

New Faster Payout rules: What does it mean for Credit Unions?

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Agenda

- Background to Faster Payout
- Changes made to enable Faster Payout
- What does SCV mean for credit unions?
- What is the Single Customer View?
- Timetable and Reporting requirements
- Electronic exception notification
- Verification
- FSCS payout
- Consumer Disclosure



Background to Faster Payout

- Following Northern Rock the Tripartite Authorities (HM Treasury, Bank of England and the FSA) looked at the issue of banking reform and depositor compensation.
- This work, coupled with FSCS's experiences in practice as a result of the recent banking failures, have highlighted the need for clear, effective and credible compensation arrangements as an essential part of any system for protecting depositors and which also contributes to confidence in the financial system as a whole.
- ***"Eligible depositors are entitled to compensation up to the FSCS limit across all their accounts in the same bank. The FSCS therefore need to have access to information that gives them a single view of each customer"***.





What changes were made to enable Faster Payout?

- a requirement on deposit takers to maintain a single customer view (SCV) to give the FSCS the information it needs to achieve a faster payout in the event of a failure
- simplifying the FSCS' eligibility requirements for deposit claims
- moving to "gross" payout to depositors (ie disapplying "set off")
- new disclosure requirements on deposit takers to provide information about the FSCS to their customers





What does SCV mean for credit unions?

- Payout to be achieved in 7 calendar days
- All credit unions must be able to provide information to the FSCS within 72 hours of a request being received on all customers who are eligible to submit a compensation claim
- This information must be in the prescribed SCV format
- If a credit union holds over 5,000 accounts by eligible claimants they must be able to submit an electronic SCV
- If a credit union has under 5,000 eligible claimants they are able to opt out of the requirements for an electronic SCV by notifying the FSA that they wish to be exempt





What is the *Single Customer View (SCV)*?

- A single, consistent view of an eligible claimant's aggregated protected deposits
- Contains specific information – as detailed in COMP 17.2.4R
- Excluding loans and/or negative balances
- Must be produced within 72 hours of request from the FSA or FSCS



What is the *Single Customer View* (SCV)

A. Customer details					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
SCV record number	Unique customer Identifier	FSA Firm Registration Number (FRN) prefix followed by customer number	Alphanumeric	256	E.g. NNNNNN 00000123 Deposit takers should note that this format is FSCS's preferred option. It will assist in the electronic tracking of data receipt and management throughout the verification Process. However, the COMP rules only require deposit takers to ensure that the number is unique to each customer.
Title	Title	Title	Text	20	E.g. Mr, Mrs
Customer 1 st Forename	1st Forename	For individuals: First name of the claimant	Text	20	E.g. Martin
Customer 2 nd Forename	2nd Forename	For individuals: Middle name of the claimant to help distinguish between claimants with the same first name and surname If the second name is not available, then initial may be entered here	Text	20	FSA are considering how deposit takers should treat fields such as this where no information if held
Customer 3 rd Forename	3rd Forename	For individuals. Third name of the claimant If third name is not available, then initial may be entered here	Text	20	FSA are considering how deposit takers should treat fields such as this where no information if held
Customer Surname	Surname	Surname or Company or Name of the claimant	Text	100	E.g. 'Smith', or 'Company Name'
Previous Name	Any former name of account holder		Text	200	E.g. King FSA are considering how deposit takers should treat fields such as this where no information if held
National Insurance number	National Insurance number (where held by the firm)	National Insurance number (where held by the firm)	Alphanumeric	9	E.g. XXNNNNNNX



