



Faster Payments Scheme Limited
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CPMI-IOSCO SELF-ASSESSMENT BANK OF ENGLAND DISCLOSURE FOR FASTER PAYMENTS SCHEME LIMITED (FPSL) FOR REPORTING PERIOD 1 JANUARY 2017 - 31 DECEMBER 2017

Responding institution: Faster Payments Scheme Limited
Jurisdiction: UK (English Law)
Authority regulating Bank of England

Date of Disclosure: 29 March 2018

For further information, please contact: company@fasterpayments.org.uk

1 INTRODUCTION

CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI) were published in April 2012 by the Committee on Payment and Market Infrastructures and the Technical Committee of the International Organisation of Securities Commissions (CPMI-IOSCO). FPSL is considered an FMI by the Bank of England and therefore must adhere to applicable principles by completing an annual self-assessment and disclosure. This document sets out FPSL's assessment against the Principles and is structured to align with the guidance provided.

In June 2016 CPMI-IOSCO also published Guidance on Cyber Resilience for Financial Market Infrastructures. FPSL have included a response to the Key Considerations from this guidance in their detailed submission. The self-assessment against the Principles is a compliance requirement whilst the response against the Guidance on Cyber Resilience represents a benchmarking exercise. This document also sets out FPSL's assessment against the key considerations of the guidance.

The assessment was conducted by the FPSL Risk Management team (second line) and validated by the Scheme Internal Audit (third line).

This report is based on FPSL's self-assessment for the reporting period 1 January 2017 – 31 December 2017. It does not include a self-assessment against any of the activity which has occurred in Q1 2018.

2 ABOUT FASTER PAYMENTS

Faster Payments Scheme Limited (FPSL or 'the Scheme') is a not-for-profit, limited by guarantee company whose direct settling participants are guarantors. FPSL delivers the Faster Payments Service ('FPS' or 'Faster Payments'), a world-class instant payments capability to the UK payments market. The Faster Payments Service is a deferred net settlement, fully cash collateralised real time 24x7 payment system.

FPS enables mobile, internet, telephone and standing order payments to move quickly and securely, almost at the touch of a button, 24 hours a day. At its launch in 2008, FPS was the first new payments service to be introduced in the UK for more than 20 years.

In the first nearly ten years of operation, over five billion Faster Payments have been sent and in December 2017, 150 million payments were processed which is a 20% increase on the amount of payments processed in December 2016. Virtually all mobile internet and telephone banking payments in the UK are now processed via Faster Payments.

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Twenty banks and building societies are Participants of the Scheme, and over 400 other financial institutions are able to offer the service, making Faster Payments available to more than 52 million current account holders in the UK.

FPSL is responsible for the operation and strategic development of the Faster Payments Service (FPS). It also provides both the management and administration of the Scheme and ensures Participant and Supplier compliance with relevant internal rules, procedures, service levels and external regulation.

To ensure that Faster Payments is available on a level playing field to all end users that need or want them, the Scheme has been working to understand the access challenges faced by current and emerging Payment Service Providers (PSPs) of all shapes and sizes. To meet these needs, a New Access Model is now operating which enhances the current options for PSPs to access Faster Payments and has resulted in direct participation going from twelve Directly Connected Settling Participants at the end of 2016 to twenty at the end of 2017.

