



Bacs Approved Bureau Scheme Support Guidelines

Inspection Process

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Confidentiality

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1 Introduction

1.1 Bacs Payments Schemes Limited (Bacs)

Bacs is a not for profit, membership based industry body, owned by leading banks and building societies in the UK and Europe.

Bacs provides two principal electronic payment schemes; Direct Debit and Bacs Direct Credit. It also manages the approved bureau services for direct corporate access to the Faster Payments processing infrastructure.

1.2 Bacs Approved Bureau Scheme

Bacs must approve any organisation that submits Direct Debit, Bacs Direct Credit or Faster Payments transactions on behalf of third-parties. It provides this approval under the Bacs Approved Bureau Scheme and these guidelines describe the inspection process that supports the Scheme.

1.3 Service user types

Two main types of service users have access to Bacs electronic payment schemes:

- Service users - These are direct or indirect submitters, sponsored by a Bacs Member, that originate payment instructions only on their own behalf.
- Bureaux - Authorised by a Bacs Member, a bureau cannot originate payment instructions on its own behalf but can submit payment instructions on behalf of service users, if the service user sponsor sets up a relationship between the service user and the bureau. A bureau can either create and submit payment files on behalf of a service user or merely submit files created by the service user. There are two main sub-types of bureaux:
 - **In-house Bureau** - only submits payment instructions on behalf of service users that are part of the same organisation or group of companies as the bureau
 - **Commercial Bureau** – submits payment instructions on behalf of third party service users. In addition to authorisation by a Bacs Member, all commercial bureaux require Bacs approval.

1.4 The Members

The Bacs website (www.bacs.co.uk) provides details of all Bacs Members.

2 Bacs Approved Bureau Scheme Inspection Process

All Commercial Bureaux are required to complete a formal contract that provides Bacs with the right to undertake regular inspections of its Bacs operations and to charge fees. Details of fees are included in Section 8.

During the regular inspections (normally every three years) Bacs Inspectors will make an assessment of the organisation's standards of security, technical competence and operational integrity and, where appropriate, to recommend how these might be improved.



It is important to note that assessments are based on the point in time of the inspection and that Bacs does not make any representation in respect of the suitability, or otherwise, of organisations approved under the Scheme for any purpose.

Bacs recognises that organisations differ in size, complexity of operation and the range of services offered. The inspection process has been designed to provide a fair and objective evaluation of all Bureaux. Smaller organisations are not compared with larger organisations, or to a formal set of criteria, but are evaluated against 'best practice' standards appropriate to that size and type of organisation. Recommendations are at a practical level and tailored to suit the needs of specific Bureaux.

Bureaux assess as at least "Adequate" in all five inspection categories (see 2.3 below) are certified by Bacs as a "Bacs Approved Bureau" and are permitted to use the "Bacs Approved Bureau" logo. Those assessed as less than "Adequate" in one or more categories will be given time to address identified shortcomings and will be re-inspected before any decision to withdraw Bacs Approved Bureau status is taken.

If a Bureau is assessed as less than "Adequate" (i.e. 'Requires Improvement' or 'Unsatisfactory') in any category, it will be given time to address identified shortcomings and will be re-inspected before any decision is taken to withdraw Bacs Approved Bureau status.

Without Bacs Approved Bureau status organisations will not be permitted to continue operating as Commercial Bureau.

The steps in the Inspection Process are:

- Pre-inspection
- Inspection Visit
- Inspection Report.

If required:

- Re-inspection
- Bureau Initiated Final Re-inspection.

2.1 Pre-inspection

A Bacs Inspector contacts the Bureau to arrange a mutually convenient date for the onsite inspection and sends an electronic questionnaire to the Bureau for completion and return to the Inspector, together with any related documentation. A paper copy of the questionnaire is available on request.

The questionnaire comprises sixteen sections that the Bureau may allocate to appropriate managers for completion. One person within the Bureau should co-ordinate the completion of the questionnaire and act as a contact point. The questionnaire should be completed and returned to the Bacs Inspector, together with relevant documentation, at least one week before the inspection. Bureau management should retain a copy of the completed questionnaire for use by the Bureau.

The Bacs Inspector will review the returned questionnaire prior to the on-site inspection and may contact the Customer Service Group (CSG) of the Bureau Authorising Member to ascertain any concerns they may have concerning the operation of the Bureau.

2.2 Inspection Visit

The Bacs Inspector will visit the Bureau site that controls submissions. Where an organisation controls the submission of transactions from several sites, each site is deemed to be a separate Bureau requiring a separate Bacs bureau number and will be subject to a separate inspection.

During the visit the Bacs Inspector will seek to acquire an overview of the organisation's business and operations, including the type of transactions submitted, and will review the responses provided within the questionnaire.