What is the *Single Customer View (SCV)*

Table B. Contact details – (Re: Table B - Please note that firms should choose to use EITHER ADDRESS FORMAT A OR ADDRESS FORMAT B)					
ADDRESS FORMAT A					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Single customer view record number	Unique customer identifier	Firm Registration Number (FRN) prefix followed by customer number	Alphanumeric	256	E.g. NNNNNN 0000123
House number	House number/Premise name	Number/name	Alphanumeric	100	E.g. 139
Street	Street	Local road address	Text	100	E.g. Christchurch Road
Locality	Locality [where held by the <i>firm</i>]	Locality	Text	100	E.g. Hampstead
County	County [where held by the <i>firm</i>]	Postal county or local government region	Text	50	E.g. London
Postcode	Postcode [, where used by a country]	Full UK post code, or EAA or non EAA post/zip code where used	Alphanumeric	20	E.g. NW10 3JX
Country	Country [for countries outside the UK]	Whilst mandatory for countries outside the UK, if your system automatically populated UK, or a nation within the UK, this is also acceptable.	Text	30	E.g. France, USA,



What is the *Single Customer View (SCV)*

Table B. Contact details (Re: Table B - Please note that firms should choose to use EITHER ADDRESS FORMAT A OR ADDRESS FORMAT B)

ADDRESS FORMAT B					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Single customer view record number	Unique customer identifier	Firm Registration Number (FRN) prefix followed by customer number	Alphanumeric	256	E.g. NNNNNN 00000123
ADDRESS LINE 1	As required		Alphanumeric	100	E.g. 22 Christchurch Road OR E.g. 1 Christchurch House, 22 Chrstitchurch Road
ADDRESS LINE 2	As required		Alphanumeric	100	E.g. Christchurch Road E.g. Hampstead
ADDRESS LINE 3	As required		Alphanumeric	50	E.g. London
ADDRESS LINE 4	As required		Alphanumeric	30	
ADDRESS LINE 5	As required		Alphanumeric	20	
ADDRESS LINE 6	As required		Alphanumeric	30	
Post Code	Postcode [where used by a country]		Alphanumeric	20	E.g. NW10 3JX Firms are not required to complete the postcode field where a country does not use post codes
Country	Country [for countries outside the <u>UK</u>]		Text	30	

What is the *Single Customer View (SCV)*

C. Details of account(s) - A separate 'Detail of accounts' record should be created for each account					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Single customer view record number	Unique customer identifier	Firm Registration Number (FRN) Prefix followed by customer number	Alphanumeric	256	E.g. NNNNNN 00000123
Account title	Surname or company name, first name, any other account initials or middle name identifier.		Text	50	E.g. Martin Smith or 'Company Name'
Account number	Unique number for this account	Standard account number allocated to the account	Alphanumeric	Value	
Product type	Type of product or service - instant access/term	Type of product or service	Alphanumeric	50	E.g. Current Account, instant access, Corporate/company accounts
Account holder indicator	This field applies to joint or multiple accounts. It must identify whether the customer is the primary account holder or secondary account holder (or other such status).	The purpose of this indicator is to identify the primary (and secondary etc) account holders	Alphanumeric	2	E.g. 00 - representative (e.g. Power of Attorney) 01 - only account holder 02 – one of two account holders 03 – one of three account holders 04 - Etc [Please note: The above indicators do not reflect an account hierarchy for payment priority]
Account status code	Active accounts only to be included	Standard account code allocated to the account. Deposit takers will have unique account codes and keys, the details of which will be provided in the Implementation Report.	Alphanumeric	50	See questions 3.3 and 3.4 and paragraph 3.4 for more details on account codes.
Account balance	At end of business on date of request from the FSCS	Account balance for individual account All amounts should be in GBP. Foreign currencies should be converted into GBP	Number (2 decimal places)	256	E.g. 15000.00



