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Financial Services Authority

Financial Services

Compensation Scheme reform

Single customer view –
verification

November 2009



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Annex 1: List of non-confidential respondents to CP09/16

Appendix 1: Made Handbook text

This Policy Statement reports on the main issues arising from Consultation Paper 09/16 *Financial Services Compensation Scheme: Verification of the single customer view and changes to deposit compensation* (June 2009) and publishes final rules.

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Copies of this Policy Statement are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

1 Overview

- 1.1 In this paper, we give our feedback on the responses we received to our consultation earlier this year on verification of the single customer view (SCV). The proposals in Chapter 2 of CP09/16¹ would enable us to verify that the information deposit takers collated and stored to meet our SCV requirements was adequate and fit for purpose.
- 1.2 We also consulted in Chapter 5 of CP09/16 on minor changes we proposed to the Compensation sourcebook (COMP) and the Fees manual (FEES), so that our rules reflect the provisions and wording in the Banking Act 2009.
- 1.3 This Policy Statement (PS) provides our feedback on the responses we received to Chapters 2 and 5 of CP09/16. The final rules and guidance for Chapters 3 and 4 were set out in PS09/11.²

Background

- 1.4 The SCV will provide a single, consistent, view of an eligible claimant's aggregate protected deposits with a deposit taker. It will contain information required by our rules which will help facilitate payout by the Financial Services Compensation Scheme (FSCS) within a target of seven days of a deposit taker default. The production of an electronically submitted SCV will require systems changes, including the flagging of eligible accounts, data cleansing and collation of the information required in a format which is capable of being submitted to the FSCS electronically. There is a threshold below which the electronic submission of the SCV is not required, but deposit takers must notify us that they fall below this threshold and choose not to comply with the electronic requirements. However, these deposit takers will still need to be able to supply the relevant information.
- 1.5 The proposals in CP09/16 depended on the SCV proposals in CP09/3³ being taken forward. These proposals included information requirements and changes to deposit takers' IT infrastructure to support fast payout. The final policy in PS09/11 largely reflected the SCV proposals in CP09/3. The main exception was the introduction of a threshold under which an electronic SCV is not mandatory.

1 CP09/16 *Financial Services Compensation Scheme: Verification of the single customer view and changes to deposit compensation* (June 2009) www.fsa.gov.uk/pubs/cp/cp09_16.pdf.

2 PS09/11 *Banking and compensation reform – Including feedback on CP08/23, CP09/3, CP09/11 and CP09/16* (July 2009) www.fsa.gov.uk/pubs/policy/ps09_11.pdf.

3 CP09/3 *Financial Services Compensation Scheme reform – Fast payout for depositors and raising consumer awareness* (January 2009) www.fsa.gov.uk/pubs/cp/cp09_03.pdf.

Response to consultation

- 1.6 We received six responses to the SCV verification proposals in CP09/16 from firms, trade bodies and individuals. A couple of responses repeated concerns about the SCV itself, but were largely supportive of the need to adequately supervise the requirements if they were to proceed.
- 1.7 Two responses also commented on our proposals to make minor changes to our rules in Chapter 5 of CP09/16. Both were supportive and we will proceed as proposed. The changes will take effect from 6 November 2009. We are not providing any further feedback on that chapter.

Structure of this Policy Statement

- 1.8 This PS contains one substantive chapter: **Chapter 2 Single customer view – verification**, which provides feedback and final policy on SCV verification for deposit takers. The policy differentiates between deposit takers with more and less than 5,000 accounts held by eligible depositors.
- 1.9 The Annex lists the respondents to Chapters 2 and 5 of CP09/16, and the Appendix contains the instrument making the final changes to our Handbook.

Next steps

- 1.10 The final policy in this PS includes several notification and reporting requirements that deposit takers will need to meet. Table 1.1 provides an overview of these.

Table 1.1: SCV reporting requirements

Reporting requirement	Due
Smaller deposit takers to notify the FSA if they do not intend to comply with the electronic SCV requirements ⁴	From 6 December 2009
SCV pre-implementation report – as tailored for smaller ⁵ and other deposit takers	By 31 July 2010
SCV report – as tailored for smaller and other deposit takers	By 31 January 2011
SCV implementation report – as tailored for smaller and other deposit takers	By 31 January 2011
Submit a sample of SCV data for FSCS sign-off – deposit takers subject to the electronic requirements only	By 31 January 2011

4 Requirements in COMP 17.2.1R(2), COMP 17.2.3R(3) and COMP 17.2.5R.

5 Firms falling under the threshold of having less than 5,000 accounts held by eligible depositors as in COMP 17.2.7R who have chosen not to comply with the electronic requirements of the SCV.

Who should read this Policy Statement?

Firms

This PS should be read by all deposit takers, including banks, building societies and credit unions, who have eligible depositors and who will be subject to the SCV requirements.

Consumers

This PS may interest consumers who want to know how we will verify that our SCV requirements are being met by deposit takers, as part of ensuring that the FSCS is capable of making payments quickly to eligible claimants.

2 Single customer view (SCV) – verification

- 2.1 This chapter sets out the main feedback received to our SCV verification proposals in Chapter 2 of CP09/16, and our response to this.
- 2.2 In CP09/16 we proposed a three-stage verification programme:
- Stage 1: pre-implementation;
 - Stage 2: implementation and initial verification; and
 - Stage 3: ongoing verification.
- 2.3 The SCV verification proposals in CP09/16 were dependent on us proceeding with the SCV proposals in CP09/03. Our final SCV policy was largely the same as proposed, and we have published this along with the feedback from CP09/03 in PS09/11. We did change our policy for deposit takers with fewer than 5,000 accounts held by eligible depositors. We stated that deposit takers below this threshold would not have to meet the electronic requirements of the SCV, which related to the electronic storage and submission of information. These ‘smaller deposit takers’⁶ would still have to be able to supply the information contained in the SCV table to the FSCS within 72 hours of a default or of a request from the FSA or the FSCS.
- 2.4 The policy proposed for verifying deposit takers’ SCVs did not take account of this threshold. So we have amended our final policy and rules on verification to take account of this change and we explain this in this chapter. We have also changed the notification requirements for deposit takers who fall under the threshold. They will have to notify us that they fall under the threshold and that they choose not to comply with the electronic SCV requirements. PS09/11 did not require prior notification, as all firms under the threshold were automatically excluded from the electronic reporting requirements. Provided we receive this notification the outcome will be the same for deposit takers.

⁶ We stated in PS09/11 that we expected most credit unions will fall under the threshold, and these make up approximately 60% of all deposit takers. It is possible that a very small number of banks and building societies may fall under the threshold.

- 2.5 There were six responses. The British Bankers' Association (BBA), the Building Societies Association (BSA) and the Association of British Credit Unions Limited (ABCUL) provided the most detailed responses. A further respondent agreed with our proposals; another (not a deposit taker) commented that the verification costs added to their concerns about the industry cost of implementing a SCV. The Financial Services Consumer Panel did not comment in detail on the proposals but reiterated concerns about compensation more widely.
- 2.6 Tables 2.1 and 2.2 at the end of this chapter provide a summary of the requirements on deposit takers under the verification programme (for both larger and smaller deposit takers). This is provided to assist deposit takers, but our rules set out the definitive requirements.

