

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.

<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 2.1 over 2016/17.</i></p> <p><i>You should cross reference a statement of compliance from a responsible person.</i></p>	<p>Bacs' role is to encourage a vibrant and competitive market place for payment service providers requiring Bacs payments functionality. In this report we outline how we deliver this across direct, indirect and access via third parties. Our Chief Executive Officer, Mike Chambers has completed a 'Competent person' statement in confirmation of compliance, which is annexed to this template.</p> <p>Access to Bacs Payment Services</p> <ul style="list-style-type: none"> • Bacs ensures 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 into the system. • Bacs provides a range of access choices to its prospective members. These include direct and indirect access solutions. It is clear that 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 and organisations 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 SMEs, access to Bacs Direct Credit. Around 120 Bureaux also provide Direct Debit access services.
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	<ul style="list-style-type: none"> • In response to a direction from the PSR Bacs has initiated a competitive procurement programme that will look access requirements and how they might best be met in the future. This work will migrate to the NPSO through the coming months. Our requirements gather will then be reflected in the NPSO's work to progress design and procurement of the NPA. • In developing and reviewing changes to our access offerings, specifically the development of the aggregator model and for NBPSP access, we have conducted a high level risk assessment to ensure the integrity of our services is effectively maintained. The Bank of England has been actively engaged in the risk review process to ensure it meets their expectations.
<p><i>II) Please provide us with an explanation and evidence of why you consider that your access requirements comply with General Direction 2.1.</i></p>	<p>PSR Access and Governance report 2017</p> <ul style="list-style-type: none"> • In Part 5 of its March 2017 Report, PSR outlined a number of areas that it expected Payment System Operators (PSOs) to action to unlock benefits for Service users. This report provides detailed information on the approaches Bacs has taken to meet these areas. To summarise: • PSR said that operators should create proportionate and risk-based participation models, assurance documentation and onboarding processes that recognise the range of PSPs that use, or will use their systems. • PSR also advised operators to make progress in advancing the elements of the Forum strategy relating or establishing common operator participation models and rules. • Third, PSR said that it looked forward to Bacs begin accrediting aggregators in 2017. • Finally, PSR looked forward to operators accepting non-bank PSPs, subject to the appropriate Bank of England policy and procedures and legislative changes being made. <p>The following summaries demonstrate Bacs compliance with the PSR expectations.</p> <p>Simplified access option</p> <ul style="list-style-type: none"> • We have made available a generic cost-effective technical solution to smaller institutions with low annual transaction volumes. We are very happy to confirm that two prospective participants have expressed a keen interest in proceeding with this access option in 2018. • The simplified access solution enables lower volume participants to collect their output via the Payment Services Website (PSW). This is a very low cost option as it is/can be accessed over the public internet and comes in at a fraction of the cost of our other channels (Enhanced Transmission Service (ETS) and SwiftNet Transmission Service (STS)). • We are currently seeing significant demand for this option from prospective participants, especially those having existing services withdrawn by their sponsor bank/unable to obtain

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services via a sponsor bank.

Onboarding process

- In 2016-17, we developed a new formal Onboarding Process. This was created by using the knowledge and approaches we developed during the successful onboarding of three (3) new Direct Settling Participants in the last reporting period.
- During the three successful onboardings we developed an approach of continually reviewing and consulting with the entities we were working with to learn lessons and consider process changes that we believed would improve the experience of others who were onboarding, or considering onboarding to Bacs. The improvements that we identified in consultation with our partners were fed back into the overall onboarding process to ensure that lessons learned were effectively acted on to improve future onboarding experience.
- We will make the revised Bacs Onboarding Process available to all prospective new onboarders on the Bacs website during quarter 4 2017.

Bacs Access mailbox

- To help potential future participants contact Bacs, we have made available via the Access tab on the Bacs website a dedicated email address access@bacs.co.uk. This enables Bacs more easily to identify, assess and respond to interest from prospective participants to the scheme.
- We monitor this new engagement channel and all others so that we can send follow-up emails to those prospective participants that have previously expressed a keen interest in participation but have not corresponded for a period.
- We maintain a unique email folder for each prospective participant to maintain a log of both parties correspondence.

