

BACS APPROVED BUREAU SCHEME SUPPORT GUIDELINES

Application Process

VERSION 8.2 | May 2017

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1 DOCUMENT INFORMATION

1.1 VERSION HISTORY

VERSION	DATE	DESCRIPTION
8.2	May 2017	Rebranded and contacts updated

1.2 DOCUMENT REVIEWERS

STAKEHOLDER	ACTION	STAKEHOLDER	ACTION
BABS Team	P		
Operations Team	R		

Action: P – Producer; C – Contributor; R – Reviewer; A - Authoriser; I - Information only

1.3 COPYRIGHT STATEMENT

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2 CONFIDENTIALITY

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3 INTRODUCTION

These guidelines have been produced for use by any organisation that wishes to become a Bacs Approved Commercial Bureau defined by Bacs Payment Schemes Limited (Bacs) as a Bacs Approved Bureau - BAB. They outline the procedures to be followed in order to achieve the status of BAB; from initial contact with one of the Bacs Members - the major banks and building societies - who sponsor Bacs users and bureaux, to the point at which Bacs confirms BAB status to the bureau and advises the sponsoring Bacs Member that the bureau may operate as Bacs Approved Bureau.

Unless stated otherwise, references to the Bacs service throughout this document also apply to the Faster Payments Direct Corporate Access (DCA) service.

3.1 WHAT IS A BAB AND WHY SHOULD ANY ORGANISATION EITHER WISH TO OR NEED TO BECOME ONE?

Any organisation that either wishes to submit or already submits financial transactions to VocaLink for processing through the Bacs clearing system on behalf of external third party legal entities is required, under current Bacs regulations, to register as a Bacs Commercial Bureau and apply to become a BAB.

An organisation may already be a Bacs User or Bureau with its own User and/or Bureau number submitting to VocaLink on its own behalf and/or for subsidiaries within its own group, we refer to this as an In-house bureau operation. The essential difference between an In-house bureau operation and that of a BAB is one of risk and liability. The In-house operational risks and liabilities are self-contained, relating to the organisation itself and, where relevant, its subsidiaries; whereas those of the BAB relate additionally to the external third party legal entities.

An organisation may wish to become a BAB because its customers/clients require certain payments to be made and/or collected electronically on their behalf through Bacs. For example payment of customer/client employees through a payroll system or the automated collection of subscriptions or regular payments using the Direct Debit system.

Any organisation that is currently either a Bacs User or Bureau and is making and/or collecting payments through Bacs on behalf of external customers/clients and is not registered as a BAB is operating contrary to Bacs regulations. Such organisations must contact either their Bacs Member or the Commercial Bureaux Support group (CBS) at Bacs. Relevant telephone numbers are listed in Section 6.

It is a requirement of the scheme that all sites are inspected. Thus, where an organisation has more than one site, each providing a distinct payment service, each site will be required to register separately as a BAB, and be subject to individual inspection. Assurance is therefore provided for all payments handled by the organisation.

4 BACS PAYMENT SCHEMES LIMITED

Bacs Payment Schemes Limited (www.bacs.co.uk) is the membership based “not for profit” industry body whose role is to develop, enhance and promote the use and integrity of automated payment and payment related services. It also governs the rules and legal structures under which payments are made and promotes best practice amongst those companies who offer payment services. Its principal products are Direct Debit and Direct Credit, which are also used to effect standing orders.

4.1 THE MEMBERS

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

The Members act as sponsors for existing users and bureaux as well as for organisations who may wish to become service users. Should an organisation wish to submit transactions on behalf of a number of users it may be sponsored as a bureau. An organisation may submit as a bureau on behalf of users within its own group or for third party customer/clients. In the latter case it is categorised by Bacs as a Commercial Bureau and is subject to a regular inspection procedure and an annual transaction based charge.

4.2 THE BACS CLEARING PROCESSING CYCLE

The Bacs clearing currently follows a three-day processing cycle, covering three successive bank working days:

Day 1 (Input Day) is the last day for receipt of files if the payments are to be applied on Day 3.

Day 2 (Processing Day) is the day on which payments are passed to the destination banks.

Day 3 (Entry Day) is the day on which all debits and credits, including contra records, are applied to the destination accounts.

A number of reports are produced during the cycle to confirm the arrival and processing of data received. These are described fully in the Bacs user manuals but the two reports, which are always produced and with which users are probably most familiar are:

The Arrival Report - this electronically transmitted report confirms successful receipt and acceptance of a file submission.

