></p>	<p><i>aggregator access and taken our existing 'bureau model' clarifying available options for access to our payment schemes.</i></p> <ul style="list-style-type: none"><li>➤ <i>We have reviewed and analysed these responses and have two key findings:</i><ul style="list-style-type: none"><li>• <i>There is broad support for the access ideas described in our consultation;</i></li><li>• <i>Agency banks and other PSPs are faced with a restricted supply of cost effective access services at present.</i></li></ul></li><li>➤ <i>This lack of competition appears to be driven primarily by increased regulatory risks associated with the current model for access to our services that requires sponsorship by one of the banks who provide settlement services, the so called 'member' banks. These 'members' are ultimately liable for funds being available to meet payment and product obligations. Consequently, while a range of practical technical options are available or can be developed, the current 'membership' model and associated liability framework needs to be addressed if our aim for better open access to Bacs services is to be achieved.</i></li><li>➤ <i>We have therefore developed and announced a roadmap for change to access. This journey will simplify access and offer more choice to PSPs seeking to connect to Bacs.</i></li><li>➤ <i>You can view the public roadmap on our website <a href="#">here</a>.</i></li><li>➤ <i>Our objective is to provide a fair, competitive environment in which PSPs can effectively offer services to their customers. Widening access to emerging PSPs is obviously central to achieving this aim. We believe that the most powerful role Bacs can play is that of empowerment – helping end users to achieve their objectives, without dictating the way in which they do so.</i></li><li>➤ <i>In order to meet our objective we are continuing to develop and deliver changes to our access model, building on the findings from our consultation. The work streams we are progressing are as follows:</i><ul style="list-style-type: none"><li>➤ <i>Technical Access</i></li><li>➤ <i>This will address the requirements and mechanisms for technical connection of PSPs to the central Bacs infrastructure. We recognise that, particularly for smaller PSPs, the technical costs of connection to the Bacs Transaction Processing Service (TPS) might be prohibitive.</i></li></ul></li></ul>
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	<ul style="list-style-type: none"><li>➤ <i>For this reason, we will enable the accreditation of Aggregators wishing to offer connectivity services to PSPs. By Aggregators, we mean a third party that provides one or more PSPs with a technical access solution enabling the submission of input to and, importantly, the collection of output from the Bacs service.</i></li><li>➤ <i>An Aggregator may also provide access to other payment schemes and offer a range of additional services to PSPs. As a result we would expect Aggregators to help remove the potential cost barrier by providing PSPs with a 'one stop shop' for technical access, offering a solution that opens up access to all Bacs products and services.</i></li><li>➤ <i>We would see Aggregators operating within the existing Bacs legal framework and be partnered for settlement services with a direct Bacs participant to provide PSPs with a more comprehensive, integrated access solution.</i></li><li>➤ <i>We are continuing to work with the Faster Payments Service (FPS) to deliver a new supplier of trust services (PKI) that will comply with the required assurance model for both FPS and Bacs services. This will increase the competitive supply of these services to the market.</i></li> <li>➤ <i>Service Access</i></li><li>➤ <i>Service access describes the rules, eligibility criteria and legal framework for PSPs to obtain access to the Bacs schemes. In June 2016 we made changes to simplify the way in which PSPs gain access to Sort Codes. Direct access to sort codes marks a significant step forward in supporting PSP entry to the market. We launched our new website providing cross scheme information about Sort Code access and guide prospective PSPs to relevant information on Thursday 22 September 2016.</i></li><li>➤ <i>Access to appropriate documentation remains an important element to PSPs and other interested parties in making commercial decisions to join Bacs. During the remainder of 2016, and continuing into 2017, we will be refreshing documentation to support organisations wishing to join Bacs or provide services to PSPs. We are engaging directly with a number of would be new entrants to ensure that this revised material best meets their needs.</i></li> <li>➤ <i>Security</i></li><li>➤ <i>We continue to focus on maintaining the integrity of the Bacs payments system. During 2016 we have upgraded the central infrastructure. These changes are necessary because the internet community is adopting a new security certification – called SHA-2 – which will affect the</i></li></ul>
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	<p><i>requirements for accessing secure services, like our Payment Services Website. At the same time, we are withdrawing support for older connection protocols to provide even more protection for the communications pipeline between our access channels and service users.</i></p> <ul style="list-style-type: none"> <li>➤ <i>Looking forward to 2017, existing smartcard, digital certificate and signing solutions will be replaced by sponsoring banks with new ones which provide a higher level of security for log-on, signing and submission of Bacs files.</i></li>   <li>➤ <b>Standards</b></li> <li>➤ <i>By the end of 2016 we will have defined a translation guide between ISO 20022, the international financial messaging framework, and the Bacs Standard 18 messages. This document will enable an organisation using ISO 20022 to implement mapping between the standards and enable submission of Bacs payments.</i></li> <li>➤ <i>This workstream also aligns with the emerging Payments Strategy Forum strategy for ISO based messaging standards to be available as an access option for UK payment schemes.</i></li>   <li>➤ <b>Cross Scheme</b></li> <li>➤ <i>Bacs is continuing to work with other schemes, specifically Faster Payment Service, Cheque and Credit Clearing Company, Chaps and Link to address common Payment Scheme Operator (PSO) participation models and rules. This emerged as an early request from the Payment Strategy Forum to examine ten areas:</i> <ul style="list-style-type: none"> <li>○ <i>Common terminology</i></li> <li>○ <i>Common eligibility criteria</i></li> <li>○ <i>Categorisation of participants</i></li> <li>○ <i>Articulation of common payment products by PSO</i></li> <li>○ <i>Engagement with indirect participants prospective entrants and providers</i></li> <li>○ <i>Rules, Procedures and Participant Agreements</i></li> <li>○ <i>Technical accreditation process</i></li> <li>○ <i>Assurance process</i></li> <li>○ <i>On-boarding process and migration to common connectivity models</i></li> <li>○ <i>Access to information and documentation</i></li> </ul> </li> </ul>
<p><i>If you are <b>planning</b> to review your access requirements in the next 12 months please include a</i></p>	<ul style="list-style-type: none"> <li>➤ <i>Bacs is committed to providing industry-leading guides, rules and insight into the payments scheme access, applicability and usage. Throughout 2016 we have worked hard to improve the consistency and transparency of communications, including the regulatory and legal requirements</i></li> </ul>

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<p><i>description of the planned work. You should explain the aim of the work (and how it related to the GD2 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</i></p>	<p><i>for member and agency banks. We are currently working to simplify the guides and rules for member and agency banks, reviewing all digital assets and the channels through which they are communicated. We have identified 10 short term enhancements intended to make it easier for member and agency banks to access, disseminate and action the information they require to apply to and benefit from the Bacs payment scheme and its services.</i></p> <ul style="list-style-type: none"> <li>➤ <i>In 2017, we plan to implement these short term digital improvements to enhance access opportunities for all members. Improvements will include layout, information provided, content, offline access and support services. In addition, we will further develop our Knowledge Centre offering which will more clearly articulate, promote and support more inclusiveness, competition and innovation for retail banking services. The objective of the Knowledge Centre from this perspective is to make on-boarding and compliance more readily available for all member and agency banks, regardless of their size, maturity or tenure with the Bacs payment scheme.</i></li> </ul>
<p><b>f) Details of any anticipated future developments that the operator considers may require or justify material updates or changes to its access requirements. (N.B. please note the guidance provided at 2.5 in the General Direction)</b></p>	
<p>Please provide an explanation of the anticipated future external developments you have identified.</p>	<p><i>Common &amp; Consistent PSO Participation Model &amp; Rules</i></p> <ul style="list-style-type: none"> <li>➤ <i>The Interbank System Operators' Coordination Committee (ISOCC) members, with LINK and Paym have initiated a project to address the ten detriments<sup>[1]</sup> identified by the PSF's Simplified Access to Markets Working Group. The project is funded by the Schemes and a Project Manager has been appointed. A stakeholder group of new challenger and existing PSPs has been assembled who are providing guidance and reviewing output to ensure it is fit for purpose.</i></li> <li>➤ <i>This group has agreed the principles to be used to create the output. The project is working on the following detriments; common terminology, eligibility criteria, Scheme comparisons and the categorisation of Participants, for the remainder of 2016. This will allow time to organise the work of the more complex detriments in 2017. During 2017 the Common &amp; Consistent PSO Participation Model &amp; Rules Project will be tackling the more complex detriments of Engagement,</i></li> </ul>

<sup>[1]</sup> These include: 1. Common terminology 2.Common eligibility criteria 3.Categorisation of participants 4. Articulation of payment products common by PSO 5. Engagement with indirect participants prospective entrants and providers 6.Rules, Procedures and Participant Agreements 7.Technical Accreditation process 8.Assurance process 9. Onboarding process and migration to common connectivity model 10. Access to information and documentation.