The review normally involves:

- A tour of the site concentrating on the processing operational areas
- Interviewing operational management and appropriate personnel, including the individuals responsible for completing the questionnaire
- Reviewing Bureau operations, procedures and controls for submitting transactions through the Bacs clearing.

The Bacs Inspector will provide Bureau management with an indication of the likely assessments and recommendations during a summary session at the end of the review.

2.3 Inspection Report

The Bacs Inspector assesses the responses provided to the questions within the questionnaire and awards a score to each answer. Knowledge acquired during the on-site visit allows the Inspector to take account of the size, format and nature of the organisation and of the Bureau operation.

The questionnaire is divided into five key areas or categories. Each question carries a weighting based upon its relative importance. The five categories are:

- Bureau Organisation and Financial Information
- Physical Security
- Computer Operations
- Applications and Systems Support
- Bacs Processing and Operations.

Each category is awarded a rating based upon the results of the scoring and weighting process. In descending order, the ratings are:

- Excellent
- Good
- Adequate
- Requires Improvement
- Unsatisfactory.

The Bacs Inspector notifies the Bureau of the ratings awarded by means of a draft summary report. The report describes the findings of the review and, where appropriate, contains recommendations describing practical measures that may be taken to address any concerns identified. The Bacs Inspector seeks confirmation of the factual accuracy of the draft before issuing the final report to the Bureau and the CSG of the Bureau Authorising Member. The report sent to the CSG remains confidential to them.

Bureaux management may discuss the factual content of the draft report and/or the ratings awarded with the Bacs Inspector, who will fully consider any supporting evidence or new information presented by the Bureau and may amend the report or issue a further draft report.

In the event of a dispute, Bureau management may invoke the Appeals Procedure details of which appear in Section 3

2.4 Re-inspection

If a Bureau is assessed as less than “Adequate” (i.e. ‘Requires Improvement’ or ‘Unsatisfactory’) in any category, it will be given time to address identified shortcomings and will be re-inspected before any decision is taken to withdraw Bacs Approved Bureau status.

The Bacs Inspector arranges a mutually convenient date for the re-inspection date, which is normally within three to nine months of the original inspection.

The re-inspection concentrates on those aspects of the Bureau operation previously assessed as ‘Requires Improvement’ or ‘Unsatisfactory’. If significant changes have been made, it may be beneficial for the relevant sections of the questionnaire to be completed again.

The Bacs Inspector carries out the re-inspection and amends the original report by adding a section to the relevant category to reflect the latest findings. This is then re-issued to the Bureau in draft form. The procedure for agreeing the factual accuracy of the report and issuing the final report is the same as for a full inspection.

In the event of a dispute, Bureau management may invoke the Appeals Procedure details of which appear in Section 3.

2.5 Bureau Initiated Final Re-inspection

If any category is still rated as ‘Requires Improvement’ or ‘Unsatisfactory’ following the re-inspection, the Bureau may initiate a final re-inspection by writing to the Senior Manager, Operations and Compliance, Bacs Payment Schemes Limited, within fourteen days of receiving the re-inspection report and no later than two months after the re-inspection to which it relates.

Bureaux exercising this option are charged a fee (see Section 8) and estimated expenses, which must be paid before the re-inspection takes place.

Two Bacs Inspectors visit the Bureau site and repeat the inspection process for those aspects of the Bureau operation that were previously assessed as ‘Requires Improvement’ or ‘Unsatisfactory’. Where practical, at least one of the Inspectors will not have been involved in the previous inspections.

The Bacs Inspectors will amend the re-inspection summary report by adding a section to the relevant category to reflect the final re-inspection and will re-issue it to the Bureau in draft form. The procedure for agreeing the factual accuracy of the report and issuing the final report is the same as for a full inspection.

In the event of a dispute, Bureau management may invoke the Appeals Procedure details of which appear in Section 3.

3 Appeals Procedure

3.1 Stage 1 – Bacs Senior Manager, Operations & Compliance

In the event of a dispute, Bureau management may invoke this stage of the Appeals Procedure by writing to the Senior Manager, Operations and Compliance, Bacs Payment Schemes Limited detailing the grounds for the disagreement and providing any supporting evidence, written or otherwise.

A copy of the appeal will be provided to the relevant Bacs Inspector, who will discuss the dispute with the Senior Manager and provide him/her with copies of all reports and/or documentation relevant to the matter under dispute.

The Senior Manager will consider the information provided by the Bureau and the Bacs Inspector and advise both parties of his/her decision in writing, normally within 30 days of Bureau management invoking Stage 1 of the Appeals Procedure.