Bacs Website

- We are completing a review of the onboarding-related information that is available to prospective participants on the Bacs website, which we plan to be complete by the end of 2017.
- Our objective is maximise the information available to prospective participants who want to understand more about the procedures required in onboarding to Bacs. We want to ensure that the level of freely available information on the Bacs website reduces the requirement for Non-Disclosure Agreements (NDAs) because we believe this helps Bacs services to become more transparent.

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<p><i>III) Please highlight any changes that have been made to the access requirements over 2016/17. 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>Non-bank PSPs(NB-PSP)</p> <ul style="list-style-type: none"> • Dialogue has continued with non-Bank PSPs, following the Bank of England’s updated policy on access to settlement accounts enabling the direct access of authorised payment and e-money institutions to the UK’s interbank payment schemes, to be available from Jan 2018. (see the Bank of England’s paper, Access to UK Payment Schemes for Non-Bank Payment Service Providers July 2017). • A review of all Bacs legal documentation is underway to ensure that any required changes will be in place prior to the first NB-PSP onboarding, currently expected to be in 2Q 2018. <p>Aggregators</p> <ul style="list-style-type: none"> • Since we launched our aggregator offering in December 2016 we have experienced a lack of demand from users of Bacs services and new potential users who may become potential aggregators. This has been consistent throughout the last reporting period. This is possibly as a result of the availability alternative access options (e.g. Bureaux, ClearBank-type offerings, simplified access methods for low volume participants), and potentially our new formal Onboarding Process that simplifies direct access. • In consultation with the PSR we have agreed to ensure that the Bacs Aggregator proposition is available for use and utilisation for the next year. In 2018 we will review the market interest in the proposition and review the Bacs Aggregator access route. Following this review we will explore options to further evaluate the service, in line with NPA and NPSO developments, procurement approaches and engage with PSR whilst doing so.
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<p><i>I) Information for publication on new members and demand for access.</i></p>	<p><i>Complete the following table. Data should be correct as at 30 September 2017.</i></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="padding: 5px;"><i>Expressions of interest</i></th> <th style="padding: 5px;"><i>Signed letters of intent</i></th> <th style="padding: 5px;"><i>New members during reporting period</i></th> <th style="padding: 5px;"><i>No. of participants</i></th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">➤ 6</td> <td style="padding: 5px;">➤ 3</td> <td style="padding: 5px;">➤ 4</td> <td style="padding: 5px;">➤ 19</td> </tr> </tbody> </table> <p><i>Expressions of interest could be expected to include: written communications or verbal notifications (where the</i></p>	<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of participants</i>	➤ 6	➤ 3	➤ 4	➤ 19
<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of participants</i>						
➤ 6	➤ 3	➤ 4	➤ 19						

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	<i>interested party has made contact).</i>
<i>II) Confidential information on demand for access.</i>	<i>Please complete the table at confidential annex 1. This information will not be published.</i>
<i>I) Number of enquires made to change access requirements</i>	Bacs is unaware of an enquiry or objection regarding potential changes to access requirements made to an operator.
<i>II) Please provide a general explanation of the process that is followed to deal with these enquires.</i>	All complaints / queries received direct or via the Bacs Service Desk are logged on the Bacs Complaints and Queries spreadsheet. Bacs' policy is that complaints must be acknowledged within 2 working days. Where we are unable to assist, because the enquiry is not Bacs-specific, the customer is advised of the reasons why and given alternative escalation routes, where appropriate. Where we are able to assist it is possible that further information may be required. Where possible this is sought when acknowledging the complaint. Where no further information is required the acknowledgement letter advises that once our investigation is complete we will write with our conclusion. When the further information is received a letter of acknowledgement is 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 is kept informed at regular intervals.
<i>III) Number of objections made to any proposed changes</i>	➤ Zero
<i>IV) Please provide a general explanation of the process that is followed to deal with these objections.</i>	➤ Please see the response in (c)II