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	<p><i>On-Boarding and Document, Assurance and Rules.</i></p> <ul style="list-style-type: none"><li>➤ <i>This work will need to align with the recently announced governance changes for the Payment Scheme Operators to ensure goal congruence and efficient implementation. Central Project funding is being secured with the ISOCC members for 2017.</i></li></ul>
<p>Please provide an explanation of how any of these developments could have an impact on your access requirements.</p>	<ul style="list-style-type: none"><li>➤ <i>Developing common and consistent PSO participation model and rules should simplify and disentangle the complex separate processes potential PSOs have to navigate in order to achieve multiple scheme membership and participation.</i></li></ul>

## Form C - General Direction 4

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 4 (4.2, a-c). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

**a) self-assessment by the operator on compliance throughout the relevant 12-month period with the obligation in General Direction 4.1 (requirement to ensure that there is appropriate representation of the interests of service-users in the operator's govern body's decision-making process).**

I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 4.1.

You should cross-refer to a statement of compliance from your responsible person.

- *Bacs considers it is compliant with General Direction 4.1.*
- *We consider that we have addressed the focus areas identified by PSR in their report of December 2015<sup>ii</sup>*
- *Please see the 'competent person' statement signed by Mike Chambers and presented with this template report for our confirmation of compliance.*
- **Publication of Minutes:**
- *Bacs complies with the requirements to publish formal Board minutes as soon as possible after the respective Board meeting*
- **Conflicts of Interest:**
- *No Board member during 2016 has had a conflict of interest in relation to directorships of a central infrastructure provider*
- **Service Users:**
- 1) Breadth of Engagement**
- *In 2016, Bacs developed a new approach to comprehensively renew its engagement with stakeholders across the payments value chain. This has enabled broader, more strategic and more transformational engagement with users, industry representatives, consumers and consumer representatives, academics, think tanks and Regulators, government and Parliamentarians. Bacs now has partnership relationships with relevant industry trade bodies and consumer groups, which helps us to understand user needs from payments in greater depth. In turn, this has helped in educating a wider range of stakeholders to the importance of payments and helped Bacs become more informed of how to develop services that meet the needs of consumers.*
- 2) Representation**
- *Bacs work programme in 2016 included a review of and recommendations for enhancements to its*

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*governance arrangements. These include recruiting an additional INED on to the Board, primarily to help represent consumer needs.*

### **3) Continuity**

- *Bacs engaged with service users during the conduct of the Governance Review by appointing PricewaterhouseCoopers (PwC) in August 2016, following an invitation to tender process where a detailed Brief was issued to four of firms with a recognised track record in performing independent governance reviews. The PwC work involved the gathering of stakeholder information in two different ways. The first used a survey approach for Board and a separate survey for stakeholders.*
- *The Board survey was split into two parts. The first part focused on a self-assessment of skills and experience and the second sought to collect Board members' views on, among others, the purpose and structure of the Board, the conduct and effectiveness of Board meetings, management information, Board objectives and Director Induction and training.*
- *The Key Stakeholder survey was completed by stakeholders including affiliates, business/trade groups and 'challenger' banks. It covered a number of areas including their views on the levels of engagement demonstrated by Bacs, Bacs' preparedness for regulatory change and whether the stakeholders have a platform to express their views. The survey results were used to support the findings in the report.*
- *The second of the two ways used to gather independent information from service users involved interviews, workshops and independent Board observation.*
- *A total of 14 interviews were conducted with individuals including Board members, members of the management team and regulatory and key trade body stakeholders.*
- *Two workshops were held with members of the executive team in order to gain a better understanding of Bacs' current funding model and organisational structure to identify its benefits and limitations and help identify potential future models.*

### **Introduction:**

- *In the remainder of this summary Report, Bacs provides the following:*
- *A statement summarising Bacs engagement approach and how service user and stakeholder engagement directly contributes and influences governance decision making;*
- *A summary of the examples used to demonstrate how, across the product suite, Bacs has engaged with and used the views of service users and stakeholders and how decisions have been reported to service users and stakeholders, and;*
- *A number of case-studies so the service users, decision-making and feedback cycle Bacs utilises can be*

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*demonstrated.*

### **Overall Statement:**

- *Bacs products (Bacs Direct Credit, Direct Debit, Current Account Switch Service, Cash ISA Switch Service, Bulk Redirection Service etc.,) lead to Bacs engaging with a very wide range of different stakeholders across the end to end payments Value Chain. These include Regulators and trade bodies, direct participants of our managed services, consumers, SMEs, corporates, government, agency banks, technology vendors, bureaux and training providers.*
- *Engagement takes many forms including direct engagement, via affiliate groups, industry groups, other interest groups, and channelled via digital and social media.*
- *Bacs' strategy recognises the importance of transparent engagement with stakeholders and consequently in 2016 Bacs has deepened its engagement with existing stakeholders and widened our reach and developed stronger relationships with a wider range of industry and consumer representative bodies.*
- *We engage via partner bodies, for example to increase our reach into new innovative payment SMEs we recently joined the Emerging Payments Association. This membership enables Bacs to engage and promote our products and ideas and also helps us to consult on user views – in particular with SMEs who may not use Bacs services at present.*
- *We are also working with consumer bodies, for example, MoneySupermarket and their partner brand MoneySavingExpert, the Money Advice Service, Toynbee Hall and Citizens Advice and other industry representatives, for example, Confederation of British Industry (CBI), Forum for Private Businesses (FPB), Federation of Small Business (FSB), to explore how we can work in partnership; potentially delivering events to deepen Bacs footprint with a broader range of potential consumers.*
- *We also, for the first time promoted Bacs in a public policy context at the major Autumn Political Conferences in 2016, delivering Round Tables with a range of consumer and business representatives on the theme of inclusion (both from a consumer and SME business perspective).*
- *We are actively engaging with Members of Parliament, relevant Parliamentary Select Committees and we are actively supporting the new All Party Parliamentary Group on Payment Systems. This helps Bacs bring the critical importance of payment systems to MP's attention and helps to educate how Bacs – and other Payment System Operators can assist consumers' lead better lives.*
- *The views of service users are sought using market research surveys both directly and in collaboration with other institutions such as the Institute of Directors and the University of Bristol. This engagement provides us with a valuable source of insight to help us shape our services and evaluate proposals for change. These academic insights help to influence our decision-making, for example, in providing insight into governance and in particular into the debate on appropriate target setting and specifically on the transformational effect on switching Account Number Portability (ANP) might offer (our analysis conclusively influenced the 'transient nature' that any ANP solution would have).*
- *We have utilised our network of stakeholders to regularly update on Bacs strategic progress and to seek out*

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and invite comment and involvement with our key strategic development workstreams, for example, Access, CASS, Security verification and Direct Debit consultation. These separate examples are included in our case-study approach to General Direction 4 compliance in section (b) of this report template.

