

## **Bacs Membership Costs**

### **Cost of Admission**

#### **Bacs Payment Schemes Ltd Costs**

Bacs does not charge a take on fee for new members to join, but does have the right to recover costs incurred in respect of an accession.

#### **Infrastructure Provider Costs**

Changes will be required to the central Bacs processing infrastructure when a new member joins. This central infrastructure is provided under a commercial arrangement to Bacs, and the infrastructure provider will charge for the testing and implementation activities required. These costs will depend on a number of factors, including the existing set up of the joining member and the amount of testing required.

As part of the take on process Bacs and its infrastructure supplier will work with the applicant member to identify and agree requirements.

Additionally some costs will be incurred by the applicant in putting in place the required infrastructure and testing.

These costs of putting in place and testing the required infrastructure are likely to be the more significant joining costs, but it is essential that all members of the Bacs Scheme have a robust and proven processing capability to ensure the integrity of the scheme.

### **Ongoing Membership Costs**

#### **Bacs Payment Schemes Ltd Costs**

Bacs operates on a not for profit basis, and recovers its costs of operation from its members. These costs are recovered annually based on a budget agreed by the Bacs Board.

Bacs Payment Schemes Ltd operating costs are recovered through a combination of a fixed membership fee, a member call based on each members volume share, and income through other services, for example the Bacs Approved Bureaux Scheme.

For 2014 the total operating costs for Bacs Payment Schemes is £4.1million. The source of this income is summarised below:

Fixed Membership Fee (£50k per member)	£650,000
Member Call (volume based)	£2,600,000
<u>Other Income</u>	<u>£850,000</u>
Total	£4,100,000

Additionally under the current legal arrangements each member is a party to the Bacs Settlement Agreement, and the associated Liquidity Funding & Collateralisation Agreement. These agreements are in place to ensure that Bacs settlement completes each day. Under the agreements each member is required to commit an amount of liquidity (to be used in the event another member fails to meet their settlement obligation), and also to post collateral (to be used to fully or partly repay the surviving liquidity contributing members in the event of its own failure). The amount of collateral required and the committed liquidity limit, vary for each member based on settlement values.

### **Transaction Processing Costs**

Bacs Payment Schemes Ltd procures the Bacs processing infrastructure from a supplier on a commercial basis. The recovery of the infrastructure supplier's contractual entitlement is directly from each member via a monthly invoice, and the amount recovered is directly proportionate to the volume of transactions placed.

This recovery is based on a set tariff that applies to all members, i.e. all members pay the same price irrespective of volume – there are no volume discounts.

### **Further Information of Costs for Prospective Members**

A number of the costs described above, vary considerably depending on the volume and profile of transactions of each member. Bacs is happy to discuss with prospective members how these costs would apply to their individual circumstances, and if required sign a confidentiality agreement to determine accession and ongoing membership costs.