

C&CCCL Compliance Report

- 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.

➤ C&CCC confirms that for the reporting period 1 July 2015 to 30 September 2016¹ it has been compliant with General Direction 2.1 'An operator of a regulated payment system which is not a PSR2009 payment system or Northern Ireland Cheque Clearing must have objective, risk-based and publicly-disclosed access requirements which permit fair and open access to the regulated payment system.' Please refer to our letter titled 'PSR GD2/GD4 Statement of Compliance' dated 31 October 2016, signed by C&CCC's Director of Risk.

C&CCC became designated for regulation by the Payment Systems Regulator (PSR) on 1 April 2015. Designation for the PSR's purposes covers cheque, credit, euro and currency clearings. C&CCC currently offers these services to 11 direct participants within Great Britain, with around 400 banks, building societies and other Payment Service Providers PSPs choosing to access the services through agency arrangements.² Commitment has been given to HM Treasury that sterling cheques will be processed by the exchange of images rather than paper, with sterling cheques and credits merging into one UK-wide Image Clearing System (ICS). More information on the ICS is available [here](#).

This statement of compliance relates to the enhanced access services which are being developed for the ICS and which will offer increased flexibility and fair and open access for existing and new participants.

¹ As defined in Transitional Provision TP3(a)

² An agency arrangement is an agreement in which a bank, building society or other authorised payment service provider obtains access to one or more payment systems through a Sponsor Bank. Such an arrangement allows the agency to obtain clearance and settlement of cheque and credit items on behalf of themselves and their customers.

<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>➤ Participation in the paper clearing is open to authorised credit institutions, public authorities or publicly guaranteed undertakings subject to a number of access criteria published on the Company's public website. The ICS access model has been designed to be maintain integrity in the payment while being flexible, fair and open, and give as many PSPs and other organisations as possible the opportunity to participate in the system. Participation will be open to Settlement Participants, Direct (Switch) Participants and Access Participants as defined below. Organisations which are not PSPs will be able to participate as direct participants, using settlement services provided by another Settlement Participant. Participants will be allocated a Participant ID which will enable them to change Participant type quickly and simply.</p> <p>➤ Definitions and Access Criteria for each participant type in ICS are outlined in the table below:</p> <table border="1" data-bbox="674 651 2049 1398"> <thead> <tr> <th data-bbox="674 651 1016 719"></th> <th data-bbox="1016 651 1359 719">Settlement Participant</th> <th data-bbox="1359 651 1702 719">Direct (Switch) Participant</th> <th data-bbox="1702 651 2049 719">Access Participant</th> </tr> </thead> <tbody> <tr> <td data-bbox="674 719 1016 1262">Definition</td> <td data-bbox="1016 719 1359 1262">PSP with a Settlement Account at the Bank of England</td> <td data-bbox="1359 719 1702 1262">PSP, processor or infrastructure company that submits payment transactions directly to/from the central switch (may settle direct or via another ICS Settlement Participant)</td> <td data-bbox="1702 719 2049 1262">PSPs or other institutions such as corporates who choose not to submit payment transactions directly to/from the switch, but via another direct submitter. Could link directly to a Settlement PSP. Can interact directly with the scheme in relation to provision of non- core services</td> </tr> <tr> <td data-bbox="674 1262 1016 1398">Access Criteria</td> <td data-bbox="1016 1262 1359 1398"></td> <td data-bbox="1359 1262 1702 1398"></td> <td data-bbox="1702 1262 2049 1398"></td> </tr> </tbody> </table>				Settlement Participant	Direct (Switch) Participant	Access Participant	Definition	PSP with a Settlement Account at the Bank of England	PSP, processor or infrastructure company that submits payment transactions directly to/from the central switch (may settle direct or via another ICS Settlement Participant)	PSPs or other institutions such as corporates who choose not to submit payment transactions directly to/from the switch, but via another direct submitter. Could link directly to a Settlement PSP. Can interact directly with the scheme in relation to provision of non- core services	Access Criteria			
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	<p>relevant Settlement Service Provider (SSP)³ for the relevant currency and/or the agreement of the relevant SSP to allow access to the settlement arrangements operated by that SSP.</p>	√	X	X
	<p>➤ Carry out business and operate an office within the European Economic Area (EEA), any of the Crown Dependencies or British Overseas Territories.</p>	√	√	√
	<p>➤ Have the ability to provide a cheque clearing service for sterling cheques to its customers through the Image Clearing System.</p>	√	√	X
	<p>➤ Have the ability to comply on a</p>	√	√	√