- In addition to the research recently commissioned from IPSOS Mori to support the work to develop DD propositions we deliver the Direct Debit long term attitude tracking. This survey was revived this year to compare consumer attitudes to Direct Debit. Comparing 2013 results (the last time it was run) to today:  
Overall positive disposition to DD has dropped slightly from 79% to 77% - still an extremely strong result.  
62% prefer to pay all their bills by DD (compared to 63% in 2013) and of these, 41% are advocates of Direct Debit (compared to 37% in 2013).  
15% are positive but selective about their use – broadly similar to the 16% in 2013  
4% now claim they 'cannot' pay by DD, compared to only 2% in 2013

### **Bacs approach to service user and stakeholder engagement**

- Bacs' approach to service user and stakeholder engagement ensures beneficial, transformational influence on our governance decision-making.
- In 2016, Bacs embarked on a review to introduce a more strategically focussed approach to stakeholder management.
- Initial stage was to assess, using gap analysis where engagement was strong and where Bacs needed to develop a stronger presence. Existing stakeholders across the payments value chain were consulted leading to a proposal presented to Board in March 2016.
- Second phase was to develop segmented stakeholder engagement to support the developments Bacs were prioritising: Access, Direct Debit and CASS.
- Bacs has successfully engaged strategically with a wider range of stakeholders. This has increased awareness of Bacs business, products and strategic priorities.
- These strategic relationships are assisting assist Bacs to deliver its strategy effectively and helping Bacs contribute to Forum and other strategic initiatives.
- In addition, feedback from stakeholders is helping Bacs to steer future work programme content to further promote Bacs and its services.
- Bacs has also used our approach to Current Account Switch Service (CASS) stakeholder engagement and input into corporate decision making as best practice to influence the approaches we have made within Bacs' other products, for example, Direct Debit, engagement with the Strategy Forum and in implementing change in sort codes allocations and Access to Bacs services.
- Our approach to multi-channel engagement provides active input to our decision making processes using our

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*existing committee based structures and formal change procedures for implementation.*

### **Feedback**

- *We regularly feedback on progress on our strategic workstreams using a number of channels, for example:*
- *Direct update letters and emails to key stakeholders and impacted key service users*
- *Announcements and updates published on our own website*
- *Announcements and updates via key stakeholders' websites (for example, the Emerging Payments Association, Forum for Private Business, Citizens Advice).*
- *Publication of Bacs research and Bacs sponsored think-tank research*
- *Utilisation of key social media channels (for example: Twitter and LinkedIn)*
- *Where appropriate via National and specialist media*
- *Provision of updates to the Electronic Payments Affiliate Interest Group.*
- *Delivery of Breakfast Briefings and Round Tables in London and at the Major Political Autumn Conferences*

### **Bacs Communication channels**

*In addition to direct engagement with stakeholders and service users, Bacs uses a range of channels to initiate information on our activities and to relay update information and announcements. Summary details of Bacs use of channels for general communications are as follows:*

- *Service user volume campaigns:*
  - **London council tax campaign** – *eight participating councils mailed a total of 392,706 residents, increases in DD take up ranged from 2.3 to 8.4%. Press releases were tailored, personalised and promoted on borough and local government websites and local media. In addition web assets were featured on council websites achieving a total reach of 736,475. Over 485,000 council tax payers were entered into the prize draw*
  - **Freedom Guaranteed campaign** – *14 major corporates participating in a cross sector incentivised campaign. To date, 19,972 consumers have entered the prize draw (as at end Sept) against a target of 20,000 for the year*
  - **National Housing rents campaign** - *47 participants (local authorities, housing associations and Arms Length Management Organisations (ALMOs), targeted 116,500 non DD paying tenants with almost 6,000 converting to DD. With up to 24% campaign response, participants grew their DD base by between 0.3 and 6%.*
  - **National council tax campaign** - *32 participating councils, closed 28 Sept, results early November*
- **DVLA** – *cumulative figures to date: End of August 2016.*

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- 16.5m DDIs had been received (since launch), 134.3m DD payments have been processed (since launch), 8.4m in September (7.8m in August).
- 7.2m DDs were processed on 30 September, the highest so far for a single day.
- On track to have processed 150 million transactions by the end of the year (possibly in November 2016)
- **Dummies Guide to Direct Debit** - In the past 12 months we have issued 2,203 Dummies guides in hard copy format
- **Electronic and Social Media communications**
  - 1,660,464 emails issued in the last 12 months to service users (excludes SHA-2 – see caseload later in this Report)
  - 1,925 individuals at Service Users have attempted at least one eLearning activity in the last 12 months (includes 804 attempts to take the paperless Direct Debit course, mandatory for new PDD service users)
- **Website and digital**
  - Bacs.co.uk last 12 mths
    - Visits / sessions 558,982
    - Page views / actions 1,632,210
    - Downloads 101,332 of which 3,345 Little Bacs Books
  - Directdebit.co.uk
    - Visits / sessions 433,565
    - Page views / actions 1,068,583
  - Direct Debit app stats
    - iPhone – total downloads now 39,756
    - Android – total downloads now 9,196
- **PR and social media**
  - PR - total reach to date (Jan 1, 2016 – Oct 19, 2016) for Bacs and DD engagement is just over 56million. This includes late payments, campaigns, processing figures, and general positive mentions of Bacs and DD etc.
  - Social – estimated reach for Bacs and Direct Debit of 3.4 million for 2016 to date
- **LinkedIn**
  - 2,468,597 impressions
  - Engagement rate of 0.27% (0.28% benchmark)
- **Twitter**
  - 2,584,028 impressions

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	<ul style="list-style-type: none"> <li>○ Engagement rate of 3.36% (vs. 3.27% in January)</li> <li>➤ <b>Website redevelopments</b></li> <li>➤ The Current Account Switch Service website was rebuilt and relaunched at <a href="http://www.currentaccountswitch.co.uk">www.currentaccountswitch.co.uk</a> on 17 September to coincide with the third anniversary of the service and the launch of the latest consumer advertising campaign. We developed the design and user journey to provide maximum benefit to website visitors. We are analysing user data to understand:             <ul style="list-style-type: none"> <li>○ 'Conversion' - which website content builds confidence and consideration – to shape website structure and other channel messages, by audience</li> <li>○ 'Retargeting' – target site users over time with additional messaging to enhance confidence and consideration</li> <li>○ 'Prospecting' – use website data to understand which audiences are appropriate to target – and find more of them digitally (DMP) and in broadcast channels</li> </ul> </li> <li>➤ Website stats             <ul style="list-style-type: none"> <li>▪ Visits / sessions 318,116</li> <li>▪ Page views / actions 702,743</li> </ul> </li> </ul>
<p>II) Please provide us with an explanation and evidence as to why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</p>	<ul style="list-style-type: none"> <li>➤ To illustrate how Bacs complies with the measures in GD4, we have taken a case study approach. The following case studies include examples from a range of Bacs products, including:             <ul style="list-style-type: none"> <li>○ CASS, (Governance management processes, Onboarding, existing member engagement and issue resolution requiring collective governance consideration) (three separate case studies)</li> <li>○ Direct Debit (research enquiry, analysis of options, quantitative and qualitative research approaches, general consumer and specialised SME questionnaire research process)</li> <li>○ Access (Direct Access consultation, Governance decision-making on remedies and future work authorisation, advise to stakeholders)</li> <li>○ Security accreditation (SSL/SHA2 accreditation upgrade and review).</li> </ul> </li> <li>➤ Further detail is provided in the attached annexes. The detail requested in Sections (II) to (VI) is included in each case study.</li> <li>➤ Although the Case studies are provided in Confidential Annex 5 Bacs are content the case studies contain no confidential or commercial in confidence information and can be used by the PSR to help illustrate Bacs' compliance with the principles set out in General Direction 4.</li> </ul>