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<p>V) Confidential information on enquiries and objections.</p>	<p>None</p>
<p>Details of all occasions in the <u>2016/17</u> 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</p>	
<p>I) Please provide a general explanation of the process you follow to engage with interested parties.</p>	<p>Bacs publically discloses its access requirements as follows:</p> <ul style="list-style-type: none"> • Access requirements are available on our web site www.bacs.co.uk – from the home page click on 'Access' and then click on 'PSP Access'. • A copy of the relevant requirements listed on the web site has been provided to the PSR. • The site provides an email link for potential future participants to enquire through. • We also maintain a continued market presence through intermediaries such as the Emerging Payments Association, and through channels such as conference attendance, which allow would be participants to approach us. <p>Once an enquiry progresses to the point where more detailed discussions are required under NDA a project is established with clear plan and check points.</p> <p>Ongoing contact with potential participants is via a combination of emails, conference calls and face-to-face meetings, as outlined in the Onboarding Process document.</p>
<p>II) Confidential information on views express relating to the operation and effectiveness of the access requirements.</p>	<p>Please complete the table at confidential annex 3. This information will not be published.</p>

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<p><i>1) If you have work on-going 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 way in which stakeholders have informed the work and the expected completion date.</i></p>	<p>We are currently reviewing and updating our rules and legal and settlement agreements to align with the Bank of England’s revised strategy to enable access to settlement services for NBPSPs. The intention of this review is to minimise the impact on existing settlement member agreements whilst accommodating potential new NBPSPs. The work is planned to be completed in Q1 2018 in time for anticipated entry of first NBPSP.</p> <p>Stakeholders have been informed via an ISOCC publication on revised access requirements which can be found on the Bacs website.</p>
<p><i>II) If you are planning to review your access requirements 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 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>Bacs has recently initiated a programme for the competitive procurement of our infrastructure. It is anticipated that requirements gathering activities will be initiated in H2 2018.</p>
<p><i>I) Please provide an explanation of the anticipated future external developments you have identified.</i></p>	<p>As Bacs will also transition into the NPSO in early 2018 it is anticipated that the procurement programme will be aligned with the similar FPS programme and with the NPA design activity which is expected to include access requirements.</p>
<p><i>II) Please provide an explanation of how any of these developments could have an impact on your access requirements.</i></p>	<p>It is anticipated that future access requirements will include a direct access bulk, batch submission mechanism which may be common across a number of services. However, given the large end user community currently using Bacs’ services continuity of service for existing products will need to be maintained for a significant period. Market analysis will be required to assess that period.</p>

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 <i>operator</i> on compliance of the representation of the interests of service users in the operators governing body's decision making process throughout <u>2016/17</u>	
<p>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 4.1.</p> <p>You should cross reference a statement of compliance from your responsible person.</p>	<p>Bacs considers it is compliant with General Direction 4.1 for the reasons listed below, which are explained and evidenced further throughout this section of the document. The focus areas that PSR identified in their March 2017 Access and Governance Report have all been addressed in the General Direction 2 proportion of this report. Our Chief Executive, Mike Chambers has completed a 'Competent Person' statement in confirmation of compliance, which is annexed to this template.</p> <p>Bacs complies with the requirements to publish formal Board minutes as soon as possible after the respective Board meeting. Minutes are published within 5 working days after the following Board meeting. This is to ensure that the Company's Board has signed off both full and redacted sets of minutes.</p> <p>No Board member during 2017 has had a conflict of interest in relation to directorships of a central infrastructure provider.</p> <p>In this report we provide summaries of the following examples which demonstrate how Bacs has met the requirements under General Direction 4 to demonstrate how we have arranged our governance and internal processes to provide appropriate representation of the interests of service users in our governing body decision making processes.</p> <p>Direct Debit remedies</p> <ul style="list-style-type: none"> Bacs launched a public call for input to test four concepts which have been developed as a direct result of our research and following conversation with the PSF.