2.1 Company Purpose

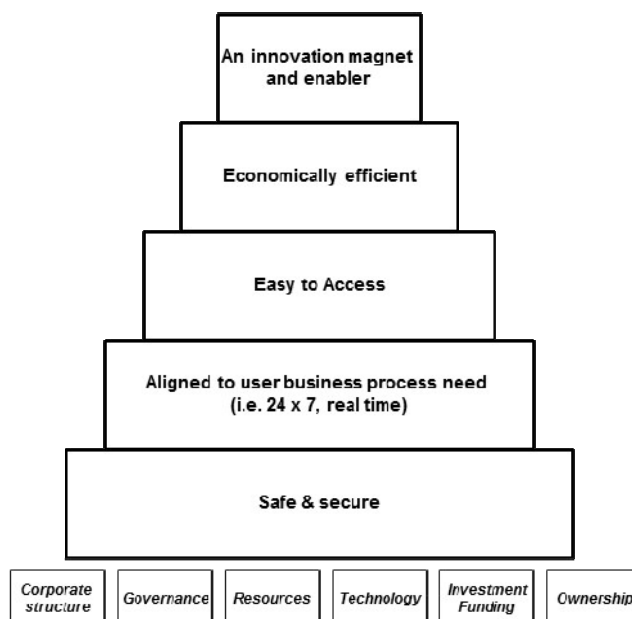
The purpose of FPSL is to develop, operate and enhance real time, 24/7 payment services that:

- Enable a vibrant and globally competitive UK Economy.
- Allow PSPs to deliver services that are:
 - Financially safe and secure, consistent, reliable, resilient, scalable and available.
 - Aligned to both real time and same day digital and physical business processes and business models of its customers and users.
 - Simple and easy to use.
 - Economically efficient with value oriented, fair and non-discriminatory cost recovery from PSPs.
- Stimulate and grow the UK payments market by:
 - Making it easy for new PSPs to enter, grow and compete.
 - Catalysing payments related innovation.
 - Attracting global PSPs and FinTechs to the UK to innovate and develop payments services and businesses.
- Are driven by the long-term needs and aspirations of consumers, businesses, government, the third sector, and all types of PSP, including challengers and incumbents.

FPSL is a not-for-profit company. It does not make a financial return or provide other advantages to its guarantors that are not available to all participants. Equally, it does not expose its participants to risks or liabilities without their express consent.

To deliver its purpose, FPSL has a hierarchy of strategic objectives and underpinning corporate structure, governance, resources, technology, investment funding and ownership model (see below):

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2.2 History

FPS can trace its creation from May 2005 when the Payment Systems Task Force, a stakeholder group chaired by the Office of Fair Trading, announced the introduction of a new service that would reduce clearing times on phone, internet and standing order payments. The banking industry made a commitment to develop a system whereby payments would clear quickly and efficiently. In October 2005, the first contract to provide the central infrastructure managed service was awarded to Immediate Payments Limited (IPL), a joint venture company set up by Voca Limited and Link Interchange Limited. In 2007, the two organisations merged to form VocaLink Limited.

2.3 Legal and Regulatory framework

FPSL is of critical importance to the UK financial system and meets the criteria for recognition set out in Part 5 of the Banking Act 2009. Accordingly, FPSL is regulated by the Bank of England. FPSL is also regulated by the Payment Systems Regulator (PSR) as it has been designated by HM Treasury under the terms of the Financial Services (Banking Reform) Act 2014.

The Scheme has a clearly defined set of rules and legal agreements (governed by English law) and has been designated (and continues to meet designation requirements) under the Settlement Finality Directive. Faster Payments processing is conducted in the UK only, although currently one Participant is incorporated outside of the European Union.

2.4 FPSL Enterprise Risk Management Framework

FPSL has a fully embedded and documented Enterprise Risk Management (ERM) Framework that supports decision making through the identification, measurement, management, monitoring and reporting of risk within a risk management process. This includes Risk Policies, Processes and Procedures along with Risk Appetite Statements and Tolerances.

FPSL manages a number of risk categories, the most inherently significant risks being:

- Third Party Supplier Failure Risk
- Cyber / Security Risk

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- Direct Participant Operational Risk
- Legal / Regulatory Risk

The consequences of a significant central processing outage or an external failure of the settlement process (including participant failure to meet settlement obligations) are severe enough to be afforded a range of controls to prevent the risk occurrence. These include service levels and monitoring, secure messaging, secure dual site processing and strict change control.