The Input Report - this electronically transmitted report confirms the processing of the individual transactions within a file submission. It reflects the validation performed on Input Day and details any errors.

A number of other reports, which can be used for auditing purposes, are also available upon request. Details of these and how to obtain them can be found in the Bacs user manuals.

4.3 THE FASTER PAYMENTS DCA CLEARING PROCESSING CYCLE

The DCA module converts items in payment files (Standard 18 format) into single immediate payments (ISO 8583 format), so that any items submitted in the DCA submission window of 06.00 to 14.00 on bank working days will settle on the same day (i.e. Day 1). Future-dated credits are not accepted.

Reports are produced during the cycle to confirm the arrival and processing of data received. These are described fully in the FPS user manuals but the two reports with which users are probably most familiar are:

The **Submission Report** - this electronically transmitted report confirms successful receipt of a file submission.

The **Input Report** - this electronically transmitted report confirms the processing of the individual transactions within a file submission, and details any errors or exceptions.

5 DO I NEED TO BECOME A BACS APPROVED BUREAU?

The first question an organisation must ask itself is –

“Do I want to or need to become a Bacs Approved Bureau - BAB?”

To answer this question an organisation must ask itself the following questions in order to determine its current status in relation to the Bacs service -

1. “Am I currently either a Bacs registered user, or bureau?”
2. “Am I currently a Bacs registered user submitting transactions to VocaLink on behalf of my own organisation only?”
3. “Am I currently a Bacs registered bureau submitting transactions to VocaLink on behalf of my own organisation only?”
4. “Am I currently a Bacs registered user submitting transactions to VocaLink on behalf of external third party legal entities?”
5. “Am I currently a Bacs registered bureau submitting transactions to VocaLink on behalf of external third party legal entities?”

The above descriptions are examples of the base conditions which exist and are not necessarily mutually exclusive. It is, of course, possible to be a mixture; for example you may currently be a Bacs registered bureau that submits transactions to VocaLink for both your own and external third party legal entities. The determining factor is the submission to VocaLink of Bacs transactions on behalf of external third party legal entities.

If you either wish to or already submit transactions to VocaLink on behalf of external third party legal entities you **MUST** register the fact with your Bacs Member and become a Bacs Approved Bureau - BAB.

6 BECOMING A BACS APPROVED BUREAU

When an organisation has determined its relationship with the Bacs service and has decided that it wishes or needs to be a BAB it must follow the steps set out below. The steps are described in chronological order with exceptions and any special conditions added as appropriate.

6.1 APPLICATION TO YOUR BACS MEMBER SPONSOR

Contact your own bank. It is usual for sponsorship to be applied for from the bank with whom you maintain your normal business relationship. 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 CSG will outline the conditions of being a BAB and you will be required to complete an application form giving details relating to your organisation and any other detail the CSG determines as relevant. The application form should be completed and returned to the CSG via your account holding branch for them to confirm and authorise.

If you are not already a bureau the CSG will issue you with a Bacs bureau number. If, however, you are already a bureau you may either use that number for your BAB or request the CSG to issue you an additional bureau number.

Details supplied by you to the CSG will then be forwarded to the Commercial Bureaux Support group within Bacs who will contact you.

6.2 CONTACT WITH BACS - COMMERCIAL BUREAUX SUPPORT

When Inspection Team receive your details from the CSG they will contact you formally to discuss the requirements in relation to becoming a BAB and your needs in relation to your business requirements.

They will discuss the BAB inspection process with you and then email a questionnaire for your completion and return and a Bacs Bureau Accreditation Agreement for signature.

6.2.1 THE INSPECTION PROCESS

Every potential BAB is required to undergo and pass an inspection review, conducted on-site by one of the BAB Inspectors, covering risk assessment and management in five categories. The inspection review procedure is based broadly on British Standard BS7799 – Information Security Management – intended for use as a reference for those within an organisation responsible for maintaining security standards and implementing procedures of good practice. Each category comprises, where appropriate, a number of sections, each of which identifies more specific areas of both business and/or computer related operational processing and potential risk:

- | | |
|-------------------------------------|---|
| 1. Organisation and Policy | 9. Business Continuity |
| 2. Financial Information | 10. Application and Systems Support |
| 3. Commercial Arrangements | 11. Customer Data Controls |
| 4. Professional Services | 12. Production of Bacs Data |
| 5. Physical Security | 13. Bacstel-IP Transmission Controls |
| 6. Computer Facilities and Networks | 14. Hardware Security Module (HSM) Option |
| 7. Logical Access Control | 15. Verification of Bacs Processing |
| 8. Computer Operations | |

Following the inspection a report is produced, a copy of which is sent to both the organisation and the CSG of the organisation's sponsoring Bacs Member. An initial inspection is always conducted before an organisation is granted BAB status. A separate Bacs Guideline "The Inspection Process", which describes the inspection process, is available at www.bacs.co.uk to download.