Stage 1: pre-implementation

- 2.7 To get a view on the progress of deposit takers towards meeting the 31 December 2010 deadline for implementing SCV systems, we proposed requiring deposit takers to submit a pre-implementation report. This report has to be submitted by 31 July 2010 for the period up to and including 30 June 2010 and must include:
- a statement on whether a deposit taker had a plan for implementing the SCV requirements;
 - how this was progressing;
 - whether senior management believed implementation would be completed by 31 December 2010; and
 - any issues that may affect the deposit taker's ability to implement by the deadline.

Comments received on the specific question and our response

Q1: Do you agree that it is reasonable for us to review how implementation of the SCV requirements is proceeding? Do you agree that this should include requiring deposit takers to submit a pre-implementation report, as described in paragraphs 2.9 to 2.10 in the CP?

- 2.8 Respondents generally agreed that there was a need for some form of verification of the SCV requirements, though views were mixed on how we proposed to do this.
- 2.9 The BBA suggested that the report should not include detailed implementation plans but should be limited to describing the status against the timetable, achievability and any issues material to achieving implementation. It also suggested that the pre-implementation report be deferred until 31 August. The BSA thought our proposals were broadly reasonable.
- 2.10 ABCUL saw no benefit in credit unions submitting a pre-implementation report, as it viewed the SCV requirements themselves as having little benefit. ABCUL's view is that the SCV related information would likely be deficient by the time it was needed for

payout because credit union defaults happen over a protracted period of time. In addition, ABCUL is of the view that the structure of credit unions means that they already have most, if not all, of the SCV information readily available. So they felt that preparatory work should be minimised and unnecessary reporting avoided.

- 2.11 Both the BBA and the BSA expressed concern that the industry is not in a position to fully proceed with implementation of the SCV until further clarification is received on what exactly must be included in the SCV and how this data should be delivered to the FSCS. They noted that this may have an effect on the timetable envisaged by the FSA.
- 2.12 The BBA also suggested that we should encourage deposit takers to meet the implementation deadline of 2010, but we should be flexible where deposit takers are seeking in good faith to implement the SCV in a timely way – while acknowledging that the deadline is driven by European Union requirements.
- 2.13 Both the BSA and the BBA thought that the FSCS should report on the implementation of its own systems and operating model to support faster payout, at the same time as the pre-implementation report.

Our response: We will proceed with a requirement for deposit takers to submit a pre-implementation report. This will be tailored depending on whether a deposit taker is a smaller deposit taker who has opted out of the electronic SCV requirements or not.

In discussions held after the consultation exercise, we confirmed that the pre-implementation report should be a brief overview of the progress of a deposit taker's SCV development. The details of what should be included in the pre-implementation reports for larger deposit takers and smaller deposit takers who have not opted out of the SCV electronic requirements are included in the Appendix of made rules (TP 21) and summarised in Tables 2.1 and 2.2 at the end of this chapter.

This information will provide us with a brief update of progress, which would indicate whether the deposit taker's SCV was on schedule to be implemented by the 31 December 2010 deadline, and assure us that there is an implementation plan, that it is being followed, and that it is credible to the board of directors of the deposit taker.

Our final rules include a requirement that deposit takers also tell us of the planned transfer method and format of the SCV file. This will help the FSCS to ensure that the system it is developing is capable of accepting the SCV file from the deposit taker. As this is information which should be readily available to the deposit taker, we do not believe that including it in the pre-implementation report implies a material increase in costs. Therefore the additional requirement does not affect the conclusion of the cost benefit analysis carried out in CP09/16.

We recognise that for deposit takers to be able to include information in the pre-implementation report, especially on disclosing the intended method of transmission to the FSCS, they will have to be aware of how the FSCS is developing its own system to receive the SCV file. Though there is no explicit *requirement* for the FSCS to report its progress on this, it remains committed to providing deposit takers with clear information during the development of its systems. So it is already liaising closely with the industry on SCV issues.

We have noted the feedback received from ABCUL, but believe that smaller deposit takers who have opted out of the electronic SCV requirements should also be required to submit a pre-implementation report as it will reassure us that smaller deposit takers are aware of the pending requirements and are addressing them.

This information will be abbreviated and tailored suitably for smaller deposit takers who are choosing not to comply with the electronic requirements of the SCV. The tailored pre-implementation report does not affect the conclusion of the cost benefit analysis (CBA) carried out in CP09/16, as the pre-implementation report details merely replace more detailed information required from deposit takers.

During the consultation we were asked what level of responsibility we meant when referring to 'senior management sign-off' on various reports. To clarify this, we would expect the reports to be signed off on behalf of the board of directors for each deposit taker.

We will share all pre-implementation reports with the FSCS as a matter of course.

Issues related to implementation of the SCV by deposit takers, including the required timetable, are separate considerations to the verification approach.

Stage 2: implementation and initial verification

Implementation report and data submission to the FSCS

- 2.14 Once deposit takers have implemented the new requirements (by 31 December 2010) we proposed that deposit takers must submit an implementation report to the FSA and sample SCV data to the FSCS.
- 2.15 The implementation report would include a description of how the SCV requirements have been implemented, the proposed method of transfer of SCV data to the FSCS, the testing that has been done and the number of SCV records (one SCV record meaning the aggregate view of one eligible depositor) that are captured by the system. It would also include information on how the senior management would ensure that it remained satisfied that its systems were capable of meeting the SCV requirements.
- 2.16 The implementation report will be shared with the FSCS. Deposit takers would also submit to the FSCS a representative⁷ sample of 10% of their SCV records or 10,000 SCV records, whichever is the smaller figure.
- 2.17 The data sample would enable the FSCS to check and sign-off that the data provided by each deposit taker's SCV system is capable of being submitted to the FSCS and that it is compatible with the FSCS system.
- 2.18 Deposit takers will only need to submit an implementation report once, unless material changes are made to the system at a later date. If there is a material change, then the deposit taker would have to submit an updated implementation report. A merger, a new IT system or the replacement of a data system that feeds into the SCV could be considered a material change.

⁷ The representative sample should include all types of accounts and customers across any brands of each authorised deposit taker.

Comments received on the specific questions and our response

Q2: Do you agree that it is sensible to ensure that a deposit taker's SCV is compatible with and useable by the FSCS systems?

Q3: Do you agree that the number of SCV records to be produced is proportionate and would enable the FSCS to decide whether a deposit taker's SCV system is capable of being submitted to and used by the FSCS for fast payout purposes? If not, why not and what number would be appropriate?

