



# **Faster Payout Questions and Answers**

10 December 2010

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## 1. Introduction

- 1.1 The FSA's Compensation Sourcebook (COMP) now contains new systems and information requirements for firms that accept deposits. This includes a requirement for the majority of firms (i.e. those with more than 5,000 accounts held by eligible claimants) 'to provide the single customer view (SCV) information in an electronic format which is readily transferable to and compatible with FSCS's systems'<sup>1</sup>. The information contained within this document is intended to help these deposit takers meet this new requirement.
- 1.2 From 31 December 2010, deposit takers subject to the electronic SCV requirements must be able to provide the Financial Services Compensation Scheme (FSCS) with an SCV file containing records of eligible claimants within 72 hours of request. Some types of accounts should be omitted from the SCV, for example, where the eligible claimant is the beneficiary of an account held on their behalf by another person or if the account is not active. The SCV will facilitate compensation payments to eligible customers within a target of seven days and in no more than 20 working days as required by the European Directive on Deposit Guarantee Schemes. Whilst deposit takers with fewer than 5,000 accounts held by eligible depositors can elect not to comply with the electronic SCV requirements, they must still be able to provide a single customer view within 72 hours if asked. The FSCS has published a Faster Payout Guide for Credit Unions brochure:
- [\(http://www.fscs.org.uk/industry/single-customer-view-for-faster-payout/single-customer-view-news/\)](http://www.fscs.org.uk/industry/single-customer-view-for-faster-payout/single-customer-view-news/)
- 1.3 The FSA's policy and rules detailing the SCV requirements was published in the Policy Statement Banking and Compensation Reform (PS09/11<sup>2</sup>). Further rules governing the verification requirements and the smaller firm exemption notifications were published in November 2009 (PS09/18)<sup>3</sup>. Setting and enforcing the regulatory framework, including the SCV requirements referred to in this document, remains the responsibility of the FSA.
- 1.4 SCV is defined as 'a single, consistent view of an eligible claimant's aggregate protected deposits with the relevant firm which contains the information required by *COMP...*'. Section 3 of this document answers some of the questions the FSCS has been asked in relation to the SCV file itself, Section 4 considers eligibility issues, Section 5 answers questions in relation to the aggregate balance calculation and Section 6 covers SCV transmission and security. Chapter 7 considers FSA reporting requirements and Chapter 8 considers Exclusions/
- 1.5 The information is presented as a series of questions and answers (Q&As) which the FSCS has been asked since the FSA published PS09/11 on 24 July 2009. The FSCS will keep the issues under review and update the document as appropriate. The Q&As should not be relied on as legally definitive or conclusive or comprehensive. The information contained in this document cannot be relied upon as demonstrating compliance with FSA rules. The FSCS cannot accept responsibility for any errors or omissions or any act arising from them. If deposit takers have any doubts about a particular regulatory requirement, they are strongly recommended to seek their own expert and legal advice. The FSCS will however seek to facilitate any such discussions it can.

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<sup>1</sup> COMP 17.2.3 (3)

<sup>2</sup> [http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09\\_11.shtml](http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_11.shtml)

<sup>3</sup> [http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09\\_18.shtml](http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_18.shtml)

## 2. Milestones

- 2.1. The SCV implementation delivery date is 31 December 2010 as outlined in Policy Statement PS09/11. Key milestones covered in PS 09/11 and the subsequent Verification Policy Statement 09/18 are summarised in the table below.

<b>From 6 December 2009 to 30 December 2010</b>	Electronic exemption notification – Notification that the deposit taker has fewer than 5,000 accounts held by eligible depositors, and that it 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
<b>31 July 2010</b>	Pre-implementation Report (PiR) - To be submitted to the FSA providing a status report on progress (for the period up to and including 30 June 2010) towards meeting the relevant SCV requirements.
<b>31 December 2010</b>	SCV Implementation deadline – Deposit takers to have implemented the new SCV requirements
<b>31 January 2011</b>	Implementation Report - Submission deadline for Implementation Report to the FSA
<b>31 January 2011</b>	SCV Report - Submission deadline for SCV Report to FSA
<b>31 January 2011</b>	Verification Phase – Sample SCV file to be sent to the FSCS no later than 31 January 2011
<b>31 July 2011</b>	The FSCS to complete Verification no later than 31 July 2011

- 2.2 From 1 January 2011, should a deposit taker fail and become unable to meet its obligations to its customers, the deposit taker is required to provide a SCV to the FSCS.