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<p>III) Please explain the process that you have in place to collect service users' views (e.g. forms/user groups, surveys and research, meetings and request, consultation).</p>	<ul style="list-style-type: none"> <li>➤ Overall, Bacs utilises its overall strategic stakeholder approach to engage on its strategy and delivery plans.</li> <li>➤ This provides consistency and a level of recorded, retrievable evidence that helps Bacs to ensure all key service user groups and stakeholders are engaged in different workstreams.</li> <li>➤ Our strategic stakeholder approach was presented to Bacs Board in June 2016 and piloted to identify areas for improvement. Attached is the presentational slide deck from June 2016 that describes the process.</li> <li>➤ In addition, we have provided an update summary from early November 2016 on the stakeholder engagement process and its impact on decision-making, which was provided to the Bacs Board strategy day.</li> <li>➤ See case studies for more detail</li> </ul>
<p>IV) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</p> <p>Give examples of views that have been considered by the board and the outcome of that consideration.</p>	<ul style="list-style-type: none"> <li>➤ On a workstream level, the contributions we have received from our engagement with service users and stakeholders, whether formally, for example in the form of responses to consultation questions or informally, through networking meetings and specific one-to-one meetings to discuss separate issues with key stakeholders, have proved influential in presenting and positioning issues to Bacs Board and other governance decision making forums.</li> <li>➤ Examples are provided in the case studies.</li> </ul>
<p>V) Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and</p>	<ul style="list-style-type: none"> <li>➤ Following presentation of workstreams to Board and other decision-making bodies, the same strategic stakeholder network is utilised to provide updates and information on what decisions have been made. In addition, key decisions are transmitted through our communication channels and social media.</li> <li>➤ See case studies for more detail</li> </ul>

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<p><i>understand the rationale for the board's decisions.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	
<p><i>VI) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<p><i>We have carried out an in-depth governance analysis during the reporting period and the result is a two phased approach.</i></p> <p><i>The first phase involved in-depth analysis of the existing committee structure and concluded that the number of Board sub-committees and Operational Committees should be restructured. The overarching objective is to place the company in better 'shape' for phase 2.</i></p> <p><i>The second phase addresses Board purpose and construct and is now subject to input from the Bank of England as part of their 2016 Priorities for Bacs. In addition there is a much wider development that will potentially see consolidation of the retail payment operators. The work will be overseen by an independent Delivery Group.</i></p> <p><i>Phase 1 will introduce a simplified model of governance for Bacs by splitting company and product lines. In this model, there are a smaller number of Board reporting Executive Committees and Operational Committees.</i></p> <p><i>These changes will provide a clean platform for Phase 2 of the work which, as stated above, will focus on the Board itself. Irrespective of any changes that may or may not be made in Phase 2, the changes proposed for phase 1 aim to:</i></p> <ul style="list-style-type: none"> <li><i>➤ Free up the Board to concentrate on providing leadership, within a framework of prudent and effective controls, enabling risks to be assessed and managed</i></li> <li><i>➤ Give the Board the ability to develop and promote the collective vision of the company's purpose, strategy, culture and values by providing clear direction for the Executive</i></li> <li><i>➤ Provide a platform for high quality decision-making being accountable to those who provide the company capital – see detailed description earlier in the Report.</i></li> </ul>

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	<p>➤ <i>The Governance changes and enhanced stakeholder approach will help to enable stronger representation of stakeholder views into board and committee decision-making. In addition, the approach to deliver a Knowledge Centre (as described on page 26) will contribute to better evidence-based decisions. This will make best use of executive time, knowledge and skills and build on the progress made in the reporting year.</i></p>
<p><i>Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<p>➤ <b>Bacs Company strategy has four pillars:</b></p> <p><b>Understanding value:</b> <i>so that all our developments can demonstrate added value to different stakeholders and society as a whole.</i></p> <p><b>Enhancing Products:</b> <i>so we are better able to meet the needs of all customers. We will simplify access and add value to all our products and services. We will ensure that our access rules and mechanisms are transparent and support effective competition.</i></p> <p><b>Engaging Stakeholders:</b> <i>so all stakeholder groups have visibility of our decision making processes and that their needs are effectively reflected in our product development. We will actively engage with stakeholders and continue to find ways to increase the effectiveness of our communications.</i></p> <p><b>Preserving Integrity:</b> <i>we will maintain the absolute integrity of our services and identify, evaluate and defend against emerging threats. We will work with all stakeholders to ensure effective end-to-end integrity of all our products and services.</i></p> <p>➤ <i>Bacs has specifically worked to engage with stakeholders across the payments value chain and entered into dialogue with stakeholders in order to introduce our strategy and workstreams to improve our products.</i></p> <p>➤ <i>We engage and encourage stakeholders to contribute to our strategy development and decision-making using the range of engagement channels and techniques we have already described.</i></p> <p>➤ <i>We seek high-quality, evidenced input and contribution and use these to refine our understanding, presenting findings and revised proposals to Board and management governing committees.</i></p> <p>➤ <i>These findings enhance discussion and decision-making and enable Bacs governance structures to make the</i></p>

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	<p><i>best decisions, in relation to work-programming, funding and future engagement.</i></p> <ul style="list-style-type: none"> <li>➤ <i>Once governance decisions are made, Bacs utilises its enhanced stakeholder and service user network to communicate decisions, progress and plans as appropriate.</i></li> </ul> <p><i>This cyclical approach to informing, investigating, decision-making and commentating to stakeholders provides for full involvement and inclusion, making Bacs decision-making more transparent and dependent on its stakeholders needs.</i></p>
<p><b>b) Details of all occasions in the relevant 12-month period when the operator has engaged with, and considered, the views of service-users (including indirect payment service providers) and other interested parties on the effectiveness of the representation of the interests of service-users in its decision-making processes of its governing body.</b></p>	
<p><i>I) Confidential information on engagement with service-users.</i></p>	<p><i>Please complete the table at <b>confidential annex 4</b>. This information will not be published.</i></p> <ul style="list-style-type: none"> <li>➤ <i>See Separate Case Studies</i></li> </ul>
<p><b>c) details of any anticipated review, or engagement with service-users (including indirect payment service providers) and other interested parties, that the operator plans to take over the following 12-month period in the representation of the interests of service-users in its decision-making processes of its governing body.</b></p>	
<p><i>If you are <b>currently</b> reviewing or changing your engagement with service-users please include a description of that work. You should explain the aim of the work (and how it relates to the General Direction 4 obligation and any relevant concerns or focus</i></p>	<ul style="list-style-type: none"> <li>➤ <i>Bacs is continually, through its self-assessments, reviewing how it engages with service users and more widely, stakeholders across the payments value chain.</i></li> <li>➤ <i>We shall continue to monitor the effectiveness of our approaches to engage with service users and key stakeholders in 2017 and effect modification as appropriate.</i></li> </ul>