³ The Bank of England is a Settlement Service Provider in its capacity as the provider of settlement and liquidity management-related services

	<p>continuous basis with the technical and operational requirements of the Image Clearing System.</p> <ul style="list-style-type: none"> ➤ Pay the appropriate participation costs for services which the participant chooses to access. ➤ Sign legal agreements in respect of participation and of the settlement arrangements ➤ If required by C&CCC, provide a legal opinion from external legal counsel confirming that each legal agreement will constitute the new Participant's legal, valid and binding obligation enforceable in accordance with its terms; and that the settlement agreements are 	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
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	enforceable.			
<p><i>III) Please highlight any changes that have been made to the access requirements over the 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</i></p>	<ul style="list-style-type: none"> ➤ A Direct Proposition document was issued to potential new participants in January 2016 to provide an update on development of the ICS. This highlighted new participation classes and options open to potential new participants. The document continues to be developed as the project nears completion; ➤ Sponsor banks were asked to share the Direct Proposition document with their agency banks, alongside their Indirect Proposition; ➤ Access requirements (eligibility criteria) to join the paper clearing system are published on C&CCC's public website. Access criteria for participation in the Image Clearing System will be published alongside the finalised Direct Proposition document; ➤ C&CCC has re-launched its website to target users more effectively. Information is categorised for Cheque Users, Banking Industry and Suppliers. A specific information hub has been developed, providing facts & figures, advice and news and events; ➤ C&CCC's Articles, System Rules, Open Disclosure Policy, Conflicts of Interest Policy, Observer Policy and Redaction Policy are publicly available on its website; ➤ Current participation costs for direct access to the paper clearing are published on our website; ➤ The current on-boarding process is publicly available on our website; ➤ Some potential new participants have been directly represented on senior decision-making forums. Those who choose not to be directly involved receive regular communications and invitations to ongoing Agency workshops. 			
		<p>During this reporting period, C&CCC has undertaken further work on access requirements, assessing the ICS Access Criteria against the requirements of the new Participant types. Direct and Access Participants, for example, are not required to hold a Settlement Account at the Bank of England.</p> <p>Detailed work is progressing on defining a proportional on-boarding process which recognises the range of Participant types. Once the on-boarding process is fully defined, it will be made publicly available on the Company's public website.</p> <p>Detailed work is also progressing on defining a proportional assurance process for new Participants.</p>		

<p><i>relevant concerns or focus areas we have identified.</i></p>	<p>This assesses the risk brought to the system by each Participant type. Assurance requirements will be published as part of the on-boarding process.</p> <p>Throughout the year we have continued to engage at a detailed level with interested smaller and challenger PSPs to understand their views on the operational and technical development of ICS.</p> <p>The appointment of a new supplier and associated contractual arrangements has resulted in discussions on a new charging model. Once agreed, details of the new charging model will be made available on the Company's public website.</p> <p>C&CCC and its supplier are working towards a new solution which relies only on the Bank Reference Database for routing and settlement, and facilitates different participation models. Although the system will be able to support Settlement, Direct (Switch) and Access Participants from Day 1, it is expected that participation will initially be Settlement and Direct (Switch) Participants. After launch, Participants will have the flexibility to migrate to other participation models if they wish.</p> <p>As highlighted in the Access criteria above, Direct Participation is open to PSPs, processors or infrastructure companies that submit payment transactions directly to/from the central switch.</p>
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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> <table border="1" data-bbox="674 1018 1816 1375"> <thead> <tr> <th data-bbox="674 1018 965 1182"><i>Number of Expressions of interest (participation in ICS)</i></th> <th data-bbox="965 1018 1245 1182"><i>Number of signed letters of intent (participation in ICS)</i></th> <th data-bbox="1245 1018 1529 1182"><i>Number of new members/direct participants during reporting period</i></th> <th data-bbox="1529 1018 1816 1182"><i>Number of members/direct participants</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="674 1182 965 1375">➤ 26</td> <td data-bbox="965 1182 1245 1375">➤ Letters of Intent to join the Image Clearing System were issued to</td> <td data-bbox="1245 1182 1529 1375">➤ None. All discussions regarding expressions of interest relate to participation</td> <td data-bbox="1529 1182 1816 1375">➤ 11 (direct participants in the paper clearing system)</td> </tr> </tbody> </table>	<i>Number of Expressions of interest (participation in ICS)</i>	<i>Number of signed letters of intent (participation in ICS)</i>	<i>Number of new members/direct participants during reporting period</i>	<i>Number of members/direct participants</i>	➤ 26	➤ Letters of Intent to join the Image Clearing System were issued to	➤ None. All discussions regarding expressions of interest relate to participation	➤ 11 (direct participants in the paper clearing system)
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➤ 26	➤ Letters of Intent to join the Image Clearing System were issued to	➤ None. All discussions regarding expressions of interest relate to participation	➤ 11 (direct participants in the paper clearing system)						

