



NEW MEMBER APPLICANT INFORMATION: FASTER PAYMENT SCHEME LIMITED ASSURANCE REQUIREMENTS

Background

The Faster Payments Scheme Limited (FPSL) undertakes risk assessments and review processes to consider the risks relating to the intended operation of a New Member Applicant (Applicant) for entry to the Faster Payments Scheme (FPS). To mitigate these risks FPSL has an established assurance activity, reporting to the Audit and Finance Committee and the Decision Makers (as defined in our Scheme Rules, namely the Chief Executive and an Independent Director, to ensure no potential member is prejudiced from a competition point of view) on the state of readiness for Go-Live, and reporting of any issues where the residual risk is still considered to be high.

Whilst some assurance activity for entry of a new Member is directed from FPSL Operations itself (e.g. New Member testing & trialling), a substantial part of assurance comes from its Risk function. Working independently from FPSL Operations, the FPSL Risk function carries out reviews on behalf of and reporting directly to the Audit and Finance Committee in addition to the Faster Payments Chief Executive. This work is also subject to review by FPSL Internal Audit.

The New Member Entry Risk function requirements can take between 9 and 12 months to complete, following which the Head of Risk will report directly to the FPSL Chief Executive and Audit and Finance Committee, providing an opinion on the state of readiness for Go-Live on the intended date. The report also provides assurance on the level of control within Applicant's organisation, and their ability to comply with the Scheme Rules. Any identified risks, non-compliances, or concerns are also reported, together with a Management Plan from the Applicant.

The main objective of the Risk function activity is to obtain a reasonable level of assurance that reliance can be placed on the Self-Certification statement by the Applicant's designate Board Member. The Director is required to confirm that adequate controls to mitigate the risks identified by the Company relating to the Applicant's FPS clearing operations will be in place at the time of Go-Live, particularly with regards to the Applicant's Security arrangements that will govern their FPS payment processing, and Availability arrangements in those situations where contingency is involved.

Methodology

FPSL Risk function participates at an early stage in liaison meetings with any organisation considering joining the Faster Payments Scheme. Once a Letter of Intent has been received, FPSL Risk function will provide the Applicant with a formalised timeline for entry Self-Certification requirements, together with appropriate Self-Certification documentation.

The Risk function assurance activity must be satisfactorily concluded prior to the New Member “Go-Live” date. It is focused on seeking assurance from Applicants on the level of control over their intended operation in the areas of risk identified by the Scheme. This is achieved via a Self-Certification submitted by the Applicant’s Designate FPS Board Director, with the additional attestation from their Head of Internal Audit. The Self-Certification requires the Applicant to certify:

- a. Sufficient controls will be in place and working for all risks that could impact Faster Payment processing, operations or service from the point of Go-Live.
- b. Their compliance to the FPS Scheme Rules from the point of Go-Live.
- c. The continued availability of their FPS systems from the point of Go-Live.

The signed Certificate is accompanied with a Summary of Concerns / Non-Compliances form, and is supported by a supplementary Assurance Questionnaire. The Questionnaire focuses on the Applicant’s FPS Project, intended payment systems, and fundamental areas of clearing operations. The Applicant responses to these questions assist FPSL Risk function in ensuring that adequate control exists, and that reliance can be placed on the signed Certificate. All documentation will be desktop reviewed, and a site visit of the intended Operational site(s) and Data Centre(s) made by the Head of Risk or FPSL Auditor. Review meetings will be held with the Applicant during the visit to discuss any responses that may require further clarification, and to discuss any underlying weaknesses that may have been identified during the review process.

Timings

Generally, the Self-Certification and associated questionnaire will be sent a minimum of 9 months prior to the target Go-Live date, allowing 4 months for the Applicant to complete and return the documentation, 2 months for desktop review and visit by the Head of Risk and/or FPSL Auditor, and the remaining 3 months for the resolution of any potential risks identified during the review.

Post Go-Live: Annual Assurance Activity

FPSL require all existing Members of FPS to annually provide assurance that controls to mitigate risks identified by the Company relating to their FPS clearing operations are in place and operating effectively across the membership, together with their compliance to FPS Scheme Rules, and their availability arrangements in those situations where contingency is involved. This is the minimum by which existing Members provide annual assurance to FPSL, and is obtained through the completion and return of a self-certificate and associated documentation by the Member, desktop review by the Risk function, and a review meeting to discuss any points requiring clarification arising from the desktop review. Whilst the annual review meetings are held at Member offices, there is no requirement to visit either the Operational Site(s) or Data Centre(s) as there is in the New Member process.

All Members are also required to notify FPSL of any plans to relocate any key Operational or System elements of their FPS clearing. Upon such notification FPSL Risk function will request the Member to complete a Relocation Questionnaire to gain assurance that existing controls will not deteriorate as a result of the move. A review meeting is not usually required for this activity.