FPSL has fully mitigated settlement risk through a prefunding process where Participants' net settlement positions are fully offset by prefunded central bank money. This means that all credit and liquidity exposures are structurally eliminated within Settlement under all participant failure scenarios.

2.5 Self-Assessment Methodology

This self-assessment has been undertaken by the FPSL Risk and Assurance team using a risk based assessment methodology. The following steps were undertaken:

- The Risk and Assurance team considered the status of FPSL's observance to each of the principles and the key considerations in the guidance on cyber resilience via a number of workshops with the Senior Management Team ('SMT').
- The responses were documented in a report. The Scheme's third line Internal Audit function conducted an internal audit on the changes to the self-assessment against the principles compared to last year (2017) and the self-assessment against the guidance on cyber resilience. The Internal Audit report concluded, *"Faster Payments performed their self-assessment diligently and we believe stakeholders, principally being the Board of Directors, can rely on the quality of their self-assessment"*.
- The Audit Committee received the Internal Audit report.
- A summary report was delivered to the FPSL Risk Committee by the Risk and Assurance team that detailed the impact of the assessment on the Scheme risk profile along with the a final draft Bank disclosure submission report and detailed submission.
- The Board received the summary report and received and approved the final Bank disclosure submission report.
- The final Bank disclosure submission report and detailed submission were submitted to the Bank of England.

The self-assessment methodology described above was conducted as a second-line Risk Unit activity, challenging first-line management response and incorporating third-line assurance via an independent internal audit.

3 SUMMARY OF MAJOR CHANGES SINCE THE LAST UPDATE OF THE DISCLOSURE

The significant changes from the March 2017 disclosure include:

- Following the Cyber Security Review Programme in 2015 the Cyber Assessment and Implementations Tool ('CAIT') and the Cyber Target Operating Model ('Cyber TOM') were launched.
- The New Access model was launched in 2016. Of the twenty Direct Participants six joined in 2017. Two of the new participants in 2017 were as a result of retail banking structural reform.
- The Payments Strategy Forum set up a Payments Systems Operator ('PSO') Consolidation Delivery Group to explore the PSF's recommendation to consolidate the Bacs and Faster Payments Schemes and the Cheque & Credit Clearing Company Image Clearing. The final decision of the

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Delivery Group was delivered in May 2017 and recommended consolidation of the schemes expected to be completed in April 2018. This has led to the introduction of a new FPSL committee (Transition Assurance Committee, 'TAC') with a remit to oversee the impact of the transition from an FPSL perspective. New risks have been identified and assessed in relation to the transition and included in FPSL's risk register. These new risks are being tracked through the Risk Committee and the TAC.

4 GENERAL BACKGROUND

4.1 Faster Payments Scheme Limited (FPSL)

FPSL is responsible for the day-to-day operations, management and development of the service and is a Company Limited by Guarantee.

The current Participants of the Scheme Company are:

- Barclays Bank PLC
- Citibank N.A.
- Clydesdale Bank PLC
- The Co-operative Bank PLC
- HSBC Bank PLC
- Lloyds Bank PLC
- Nationwide Building Society
- Northern Bank (formerly Danske Bank)
- Natwest Bank (formerly RBS)
- Santander UK PLC
- Metro Bank
- Raphaels Banks
- Starling Bank (From January 2017)
- ClearBank (From February 2017)
- Monzo Bank (From February 2017)
- TSB (From April 2017)
- HSBC UK (From June 2017)
- Turkish Bank (From July 2017)
- Barclays UK (From July 2017)
- Atom Bank (From December 2017)

In addition, over 400 institutions access FPS via agency arrangements through one or more Participants.