- 2.19 Respondents did not disagree with our intention to seek confirmation that deposit takers had implemented useable SCVs; however there was some disagreement over how we intended to do this.
- 2.20 The BBA suggested that the implementation report be done as a self-certification style report. For example, banks could self-certify that SCV requirements have been implemented, data is transferable by the agreed method at the relevant date, testing has been completed, testing sample size and accuracy is fit for purpose and that a maintenance plan is in place. The BBA also questioned the relevance and value for the FSA of a detailed description of the SCV implementation approach or the maintenance plan.
- 2.21 The BBA believed the number of SCV records to be produced, 10% or 10,000 records (whichever is the lesser amount), is a proportionate amount. However, it was not clear to ABCUL that producing 10% of SCV records will require any less work for a credit union than producing the full SCV – the regulatory burden appeared to be the same for a simple system such as that used by a credit union.
- 2.22 The BBA and BSA asked why it would take six months for the FSCS to test the data. The BSA suggested the data be provided in tranches to avoid data being submitted at the same time. The BBA also sought clarity on what was being assessed and on the need for interaction/support from banks during the assessment. The BBA thought that there should be end-to-end testing, for example the deposit taker extracts, encrypts and transfers the SCV file and the FSCS receives, decrypts, processes and undertakes a post-load reconciliation of the data against file data supplied by the deposit taker.
- 2.23 The BSA and BBA sought reassurance on the confidentiality of the data. The BBA wanted the FSCS to confirm what data protection measures they will take and how they will treat SCV data including authorised access to and processing of data, storage, and destruction of the test data. The BBA suggested the FSA and the FSCS make the Information Commissioner aware of the plans.

Our response: We will proceed with our proposals.

Once the consultation exercise closed, we discussed the content and aims behind the implementation report with the BBA. We explained that we wanted to ensure that we had enough information so we could understand how a deposit taker has implemented a SCV system and how it intended to maintain it. The content of the implementation report for deposit takers subject to the SCV electronic requirements is in COMP 17.3.6R(1) and Table 2.1 at the end of this chapter.

We do not expect excessive amounts of detail to be included in the implementation report, but it should contain enough information for us and the FSCS to understand how the system is constructed and maintained. We do, however, expect detailed information on the SCV system, including the IT specification plan and the SCV maintenance procedures, to be kept by deposit takers as a matter of routine record management.

We have added a requirement that the implementation report should contain an explanation of any code or keys used internally by the deposit taker which would identify eligible depositors or accounts which are held on behalf of another depositor (e.g. trust or client accounts). This information will help us and the FSCS understand how a deposit taker's SCV system is structured. We have also added a requirement that deposit takers should tell us how they will apply the limit check required under COMP 17.2.5R.

As additional system changes will not be required, and this is information which should be readily available to deposit takers, these additions are not expected to have a material cost and so the conclusion of the CBA in CP09/16 is unaffected.

Smaller deposit takers falling below the threshold, who have opted out of the electronic SCV requirements, will be required to submit a tailored version of the implementation report. The report requires information relating to how a deposit taker has organised a non-electronic SCV – including how the relevant information is held by the deposit taker and how it would be transferred to the FSCS.

The information required (COMP 17.3.6R(2) and Table 2.2 at the end of this chapter) is abbreviated and tailored suitably for smaller deposit takers who are choosing not to comply with the electronic requirements of the SCV. The tailored implementation report does not affect the conclusion of the CBA carried out in CP09/16, as the implementation report details merely replace more detailed information required from deposit takers.

We will share all implementation reports with the FSCS as a matter of course.

As stated previously, when we refer to 'senior management sign-off' on various reports, we would expect the reports to be signed-off on behalf of the board of directors for each deposit taker.

We will proceed with the requirement for deposit takers subject to the electronic SCV requirements to submit SCV data to the FSCS for testing. Once the deposit taker has submitted the data we would not anticipate a need for significant interaction or support from the deposit taker as part of the FSCS's testing. The sample size of 10% of total SCV records or 10,000 SCV records, whichever is smaller, appears reasonable.

Most credit unions are likely to be smaller deposit takers who can choose not to comply with the electronic SCV requirements. As such they would not need to supply data to the FSCS for testing. For those deposit takers which are either above the threshold or choose to comply with the electronic requirements, a 10% sample appears to be reasonable. If a smaller deposit taker believes it would be easier to supply a full set of data then it should discuss this with us and the FSCS.

The FSCS will advise the FSA, whether the information provided by a deposit taker's SCV system is capable of being submitted to the FSCS and whether it is compatible with the FSCS's systems. If problems are identified then further discussions will be held with the deposit taker.

The costs of deposit takers submitting SCV data was estimated in CP09/16 as part of the CBA. Not requiring smaller deposit takers to submit sample SCV data will reduce costs by approximately £170,000.⁸ FSCS costs could also reduce as less staff resource is needed to test the samples. However, the systems cost to FSCS of £1.27m is not likely to be reduced by the number of samples tested.

In CP09/16 we estimated that approximately 60% of deposit takers will fall under the smaller deposit taker threshold. If these deposit takers choose not to comply with the electronic requirements the time FSCS will take to test the data of the remaining deposit takers will be significantly reduced. So we do not see a need for the data to be provided in tranches.

We will act to ensure that data protection requirements are satisfied. The FSCS is fully aware of its obligations under the Data Protection Act 1998 and it regards the lawful and correct use of personal information as important to the achievement of its objectives, to the success of its operations, and to maintaining confidence between those with whom it deals and itself. So it aims to treat personal information lawfully and correctly.

SCV report

- 2.24 We proposed that deposit takers be required to submit an SCV report. The report would include a statement that the deposit taker's system and the data it provides meet our SCV requirements, and this would be signed on behalf of the deposit taker's senior management. In addition, it would also include some basic information, including the date the SCV was last produced and the number of SCV records.

Comments received on the specific questions and our response

- Q4: Do you agree that the senior management should provide confirmation that its system meets our SCV requirements?
- Q5: Do you have any suggestions on what else the SCV report should contain?

8 Based on the CBA in CP09/16 assuming the SCV data collation would make up 35% of the £1,100 per firm cost and estimating that approximately 60% of the population of 750 deposit takers will fall under the threshold, we expect a reduction in total cost to the industry of approximately £170,000. The remaining cost relates to submission of pre-implementation, implementation and SCV reports.

- 2.25 There was general agreement with our proposed SCV report. The BBA suggested that the SCV report include a question to the effect that no material changes to the SCV have been made since the last SCV report and/or to confirm where there has been a material change to the data output and the results of the testing. The BBA also suggested that the first implementation and SCV report could be combined into a single submission (and for efficiency that the number of SCV records only be provided once).

Our response: We will proceed with a requirement for an SCV report to be submitted by all deposit takers.

For deposit takers subject to the electronic reporting requirements the SCV report should contain the information in COMP 17.3.9R(1) as summarised in Table 2.1 at the end of this chapter.

We have included the BBA's suggestion that the SCV report include a question on whether there has been any material change to the SCV system since the deposit taker's last SCV report. We do not believe that the change to the proposals in CP09/16 will materially increase costs to deposit takers, on the presumption that the additional information should be available easily to deposit takers. So there is no need to revisit the CBA in CP09/16.

We have also tailored the report for smaller deposit takers falling below the threshold who have opted out of the electronic SCV requirements. The smaller deposit taker SCV report should include the information in COMP 17.3.9R(2), as summarised in Table 2.2 at the end of this chapter.

The tailored SCV report does not affect the outcome of the CBA carried out in CP09/16 as the SCV report information merely replaces more detailed information required from deposit takers. It will not include a report on the date when the data was last produced (in full or a sample) or a question on whether the deposit taker's data has been reviewed by external auditors as for the SCV report submitted by the deposit takers who are subject to the electronic SCV requirements.