Further inspections are undertaken at three yearly intervals, or when major organisational changes occur and follow the same format.

6.2.2 BAB INSPECTION QUESTIONNAIRE

The objective of the questionnaire is to help the inspectors understand both the organisation and the bureau together with the nature of its Bacs and related operations. In addition, it will highlight the types of security controls and procedures that have been installed to ensure the integrity, confidentiality and availability of Bacs-related operations.

The questionnaire is divided into a number of sections, as outlined in paragraph 6.2.1 above. Each section addresses a particular aspect of control. When an on-site visit has been agreed, the completed questionnaire must be emailed by the date requested in order to allow the inspector time to read and understand it. Our initial analysis of the returned questionnaire will be followed by an on-site visit with the aim of confirming the responses by observation and discussion with you, and to clarify any answers requiring additional information.

6.2.3 BAB REGISTRATION FEE

In addition to the questionnaire, CBS will also send an invoice for payment of a Registration Fee. The fee is levied as a one-off payment to cover BAB set-up and administration costs.

An annual fee will then be charged to the bureau at the beginning of each year. A separate charge is made for each bureau number operating at any site and is based upon the number of transactions processed by the Bacs service, during the previous calendar year, on behalf of the bureau. A list of the current fees is listed in section 9.

Where the organisation submits to Bacs from more than one site, each site must be set up as a separate bureau and the above charges will apply in each case (see also Introduction).

In order to initiate an organisation operating as a BAB and for that organisation to be permitted access to the Bacs facilities and services, as a BAB the organisation must:

- Complete and return the BAB Questionnaire
- Complete a successful inspection
- Provide two completed and signed copies of the Bacs Bureau Accreditation Agreement
- Remit the BAB Registration Fee to the Bacs Finance department.

6.2.4 CBS ACTIONS UPON RECEIPT OF RETURNED QUESTIONNAIRE

When the completed questionnaire is received, if not already agreed, the assigned inspector will contact the organisation and agree a date for the on-site inspection. The BAB Registration Fee invoice will also be generated at this point and sent to the organisation.

The on-site inspection will confirm that the operations and procedures of the organisation are acceptable and within the risk assessment and management criteria defined by Bacs for a BAB. When successfully completed, the Bacs Bureau Accreditation Agreement returned and the BAB registration fee is paid the organisation will be confirmed to their Bacs Member as a BAB.

Under certain circumstances, during the inspection, an organisation's operations and procedures may not attain the required standard in one or more of the categories described in paragraph 6.2.1 above. In such cases a re-inspection of that category (or categories) will be required to be successfully conducted before the organisation is confirmed a BAB and permitted to use the Bacs services and facilities.

7 SUMMARY OF ACTIONS

The following is a summary of the actions to be taken to acquire and maintain Bacs Approved Bureau - BAB - status:

- Decide if you need to become a Bacs Approved Bureau
- To become a Bacs Approved Bureau you must apply for sponsorship from a Bacs Member, if necessary, and obtain a bureau number

You must also:

- Return a completed copy of the BAB Inspection Scheme questionnaire
- Undergo an inspection review of your organisation's operations and procedures in line with and based upon the BAB Inspection Scheme questionnaire
- Return the completed Bacs Bureau Accreditation Agreement
- Pay the Bacs Approved Bureau registration fee
- Await confirmation from the Bacs Member that you may proceed with using the live Bacs facilities and services.

Upon successful completion of the inspection review your organisation will be issued an individual Bacs Approved Bureau certificate, a copy of the final Inspection Report together with a BAB logo for use on letterheads and marketing material.

In order to maintain the status of a Bacs Approved Bureau your organisation will be required to undergo an inspection review on a triennial basis. A report is produced as a result of each inspection review, a copy of which is sent to both your organisation and your organisation's sponsoring Bacs Member. An updated certificate is also produced indicating the date of the inspection.

8 HELP/CONTACT POINTS

8.1 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.

8.2 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 website [here](#).

9 FEES

Full details of the BABS fee can be found on the Bacs website [here](#).

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 via the website [here](#).