		existing participants on 29 Sept 16 and will be issued to potential new participants in line with the revised Direct Proposition document.	in ICS.		
<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><i>II) Confidential information on demand for access.</i></p>	<p>Please complete the table at confidential annex 1. This information will not be published.</p>				
<p>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.</p>					
<p><i>I) Specify the number of enquires made in relation to change access requirements</i></p>	<p><i>(e.g. queries regarding eligibility criteria, queries about operational rules)</i></p> <ul style="list-style-type: none"> ➤ One enquiry regarding access options was raised by a non-member representative on the Senior Sponsors Group⁴, in response to the Bank Reference Database (see response to aIII above). This related to the proposal to amend the scope of the ICS delivery to a Minimum Viable Proposition (MVP) which reduced the ability for a Participant to move easily between access options. C&CCC and its supplier are now working towards a new solution which moves away from the MVP and allows flexibility to move between access options. 				
<p><i>II) Please provide a general</i></p>	<ul style="list-style-type: none"> ➤ The process for engaging with PSPs and other interested parties is as follows: 				

⁴ In September 2014, C&CCC Board delegated responsibility for managing implementation of the Image Clearing System to a Senior Sponsors Group (SSG). This group was replaced by a Senior Implementation Group (SIG) in June 2016.

<p><i>explanation of the process you follow in dealing with these enquires.</i></p>	<ul style="list-style-type: none"> ○ Enquires by email following an Agency Bank workshop (see dI below): <ul style="list-style-type: none"> ▪ Set up meeting between C&CCC and Participant relationship managers to understand what the organisation is interested in doing ▪ The meeting is then followed up with agreed next steps which might include signing an NDA to support access to technical documents where wider distribution might impact the integrity of the payment system. ▪ Follow-up meetings are held to discuss specific aspects of the participation options/solution, responding to questions as necessary.
<p><i>III) Specify the number of objections made to any proposed changes</i></p>	<p>➤ None</p>
<p><i>IV) Provide a general explanation of the process that is followed to deal with these objections.</i></p>	<ul style="list-style-type: none"> ➤ Currently the process for dealing with enquiries or objections would be via the nominated C&CCC and Participant relationship contact points and the approach would be as follows: <ul style="list-style-type: none"> ○ Email/phone call query raised ○ Response email or call to understand the concerns ○ Gather any information from relevant programme/C&CCC sources as appropriate (e.g. technical/business input) ○ Responses to enquiries provided within 24/48 hours by email. ➤ The current access options communicated to our agency banks in the Direct Proposition document earlier this year are still valid. ➤ The Direct Proposition document is being refreshed and will be reissued to agency banks once the cost and governance detail is added.
<p><i>V) Confidential information on enquiries and objections.</i></p>	<p><i>Please complete the table at confidential annex 2. This information will not be published.</i></p>
<p>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.</p>	
<p><i>I) Please provide a general explanation of the process you follow to engage with interested parties.</i></p>	<p>➤ C&CCC's stakeholder engagement process is set out in a workplan agreed by and managed through the Governance & Stakeholder Management Committee (GSM), chaired by one of the Independent Directors. ICS-specific activity is managed through the ICS Stakeholder Engagement Group.</p>