As stated previously, when we refer to 'senior management sign-off' on various reports, we would expect the reports to be signed-off on behalf of the board of directors of each deposit taker.

We acknowledge the BBA's point about submitting the implementation and SCV reports at the same time. However, they are separate reports and after 31 January 2011 will have different reporting schedules as the implementation report will only be required once (unless there is a material change). So, we believe that it is simpler for both reports to remain separate. Although some information is similar in both reports, it is easily identifiable and readily available and so should not be onerous for deposit takers to include.

We will share all SCV reports with the FSCS as a matter of course.

Thematic review

- 2.26 We highlighted our intention to carry out thematic work to review the systems of a sample group of deposit takers of various sizes, once we have received the initial implementation and SCV reports. This may also include issues identified by the FSCS as part of its data sample testing. We recognised that the thematic work may include

dealing with 'personal data' for the purposes of the Data Protection Act 1998 and that measures would need to be taken to ensure that this is handled appropriately. The FSCS would participate in the thematic review of deposit takers.

Comments received on the specific question and our response

Q6: Do you have any suggestions on what a thematic review should look at?

- 2.27 The BBA thought it would be useful to know when the review will take place and over what period and asked whether it could be replaced by external audit validation when a deposit taker chooses to undertake one. It also sought clarity on what value would be derived from inspecting systems, as it believed the FSA's focus should be on the availability, format and validity of output only.
- 2.28 ABCUL again stated that it had not seen any cost benefit analysis of the implementation of SCV on the credit union sector. It thought that thematic work might provide an ideal opportunity to assess the effectiveness and need for a SCV regime for credit unions. It saw a strong likelihood that a review of the systems at any credit union would demonstrate that the SCV requirements are unnecessary, burdensome and unlikely to speed up payout.

Our response: We intend to undertake thematic work as discussed in CP09/16. We expect to undertake the work during 2011 for approximately six months and will start the work at an appropriate point once the SCV has been implemented.

The advantage of undertaking thematic work, instead of relying on a deposit taker's external audit validation as suggested by the BBA, is that it provides us with flexibility to shape our focus. For example if the initial implementation reports and FSCS data testing raise particular issues then we would look at this in more detail. The content and direction of the work will need to be finalised but may include visits to deposit takers to inspect their systems.

We will also include smaller deposit takers not subject to the SCV electronic requirements in our thematic review work, though this would be tailored to reflect the requirements that do apply to these deposit takers. The CBA in CP09/16 looked at the costs of thematic work on the premise that all deposit takers would be included in the SCV requirements. Although the work directed at smaller deposit takers not subject to the SCV electronic requirements will have a different focus than other deposit takers, the associated costs are likely to be the same.

The application of the SCV requirements to deposit takers, including credit unions, and the basis for doing so is set out in CP09/3 and PS09/11. This includes the introduction of the smaller deposit taker threshold. The threshold has been set to minimise the burden on smaller deposit takers, without compromising the FSCS payout target.

The FSCS will participate in the thematic review alongside us.

Stage 3: ongoing verification

SCV reports, implementation reports and FSCS sign-off

- 2.29 We proposed that deposit takers should submit an SCV report, from senior management, regularly – once every four years or upon request if earlier (for instance as part of the ARROW review cycle of a relationship managed firm). The implementation report would only need to be provided again upon a material change in the deposit taker’s SCV system, at which point the FSCS would have to provide sign-off on submitted sample data again.

Comments received on the specific questions and our response

Q7: Do you agree that requiring an SCV report during the course of a deposit taker’s ARROW cycle or a minimum of every four years is proportionate? Are there other things we should do to make our requirements more proportionate?

Q8: Do you agree that FSCS should only provide an updated sign-off when there is a material change to the deposit-taker’s SCV that requires an update to the implementation report?

- 2.30 The BBA viewed the proposed submission cycle as reasonable. It warned us that the complexity of deposit takers’ systems would vary as not all would have one single system. It suggested that the ongoing SCV report should include a question to the effect that no material changes to the SCV have been implemented since the last SCV report and/or to confirm where there has been a material change to the data output and the results of the testing. It also sought a better definition on what constitutes ‘materiality’.
- 2.31 ABCUL believed that the vast majority of credit unions were too small to have ARROW cycles, and that once every four years seemed reasonable. It did reiterate its belief that an SCV requirement would produce no clear benefit for the deposit taker’s depositors in the case of default.
- 2.32 There was no material comment on the requirement to re-submit an implementation report and submit data to the FSCS for sign-off when there is a material change.

Our response: We will proceed with a requirement for the periodic submission of an SCV report for all deposit takers. So, an SCV report (tailored as appropriate for deposit takers subject or not subject to the electronic SCV requirements) must be submitted:

- each time an ARROW assessment is undertaken for deposit takers supervised by an FSA relationship manager under the ARROW cycle (a cycle of one to four years), or upon request; and
- at least every four years, or upon request, for other deposit takers.

As explained previously the SCV report will be tailored depending on whether a deposit taker chooses not to comply with the electronic requirements of the SCV if it has less than 5,000 accounts held by eligible depositors. The changes in the content of the SCV (e.g. including details on material changes for firms subject to the electronic SCV requirements) will not result in a material increase in costs to those outlined in CP09/16, on the presumption that the information should be available easily to deposit takers, or that (in the case of smaller deposit takers not subject to the electronic SCV requirements) it is less extensive than originally proposed.

We will also proceed with the requirement for the FSCS to provide an updated sign-off on test data submitted to it when there is a material change to the deposit taker's SCV that requires an update to the implementation report. We have considered whether we are able to provide more definition on what amounts to 'materiality', and concluded that beyond the guidance we have provided, materiality will depend on the particular circumstances of each deposit taker.

We will share all SCV and revised implementation reports with the FSCS, as a matter of course.

We believe that requiring deposit takers of all sizes to be able to quickly supply the information required under the SCV is beneficial to depositors as the FSCS would be able to pay compensation quicker and more effectively. This would also help ensure compliance with European Union requirements of paying out within 20 working days of a default.

Thematic review

- 2.33 In addition to the initial thematic work we highlighted our intention to carry out thematic work to check the systems of a sample group of deposit takers regularly, such as every three years.

Comments received on the specific question and our response

Q9: Do you agree that the proposed verification programme will enable us and the FSCS to be confident that the SCV requirements are implemented and maintained appropriately by deposit takers? If not, please give your reasons.

- 2.34 The BBA thought that a scheduled or unscheduled periodic SCV data transfer with the SCV report would be a more useful way of verifying ongoing compliance. The BBA also thought that the SCV was only part of the process of faster payout and the authorities may wish to consider what tests the FSCS will conduct to ensure it can comply with fast payout.
- 2.35 ABCUL agreed that the proposed verification programme will enable us and the FSCS to be confident that the SCV requirements are implemented and maintained appropriately by deposit takers – while maintaining its concerns about the lack of benefit of an SCV for the credit union sector.

Our response: We will proceed on the basis that we will conduct periodic thematic work but recognise the merits of the periodic transfer suggested by the BBA. Of course, we may also require deposit takers to submit data to the FSCS upon request or to investigate the SCV systems of deposit takers outside of this review cycle.