4.2 How does Faster Payments work?

A summary of how Faster Payments works is included on the FPSL Website. It can be accessed via the link below:

<http://www.fasterpayments.org.uk/about-us/how-faster-payments-works>

4.3 Who Can Use Faster Payments?

Users of FPS can be divided into participants from the financial service community that use the central infrastructure directly and those indirect users that use the service through another financial institution. Institutions can currently participate in Faster Payments, either as full Participants, Direct Agencies / Directly Connected Non-Settling Participants (DCNSPs), Third-Party Beneficiaries or as Corporates. All these participants are able to submit payments into the service either as individual payments or as bulk files.

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5 KEY PARTIES AND PROCESSES IN FASTER PAYMENTS

5.1.1 FPSL - System Operator

FPSL, the system operator, is an independent company responsible for administering Faster Payments. The role as System Operator includes:

- Providing direct participants with the infrastructure for the exchange and settlement of Faster Payment Messages and managing the operational process.
- Defining, agreeing and ensuring compliance to Scheme Rules, Security Codes of Conduct, Procedures, and other reference documents.
- Ensuring that the suppliers to the Scheme comply with their contractual obligations and by doing so monitor, measure and manage direct participants and Supplier compliance and performance in order to promote the highest levels of integrity evidenced against internal and external audit and oversight.
- Understanding the future needs of all Service Users and develop strategies to support those needs.

5.1.2 Company Participants

FPSL Participants are banks or building societies, which have settlement accounts at the Bank of England suitable for the settlement of FPS payments. All Participants connect directly to the FPS Central Infrastructure. Participants may sponsor Directly Connected Agencies, Bureaux, Corporates and File Input Module (FIM) only Agencies.

5.1.3 Bank of England (RTGS)

The Bank of England acts as the settlement agent and holds cash collateral. The System is settled in the Bank of England's Real Time Gross Settlement (RTGS) System in the same way as other clearings (such as Bacs and Cheque and Credit Clearing). RTGS sends FPS Participants advice of the amounts to be settled via the Enquiry Link system.

5.1.4 Direct Agency / Directly Connected Non-Settling Participant

A Direct Agency / DCNSP is a financial institution, which connects directly to the FPS Central Infrastructure but does not settle payments at the Bank of England. A Direct Agency / DCNSP is sponsored by a settling participant who authorises all debits and credits to and from Direct Agencies / DCNSPs in near real time. A Direct Agency / DCNSP that is wholly owned by a Participant may also sponsor Agencies, Corporates and Bureaux'.

5.1.5 Indirect Agency

An Indirect Agency, such as a small bank or building society, sends and receives messages via a Participant on its own behalf or on behalf of its customers, which themselves may be financial institutions.

5.1.6 Third Party Beneficiaries

A Third Party Beneficiary is an organisation such as a credit card company or utility company that has a collection account with a Participant. It is identified by one or more sort codes unique to the Third Party Beneficiary. Responding Third Party Beneficiaries are directly connected to the Central Infrastructure and operate a 24/7 service for payment receipt. Non-Responding Third Party Beneficiaries receive advice of payments, but, unlike a Responding Third Party Beneficiary, do not need to acknowledge receipt of such payments, and do not need to be connected to the Central Infrastructure 24/7.

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5.1.7 Corporates

Corporates are customers of a Participant or an Indirect Agency, which sponsors them to have direct access to Faster Payments via Direct Corporate Access (DCA) for sending payments. No facilities are provided for Corporates to receive payments directly from Faster Payments. The Corporates' Sponsoring Participant (and Direct Agency or Indirect Agency where appropriate) authorises each file of payments from that Corporate. Each file contains payments drawn on a single account. Corporates submit payments in Standard 18 format; the DCA module translates them into a Faster Payments Scheme-specific format of ISO 8583.

5.1.8 Bureaux

Bureaux submit files on behalf of Corporates. Each file contains payments from a single Corporate drawn on a single account. A submission may contain files drawn on different sponsors.

5.1.9 Customers

Personal and corporate customers of Participants and Agencies may make and receive payments through FPS according to their contract with their Participant or Agency.