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- It set out to capture the thoughts of the payer and the collector, as well as various bodies and institutions that provide DD and services around it. Bacs also sought to obtain and welcomed feedback from those who do not use Direct Debit – with 6% of the final number of responses coming from that category of people.

Facilities Management

- Following a complaint received by Bacs from an FM provider, Bacs has engaged as widely as possible with the FM provider market, to gain a better understanding of processes associated with client switching and produced a set of Best Practise Guidelines.

Direct Debit challenge process (subset of Direct Debit Rules)

- Changes to the challenge process were implemented in Q1 2017, feedback was specifically sought from Bacs Electronic Affiliates and relevant members of payments trade bodies on their experiences as part of a Bacs agreed review of the changes.

Direct Debit Rules

- Bacs uses its direct interfaces with end users to clarify and seek feedback on existing Scheme rules – these interfaces include one to one meetings, and holding webinars in Q2, and masterclasses in Q4.

EPA projects

- Bacs has been working closely with the Emerging Payments Association (EPA) to drive initiatives that have ecosystem wide impact in driving change. In particular Bacs has focussed on supporting two key initiatives: Financial Inclusion and Women in Paytech.

Research

- Bacs conducts an extensive programme of market research to ensure it understands the needs of its service users and can reflect those needs in its product developments.

Electronic and Social media Communications

- 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.

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<p>II) Please provide us with an explanation and evidence of 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 acceptance of the Undertakings from the Competition and Markets Authority (CMA) has led to some structural changes to the Current Account Switch Service (CASS) governance. This includes the creation of a new CASS Executive Committee, led by an independent Chair (who is also an independent non-executive director on Bacs Board) and the recruitment of two further independent members of the EC to ensure that external views are captured and evidenced in the decision making process.</p> <p>In 2017, Bacs commissioned the consultancy group Pricewaterhouse Coopers (PwC) to investigate how wider stakeholder representation could be introduced into the Bacs and CASS decision making processes. This was conducted through a series of 1-1 stakeholder interviews and workshops leading to a recommendation to appoint independent non-executive directors selected for their skills and knowledge of relevant disciplines such as marketing as well as consumer and business representation. This work coincided with the CMA remedies on governance as noted above.</p> <p>To support the CMA Remedy, CASS commissioned research by Queen Margaret University to identify what approaches good consumer representation looks like in the financial services market. We engaged with consumer representatives and QMU arranged to meet these people for in depth interviews. We also delivered a workshop to discuss emerging findings and elicit further thoughts, ideas and comments. We believe this report provides the intellectual rigour to help us to implement effective consumer representation. As a further step we have also engaged with the NPSO and OBIE to make sure the research reflects their individual requirements with regard to consumer representation.</p>
<p>III) Please explain the process that you have in place to collect service users' views (eg forms/user</p>	<p>Direct Debit remedies</p> <p>As part of Bacs' strategy to enhance its products in the light of identified end user demand, a public consultation was carried out in late 2016. The exercise found that Direct Debit continues to be the most popular method to pay regular bills, but also prompted plans to investigate further product enhancements to ensure Direct Debit remains the payment method of choice for businesses consumers who rely on it to pay and collect funds, and also look into ways of addressing the issues experienced by a section of society who feel they can't use the product.</p> <p>Following review of the responses to the public consultation further proposition development work was conducted. In</p>