While SCV on its own will not deliver fast payout we consider it an integral tool in the process. Other issues, such as the delivery of compensation, are being considered and we and the FSCS will develop policy and procedures in this area.

We have previously commented on the implementation of SCV for deposit takers, and refer back to PS09/11 for the reasoning behind its implementation. This included making amendments to the proposals for smaller deposit takers. Changes to the verification programme have been made to reflect this. We think it proportionate to the benefit of fast payout for depositors.

Remedial action

- 2.36 Any concerns identified about an individual deposit taker's SCV or industry-wide issues would be dealt with under our normal processes. Actions could include requiring deposit takers to take specified steps to remedy the issues and enforcement action if this was deemed appropriate – depending on the nature and extent of the concerns. As part of any investigation or remedial action, we may also ask that the FSCS visit a deposit taker to check that it considers the deposit taker's SCV to be fit for purpose.⁹

Cost benefit analysis

- 2.37 A cost benefit analysis for our SCV verification proposals was set out in CP09/16. The benefit of the verification programme is for us and the FSCS to be confident that the SCV requirements are implemented and maintained appropriately by deposit takers. This mitigates the risk that deposit takers' systems are not sufficient and, in the event that a deposit taker subsequently fails, FSCS payouts to eligible depositors are delayed. We recognised that some costs would arise from the verification programme and these would be incurred by deposit takers with eligible depositors, but we thought costs are proportionate to the benefits.

Comments received on the specific question and our response

Q10: Do you agree with our analysis of the costs and benefits in paragraphs 2.28 to 2.36 of the CP?
If not, please give your reasons.

- 2.38 The BBA thought that the costs were considerably underestimated and it was not clear upon what basis they had been derived, but did not provide further information on this issue.

⁹ The FSCS would be acting as an agent of the FSA rather than as scheme manager. The FSA can delegate its monitoring function (FSMA schedule 1, para 6) and the FSCS would be directly subject to the FSMA s 348 confidentiality restriction.

- 2.39 ABCUL thought the likely costs were estimated accurately. However, it thought there were likely to be collateral costs, as time was diverted to meet the proposed reporting requirements rather than investing time in the business. It also thought that there was no benefit for the credit union sector from the reforms, so even though the costs were likely to be minimal these were unjustified.
- 2.40 A non-deposit taking firm supported our general approach to speeding up payments; however, it said the layer of costs required to verify the SCV data added to its concerns about the industry cost of implementing an SCV. It was also concerned that the SCV costs could increase the likelihood of a call on the general retail pool.

Our response: We believe that the cost benefit analysis in CP09/16 is a reasonable reflection of the impact of the verification proposals. Our verification requirements will mitigate the risk that deposit takers' systems are inadequate and, in the event that a deposit taker fails, FSCS payouts to depositors are delayed.

In regard to the BBA's uncertainty on how deposit taker costs have been derived, our cost estimates reflect our expectation that deposit takers will already hold information required for the reports and data testing. So the costs in providing these reports and data will be limited to compiling information already available. As explained in the CP, our expectation is based on the assumption that a deposit taker would already hold the information needed for our SCV verification requirements, in order to assure itself that it complies with our SCV requirements. Responses to our consultation did not provide information that would suggest we needed to reconsider our assumption and recalibrate our cost estimates.

The views presented to us by the BBA and ABCUL were not sufficient for us to change our original analysis on the costs and benefits. Our CBA remains as stated in CP09/16, except for a small cost reduction in the collection of the SCV sample data for the deposit takers that will opt-out of the electronic reporting requirements. Despite the amendments to the proposals in the CP we believe that the conclusion of the CBA stays unaffected.

Costs associated with implementing the SCV are not connected to the levies capable of being raised in respect of compensation costs under the FSCS funding model, and so there is no increased likelihood of a call on the general retail pool.

Deposit takers moving above the threshold – intention to consult

- 2.41 In PS09/11 we introduced rules putting in place arrangements for when a deposit taker exceeded the 5,000 account threshold. The rules currently state that a deposit taker must notify us when it exceeds the threshold as at 31 December each year, and if this was repeated in two consecutive years then the full electronic requirements of the SCV would apply indefinitely to that deposit taker.
- 2.42 On reflection, we believe this would pose an undue risk to our fast payout objectives: a deposit taker could have an excessively long period after first going over the threshold before it would have to have a fully operational electronic SCV in place.

2.43 We intend to consult in a quarterly Consultation Paper, refining the requirement so that smaller deposit takers are required to notify us immediately upon exceeding the 5,000 account threshold. When we receive this notification, the deposit taker will be told that they should prepare to be in a position to implement the electronic requirements of the SCV if they still exceed the threshold 12 months later (at which point we will expect a second notification). The 12 months following the initial notification would, we feel, give firms enough time to implement the requirements.

Table 2.1: Overview of verification requirements for deposit takers subject to the SCV electronic requirements

What	When	Content
Stage 1: pre-implementation		
Pre-implementation report	By 31 July 2010	<ul style="list-style-type: none"> • Whether the deposit taker has a plan for implementing the SCV requirements. • How the deposit taker proposes to transfer to the FSCS a single customer view for each eligible claimant, including the transfer method and format of the SCV file. • The dates the deposit taker started implementation and plans to end implementation and whether implementation is on time. • Whether the deposit taker's board of directors believes implementation will be completed by 31 December 2010, and if not why not. • Any issues that may affect the deposit taker's ability to implement by 31 December 2010.
Stage 2: implementation and initial verification		
Implementation report	By 31 January 2011	<ul style="list-style-type: none"> • A description of the deposit taker's SCV system and how it has been implemented. • How the deposit taker proposes to transfer to the FSCS a single customer view for each eligible claimant, including the transfer method and format of the SCV file. • The testing undertaken with respect to the deposit taker's SCV system. • The accuracy rate of the information contained in the deposit taker's SCV system. • The number of single customer views in the deposit taker's SCV system. • The deposit taker's plan for the ongoing maintenance of the SCV system. • How the deposit taker's board of directors will ensure that they remain satisfied that the SCV system continues to satisfy the requirements. • An explanation of any code or keys used internally by the deposit taker, so that the FSCS can easily identify which accounts are held by eligible claimants and which accounts are held on behalf of beneficiaries who are or may be eligible claimants. • How the limit check is applied by the deposit taker. • Any other factors relevant to the design of the deposit taker's SCV system or to an assessment of whether the deposit taker's SCV system satisfies the FSA's SCV requirements.

continued...Table 2.1

What	When	Content
SCV Report	By 31 January 2011	<ul style="list-style-type: none"> • A statement signed on behalf of the relevant deposit taker's board of directors confirming that the SCV system satisfies the requirements. • The date when the deposit taker's SCV system last produced a single customer view for each of the deposit taker's customers that are eligible claimants. • The date when the deposit taker's SCV system last produced sample single customer views and the sample size. • The number of single customer views in the deposit taker's SCV system. • A statement of whether the deposit taker's SCV has been reviewed by external auditors and, if so, the findings of that review. • A statement of whether there has been a material change to the deposit taker's SCV system since the date of the previous SCV report.
FSCS data submission	By 31 January 2011	A sample of 10,000 SCV records or 10% of total SCV records to the FSCS. The representative sample should include all types of accounts and customers across any brands of each authorised deposit taker.
Thematic review	2011	A sample selection of deposit takers' SCV systems will be reviewed as appropriate.
Stage 3: ongoing implementation		
SCV report	During the ARROW review cycle (if applicable) of a deposit taker or every 4 years, or upon request	As above.
Implementation report	Upon material change to SCV system	As above.
Thematic review	Ongoing	A sample selection of deposit takers' SCV systems will be reviewed as appropriate.