6 GENERAL ORGANISATION OF FASTER PAYMENTS SCHEME LIMITED (FPSL)

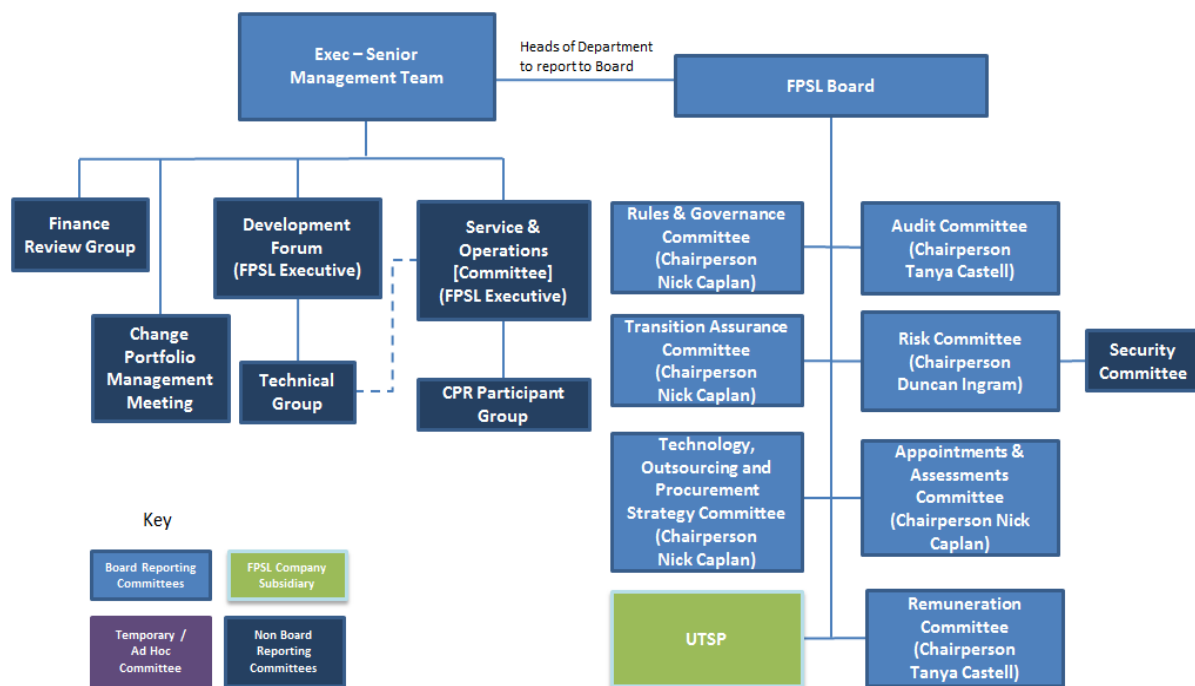
6.1 Organisational Structure

FPSL has clearly defined governance arrangements, through Participant Agreements and the Company's Articles of Association. The latter sets out the governance arrangements for Participants and Directors:

- Participation criteria.
- Composition, execution and reporting of General Meetings.
- Participant voting rights, including proxies and resolution arrangements.
- Director's powers, appointment and removal process.
- Establishment and functioning of committees.

FPSL operates a number of Board sub-committees to ensure good governance of the Scheme, attended by directors and expert staff drawn from Participants along with three Independent Non-Executive Directors.

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6.2 System Design and Operations

6.2.1 Payment Types

The System supports the following payment types; all are credit (push) payments.

- Single Immediate Payments (SIPs)
- Forward Dated Payments (FDPs)
- Standing Order Payments (SOPs)
- DCA Corporate Bulk Payments (DCAs)
- Return Payments
- Scheme Return Payments

The latter two payment types are generated by the Receiving Participant and the Central Infrastructure retrospectively. These return payments relate to payments that cannot be applied to an eligible account or cannot be processed on to the receiving bank.