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<p><i>areas we have identified), the progress that has been made to date, the way in which stakeholders have informed the work and the expected completion date.</i></p>	
<p><i>If you are <b>planning</b> to review or change your engagement with service users in the next 12 months please include a description of the planned work. You should explain the aim of the work (and how it related to the General Direction 4 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</i></p>	<p><b>Developing Bacs Services: towards a new Knowledge Centre approach.</b></p> <ul style="list-style-type: none"> <li>➤ <i>Today, Bacs provides a range of valuable services (including guidance, advice and subject matter expertise) to members, participants and other stakeholders across the payments value chain. In a changing evolutionary market, the need for trust, transparency and assurance have been well established as the drivers of change and choice.</i></li> <li>➤ <i>It is a clear fact that in-house skills in payments and processing are decreasing at member banks and the increasing complexity of the infrastructure landscape is challenging the ability for payments system users to consistently implement best in class practice.</i></li> <li>➤ <i>As a result, the Payment Strategy Forum (PSF) has identified customer awareness and education as a key driver to improving trust in payments and ensuring the optimisation of products and services through a deeper understanding of their capabilities. In support, Bacs has identified an opportunity to maximise the impact of evolutionary strategies put in place by the PSF through establishing a singular and comprehensive Knowledge Centre.</i></li> <li>➤ <i>Bacs is able to offer a unique position in delivering this Knowledge Centre base. It already delivers several of these services to member banks, bureau, PSPs and service users. Bacs is considered a critical provider of communication, information and in-depth expert support and knowledge throughout payments infrastructure and application.</i></li> <li>➤ <i>To date in 2016, Bacs has been working to identify the design requirements for a Knowledge Centre, the value case for all stakeholders (end consumer, banks, regulators, service users), and using the research from the DD consultation to inform the initial hypothesis before conducting further need state requirements research.</i></li> <li>➤ <i>In 2017, Bacs will aim to build the requirements to help establish a knowledge centre.</i></li> <li>➤ <i>As an immediate priority, we are engaging with all key stakeholders in defining the objectives and content of the wider Knowledge Centre. We will then look to design the Knowledge Centre to meet its defined objectives.</i></li> <li>➤ <i>In designing our approach we will explore existing Knowledge Centres from a wide variety of industries to define and benchmark best practice around which to build the Bacs Knowledge Centre. Once the Knowledge Centre has been designed, we will run a trial pilot with one or two members, utilising a test and iterate methodology to develop the user experience based on the initial content as outlined in the</i></li> </ul>

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	<p><i>above section. This type of real world testing will likely yield much more accurate product response to the attractiveness, viability and usefulness than research alone. Bacs will then be able to iterate the product in an environment reflective of the one it will be launched into.</i></p> <ul style="list-style-type: none"><li>➤ <i>The Knowledge centre adds value to stakeholders by sharing optimised product knowledge and services application intelligence and raising customer awareness, enabling consumers to utilise products more efficiently.</i></li></ul>
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## Non-confidential Annex 5

Please use this annex to provide any other confidential information which you consider helps to demonstrate your compliance with General Directions 2, 3 or 4.

### Case studies to support General Direction 4

- *To illustrate how Bacs complies with the measures in GD4, we have taken a case study approach. The following case studies include examples from a range of Bacs products, including:*
- *Direct Debit (research enquiry, analysis of options, quantitative and qualitative research approaches, general consumer and specialised SME questionnaire research process)*
  - *Access (Direct Access consultation, Governance decision-making on remedies and future work authorisation, advise to stakeholders)*
  - *Security accreditation (SSL/SHA2 accreditation upgrade and review).*
  - *User compliance,*
  - *CASS (Governance management processes and On-boarding)*

<b>Case Study</b>	<b>Direct Debit</b>
<p>1) <i>Please provide us with an explanation and evidence as to why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making</i></p>	<p><i>Bacs recognises the success of the Direct Debit product, for example for service users providing certainty of incoming cash. However, Bacs also recognises that the product can be refreshed and improved. Therefore Bacs has undertaken a programme of work to develop the product. In doing so, Bacs has looked at the needs of all users of the product to ensure that it continues to deliver value for all parties. Bacs engaged with the service users to obtain their views through a series of interviews, and a public consultation, ensuring there was appropriate representation of their interests in the product development activities.</i></p> <p><i>Section (2) sets out in more detail how Bacs incorporate the Service User views in the development of Direct Debit.</i></p>

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<i>processes.</i>	
<p>2) <i>Please explain the process that you have in place to collect service users' views (e.g. forms/user groups, surveys and research, meetings and request, consultation).</i></p>	<p><i>Bacs undertook three main processes as part of a public consultation with service users to input into the development of the Direct Debit.</i></p> <p><i>First, a major quantitative market research survey was commissioned to understand the current use of DD and the attitudes toward it of consumers and SMEs. The survey was responded to by over 2,000 consumers and 1,000 SMEs.</i></p> <p><i>Secondly, since June 2016, Bacs has been engaging with a series of Key Stakeholders to establish their thoughts and observations on Direct Debit. The interviews covered five core areas: how they use (or do not use) DD today; the sign-up process; the Guarantee; the processing cycle; and issues of control and flexibility. The process for contacting these stakeholders involved a consolidation of Bacs relationships and contacts.</i></p> <p><i>After consolidating 400+ contacts, these were grouped so that a representative sample from the different types of stakeholders, from the total contact list could be contacted for these interviews. In total 39 organisations were contacted by email to request a 15 minute interview, of which 10 were service users, affiliates, charities or corporates. Others included banks, challenger banks, business groups and trade bodies, consumer representatives, FinTechs, SME representatives, government departments and regulators.</i></p> <p><i>The interview results were used to shape the structure and the direction of the wider public consultation, and to supplement quantitative research being undertaken to provide a baseline understanding of consumer and SME views of Direct Debit.</i></p> <p><i>The third process which Bacs is undertaking to include service user views and interests uses an online survey mechanism open to all. This open Direct Debit Public Consultation was launched on the 12th October 2016 and will close on the 9th December 2016.</i></p> <p><i>The consultation process aims to understand the business challenges and customer needs today and in the future and establish where Direct Debit is functioning well and where there is potential to adopt changes to enhance the product still further. The consultation is available on the Bacs website and takes the form of a short questionnaire. In order to ensure a wide response Bacs has proactively contacted via email the 400+ Bacs stakeholders as mentioned above including a link to the survey. A paper questionnaire is available for those who do not have electronic access to the</i></p>

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	<p><i>survey.</i></p> <p><i>Our contact list included approximately 150 service users affiliates, charities and corporates. Additionally the consultation was communicated on the Bacs social media channels to reach wider audiences. The online questionnaire allows segregation of responses by consumers, SMEs, organisations, charities, banks or building societies or other, which will allow us to clearly understand the views of all Bacs service users.</i></p>
<p><i>3) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</i></p> <p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<p><i>The Direct Debit development work stream is part of the Bacs Strategy Programme which reports into its Programme Board, which is a sub-committee of the main Bacs company Board. The Strategy Programme Board is chaired by the Independent Chairman of the Company.</i></p> <p><i>Progress on this work stream is reflected in Board and Committee papers, including any relevant updates on Service User views, which are presented for consideration by Board and the Programme Board.</i></p> <p><i>At the June Board, the proposal for the approach, including the processes included in Section (2), to the consultation was agreed.</i></p>
<p><i>4) Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and understand the rationale for the board's decisions.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	<p><i>Minutes of Board meetings are published on the Bacs website. In addition, we present regularly to the Affiliates group to share with them progress and direction of any proposals for change. For example at the September meeting, the Affiliates group were updated on progress of development and advised that may be contacted to be involved in the process.</i></p> <p><i>In addition, Bacs extensive stakeholder network will be provide with updates including governance decisions. The key list of 400+ key stakeholders will be utilised to provide tailored feedback. Bacs partnerships with EPA, CBI, FPB, FSB and consumer groups, for example, Toynebee Hall, Citizens Advice, MAS, etc., will also be regularly updated and consulted on emerging solutions and change.</i></p>

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<p>5) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</p>	<p>The proposed changes to Bacs governance are explained in different parts of this compliance report. (see page 22)</p>
<p>6) Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</p> <p>For example – How do you ensure that your strategy captures service-user needs?</p>	<p>The Bacs strategy is user orientated and is based on four pillars:</p> <ul style="list-style-type: none"> <li>➤ Understanding value</li> <li>➤ Enhancing Propositions</li> <li>➤ Engaging Stakeholders</li> <li>➤ Preserving integrity</li> </ul> <p>The whole strategy is based around user needs and how best to satisfy the needs of all the different stakeholders which, in some cases, requires a balance of views.</p> <p>Through 2016 Bacs strategy programme has been reviewing the Direct Debit proposition. As mentioned, a major public consultation is currently underway, which has been supported by specific quantitative market research and key stakeholder interviews to collate information and evidence to enable analysis and presentation of any case of change to the Bacs Board in March 2017.</p>