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<p>groups, surveys and research, meetings and request, consultation).</p>	<p>August 2017 Bacs launched a public call for input to test four concepts that best reflected the findings from the consultation. At all stages of developing these concepts, we consulted with and received comments from the PSR.</p> <p>The call for input captured the thoughts of the payer and the collector, as well as the various bodies and institutions that provide DD and services around it. Bacs also welcomed feedback from those who do not use Direct Debit – with 6% of the final number of responses coming from that category of people. The call for input provided stakeholders with a unique and important opportunity to feedback directly on these four early stage concepts. Some 143 responses to the public call for input were received. This is an impressive quantity and gives Bacs a robust body of evidence from which to analyse feedback.</p> <p>The next step is to complete a market sizing analysis to assess what the impact of competition and services to consumers each of the 4 concepts would bring, prior to presenting the work and a cost benefit analysis for Bacs Board in Q1 2018. The proposals will provide valuable input to the ongoing requirements gathering work for the NPA and the Bacs procurement programme in 2018.</p> <p>Facilities Management</p> <p>Following comments from market participants and one formal complaint, we have comprehensively examined the FM market to understand how the competitive market was performing and how it might operate more effectively. We have been in constant communication with the PSR throughout this work.</p> <p>Bacs conducted a series of one to one interviews with FM providers to gain a better understanding of processes associated with client switching. Following this work best practice guidance was produced in Q1 of 2017 to support client switching. An updated version of the best practice guidance was issued incorporating further feedback from providers in Q3 2017.</p> <p>A consultation was also issued to FM providers in Q3 2017 to seek their views on a proposed accreditation process. Following this, Bacs ran a workshop with FM providers represented at Bacs Electronic Affiliates forum to discuss issues around switching and opportunities for promoting the FM service.</p> <p>Bacs also provides periodic updates by way of presentations to the quarterly Electronic Affiliates meetings which ran throughout 2017.</p> <p>Options for enhancing the operation of the FM market were presented to the Bacs Board in September 2017. Progress with the investigation of the functioning of the FM market has been reported to the PSR at regular monthly meetings and through written progress reports. Further development of the detailed understanding of the functioning of the market and what changes might be made will be provided to the Bacs Board in December.</p>
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Direct Debit challenge process (subset of Direct Debit Rules)

The Direct Debit Guarantee is a safeguard available to consumers where there is an error in the collection of a Direct Debit or Direct Debits. Where the error is deemed to result from an action by a collecting organisation, the consumer's bank will refund the consumer and raise an indemnity claim against the collecting organisation concerned. Settlement of indemnity claims is, in most cases, automated.

The counter claim process has existed for many years and enables a collecting organisation to request the reversal of an indemnity claim after said indemnity claim has been settled. There are both valid criteria and timeframes for the submission of counter claims.

The challenge process was introduced at the time the indemnity claim process was automated, enabling collecting organisations to seek the cancellation of an indemnity claim before settlement occurs. Initially this mechanism had a very limited scope, restricted, for example, to situations where the consumer's bank had raised an indemnity claim on the wrong collecting organisation. The work undertaken by Bacs in 2016 and introduced earlier this year resulted in the scope of the challenge process being extended, such that collecting organisation could raise challenges for more reasons and provide new types of evidence to support these challenges, particularly in the Paperless Direct Debit space, i.e. where the collecting organisation may not have a paper Direct Debit Instruction with a 'wet' signature.

In extending the scope of the challenge process Bacs engaged with a range of stakeholders, principally albeit not exclusively via the Council of Mortgage Lenders (CML) – now UK Finance, Finance & Leasing Association (FLA), Cifas, and the Electronic Payments Affiliates Interest Group (EPAIG). Quantitative data on the levels of 'abuse' experienced was sought through these channels on a quarterly basis. Feedback during 2016 from these bodies was however limited, with only 48 responses from a combined membership of over 700 organisations. This may suggest that the level of abuse is not considered sufficiently material to warrant detailed investigation by the majority of Direct Debit service users represented by these organisations.

Discussions with individual collecting organisations, e.g. Sky and DVLA, have been undertaken to identify their experiences and any proposals for change. Discussions with PayPal resulted in a pilot to test a mechanism for verifying the customer at the time of capturing the authority (DDI). This has resulted in a change to the challenge process criteria in the Scheme rules from January 2018.

Having identified a series of potential changes Bacs engaged with stakeholders, primarily those referenced above plus sponsoring banks, to gain feedback on whether the potential changes would be effective. The changes introduced impacted five of the eight reasons for which an indemnity claim can be raised by adding new challenge criteria and/or converting a counter claim to a challenge.