6.2.2 Clearing Timetable

The system clears about 95% of Single Immediate Payments (SIPs) and Forward Dated Payments (FDPs) 24 hours a day, 7 days a week, 365/6 days a year in Near Real Time (NRT). The remaining 5% relate to payments being made to non-current accounts or sent to agency banks that may not operate 24/7. These payments are applied to the beneficiary account within timescales compliant with Payment Services Regulations.

Standing Order Payments (SOP's) are cleared only on 'Working Days' which are defined as Monday's to Friday's excluding English Bank Holidays. SOPS are always cleared within a single working day, so that the Originating Customer is debited on the same day that the Beneficiary Customer is credited. In most cases, Standing Orders are cleared by 06:00.

6.2.3 Settlement Prefunding

FPS is a Deferred Net Settlement (DNS) System where customer payments are cleared instantly but values owed by each Participant are netted together by the central Infrastructure and settlement occurs at the Bank

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of England Real Time Gross Settlement (RTGS) system three times a day at 07.00, 13.00 and 17.00 Monday to Friday excluding English Bank Holiday's.

Since September 2015, the service has worked on a 'pre-funded' basis where all Participants in FPS leave a cash deposit sufficient to cover their own net transactions in a segregated, interest-bearing account at the Bank of England called the Reserve Collateralisation Account (RCA). These deposits underpin the net flows of payments between each participant and will only ever be used to settle the obligations of participants if they get in to financial difficulties. This means that there is no credit or liquidity risk within settlement. The process is governed by a legally binding contract called the Reserve Collateralisation Account Agreement (RCAA).

Pre-Funded Settlement is managed utilising Multilateral Net Sender Caps (MNSCs) that are backed in full by a lodgement of cash collateral in the RCA's at the Bank of England. The MNSCs are under the control of the Scheme and structurally designed to equal the total payments that all Participants and its sponsored Participants have received and accepted, less the total value of all payments it, and its sponsored Participants, have submitted and have been accepted.

As payments pass through, the Participant positions in relation to the caps are updated by debiting the sender Participant Position and crediting the receiving Participant Position subject to there being adequate headroom to complete the debit transaction. Participants utilise a Net Sender Threshold, which alerts them electronically if they are within a configurable percentage of their MNSC. This threshold is controlled by each Participant.

Settlement works by the Central Infrastructure sending a SWIFT MT298 settlement message to the Bank of England and an Unsolicited Message (USM) to each Participant informing them of how much they are obliged to pay or due to receive in the settlement. After a configurable period the Bank of England settles, and returns a settlement complete message to the Central Infrastructure, which informs Participants that settlement is complete via a USM. All Participants settle or no Participants settle; there is no partial settlement. If a Participant was unable to settle, due to liquidity or solvency problems, the RCAA would be activated and the failing Participant's RCA will be used to cover any liabilities.