	<ul style="list-style-type: none"> ➤ C&CCC launched the second phase of a two-stage website re-design in May 2016, offering revised navigation structure and tablet/mobile friendly access. The re-launched website includes a dedicated information hub providing easy access to facts and figures on e.g. the cheque market; market research; advice on cheque fraud; sort code checker; and number of publications. These include: <ul style="list-style-type: none"> ❖ ChequeMate: a publication designed to keep members of the Cheque Printer Accreditation Scheme updated on C&CCC developments; ❖ Cheque Matters: a newsletter designed to keep stakeholders informed about what is happening in C&CCC and the introduction of the ICS. ❖ Cheque In newsletter issued in February to over 400 Agency Bank stakeholders ❖ Company responses to various consultation documents ❖ Company Annual Review ❖ Press releases ➤ The first round of Image Awareness market research was undertaken in Sept 2015, to assess stakeholder awareness of industry plans to introduce cheque imaging, where they heard about it and what they understood about it. The research consulted 500 businesses (telephone omnibus), 2000 consumers (telephone omnibus) and 500 charities (telephone). This research is undertaken on a six-monthly basis; going forward the frequency will be increased to quarterly. ➤ In January 2016, research was commissioned with Toynbee Hall to explore the impact of cheque imaging on low income, financially excluded individuals, particularly around the potential impact on those who use the services of cheque cashers. ➤ A Political stakeholder engagement plan has been developed in tandem with a wider communications plan, to include tailored collateral, e.g. fact sheets for political audience. ➤ C&CCC is active on three social media platforms: Twitter, LinkedIn and YouTube. Twitter is the most popular site and the Company is considering ways in which it can increase use further.
<p><i>II) Confidential information on views expressed relating to the operation and effectiveness of the access requirements.</i></p>	<p><i>Please complete the table at confidential annex 3. This information will not be published.</i></p>
<p>e) Details of any anticipated operator review, or engagement with payment service providers and other</p>	

interested parties, that the *operator* plans to take over the following 12-month period in relation to its access requirements.

*If you are **currently** 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 of the work and the expected completion date.*

- C&CCC is currently defining its detailed on-boarding requirements at process level. The aim will be to provide a transparent on-boarding process which is proportionate to each participant type. Stakeholders involved in the ICS programme have been informed and once agreed, the on-boarding process will be subject to wider stakeholder consultation as part of the ICS Manual.
- The contractual framework for ICS⁵ (bilateral contracts, rules, procedures and requirements) has been drafted on the basis that it provides for objective, risk-based and publicly disclosed criteria for participation which permit fair and open access to ICS. The framework was developed and agreed by the ICS Governance Group, which is comprised of representatives from current members and 8 Agency Banks. The group is independently chaired by a member of the Belfast Bankers Clearing Committee and is attended by one of C&CCC's Independent Directors.

*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.*

Members of the Interbank System Operators' Coordination Committee (ISOCC) together with LINK and Paym, have initiated a Common & Consistent PSO Participation Model & Rules Project to address the ten detriments⁶ identified by the Payment Strategy Forum's (PSF's) Simplified Access to Markets Working Group. The project is funded by the Payment System Operators and a Project Manager has been appointed. A stakeholder group of new challenger and existing Payment Service Providers has been assembled and is providing guidance and reviewing output to ensure it is fit for purpose. For the remainder of 2016, this group has agreed principles to be used to create the output. The project is working on the following detriments: common terminology; eligibility criteria; Payment System comparisons; and categorisation of Participants. This will allow time to organise the work of the more complex detriments in 2017. During 2017 the Project will be tackling the more complex detriments of Engagement, On-Boarding, Assurance and Rules. This will progress in line 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 and LINK for 2017.

⁶ The ten detriments identified by the PSF are: 1) Common terminology; 2) 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) On-boarding process and migration to common connectivity models; 10) Access to information and documentation.

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)

<p>Please provide an explanation of the anticipated future external developments you have identified.</p>	<ul style="list-style-type: none"> ➤ The PSF workstream on common scheme participation and rules is running concurrently with implementation of ICS. The outcome of this workstream may require material updates or changes to access requirements, to move in line with other payment systems. ➤ Enforcement of General Data Protection Regulations (GDPR) in UK will place additional obligations on data processors including the requirement to know what data is being processed. ➤ Structural Reform (ring-fencing) changes
<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"> ➤ The assessment of common scheme participation and rules includes an assessment of eligibility criteria, assurance processes and on-boarding. Timing and proportionality of any outcome has the potential to impact ICS participation types. ➤ The requirement to know what data is being processed will result in additional on-boarding assurance requirements ➤ Existing participants in C&CCC who are impacted by statutory ring-fencing requirements may choose to novate their membership of the paper clearing to avoid dependencies with ICS implementation