<b>Case Study</b>	<b>Access to Bacs Services</b>
<p>1) Please provide us with an explanation and evidence as to why you consider that your governance arrangements and</p>	<p>In December 2015, Bacs Board agreed to form a strategy programme to carry forward a variety of initiatives including implementation of changes to access. Initial focus of this was implementation of PSP access via an aggregator.</p> <p>Subsequently we initiated an ISO 20022 standards activity as part of the access workstream to</p>

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<p><i>internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</i></p>	<p><i>progress investigation of the implications and options for using this standard within the Bacs scheme (Bacs already had a policy to use this standard for all new developments so the CASS and Cash ISA transfer service are already based on ISO20022 messaging).</i></p> <p><i>In addition, a working group was established with the Inter-bank System Operators Co-Ordination Committee (ISOCC) for five payments schemes to work together to address 10 areas identified via the Payments Strategy Forum.</i></p> <p><i>We announced our intention to consult on Access in January 2016 and followed-up with the launch in February, inviting interested stakeholders to get involved. We presented the aims of the consultation tour affiliates group.</i></p>
<p><i>2) Please explain the process that you have in place to collect service users' views (e.g. forms/user groups, surveys and research, meetings and request, consultation).</i></p>	<p><i>Following initial analysis, Bacs published a white paper on access. It was circulated to industry, published on our website, shared by other organisations with their constituents (e.g. the Emerging Payments Association) and shared with the Affiliates group. We sought comment and feedback on proposals.</i></p> <p><i>In addition to the above, we have directly engaged with potential aggregators and potential new members to facilitate their decisions about whether to become members of Bacs, to understand their plans and priorities.</i></p>
<p><i>3) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</i></p> <p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<p><i>The access workstream is part of the Bacs Strategy Programme which reports into a Programme Board, which is a sub-committee of the Bacs Board. The Strategy Programme Board is chaired by the Independent Chairman of the Company. Board and committee papers capture feedback for service users and are used to inform the content of board papers which are presented for consideration by Board and the Programme Board.</i></p> <p><i>Examples of decisions from Board include confirmation of the priority and funding of work on access to enable progression of definition of an aggregator model for Bacs, progression with investigation of ISO 20022 mapping, and delivery of the ISOCC initiative.</i></p> <p><i>A further example of feedback from users of the service is from discussions that we held with prospective aggregators. Through these discussions it became apparent that for some business models it would be useful for aggregators to be able to use a single set of security credentials when signing for the submission or receiving of data files for different customers. This is already a model</i></p>

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	<p><i>that is allowed for bureaux working on behalf of multiple organisations. As a result of these discussions, this feedback was discussed with the programme board and work commenced to examine the technical feasibility and identify the best approach for achieving this. At the time of writing, plans are still forming, but with the expectation that a technical change will be made to the central infrastructure which would we would intend to implement during 2017.</i></p>
<p><i>4) Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and understand the rationale for the board's decisions.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	<p><i>Minutes of Board are published on the Bacs website. In addition, we present regularly to the Affiliates group to share with them progress and direction of any proposals for change. In addition, in August we published our access roadmap on the Bacs website which set out feedback from the earlier consultation and plans across a range of access requirements that we were taking forward under the access workstream.</i></p> <p><i>We've also been testing emerging proposals for aggregators with prospective providers of aggregator services to confirm the approach, need and requirement.</i></p> <p><i>Through our discussions with potential aggregators we identified a useful requirement which would simplify the security access arrangements for aggregators by enabling them to adopt a single encryption key for their submissions on behalf of multiple institutions. We are taking steps to investigate this requirement to determine and assess any implications of implementing this feature and will present these findings to our Board for their decision on implementation.</i></p>
<p><i>5) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<p><i>During 2016 Bacs Strategy Programme has included a governance workstream. This has reviewed the company governance arrangements in two phases. The first phase was review and simplification of the committee structure used to run the services and support Board. Streamlining these committees reduces the potential overhead costs for members who wish to join the scheme. Changes to the committee structure are due to be implemented from January 2017.</i></p> <p><i>The second phase was to review the purpose and construct of Board itself. The requirement for this phase has been augmented by the Bank of England raising a formal Priority requesting Bacs to review its governance structure. This priority required Bacs to perform an independent review of the governance structure and report back to The Bank by the end of December 2016. Plans are on track to achieve this. However, the recent announcement by the Payment Systems Regulator and Bank of England to establish a Delivery Group to investigate the consolidation of three retail payment schemes may impact upon progress of this work. The Bank of England has indicated that it will write to Bacs to confirm or revise the Priority previously set.</i></p>
<p><i>6) Please provide examples</i></p>	<p><i>The Bacs strategy is user orientated and is based on four pillars:</i></p>

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<p><i>of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<ul style="list-style-type: none"> <li>➤ <i>Understanding value</i></li> <li>➤ <i>Enhancing Propositions</i></li> <li>➤ <i>Engaging Stakeholders</i></li> <li>➤ <i>Preserving integrity</i></li> </ul> <p><i>The whole strategy is based around user needs and how best to satisfy the needs of all the different stakeholders which, in some cases, require a balance of views and benefits to different user groups.</i></p> <p><i>Through 2016 Bacs strategy programme has been reviewing the Direct Debit proposition. A major public consultation is currently underway, which has been supported by specific quantitative market research and key stakeholder interviews to collate information and evidence to enable analysis and presentation of any case of change to the Bacs Board in March 2017.</i></p>
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<b>Case Study</b>	<b>SSL Upgrade (SHA2)</b>
<p>1) <i>Please provide us with an explanation and evidence as to why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</i></p>	<p><i>As part of the wider SHA2 Migration project Bacs and Vocalink carried out an in-depth impact analysis of the implications of migrating from SHA-1 to SHA-256 for the Bacs service. An early issue identified was the need to upgrade the secure IP based network connections made between Bacs users and the Bacs service. It is important to note that this is an industry wide issue and was not limited to the Bacs world.</i></p> <p><i>Project incepted in April 2015 to manage the upgrade which was twofold: first changes to the CI, secondly change required to the service users' submission packages and operating systems. The project governance points included a Board delegated subcommittee; the Cyber Resilience Committee and a dedicated Member working group. The project was also supported by a central communications campaign to build awareness and momentum in the Bacs user community to make the necessary changes.</i></p> <p><i>Communications to users started in May 2015 and used a variety of channels including: generic and targeted emails with links to an information page on the Bacs website, trade magazine advertorials/articles, partnership advertising, social media advertising, direct mail campaign and three tranches of Call Centre outbound calls to direct submitters who were not compliant towards the end of the campaign.</i></p>
<p>2) <i>Please explain the process that you have in</i></p>	<p><i>We undertook an initial stakeholder mapping exercise to identify all the stakeholders impacted which helped inform our engagement and communications strategy.</i></p>