What is the *Single Customer View (SCV)*

D. Aggregate Balance					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Single customer view record number	Unique customer identifier	Firm Registration Number (FRN) Prefix followed by customer number	Alphanumeric	256	E.g. NNNNNN00000123
Aggregate balance across all accounts	At end of business on date of request from the FSCS	The total aggregate balance in GBP across all accounts Where firms provide deposits in foreign currencies, they should convert the amount into GBP and include as part of the aggregated balance for compensation	Numeric	256	E.g. 70000.23 Aggregated account balance included in SCV
Compensatable amount	At end of business on date of request from FSCS which shows the amount to be compensated subject to the limit check that must be performed by the <i>firm</i> pursuant to COMP 17.2.5R (this could be lower than the aggregate balance across all accounts if this exceeds the maximum payment for a <i>protected deposit</i> set out in COMP 10.2.3R).	The total amount that the FSCS will pay as compensation in accordance with COMP Where firms provide deposits in foreign currencies, they should convert the amount into GBP and include as part of the aggregated balance for compensation	Numeric	256	E.g. 50000.00



Timetable - Reporting requirements for deposit takers

From 6 December to 30 December 2010	Electronic exemption notification period
From 1 January 2010	<p>Customer Notification requirements - Deposit takers are required to inform their eligible customers that their protected deposits are covered by FSCS.</p> <p>Disclosure required every six months, or every twelve months if the communication is to a passbook account holder.</p> <p>This should be a written communication that is in keeping with normal contact made with the consumer.</p>
31 July 2010	Pre-implementation Report (PiR) deadline *
31 December 2010	SCV Implementation deadline
31 January 2011	Implementation Report* deadline
31 January 2011	SCV Report*
By 31 January 2011	Verification Phase commences
31 July 2011	The FSCS to complete Verification of the sample data by 31 July 2011