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Positive feedback was received and the changes came into effect in February 2017. Bacs is monitoring the impact of the changes made both via centrally available MI on the number of indemnity claims raised and those cancelled before settlement occurred etc., and also by again engaging with stakeholders to both gain manual data and to receive feedback to confirm that the revised processes are working effectively. This feedback has been very positive. A representative of the PSR has been involved in some of the stakeholder engagement and has heard at first hand anecdotal feedback including a session to review the impacts of the changes.

Since the changes were launched Bacs has produced collateral in the form of both a document and a video aimed at helping service users avoid indemnity claims arising and explaining how to use the challenge process as effectively as possible.

Bacs has continued to review the feasibility of further changes to assist service users, both procedurally and via the use of technology. For example Bacs has been working with one service user on a pilot that commenced in Q3 2017, which has resulted in a further challenge reason code being introduced from January 2018.

Direct Debit Rules

Bacs uses its direct interfaces with end users to clarify and seek feedback on the existing Scheme rules – these interfaces include one to one meetings, and holding webinars in Q2, and masterclasses in Q4.

In accordance with an established annual process, Bacs engages with its Electronic Affiliates forum to address and seek comment on changes to the rules that are introduced as at year end (Sept 2017).

EPA projects

Bacs provides a range of valuable services (including guidance, advice and subject matter expertise) to members, participants and other stakeholders. In an evolving market, the need for wider inclusion both within the payments industry and for our end-users has been a key component of our strategy. Bacs has been working closely with the Emerging Payments Association (EPA) to drive initiatives that have ecosystem wide impact in driving change. In particular Bacs has focussed on supporting two key initiatives: Financial Inclusion and Women in Paytech.

The EPA's 'Project Inclusion' identified that financial inclusion is paramount for end-users to participate fairly and fully in everyday life. Tying in with the PSF's requirement for an operator to engage with and consider the views of service users, Bacs is working with the EPA to understand how they can drive a central role in ensuring the market is delivering for all users. Bacs and the EPA are using their position at the centre of payments to bring together diverse stakeholders, and work together to improve the everyday end user experience for the most vulnerable in our society.

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Bacs has also been working on the EPA's 'Project Women in PayTech'. The project aims at not just filling quotas, but addressing the structural changes necessary to redress the gender imbalance at all levels of the payments industry. The PSF has explicitly stated the need for appropriate representation across the decision making process. EPA together with Bacs has shown its commitment to the cause, by organising a workshop with the leading female voices within the payments sector. Through that workshop deliverable targets were identified and agreed upon for progress.

Through collaborative working with the EPA and its members, Bacs has demonstrated activity and progress against the following PSR focus areas:

PSF Focus Area	EPA Projects
Engaging and representing service user views and needs	Project Inclusion has seen Bacs engage with stakeholders ranging from PSPs to groups representing the most vulnerable in society to aid in the creation of a set of standards that enables, empowers and protects those who have been excluded from payments
Diverse representation across the decision making process	Bacs' central role within Project Diversity shows its ongoing commitment to diversifying all aspects of the sector, including increasing the representation of women in particular, at the decision making level

Next steps:

Building the standards for financial inclusion:

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The desired outcome of the financial inclusion project is to ensure best in class capabilities to deliver an inclusive payments industry and world-leading approach that can be showcased internationally. The mission to deliver against this desired outcome is through setting the market standard to ensure all stakeholders across the ecosystem work together effectively to deliver frictionless and value added services as part of delivering access to payments for all users.

Women in PayTech

Bacs has been enthusiastically taking on the EPA's Women in Paytech project, organising an internal workshop to canvass its employees experiences and opinions on the barriers that women face entering, staying in and rising in the sector and potential solutions. With this information Bacs used its position to organise a second workshop that brought together stakeholders from across the sector. The workshop aimed to validate and build out an understanding of the barriers identified, whilst creating deliverable solutions.

The vision of Women in PayTech is to ensure a more balanced workplace and enable a diverse decision making process that will improve the service payments offer to its end users, through ongoing engagement with stakeholders across the sector.