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<p><i>place to collect service users' views (e.g. forms/user groups, surveys and research, meetings and request, consultation).</i></p>	<p><i>The stakeholders included:</i></p> <ul style="list-style-type: none"> <li>• <i>VocaLink</i></li> <li>• <i>Banks (in their role as a Sponsor Bank as well as a Service User)</i></li> <li>• <i>Solution Suppliers</i></li> <li>• <i>Service Users (including direct and indirect users and Bureaus)</i></li> </ul>
<p><i>3) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</i></p> <p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<p><i>All stakeholders' views were fed into the project by virtue of member meetings or 1:1 dialogue with the Solution Suppliers who were able to provide feedback on behalf of their end customers.</i></p> <p><i>When the project was approaching its key milestone when the central service would be upgraded (13 June) one solution supplier made us aware that they faced a significant challenge in getting all their customers migrated ahead of 13 June.</i></p> <p><i>During regular governance updates, options were risk assessed and in light of this situation the Solution Supplier requested that Bacs consider an extension to the deadline and push back to later in the year to maximise the number of customers that commit to taking action whilst ensuring those that could not were still in a position where they could make payments. This was escalated to the Board sub-committee and a number of options were presented to mitigate against the issue. As a consequence the upgrade timeline was extended to 19 September.</i></p>
<p><i>4) Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and understand the rationale for the board's decisions.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	<p><i>The Bacs Marketing team were fully engaged in communicating the extended timelines and developed a set of reactive statements and a crisis planning document which was shared with Members and Solution Suppliers to deal with any service user or media queries. They also sent out email communications to service users informing them of the extension. A full summary of service user communications follows:</i></p> <p><b>SHA-2 COMMUNICATIONS</b></p> <ul style="list-style-type: none"> <li>- <i>4 phase communications programme up to the revised go live date of 19 September 2016</i> <ul style="list-style-type: none"> <li>○ <i>Phase 1 – Awareness</i></li> <li>○ <i>Phase 2 – Increase urgency</i></li> <li>○ <i>Phase 3 – Intensive countdown</i></li> <li>○ <i>Phase 4 – Extra time</i></li> </ul> </li> <li>- <i>Phases 1-3 summary (up to original go live date)</i> <ul style="list-style-type: none"> <li>○ <i>Over 1.4million emails sent in total</i></li> </ul> </li> </ul>

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	<ul style="list-style-type: none"><li>○ <i>Average open rate 25%</i></li><li>○ <i>Average Click to Open rate is 20%</i></li><li>○ <i>Average bounce rate 15%</i></li><li>○ <i>Over 80k unique emails opened</i></li><li>○ <i>Constant testing of subject lines, time of day, day of week etc</i></li> <li>- <i>Overview of SHA-2 related Page Views on Bacs.co.uk</i><ul style="list-style-type: none"><li>○ <i>Total page views over 260k</i></li><li>○ <i>Total unique 141k page views</i></li><li>○ <i>Highest total monthly Page Views 35k (Unique 20k)</i></li></ul></li> <li>- <i>Paid for media</i><ul style="list-style-type: none"><li>○ <i>Search Engine Marketing took the shape of SEO, Google Remarketing, Google Search, Google Display Network (for PC) and Google Display Network (mobile). We also had adverts on Social Media in the form of text based adverts on LinkedIn and Sponsored updates of LinkedIn posts. Click through rates on advertising were at 0.1% with cost per click at approx. £2</i></li><li>○ <i>We advertised in targeted media publications using banner advertising, email advertising, sponsored emails, advertorial etc. And coupled with the Search Marketing and Social Media impressions... we amassed over 20 million page impressions and adverts in circulation with a presence each month in a combination of payroll, finance and general business publications</i></li><li>○ <i>PR – various coverage in targeted publications on and offline – 1,832,247 reach</i></li><li>○ <i>Direct mail – 4,100 service users were mailed a communication in June</i></li><li>○ <i>Partnerships – included Forum of Private Business and TechUK, as well as all Bacs solution suppliers including supporting webinars and presentations with Bottomline , Mosaic and First Capital Cashflow (bureau)</i></li><li>○ <i>Outbound calls – 2,800 service user contacts were called during the campaign targeting those who had submitted multiple times with non-compatible software, by volume of files submitted and the value of submissions</i></li></ul></li> <li>- <i>Phase 4</i><ul style="list-style-type: none"><li>○ <i>2,400 outbound calls</i></li><li>○ <i>290,615 emails</i></li></ul></li> <li>- <i>Outcome –</i><ul style="list-style-type: none"><li>○ <i>the migration deadline of 19 September passed without incident. At that date, we</i></li></ul></li></ul>
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	<p><i>believed there was a maximum of 192 direct submitters at risk out of an audience of 73,000, and 1,447 of 44,000 indirect submitters at risk of not being able to collect reports. To date we have received less than 70 calls to the service desk, all of which have been successfully managed. There are 339 service users registered on the back up URL (via waiver) and these will be migrated off by the end of 2016</i></p> <p><i>SERVICE USER COMPLIANCE COMMUNICATIONS</i></p> <ul style="list-style-type: none"> <li>- <i>170,462 emails issued in the last 12 months</i></li> <li>- <i>15,537 outbound calls attempted in the last 12 months</i></li> </ul>
<p><i>5) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<p><i>A Post Implementation Review is underway and any learning will be incorporated into similar projects going forward.</i></p>
<p><i>6) Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<p><i>Wider service user needs are usually discussed by the Ops and Compliance committee and security related elements by the Joint Security Committee.</i></p>

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<b>Case Study</b>	<b>Service User Compliance</b>
<p>1) Please provide us with an explanation and evidence as to why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</p>	<p>Bacs has been undertaking dedicated Service User Compliance activities throughout 2016. Service Users (SUs) in scope include organisations that make payments through either Bacs Direct Credit or Direct Debit and who have failed to action Bacs messaging advices. Members also carry out their own compliance activities with the SUs that they sponsor for Bacs services.</p> <p>The campaign is managed by Bacs Operation &amp; Compliance committee and regular progress updates are provided to CASS Management Committee and to Bacs Board. Board agree/manage budgets and endorse the business case that supports this workstream.</p>
<p>2) Please explain the process that you have in place to collect service users' views (e.g. forms/user groups, surveys and research, meetings and request, consultation).</p>	<ul style="list-style-type: none"> <li>➤ Bacs has used a range of channels to make direct contact with 'service users' (SUs) as part of service user compliance activities. Contact channels include by eComms to the SUs Primary Security Contacts (PSCs), calls from our outsourced call centre and Bacs service desk, and direct engagement by Bacs personnel (the Compliance team).</li> <li>➤ Where contact has been established by the latter, we regularly take the further opportunity to engage proactively with the Service User (SU), to discuss the use of Bacs services and the opportunities and challenges that this brings, in particular so that we can refine our compliance activities going forward. We arrange calls with SUs, as required. This has involved, a number of face-to-face meetings at the SUs offices Shared Business services, Marks &amp; Spencer, Save The Children)</li> <li>➤ During 2016 we have also engaged directly with third party organisations such as Bacs Software Suppliers (SSPs)(we presented at a conference organised by Bottomline and attended by SUs that are their customers.</li> <li>➤ Bacs also hosted a policy 'think tank' organised on behalf of the Chartered Institute of Payroll Professionals (CIPP) and attended by around 15 of their members, who are also Bacs SUs. Note: around 50% of Bacs Direct Credit payments are payroll or pension related. The discussion topic concerned the challenges faced by employers who operate 'self-serve' HR systems, specifically in respect of updating employee bank details. Follow up actions, to develop a joint approach and shared 'best practice' are to be scheduled.</li> <li>➤ Going forward into 2017, we intend to increase and enhance engagement with bodies that</li> </ul>

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	<p><i>represent service user/stakeholder sectors such as trade bodies and user groups. This is both to raise operational standards and to seek feedback on Bacs products and services</i></p>
<p>3) <i>Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</i></p> <p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<ul style="list-style-type: none"> <li>➤ <i>See above for examples. Key points and outcomes are presented to Bacs Board (CEOs update to Sept Board as an example)</i></li> <li>➤ <i>Going forward, intention is to capture and develop such matters via the proposed 'Knowledge Centre', as described earlier in this compliance report.</i></li> </ul>
<p>4) <i>Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and understand the rationale for the board's decisions.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	<ul style="list-style-type: none"> <li>➤ <i>As part of our cyclical communications approach we provide service users with general feedback on board and other governance decision via our communications channels. Specific feedback is provided either by bespoke messaging – either face to face or electronically as required.</i></li> <li>➤ <i>For example, we were able to specifically feedback board decisions and messaging regarding service user compliance directly using these methods.</i></li> </ul>
<p>5) <i>Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have</i></p>	<p><i>Bacs has developed and improved the Management Information and process that are used to manage compliance activities. This allows SUs to be better 'segmented' for contact purposes – i.e. the approach and method will better reflect the SUs business and compliance profile. The changes are due to come online in Q4 2016 and will be subject to review (including Board update) during 2017.</i></p> <p><i>We also intend to propose an improved range of measures (KPIs) for Board to track via the Performance Scorecard that they receive.</i></p>