3.2 Stage 2 – Bacs Managing Director

Should Bureau Management be dissatisfied with the decision reached in Stage 1 of the Appeals Procedure, they may escalate the issue for resolution by the Managing Director of Bacs Payment Schemes Limited by advising the Senior Manager, Operations and Compliance, Bacs Payment Schemes Limited, in writing, that they wish to appeal against his/her decision.

The appeal will be referred to the Managing Director, with the relevant documentation, and Bacs will provide Bureau Management with the opportunity of meeting with the Managing Director and the relevant Bacs Inspector to discuss the Appeal - normally at Bacs premises and within 30 days of Bureau management invoking Stage 2 of the Appeals Procedure.

Should the Managing Director require additional information, or feel it necessary to visit the Bureau premises, a further meeting will be arranged.

The Managing Director's decision is final and Bacs will inform Bureau Management of the outcome of the Appeal within fourteen days of the final meeting.

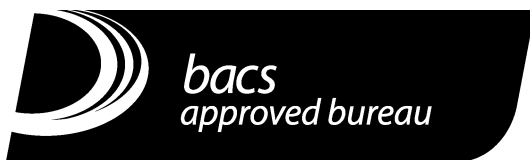
4 Withdrawal of Bacs Approved Bureau Status

The following are likely to lead to the withdrawal of Bacs Approved Bureau status and thus the ability to submit payment instructions on behalf of third party service users:

- Failure to agree an Inspection or Re-inspection date
- Failure to achieve a rating of at least “Adequate” in all five inspection categories - this may occur at the end of the inspection, re-inspection, Bureau initiated final re-inspection, Stage 1 or Stage 2 of the Appeals procedure
- Failure to pay fees in a timely manner
- The discovery of fraud, malpractice or misconduct on the part of a Bureau or its personnel.

5 Bacs Approved Bureaux Logo

Commercial Bureaux that achieve Bacs Approved Bureau (BAB) status are entitled to use the BAB logo.



Bureaux awarded the BAB logo have been inspected and have met appropriate standards of business, security, technical and operational competence at the time of the inspection by Bacs. BABs are inspected periodically to ensure they continue to meet current best practice standards.

It is important to note that BAB status is based upon point in time inspections and that Bacs does not make any representation in respect of the suitability, or otherwise, of organisations approved under the Scheme for any purpose.

6 BAB Directory

BABs have the option to have their details included in a directory of BABs that Bacs produces periodically. The directory may be downloaded from the Bacs website (www.bacs.co.uk).

7 Help/Contact Points

7.1 Bank or Building Society

Bacs Members are leading banks and building societies in the UK and Europe and all Commercial Bureaux must initially be authorised by a Bacs Member - the Bacs website (www.bacs.co.uk) provides details of all Bacs Members. Your Relationship Manager within your Bank or Building Society should be your first point of contact for all matters to do with Bacs electronic payment schemes.

Each Bacs Member operates a Bacs Customer Support Group that provides technical support to all Bacs service users sponsored, or authorised, by that member. The Customer Support Group can normally be contacted via your Bank or Building Society Relationship Manager.



7.2 Bacs Inspectors

Bacs Inspectors report through the Operations and Compliance Department of Bacs, which is responsible for ensuring the competency of Commercial Bureaux and for managing the relationship between the Commercial Bureaux and Bacs.

Bacs Inspectors are available to help with any Commercial Bureaux queries about the inspection process and can be contacted via the following email address: cbs@bacs.co.uk.

8 Fees

8.1 Commercial Bureau/Faster Payments Bureau Applicant Fee: (includes initial inspection)

Charge to register as a Commercial Bureau £ 4,260

8.2 Annual Fee: (includes Regular Inspection Costs)

(Number of transactions in previous calendar year)

Up to 30,000 transactions £320

30,001 - 60,000 £675

60,001 - 100,000 £990

Over 100,000 transactions £1,400

8.3 Bureau Initiated Re-inspection Fee:

Charge for Re-inspection visit £540

Expenses incurred in re-visiting the bureau Variable based on costs

8.4 Bureau Initiated Cancellation Fee:

Cancellation fee £500



Notes:

1. Annual fees are charged for each bureau number operated and apply for the current year or part thereof. The annual fee is based on the number of transactions submitted via the bureau number in the previous calendar year.
2. All fees are subject to VAT.
3. Annual fees are waived for the remainder of the calendar year in which an Applicant Fee is charged.
4. A cancellation fee is applicable for any BAB inspection cancelled at short notice.
5. Annual fees are invoiced each April.
6. Bacs reserves the right to recover expenses incurred where a visit outside of the UK is required.
7. Fees are reviewed periodically, and will be confirmed during the application process.

For further information or comments relating to these guidelines please refer to the Bacs Approved Bureau Scheme, Bacs Payment Schemes Limited, 2 Thomas More Square, London, E1W 1YN or email cbs@bacs.co.uk.