Research

Bacs conducts an extensive programme of market research to ensure it understands the needs of its service users and can reflect those needs in its product developments. In the last year the following research has been conducted:

- Quantitative market research with consumers on their attitudes to and use of the Direct Debit product
- A survey with the Institute of Directors with its membership to understand how DD can be improved to better serve the needs of SMEs
- A mix of qualitative and quantitative market research to understand overdraft user and SMEs perceptions of CASS
- A series of structured interviews with key stakeholders to understand their current perceptions of the Bacs
- Qualitative research to understand the main reasons for problems experienced by customers during a CASS switch

We also continue to run our tracking market research which is used to measure and report on customer awareness of CASS. This survey has also been adapted to measure customer satisfaction with the switching experience, a measure that has been agreed with HMT as a KPI for CASS. The target for this measure is 90% of customers satisfied or better.

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Electronic and Social media Communications

Bacs uses a wide range of electronic and social media channels to engage and invite input from its users. The following summarises the utilisation of these channels:

General eComms / SUC

- **General eComms** – 1,843,069 supplied by Vocalink, 1,367,608 sent after hard bounces, skipped and deactivated
- **Corporate eComms** – 2,715 supplied by Vocalink, 2,474 sent after hard bounces, skipped and deactivated

- **eLearning course completions** – 4760
- **SUC**
 - Volume of eComms – 284,445
 - Outbound calls – 804

CASS advertising reach across Spring and Autumn 2017:

- **Spring**
 - Delivered 94.8% reach of all adults @ 10.9 frequency
 - Delivered 99.3% reach of all adults @ 14.6

- **Autumn**
 - Planned 99.3% reach of all adults@ 21.2 frequency
 - Planned 99.5% reach of C2DE adults @ 22.2 frequency
 - Planned 91% reach of 18-24 year old @ 8.8 frequency (NB: 18-24s will also be exposed to all adults campaign)

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Website stats Oct 2016 - Sept 2017				
		Sessions	New users	Page views
Bacs		476,932	351,099	1,394,201
Current Account Switch		1,027,590	1,030,604	1,523,964
Direct Debit		390,180	339,619	1509,843
<u>Direct Debit Control Centre stats Oct 2016 - Sept 2017</u>				
Downloads				
iTunes	1,976			
Google playstore	921			
<u>Downloads stats Oct 2016 - Sept 2017</u>				
Document	Downloads			
The Little Bacs Guide – the essentials	7,444			
The Little Bacs Guide to Switching FM providers	90	Went live March		
The Little Bacs Guide to Account Switching on-boarding process		Only went live 29 September 2017		
The Little Bacs Guide to Minimising Indemnity Claims	277	Went live Feb		

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Web page / video	Page views
Managing indemnity claims (video)	408
Actual YouTube video	376
<p>Bacs Communication channels</p> <p>In addition to direct engagement with stakeholders and service users, Bacs used 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:</p> <p>Service user volume campaigns:</p> <p>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</p> <p>Freedom Guaranteed campaign – 16 major corporates participating in a cross sector incentivised campaign which reached 3,096,840 and 29,159 consumers registered to enter the prize draw. Strong support from a wide range of media activity reached 37,830,947.</p> <p>National Housing rents campaign - 39 participants (local authorities, housing associations and Arms Length Management Organisations (ALMOs), targeted 162,832 non DD paying tenants with almost 8,000 converting to DD, which aggregate a 5% response rate.</p> <p>National council tax campaign - 32 councils participated in the campaign targeting over 1,800,000 council tax residents and achieved almost 70,000 new DDI sign ups, growing their DD base by between 0.1% and 14.1%.</p> <p>DVLA – cumulative figures to date: End of September 2017.</p> <ul style="list-style-type: none"> - 23.4m DDIs had been received (since launch), 234.8m DD payments have been processed (since launch), 8.5m in September (8.7m in August). - 7.6m DDs were processed on 29 September, down on the record day of 7.9m set on 31 Aug 2017. 	