* http://www.fscs.org.uk/uploaded_files/SCV/verification_rules_summary.pdf

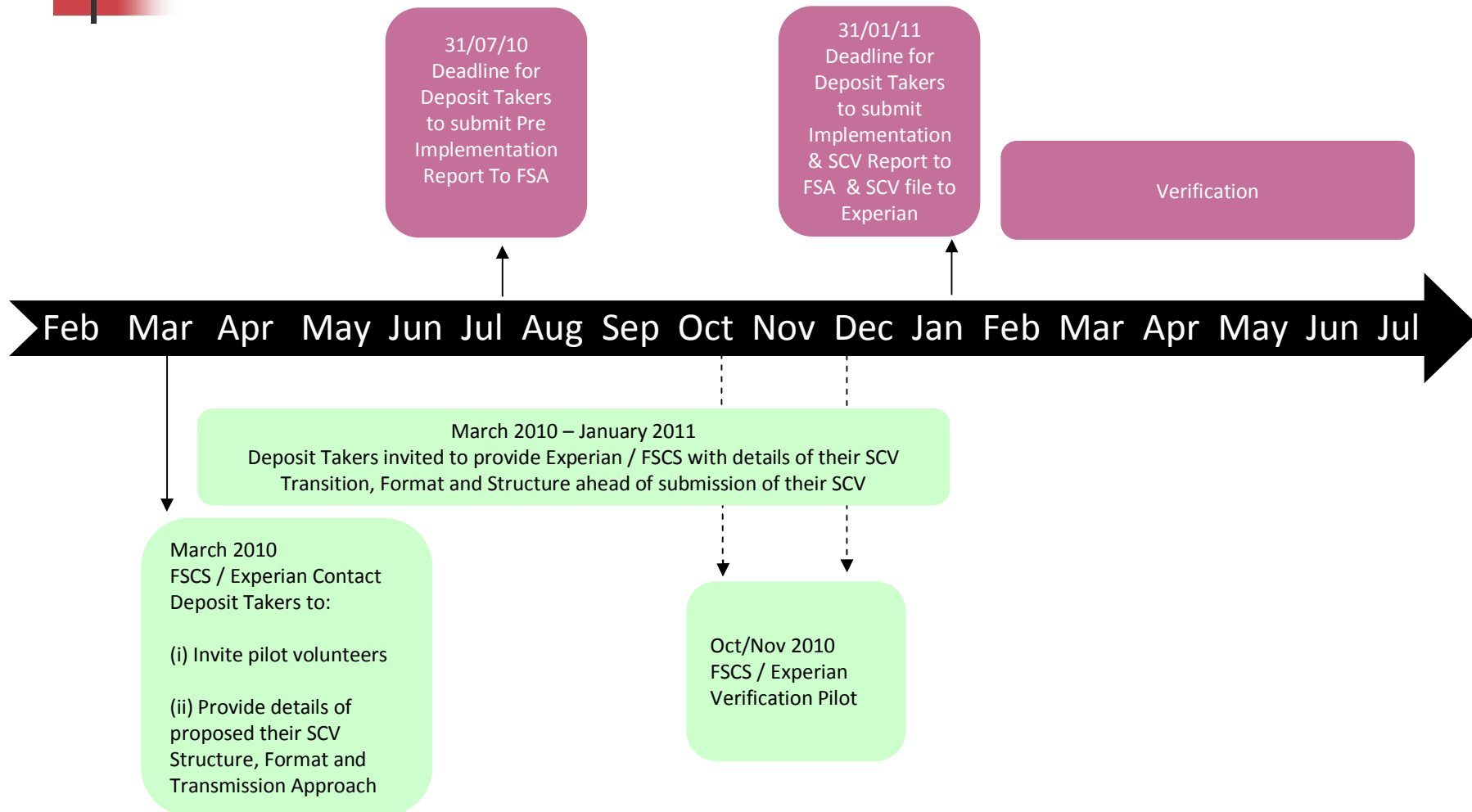


Electronic exception notification

- Firms with fewer than 5,000 accounts held by eligible depositors can be exempt from the systems requirements
- Firms have up until 31 December 2010 to notify the FSA that they are choosing not to comply with the electronic requirements
- **Where a firm chooses to opt out of the electronic requirements, they must still be able to produce an SCV when requested**



The SCV Verification timeline





What does the *Single Customer View* do?

- Provides information required by FSCS quickly and effectively for a fast payout
- Enables the fast identification of compensation due to individual depositors as the basis for payment
- SCV file will be used by FSCS to enable payout to consumers within 7 days
- SCV requirements must be implemented by 31 December 2010





How does FSCS pay depositors?

- As part of the Faster Payout project FSCS is considering how we pay depositors compensation.
- Historically FSCS has paid compensation by cheque but we are aware this may not always be the best option for credit union customers
- FSCS is currently considering a number of alternative payout options
- FSCS wants consumers to have access to their funds as quickly as possible





New Consumer Disclosure requirements in place since 1 January 2010

- Lack of awareness on compensation arrangements was considered as a contributory factor to the run on Northern Rock
- FSA has introduced rules designed to improve general awareness of the FSCS and the protection offered to depositors
- FSCS national awareness campaign - date to be confirmed
- Disclosure requirements for firms that accept deposits – detailed in COMP 16
- Information must be provided every 6 months or every 12 months if the account holder does not receive regular information e.g. passbook holder





Disclosure wording – COMP 16.3

Important information about compensation arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to [insert FSCS maximum payment for protected deposits]. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be [insert FSCS maximum payment for protected deposits] each (making a total of [insert FSCS maximum payment for protected deposits x 2]).

The [insert FSCS maximum payment for protected deposits] limit relates to the combined amount in all the eligible depositor's accounts with the credit union, including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch, refer to the FSCS website www.FSCS.org.uk or call **020 7892 7300** or **0800 678 1100**.



And finally

- Working together
 - FSCS 'A guide for credit unions' was sent to every Credit Union in the UK – April 2010
 - 'Dear Compliance Officer' letter giving details of the electronic registration process and pilot exercise sent to every deposit taker – May 2010
 - More detailed FSCS Q&As - available on the FSCS website via the Industry pages
 - Verification pilot (where relevant)
- News, events and updates
 - See <http://www.fscs.org.uk/industry/single-customer-view-for-faster-payout/>
 - Or register by sending an email to fasterpayoutenquiries@fscs.org.uk