	<p>Please complete the table at confidential annex 1. This information will not be published.</p>
	<p>(e.g. queries regarding eligibility criteria, queries about operational rules)</p>
	<p>Please complete the table at confidential annex 2. This information will not be published.</p>
	<p>(e.g. consult, survey, research, etc)</p>
	<p>Please complete the table at confidential annex 3. This information will not be published.</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 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).	
<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation in Direction 4.1.</i></p> <p><i>You should cross-refer to a statement of compliance from your responsible person.</i></p>	<ul style="list-style-type: none"> ➤ C&CCC confirms that for the reporting period 1 October 2015 to 30 September 2016 it has been compliant with General Direction 4 'An operator of a regulated payment system which is not a card payment system or Northern Ireland Cheque Clearing must ensure that there is appropriate representation of the interests of service-users in the operator's governing body's decision-making processes. <p>Please refer our letter titled 'PSR GD2/GD4 Statement of Compliance' dated 31 October 2016, signed by C&CCC's Director of Risk.</p>
<p><i>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.</i></p>	<ul style="list-style-type: none"> ➤ As a sub-committee of Board, the Governance & Stakeholder Management Committee (GSM) is responsible for managing service-user relationships. GSM is chaired by one of C&CCC's Independent Directors, whose public interest remit is outlined in the Company Articles. ➤ A Stakeholder Engagement Plan is agreed and reviewed by GSM on a regular basis. During the first four months of 2016, the programme was less active than planned due to re-scheduling of ICS implementation. However the following activities took place: <ul style="list-style-type: none"> ○ 4 Agency workshops were held, with over 60 organisations in attendance at each, including Agency Banks, FI bodies, PSR and Sponsor Banks; ○ 17 1:1 meetings were held with Agency Banks; ○ Regular 1:1 meetings are held with relevant government bodies and regulators ○ C&CCC's regular Cheque In newsletter was issued in February, to over 400 Agency Bank stakeholders. ○ Met with representatives from key organisations and charities to keep them updated ○ In April 2016, Age UK published their report on the banking industry entitled 'Age Friendly'

	<p>Banking'. The report included details of the cheque imaging programme and featured C&CCC and a bank as a case study.</p> <ul style="list-style-type: none"> ➤ Potential new participants have been able to attend and influence at ICS programme groups, including the Senior Sponsors Group (SSG). SSG was replaced in June 2016 by a new committee structure including a Shareholder Group, Agency Bank Group and Strategic Implementation Group. ➤ In addition to existing C&CCC members, representation on the ICS Governance Group is open to potential new participants. This group is responsible for developing the ICS contractual framework (bilateral agreements, rules, procedures and requirements to support the ICS). Eight potential new participants are represented on the group. ➤ A number of Agency Bank Working Groups have been held throughout the year ➤ We encourage feedback from service-users via our website via email addresses: info@chequeandcredit.co.uk and questions@chequeandcredit.co.uk . For each comment/query received, detailed information is held on the query/response
<p><i>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).</i></p>	<ul style="list-style-type: none"> ➤ A Stakeholder Engagement Workplan is developed and reviewed by the Governance & Stakeholder Management Committee (GSM) at each meeting. This identifies specific forums including the Cheque Printer Forum, Electronic Affiliates Forum, Cheque User Forums, Agency Bank workshops. ➤ Views which are raised by service users at the Forums highlighted above are captured on a Stakeholder database (part of our wider Regulatory database). ➤ Targeted market research is commissioned where necessary: <ul style="list-style-type: none"> ○ The first round of Image Awareness market research was undertaken in Sept 2015, to assess stakeholder awareness of industry plans to introduce cheque imaging, where they heard about it and what they understood about it. The research consulted 500 businesses (telephone omnibus), 2000 consumers (telephone omnibus) and 500 charities (telephone). ○ Annual market research on cheque usage was conducted in Q2 2016. 1000 businesses and 2000 charities were surveyed by telephone, 2000 consumers were surveyed face to face.
<p><i>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).</i></p>	<ul style="list-style-type: none"> ➤ C&CCC has an Independent Chair. During this reporting year a third Independent Director (INED) was appointed. All three INEDs have a public interest remit which is enshrined in the Company Articles. INED details are available on C&CC's public website. ➤ The Company Articles state that any resolution proposed at Board cannot be passed unless at least one Independent Director votes in favour of it. ➤ The Governance & Stakeholder Management Committee reviews the Stakeholder Engagement Programme and information compiled on the Stakeholder Database at each meeting and allocates