Table 2.2: Overview of verification requirements for smaller deposit takers not subject to the electronic SCV requirements

What	When	Content
Stage 1: pre-implementation		
Electronic exemption notification	Up to 30 December 2010	<ul style="list-style-type: none"> That the deposit taker has fewer than 5,000 accounts held by eligible depositors. That the deposit taker chooses not to comply with the electronic SCV requirements in COMP 17.2.1R(2), COMP 17.2.3R(3) and COMP 17.2.5R.
Pre-implementation report	By 31 July 2010	<ul style="list-style-type: none"> The number of accounts held by eligible claimants as at 30 June 2010. Confirm that the deposit taker is choosing not to meet the electronic requirements associated with the SCV. Whether the deposit taker's board of directors believes they will be ready to comply with the SCV requirements that do apply to them by 31 December 2010 and if not why not.
Stage 2: implementation and initial verification		
Implementation report	By 31 January 2011	<ul style="list-style-type: none"> A statement confirming that the information required by the rules is available and can be provided to the FSCS within 72 hours of a request. A description of how the information required by the rules is held by the deposit taker. A description of how the deposit taker proposes to transfer the information required to the FSCS.
SCV Report	By 31 January 2011	<ul style="list-style-type: none"> A statement signed on behalf of the relevant deposit taker's board of directors confirming that the SCV system satisfies the requirements. The number of single customer views in the deposit taker's SCV system. The number of accounts operated by the deposit taker held by eligible claimants.
Thematic review	2011	A sample selection of deposit takers' SCV will be reviewed as appropriate.
Stage 3: ongoing implementation		
Electronic exemption notification	Upon application	For firms applying for deposit taking permissions – the notification should be received on application (or when asking to top-up if an EEA deposit taker).
SCV report	During the ARROW review cycle (if applicable) of a deposit taker or every 4 years or upon request	As above.
Implementation report	Upon material change to SCV system	As above.
Thematic review	Ongoing	A sample selection of deposit takers' SCVs will be reviewed as appropriate.

List of non-confidential respondents to Chapters 2 and 5 of CP09/16

Association of British Credit Unions Limited

British Bankers' Association

Building Societies Association

Financial Services Consumer Panel

The Consulting Consortium

One respondent asked for their response to remain confidential.

Made Handbook text

Financial Services Compensation Scheme
(single customer view supervision and
other amendments) Instrument 2009

**FINANCIAL SERVICES COMPENSATION SCHEME (SINGLE CUSTOMER VIEW
SUPERVISION AND OTHER AMENDMENTS) INSTRUMENT 2009**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance);
 - (d) section 213 (The compensation scheme);
 - (e) section 214 (General);
 - (f) section 215 (Rights of the scheme in insolvency);
 - (g) section 218A (Authority’s power to require information);
 - (h) section 219 (Scheme manager’s power to require information); and
 - (i) section 223C (Payments in error);
 - (2) section 123 of the Banking Act 2009; and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as set out below:
- (1) Part 1 of Annex A, Annex B and Part 1 of Annex C come into force on 6 December 2009;
 - (2) Part 2 of Annex C comes into force on 1 January 2010; and
 - (3) Part 2 of Annex A and Part 3 of Annex C come into force on 31 December 2010.

Confirmation and Remaking

- D. Chapter 6 of the Fees manual (FEES) and Chapter 15 of the Compensation sourcebook (COMP) are confirmed and remade with immediate effect.

Amendments to the Handbook

- E. The modules of the FSA’s Handbook or rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Compensation sourcebook (COMP)	Annex C

Citation

- F. This instrument may be cited as the Financial Services Compensation Scheme (Single Customer View Supervision and other Amendments) Instrument 2009.

By order of the Board
5 November 2009

Annex A

Amendments to the Glossary of definitions

In this Annex, the text is all new and is not underlined.

The definition of *single customer view* set out in this Annex replaces that set out in Annex A of FSA 2009/47.

Insert the following new definitions in the appropriate alphabetical positions

Part 1:	Comes into force on 6 December 2009
<i>electronic SCV rules</i>	(in <i>COMP</i>) <i>COMP</i> 17.2.1R(2), <i>COMP</i> 17.2.3R(3) and <i>COMP</i> 17.2.5R, the application of which is determined by <i>COMP</i> 17.1 and <i>COMP</i> 17.2.7R.
<i>FSA's SCV requirements</i>	(in <i>COMP</i>) the <i>FSA's</i> requirements with respect to <i>single customer view</i> .
<i>single customer view</i>	(in <i>COMP</i>) a single, consistent view of an <i>eligible claimant's</i> aggregate <i>protected deposits</i> with the relevant <i>firm</i> which contains the information required by <i>COMP</i> 17.2.4R, but excluding from that view those accounts where the <i>eligible claimant</i> is a beneficiary rather than the account holder or if the account is not active as defined in <i>COMP</i> 17.2.3R(2).
Part 2:	Comes into force on 31 December 2010
<i>SCV implementation report</i>	(in <i>COMP</i>) a report in accordance with <i>COMP</i> 17.3.6R explaining how the relevant <i>firm</i> has satisfied the <i>FSA's SCV requirements</i> .
<i>SCV report</i>	(in <i>COMP</i>) a report in accordance with <i>COMP</i> 17.3.9R from the relevant <i>firm's</i> board of directors confirming that the <i>firm's SCV system</i> satisfies the <i>FSA's SCV requirements</i> .
<i>SCV system</i>	(in <i>COMP</i>) a <i>firm's</i> system for satisfying the <i>FSA's SCV requirements</i> .

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

- 6.3.10 R The *FSCS* may include in a *compensation costs levy* the costs of compensation paid by the *FSCS* in error, provided that the payment was not made in ~~good~~ bad faith.

...

Sch 4 Powers exercised

4.1	G	The following powers and related provisions in or under the <i>Act</i> have been exercised by the <i>FSA</i> to make the <i>rules</i> in <i>FEES</i> :
		...
		Section 223 (Management expenses)
		<u>Section 223C (Payments in error)</u>
		...

4.2	G	The following additional powers have been exercised by the <i>FSA</i> to make the <i>rules</i> in <i>FEES</i> :
		...
		Regulation 92 (Costs of compliance) of the <i>Payment Services Regulations</i>
		<u>Section 123 (Role of FSCS) of the Banking Act 2009</u>

Annex C

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on 6 December 2009

Scheme manager’s power to require information

6.3.9 R For the purposes of sections 219(1A)(b) and (d) of the Act (Scheme manager’s power to require information) whether a *relevant person* is unable or likely to be unable to satisfy claims shall be determined by reference to whether it is *in default*.