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<p><i>been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	
<p><i>Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties.</i></p> <p><i>For example – How do you ensure that your strategy captures service-user needs?</i></p>	<ul style="list-style-type: none"> <li>➤ <i>A key part of our engagement with service users is to receive and assess their feedback on our services and what additional support they require to comply with Bacs rules. This feedback is invaluable and used as additional evidence to support our proposals for user compliance enhancements in Board meetings.</i></li> <li>➤ <i>For example, service user feedback showed that the Bacs call centre help desks and available management information couldn't deal effectively with technical enquiries presented to it by service users. This evidence of need was used as additional evidence to Board and supported the eventual decision to agree new communications and Management Information support for Service Users.</i></li> <li>➤ <i>In addition, this evidence helped to support the argument to continue development of a Bacs Knowledge Centre as described on p25 of this report.</i></li> </ul>

<b>Case Study</b>	<b>CASS – Management and Governance decision-making</b>
<p>1) <i>Please provide us with an explanation and evidence as to why you consider that your governance arrangements and internal processes mean that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes.</i></p>	<p><i>Any decisions or recommendations to amend, add or remove any element(s) of the scheme are presented to the CASS Management Committee (CASS MC) for review and/or approval. The members are senior representatives from across the service user population and a quorum structure is in place. This ensures prior to a decision being made sufficient service user representation have reviewed the proposal(s) presented. Papers for the meetings are distributed to all service users pre and post the meetings, giving any who are unable to attend the meeting an opportunity to raise question and provide input or feedback. If a consensus cannot be achieved for changes voting is on a one member, one vote basis so that large services users do not have excessive influence on the adoption of changes.</i></p>
<p>2) <i>Please explain the process that you have in place to collect service users' views (e.g.</i></p>	<p><i>There are a number of regular and ad hoc user committees and working groups, who meet to discuss and review various elements of the scheme. Also, external and service user specialists will be invited to the discussions as appropriate. Regular user groups such as CASS Operations &amp; Governance, Strategic Communications and Change Committees meet bi monthly, or more frequent</i></p>

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<p><i>forms/user groups, surveys and research, meetings and request, consultation).</i></p>	<p><i>if required. As with CASS MC a quorum structure, formed of the service user population, is in place and papers are distributed pre and post the meetings giving all service users an opportunity to raise questions and provide input or feedback.</i></p> <p><i>The sub working groups, which are set up primarily to focus on a specific area or topic, are made up of suitable representatives from across the service user population. A sub group may be required to undertake root cause analysis before designing a proposed solution.</i></p> <p><i>In addition, we engage more widely with stakeholders and representatives of service users by publishing research, leading round tables, and directly speaking to stakeholders to elicit their interests and views. This knowledge is represented in the discussions held at management and board level to ensure decisions are informed.</i></p> <p><i>A good example of how user views are sought and considered is the CASS take-on process. Bacs hold a series of meetings with each new participant to:</i></p> <ul style="list-style-type: none"> <li><i>➤ introduce the Service</i></li> <li><i>➤ help the participant plan for the take-on</i></li> <li><i>➤ review the participant’s CASS solution</i></li> <li><i>➤ assess their readiness to undertake accreditation testing</i></li> <li><i>➤ determine whether they have successfully completed the accreditation testing to progress to becoming a live participant.</i></li> </ul> <p><i>Bacs also schedules regular checkpoint calls (usually fortnightly) to review progress and assist with any queries that arise.</i></p> <p><i>During Accreditation Review sessions, Bacs invites feedback from each participant about the take-on process, support provided by Bacs and the support provided by the Central Service Supplier (i.e. VocaLink). This feedback is continually used to enhance the take-on process.</i></p>
<p><i>3) Please explain the process that you have in place to ensure these views are represented at board level (eg INED, service users represented on the board, board sub-committees).</i></p>	<p><i>Any proposals suggested and/or developed by the committees or sub groups are presented to CASS MC for approval. The sub group output is first reviewed by the committee who authorised their creation, only then can it be passed to CASS MC.</i></p> <p><i>As an example, during new participant take-on for CASS, feedback from new participants can either be reflected by changes to service documentation owned by CASS Management Committee or by change requests submitted to the committee to enhance a product or service being provided during the take-on process.</i></p>

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<p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<p><i>A recent example of a change request submitted to committee was to upgrade a User Experience Model (UEM) that is made available to all participants (new and existing). This request was approved by CASS Management Committee and will result in a more detailed and user friendly UEM which will improve training activities for existing participants and improve new participant familiarisation with the Service at an early stage in the take-on process.</i></p>
<p><i>4) Please explain the process that you have in place to ensure that service-users get general and specific feedback from the board and understand the rationale for the board's decisions. Give examples of such feedback being provided.</i></p>	<p><i>Pre and post any schedule meeting full papers are distributed, to all service user representatives, allowing sufficient time for agenda items and outputs to be reviewed. All service users are encouraged to raise questions and provide input and feedback.</i></p> <p><i>We also use direct contact, emails and social media to make announcements on decisions and launches of new services.</i></p> <p><i>New participants can be added to the distribution list for CASS committees once they have signed a Participation Agreement to formalise their commitment to joining the Service.</i></p> <p><i>The Bacs CASS take-on team also utilise the meetings held during the take-on process to provide new participants with an update on key committee decisions.</i></p>
<p><i>5) Please highlight any changes that have been made to your governance arrangements and internal processes over the relevant period. Where changes have been made, please explain how they better meet the obligation in General Direction 4.1.</i></p>	<p><i>Annual service user discussions have now been extended to incorporate partial service users as well as full service users. This will ensure CASS capture the views of all service users, irrespective of size and activity undertaken.</i></p> <p><i>CASS Management Committee regularly reviews the eligibility criteria for participation in the Service. In May 2015, CASS made amendments to the eligibility criteria to help widen access to the Service to new entrants including non-traditional PSPs and e money institutions. Following this change operation of the new participant take-on process has been reviewed and it will be updated on an annual basis to reflect feedback and experience from the take-on windows. Recent changes have been made to cater for the changing profile of new entrants.</i></p> <p><i>For example, e-money providers who are now seeking to join the Service and they are often less familiar with the timescales involved in developing their own CASS solution prior to the formal accreditation phase. These timescales are now made more explicit within the documentation and at initial meetings held to introduce the Service.</i></p>

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<p>6) <i>Please provide examples of how this service user representation is captured in the decisions of your board when performing its functions and duties. For example – How do you ensure that your strategy captures service-user needs?</i></p>	<p><i>Any strategic proposed changes are shared with the CASS committees for review and comment, prior to finalising scope and timelines.</i></p> <p><i>The annual new participant take-on budget agreed by CASS Management Committee limits costs for new participants to their own internal development costs. Bacs take-on and support from VocaLink are provided free of charge for any new participant seeking accreditation for the first time.</i></p> <p><i>In terms of Voting Rights for CASS Management Committee, voting is on the basis on 'one person, one vote' and participants with multiple brands only have one vote. This also means that any new participant to the Service will have the same voting rights as any established participants.</i></p>
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<sup>i</sup> PSR Report: Access and Governance of payment systems: the operators progress and areas for ongoing focus. 15 December 2015

<sup>ii</sup> PSR Report: Access and Governance of payment systems: the operators progress and areas for ongoing focus. 15 December 2015