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7 SUMMARY OF KEY POINTS ARISING FROM ASSESSMENT OF EACH PRINCIPLE

Principle	Summary
<p>1. Legal basis</p> <p>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</p>	<p>The FMI has a sound legal basis which is supported by a legal opinion from Scheme Participants' legal advisors and its in-house legal team.</p> <p>Faster Payments Scheme Limited (FPSL) only operates within UK (English) law. Although, strict enforceability of the rules, procedures and contracts cannot be tested unless a party should choose to challenge the condition in the courts.</p>
<p>2. Governance</p> <p>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</p>	<p>FPSL has clear and transparent governance arrangements which follow best practice and explicitly promotes the safety and efficiency of the FMI.</p> <p>The FPSL Board follows corporate governance best practice and is made up of three Independent Non-Executive Directors (one is the Senior Independent Director as company Chairman), the Scheme CEO as an Executive Director and eighteen (as at 31 December 2017) Participant nominated Non-Executive Directors (1 per participant). This approach provides the appropriate skills and incentives to meet the Board's multiple roles. Over the last 18 months a full governance review has been undertaken and has been fed into the NPSO consolidation.</p> <p>The Scheme's 'Three Lines of Defence' model provides independence for risk management (second line) and Internal Audit (third line) functions to support the maintenance of internal controls.</p> <p>It is at the heart of FPSL's strategy to ensure that the needs of Participants (direct and indirect), Service Users (Public Interest) and other stakeholders (Government / Regulators) are represented within the decision-making processes at Board level.</p>
<p>3. Framework for the comprehensive management of risks</p> <p>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</p>	<p>The Scheme has a fully embedded and documented Enterprise Risk Management (ERM) Framework that supports decision making through the identification, measurement, management, monitoring and reporting of risk within a risk management process. This includes Risk Policies, Processes and Procedures along with Risk Appetite Statements and Tolerances.</p> <p>The Scheme regularly reviews the material systemic risks it bears from and poses to other entities. Furthermore the Scheme has a working definition of systemic risk management which demonstrates its impact on the wider payments ecosystem. Key tools include Risk Registers, risk contagion analysis and deep dive analysis on key risks.</p> <p>The Scheme also works closely with the Bank of England (via CMORG) to manage cross payment system and wider banking industry risks.</p>
<p>4. Credit risk</p> <p>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial</p>	<p>All credit exposures are structurally eliminated within settlement via Net Sender Caps (NSC's) which are fully backed up in dedicated cash within Reserve Collateralisation Accounts (RCA's) at the Bank of England.</p>

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Principle	Summary
resources to cover its credit exposure to each participant fully with a high degree of confidence.	
<p>5. Collateral</p> <p>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</p>	<p>The Scheme only accepts central bank cash held for Settlement in RCA's at the BoE. Therefore, no market risk exists and there is no credit or liquidity risk.</p>
<p>6. Margin</p>	<p>N/A</p>
<p>7. Liquidity risk</p> <p>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</p>	<p>The Scheme settlement process is fully liquid with all payments fully backed up in cash within Reserve Collateralisation Accounts (RCA's) at the Bank of England (central bank).</p> <p>The RCA mechanism guarantees that liquidity is always available to settle participant positions at any time, therefore same day settlement can be effective if required.</p>
<p>8. Settlement finality</p> <p>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</p>	<p>The point of certain final settlement as per the Settlement Finality Directive and when a settlement payment, as opposed to an individual payment, is irrevocable (i.e. cannot be extracted from settlement) is the point the payment (single amount) is recorded with the Market Infrastructure Resilience Services (MIRS) timestamp</p> <p>Settlement occurs on a Fully Cash Prefunded Deferred Net Settlement (Prefunded DNS) basis, three times a day at 07.00, 13.00 and 17.00 Monday to Friday excluding Bank Holidays.</p> <p>Scheme Rules define the point of irrevocability of an individual payment as the moment a payment is submitted to the central infrastructure. After this point no payment can be reversed and the system has no revocation messaging capability. Once past the point of irrevocability, payments are protected from the administrators of a failing PSP by the Settlement Finality Regulations.</p>
<p>9. Money settlements</p> <p>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the</p>	<p>All money settlements are conducted and denominated through the Central Bank in Sterling.</p>