...

15.1.11 R The FSCS may treat an *eligible claimant* as if the *eligible claimant* had made a claim under the *compensation scheme* and pay compensation to an *eligible claimant* without having received an application and/or an assignment of the whole or any part of the claimant’s rights against the *relevant person* and/or any third party (and COMP 3.2.1R(1) and COMP 7.2.1R are modified accordingly).

...

TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions: coming into force
...					
21	<u>COMP 17.3 and COMP 17.2.7R</u>	R	(1) <u>This transitional provision applies to a <i>firm</i> to which COMP 17 will apply.</u> (2) <u>If a <i>firm</i> operates less than 5,000 accounts held by <i>eligible claimants</i>, it may make or revoke an election (under COMP 17.2.7R) that</u>	<u>From 6 December 2009 until 30 December 2010</u>	<u>31 December 2010</u>

		<p><u>the electronic SCV rules do not apply.</u></p> <p><u>(3) A firm that made a valid election under (2) must provide the FSA with an SCV pre-implementation report by 31 July 2010 based on the firm's progress as at 30 June 2010 which must:</u></p> <p><u>(a) state the number of accounts held by eligible claimants as at 30 June 2010;</u></p> <p><u>(b) confirm that the firm is making the election in (2); and</u></p> <p><u>(c) state whether the firm's board of directors believes the firm will comply with the FSA's SCV requirements by 31 December 2010 and if not why not.</u></p> <p><u>(4) A firm that has not made a valid election under (2) must provide the FSA with an SCV pre-implementation report by 30 July 2010 based on the firm's progress as at 30 June 2010 which must state:</u></p> <p><u>(a) whether the firm has a plan for implementing the FSA's SCV requirements;</u></p> <p><u>(b) how the firm proposes to transfer to the FSCS a single</u></p>		
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			<p><u>customer view for each eligible claimant including specifying the transfer method and format;</u></p> <p><u>(c) the dates the firm started implementation and plans to end implementation and whether implementation is on time;</u></p> <p><u>(d) whether the firm's board of directors believes implementation will be completed by 31 December 2010 and if not why not; and</u></p> <p><u>(e) any issues that may impact on the firm's ability to implement by 31 December 2010.</u></p>		
--	--	--	---	--	--

...

Sch 2 Notification requirements

...

2.2G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<i>COMP</i> 14.4.6R	...			
<u><i>COMP</i> TP 21R(2) and <i>COMP</i> 17.2.7R</u>	<u>Election or revocation of election that the <i>electronic SCV rules</i> do not apply.</u>	<u>See Matter to be notified</u>	<u>See Matter to be notified</u>	<u>Immediately</u>

...

Sch 4 Powers exercised

4.1 G The following powers and related provisions in or under the *Act* ... have been exercised by the *FSA* to make the *rules* in *COMP*:

	...
	Section 215 (Rights of the scheme in relevant person's insolvency)
	...
	Section 218 (Annual report)
	<u>Section 218A (Authority's power to require information)</u>
	<u>Section 219 (Scheme manager's power to require information)</u>
	...

4.2 G The following additional powers have been exercised by the *FSA* to make the *rules* in *COMP*:

	Articles 3 ...
	<u>Section 123 (Role of FSCS) of the Banking Act 2009</u>

Part 2: Comes into force on 1 January 2010

16.3.10 R Where a *firm* operates under more than one trading name, the *firm* must, in any communication required by this section to a *protected deposit* holder who is or is likely to be eligible to claim for compensation from the *compensation scheme* or other *Home State* compensation scheme and generally in its *UK branches* and on its website, prominently disclose the trading names under which it operates and explain the impact this has on any *protected deposit* holder's entitlement to compensation from the *compensation scheme* and any relevant *Home State* or *Host State* compensation scheme.

Part 3: Comes into force on 31 December 2010

17.2.3 R (1) A *firm* must be able to provide to the *FSCS* a *single customer view* for each *eligible claimant*, except ~~where~~ to the extent that the *eligible claimant* is the beneficiary of an account held on his behalf by another *person* or if the account is not active, within 72 hours of a

request by the FSCS.

...

- 17.2.7 R (1) If a *firm* operates less than 5,000 accounts held by *eligible claimants*, it may elect that ~~COMP 17.2.1R(2), COMP 17.2.3R(3) and COMP 17.2.5R~~ the electronic SCV rules do not apply.
- (1A) An election within (1) can be revoked.
- (1B) A firm must give the FSA notice of an election under (1) or a revocation under (1A).
- (1C) An election within (1) or a revocation within (1A) does not take effect until the firm has notified the FSA in writing of the election or revocation.
- (2) ...
- (3) If a *firm* hitherto within (1) operates 5,000 or more accounts held by *eligible claimants* for two consecutive accounts years as at 31 December of each year, ~~COMP 17.2.1R(2), COMP 17.2.3R(3) and COMP 17.2.5R~~ the electronic SCV rules apply and continue to apply even if the *firm* operates less than 5,000 accounts held by *eligible claimants* at a future date.
- (4) If a *firm* operates 5,000 or more accounts held by *eligible claimants* on 31 December 2009 ~~COMP 17.2.1R(2), COMP 17.2.3R(3) and COMP 17.2.5R~~ the electronic SCV rules apply and continue to apply even if the *firm* operates less than 5,000 accounts held by *eligible claimants* at a future date.

...

After COMP 17.2 insert the following new section as COMP 17.3. The text is not underlined.

17.3 Single customer view reporting

SCV implementation report and SCV report

- 17.3.1 R A *firm* must provide the FSA with an *SCV implementation report* and an *SCV report* within three months of receiving permission to accept deposits or, in the case of an *incoming EEA firm*, obtaining top-up cover.
- 17.3.2 R A *firm* must provide the FSA with an *SCV implementation report* and an *SCV report* within three months of a material change in the *firm's SCV system*.
- 17.3.3 G The FSA considers that a material change would include any changes that have a material impact on the *firm's SCV system*. For example, there is likely to be a material change in a *firm's SCV system* upon a merger or upon

the acquisition of a deposit book, or the introduction of a new IT system that relates to the *firm's SCV system*.