<p><i>Give examples of views that have been considered by the board and the outcome of that consideration.</i></p>	<p>responsibility for resolving any issues. Board is provided with a summary of all issues by the Chair of GSM, who is one of C&CCC's INEDs.</p> <p>Examples:</p> <ul style="list-style-type: none"> ➤ Feb 16 (Agency Bank Workshop) Query raised regarding whether all participants would be required to be Directors of C&CCC and if so, what the associated obligations would be. The response advised that Board is currently considering the wider company structure and governance. ➤ Feb 16 (Agency Bank Workshop) Query raised regarding access criteria and the on-boarding process. This will be detailed in the Direct Proposition document ➤
<p><i>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.</i></p> <p><i>Give examples of such feedback being provided.</i></p>	<ul style="list-style-type: none"> ➤ All issues are tracked on an internal database. This is reviewed by GSM at each meeting. An 'owner' of each issue is identified and the issue is tracked to resolution. GSM is chaired by an Independent Director who updates and receives feedback on the issues at Board. ➤ Regular bilateral Participant Readiness meetings are held with potential new participants. The number of meetings with each participant will vary according to their requirements.
<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>	<ul style="list-style-type: none"> ➤ The Company has developed and agreed the contractual framework (contracts, rules, requirements & procedures) for the new ICS. The framework has been based on the following Governance Principles: <ul style="list-style-type: none"> ○ Documents should be well-founded, clear, transparent and enforceable so as to provide a high degree of certainty for each material aspect of the functions, facilities and services that are to operate or are to be provided ○ It should facilitate the sound risk-management of legal, operational, systemic and other risks associated with the operation of, or the participation in, the ICS. In particular, it should provide a clear legal basis regarding when settlement finality occurs and ensure that the maximum protection available to the ICS, as a designated system under the SFRs, is achieved. ○ It should support effective and clearly defined procedures to manage a participant default ○ It should provide for objective, risk-based and publicly disclosed criteria for participation, which permit fair and open access to the ICS ○ It should provide a transparent and comprehensive set of rights, duties, rules and

	<p>procedures to enable participants to have an accurate and clear understanding of the risks, fees and other material costs they incur by participating in the ICS</p> <ul style="list-style-type: none"> ➤ The structure and reporting lines of the senior committees has been rationalised. Board is now the single decision-making body, with the Senior Sponsors Group replaced by a Senior Implementation Group (SIG), reporting into Board. These senior groups will be supported by two separate groups, Participant Readiness and Senior Stakeholders and Agency Banking Stakeholder Group. <p>These changes should allow faster and more transparent decision-making while still supporting effective representation of the views of those service-users who choose to be involved.</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"> ➤ Examples Feb 16 (Agency Bank Workshop) Obligations on Participants to be Directors of the Company? Advised that Board is currently considering the wider company structure and governance. Independent Director leading the Board Governance workstream ➤ Feb 16 (Agency Bank Workshop) How to become a Participant? Referred to Direct Proposition document, which is being signed off by Board on the basis of full consultation with Agency banks.
<p>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.</p>	
<p><i>I) Confidential information on engagement with service-users.</i></p>	<p><i>Please complete the table at confidential annex 4. This information will not be published.</i></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 are currently 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 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>	<ul style="list-style-type: none"> ➤ C&CCC is currently reviewing Company governance and assessing the benefits of moving to a model limited by guarantee. The aim of this review is to ensure that the Company structure is able to reflect interests of a wider group of participants than under the current shareholding model. The review of Company governance will include constitution of the Board, for example by increasing the number of Independent Directors. Compliance with GD4 and with other regulatory considerations including the Bank of England’s draft Code on PSO Governance are key factors in assessing any governance changes.
<p><i>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 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>	<ul style="list-style-type: none"> ➤ The new ICS Manual (rules, requirements and procedures) is being drafted. Input has been provided by members of the ICS Governance Group, which is open to attendance by agency banks who wish to be involved. Representation currently includes 8 Agency Banks. ➤ The ICS Manual will be issued for wider stakeholder consultation later this year. The process of wider consultation has been factored into the Project Plan and will be published on the Company website