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	<p>Masterclass</p> <p>The first Bacs Masterclass was held on 12 October 2017. The aim of the event was to share our Direct Debit knowledge and information about the changing payments landscape with a group of our stakeholders in a face-to-face environment and enable them to engage with and question speakers.</p> <p>8 topics were covered: Paperless Direct Debit; Compliance; Direct Debit Guarantee; Marketing Toolkit; Bacs “call for input” and pilot concepts; Open banking; New Payments Architecture; New Payments System Operator. There were 35 attendees all from large Direct Debit users who submit directly. Feedback to date from attendees has all rated as excellent or good.</p> <p>Marketing Campaign Toolkit</p> <p>The online Marketing Campaign Toolkit which contains a range of customisable material was launched earlier in the year. It was created to help service users promote the benefits of Direct Debit easily to customers. To date the number of registrations received to use the toolkit is just over 100 across 18 sectors and almost 500 pieces of literature have been downloaded.</p>
<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>CMA undertakings led to the structural change of what was the CASS Management Committee, to the CASS Executive Committee, opening the Board up to a wider reach of more than the current participants of CASS.</p> <p>An independent non-executive director with retail marketing expertise was recruited on our Board with specific responsibility for chairing CASS Executive Committee (CASS EC).</p> <p>Later in 2017, CASS welcomed two new Independent Directors to CASS EX, which was publically announced in August, who specifically focus on consumer representation.</p>

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<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 understand the rationale for the board's decisions.</p>	<p>Board minutes</p> <p>Service users get general feedback through the minutes from Board meetings. Minutes from Bacs board are published within 5 working days after the following Board meeting. This is to ensure that the Company's Board has signed off both full and redacted sets of minutes.</p> <p>Affiliates meetings</p> <p>The Electronic Affiliates group meets quarterly. The Bacs strategy, product development proposals, proposed changes to processes and rules are all presented to the group both to enable open discussion and to invite further involvement in the develop and change process. A standing agenda item is a Board update that provides feedback from the Bacs Board so that Affiliates are able to see the impact they have on the Board's discussions and decision making.</p>
<p>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</p>	<p>Bacs and CASS governance, please see part (a) II of this template.</p>

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<p>in General Direction 4.1.</p>	
<p>VII) 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>Specific examples of how user representation has been reflected in Board discussions include:</p> <ul style="list-style-type: none"> • The DD public consultation findings were presented to Board and used by the Board to inform product development decisions. • Consultation with FM providers has been central to the changes to FM market provision agreed by Board. • The Electronic Affiliates has provided input to product development and process changes subsequently agreed by Board. • The CML and FLA have been central to changes to the indemnity claims process agreed by Board.
<p>b) Details of all occasions in <u>2016/17</u> 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.</p>	
<p>I) Confidential information on</p>	<p><i>Please complete the table at confidential annex 4. This information will not be published.</i></p> <p>Please see part (a) II of this template</p>

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<p>engagement with service-users.</p>	
<p>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.</p>	
<p>I) If you have on-going work 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 related to the GD4 obligation and any relevant concerns or focus areas we have identified), the progress that has been made to date, the way in</p>	<p>The development of the NPSO, which plans to transform the governing delivery of UK interbank payments in 2018, will require Bacs to ensure its engagement with Service users accommodates and takes into account the presence of the NPSO and the changing expectations of service users. This will be of particular importance as NPSO develops its product and engagement strategies.</p> <p>Bacs has already begun to consider its approach towards engaging with stakeholders on the New Payments Architecture. We have already provided opportunities for NPA to present at the Affiliates group in September and we have collaborated to deliver a workshop the EPA members in November. Further engagement with end users will follow, in particular with CBI and other large scale users of payment systems.</p>

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<p>which stakeholders have informed the work and the expected completion date.</p>	
<p>II) If you are planning 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 GD4 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the</p>	<p>Bacs is continually, through its self-assessments, reviewing how it engages with service users and more widely, stakeholders across the payments value chain. This we believe is essential to ensure we are continuing to represent the needs of our consumers.</p> <p>We shall continue to monitor the effectiveness of our approaches to engage with service users and key stakeholders as we transition into the NPSO in 2018, and effect modification as appropriate.</p>

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project and the expected completion date.	
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