- 17.3.4 R A *firm* must provide the *FSA* with an *SCV report* every four years (starting from 31 December 2010 or the date of receiving *permission to accept deposits* or, in the case of an *incoming EEA firm*, the date of obtaining *top-up cover*, whichever is later).
- 17.3.5 G The *FSA* may request an *SCV report* at any time as part of its ongoing supervision of the *firm*.
- 17.3.6 R (1) An *SCV implementation report* provided by a *firm* subject to the *electronic SCV rules* must contain a description of the following:
- (a) the *firm's SCV system* and how it has been implemented;
 - (b) how the *firm* proposes to transfer to the *FSCS* a *single customer view* for each *eligible claimant* including specifying the transfer method and format;
 - (c) the testing undertaken with respect to the *firm's SCV system*;
 - (d) the number of *single customer views* in the *firm's SCV system*;
 - (e) the *firm's* plan for the ongoing maintenance of the *firm's SCV system*;
 - (f) how the *firm's* board of directors will ensure that they remain satisfied that the *firm's SCV system* continues to satisfy the *FSA's SCV requirements*;
 - (g) how the check facility required by *COMP 17.2.5R(2)* is applied; and
 - (h) any other factors relevant to the design of the *firm's SCV system* or to an assessment of whether the *firm's SCV system* satisfies the *FSA's SCV requirements*.
- (2) An *SCV implementation report* provided by a *firm* not subject to the *electronic SCV rules* must contain the following:
- (a) a statement confirming that the information required by *COMP 17.2.3R(1)* is available and can be provided to the *FSCS* within 72 hours of a request by the *FSCS*;
 - (b) a description of how the information required by *COMP 17.2.3R(1)* is held by the *firm*; and
 - (c) a description of how the *firm* proposes to transfer to the *FSCS* the information required by *COMP 17.2.3R(1)*.
- 17.3.7 R A description of a *firm's SCV system* and how it has been implemented must

include an explanation of any code or keys used internally by the *firm* so that the *FSCS* can easily identify which accounts are held by *eligible claimants* and which accounts are held on behalf of beneficiaries who are or may be *eligible claimants*.

- 17.3.8 G (1) For the purposes of *COMP* 17.3.6R(2)(b), an example of a description of how the information required by *COMP* 17.2.3R(2)(b) is held by the *firm* is a statement advising that the information is held on paper, electronically or a mix of the two whichever is applicable.
- (2) For the purposes of *COMP* 17.3.6R(2)(c), an example of a description of how the *firm* proposes to transfer to the *FSCS* the information required by *COMP* 17.2.3R(1) is a statement advising that the transfer will be via paper or electronic process whichever is applicable.
- 17.3.9 R (1) An *SCV report* provided by a *firm* subject to the *electronic SCV rules* must contain:
- (a) a statement signed on behalf of the relevant *firm*'s board of directors confirming that the *firm*'s *SCV system* satisfies the *FSA*'s *SCV requirements*;
 - (b) the date when the *firm*'s *SCV system* last produced a *single customer view* for each of the *firm*'s customers that are *eligible claimants*;
 - (c) the date when the *firm*'s *SCV system* last produced sample *single customer views* and the sample size;
 - (d) the number of *single customer views* in the *firm*'s *SCV system*;
 - (e) a statement of whether the *firm*'s *SCV* has been reviewed by external auditors, and if so stating the findings of that review; and
 - (f) a statement of whether there has been a material change to the *firm*'s *SCV system* since the date of the *firm*'s previous *SCV report*.
- (2) An *SCV report* provided by a *firm* not subject to the *electronic SCV rules* must contain:
- (a) a statement signed on behalf of the relevant *firm*'s board of directors confirming that the *firm*'s *SCV system* satisfies the *FSA*'s *SCV requirements*;
 - (b) the number of *single customer views* in the *firm*'s *SCV system*; and
 - (c) the number of accounts operated by the *firm* held by *eligible claimants*.

FSCS sign off

- 17.3.10 R A firm subject to the *electronic SCV rules* must provide the FSCS with a representative sample of 10% of its *single customer views* or 10,000 of its *single customer views* (whichever is the smaller number) within:
- (1) three months of receiving *permission to accept deposits* or, in the case of an *incoming EEA firm*, obtaining *top-up cover*; and
 - (2) three months of a material change in the firm's *SCV system*.
- 17.3.11 G A representative sample should include all types of account held with the firm by all types of *eligible claimant* and where the firm operates under more than one trading name the sample should include all types of account held with the firm by all types of *eligible claimant* for each trading name.
- 17.3.12 R The FSCS must advise the FSA whether the information provided by a firm's *SCV system* is capable of being submitted to the FSCS and whether it is compatible with the FSCS's systems, within six months of receiving the information required by *COMP 17.3.10R*.

Amend the following as shown.

TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions: coming into force
...					
<u>22</u>	<u>COMP 17.3</u>	<u>R</u>	<u>A firm to which COMP 17 applies must provide the FSA with an SCV implementation report and a SCV report by 31 January 2011.</u>	<u>From 31 December 2010 until 31 January 2011</u>	<u>31 December 2010</u>
<u>23</u>	<u>COMP 17.3.10R and COMP 17.3.12R</u>	<u>R</u>	<u>(1) A firm subject to the electronic SCV rules must provide the FSCS with a representative</u>	<u>From 31 December 2010 until 31 July 2011</u>	<u>31 December 2010</u>

		<p><u>sample of 10% of its single customer views or 10,000 of its single customer views (whichever is the smaller number) by 31 January 2011.</u></p> <p>(2) <u>The FSCS must advise the FSA whether the information provided by a firm's SCV system is capable of being submitted to the FSCS and whether it is compatible with the FSCS's systems within six Months of receiving the information required by (1).</u></p>		
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...

Sch 2 Notification requirements

2.1G 1. The aim of the guidance in the following table is to give the reader a quick overall view of the relevant requirements for notification and reporting. In all cases, other than those concerning ~~Chapter~~ Chapters 13, and Chapter 14 and 17 and the Transitional Provisions, the notification rules in *COMP* apply only to the FSCS (the scheme manager).

2. ...

2.2G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<i>COMP</i> TP 21R(2) and <i>COMP</i> 17.2.7R	...			
<u><i>COMP</i> 17.2.7R(1)</u>	<u>Election that the <i>electronic SCV rules</i> do not apply.</u>	<u>See Matter to be notified</u>	<u>See Matter to be notified</u>	<u>Immediately</u>

<u>COMP 17.2.7R(1A)</u>	<u>Revocation of election that the <i>electronic SCV rules</i> do not apply.</u>	<u>See Matter to be notified</u>	<u>See Matter to be notified</u>	<u>Immediately</u>
<u>COMP 17.3.1R</u>	<u>A firm must provide the <i>FSA</i> with an <i>SCV implementation report</i> and <i>SCV report</i></u>	<u>See <i>COMP 17.3.6R(1)</i> or <i>COMP 17.3.6R(2)</i> as applicable and <i>17.3.9R(1)</i> or <i>COMP 17.3.9R(2)</i> as applicable.</u>	<u>Receipt of <i>permission to accept deposits</i> or <i>obtaining top-up cover</i> as applicable</u>	<u>Three months</u>
<u>COMP 17.3.2R</u>	<u>A firm must provide the <i>FSA</i> with an <i>SCV implementation report</i> and <i>SCV report</i></u>	<u>See <i>COMP 17.3.6R(1)</i> or <i>COMP 17.3.6R(2)</i> as applicable and <i>COMP 17.3.9R(1)</i> or <i>COMP 17.3.9R(2)</i> as applicable.</u>	<u>A material change in the <i>firm's SCV system</i></u>	<u>Three months</u>
<u>COMP 17.3.4R</u>	<u>A firm must provide the <i>FSA</i> with an <i>SCV report</i></u>	<u><i>COMP 17.3.9R(1)</i> or <i>COMP 17.3.9R(2)</i> as applicable.</u>	Every four years (starting from 31 December 2010 or the date of receiving <i>permission to accept deposits</i> or in the case of an <i>incoming EEA firm</i> the date of obtaining <i>top-up cover</i> , whichever is later)	<u>See Trigger Event</u>

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