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Principle	Summary
credit and liquidity risk arising from the use of commercial bank money.	
10. Physical Deliveries	N/A
11. Central Security Depositories	N/A
12. Linked Obligations	N/A
<p>13. Participant-default rules and procedures</p> <p>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</p>	<p>The Scheme Rules and Reserve Collateralisation Account Agreement ('RCAA') clearly define methods for identifying a default (the main event being a Participant being unable to meet settlement obligations). No replenishment is required because the participants have prefunded their RCA and settlement is guaranteed.</p> <p>Default rules are in the public domain within the Scheme Rules. FPSL Procedures and RCAA provide additional detail and these are available to Scheme Participants / Suppliers and other relevant parties e.g. the Bank of England, via a Non-Disclosure Agreement (NDA).</p>
14. Segregation and Portability	N/A
<p>15. General business risk</p> <p>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</p>	<p>FPSL's Enterprise Risk Management Framework provides clear policies and processes to manage general business risks. This is primarily done through FPSL's Risk Appetite Statement and Risk Register (external and financial risk category) where tolerances, risks and controls are monitored by the second line Risk Committee.</p> <p>Scheme consolidation may create more general business risks however these will be captured in a robust ERM Framework as part of a continued risk based approach.</p>
<p>16. Custody and investment risks</p> <p>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</p>	<p>FPSL uses the central bank as custodian of all collateral in cash, thus eliminating the risk of custodian default. The company does not hold any investments.</p>
<p>17. Operational risk</p> <p>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the</p>	<p>The FPSL Enterprise Risk Management Framework includes a Board approved Policy which clearly defines the roles and responsibilities for addressing operational risk. Operational processes and controls are regularly monitored by first line management with oversight by the second line Risk Team and Risk Committee. Third line Internal Audit provides an annual opinion on the state of operational controls to the Audit and Finance Committee based upon audits conducted through the year.</p> <p>FPSL has detailed Business Continuity plans and the infrastructure supplier is certified against ISO 22301 Business Continuity Standard.</p>

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Principle	Summary
FMI's obligations, including in the event of a wide-scale or major disruption.	The Faster Payments Service has very strong resilience arrangements.
<p>18. Access and participation requirements</p> <p>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</p>	<p>FPSL access criteria are the minimum necessary to ensure a safe, secure and resilient payment system which operates 24 hours a day, 7 days per week thus access to the FPSL payment system is fair and open for the benefit of all service users (direct and indirect participants). All access and eligibility criteria are objective and risk based and are disclosed on the FPSL website.</p> <p>The New Access Model is a significant mitigation to regulatory criticism from any perceived barriers to entry. The model has led to the on boarding of eight new participants in 2017.</p> <p>Furthermore the introduction of the UTSP PKI service within 2017 has further enabled access to the Scheme.</p>
<p>19. Tiered participation arrangements</p> <p>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</p>	<p>The Scheme gathers information about indirect participation and reports are developed to assess any material risks. There are currently no significant concerns around tiered participation.</p> <p>Compliance to this Principle has been improved due to additional analysis provided to the Risk Committee this year.</p>
<p>20. FMI Links</p>	N/A
<p>21. Efficiency and effectiveness</p> <p>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</p>	<p>FPS is designed to meet the needs of its participants and the market it serves and is the only UK payment system available day and night, 365 days per year, supporting the demands of personal and business customers.</p> <p>In addition, the Scheme actively supports innovation to improve its efficiency and effectiveness.</p> <p>The New Access Model and the New Assurance Model has improved the Schemes compliance to the Principle.</p> <p>Furthermore the introduction of the UTSP service within 2017 has further enabled access to the Scheme.</p>
<p>22. Communication procedures and standards</p> <p>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</p>	Faster Payments uses internationally accepted communication procedures and standards.
<p>23. Disclosure of rules, key procedures, and market data</p> <p>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to</p>	<p>The Scheme has clear and comprehensive rules which are publically disclosed and detailed procedures, system design information and the operating model that are fully disclosed to Participants and potential participants.</p> <p>In 2016 the Scheme conducted a review which determined that scheme</p>

**CPMI-IOSCO Disclosure for Faster Payments Scheme FOR REPORTING PERIOD
1 JANUARY 2017 - 31 DECEMBER 2017**

Principle	Summary
have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.	rules, participation agreement and Articles of Association should be made public with all underlying procedural and technical documentation available under NDA to ensure the integrity of the scheme and service is not compromised. Board minutes are published. Most documents are still available under NDA only for security reasons.
24. Disclosure of Market Data by trade repositories	N/A