Request for SCV file from the FSCS	<b>Day 1</b>
Deposit taker prepares and submits SCV file to the FSCS	<b>Days 1-3 (calendar days)</b>
FSCS payout using SCV file	<b>Days 3-7 (calendar days)</b>
FSCS payout for eligible depositors not within SCV file (e.g. client accounts)	<b>Days 8-20 (working days)</b>

### 3. The Single Customer View File

- 3.1 SCV is defined as ‘a single, consistent view of an eligible claimant’s aggregate protected deposits with the relevant firm which contains the information required by *COMP...*’. This Section deals with the contents of the SCV file.
- 3.2 Deposit takers are required to provide the SCV file within 72 hours of a request being received from FSCS. As the Faster Payout diagram in **Annex C** indicates, whilst not prescribed by the rules deposit takers have two options regarding the provision of the SCV file.
- 3.3 **Option one** – this is FSCS’s preferred option – Deposit takers will provide one file containing all eligible deposit accounts other than those which COMP requires to be excluded from the SCV (not active accounts (C) and beneficiary accounts (D)). Firms will use the account status field to enable FSCS to identify those SCV records that are ‘*fit for straight through payout*’. This will specifically involve using the ‘account status’ field and the ‘keys and codes’ information provided in the SCV implementation report. Thereafter, FSCS will use the ‘keys and codes’ to extract SCV records that are not fit for straight through payout (such as ‘gone aways’). Additionally, FSCS will use the account status/keys/codes information to identify what further investigations/actions are required to deliver compensation.
- 3.4 **Option two** - Two ‘folders’ – The first folder (A) will contain ‘fit for straight through payout’ SCV records (i.e. all account status codes indicate a straight through for payout status, as defined at question 3.7 below), and the other folder (B) will include some accounts within an individual’s SCV record that are eligible, but require further investigation (such as the provision of further information e.g. gone aways). FSCS will use the account status/keys/codes information to identify what further investigations/actions are required to deliver compensation. For the avoidance of doubt, folder (B) may contain some accounts within an SCV record that are flagged as fit for straight through payout, *and* some accounts that are not fit for straight through payout.
- 3.5 Under both Option one and Option two deposit takers are also required (in addition to the SCV requirements) to be able to identify on their systems ‘not active’ accounts (C) and beneficiary accounts (D). As noted in the FSA Policy Statement, FSCS will work with the deposit taker and any insolvency practitioner to extract these accounts.
- 3.6 Deposit takers should note that the Verification Registration Document sent to those firms that responded to the ‘Dear Compliance Officer’ letter FSCS sent out from 16 April 2010, invites an indication of which of the above options the firm is currently planning to adopt. For further information on the Verification Registration process, see section 7.
- 3.7 The purpose of the Dear Compliance Officer letter was to formally introduce Experian as the FSCS Verification Solution provider, advise firms of the FSCS registration and verification process and to invite expressions of interest to participate in a verification pilot project to be commenced by FSCS later in 2010. A full copy of the letter can be found on the FSCS website:

[http://www.fscs.org.uk/uploaded\\_files/SCV/dear\\_compliance\\_officer\\_final.pdf](http://www.fscs.org.uk/uploaded_files/SCV/dear_compliance_officer_final.pdf)

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**Question 3.1*****How often do deposit takers have to produce SCV files?***

The SCV requirements come into force on 31 December 2010. From this date, deposit takers must be able to produce an SCV:

- when requested by the FSA as part of ongoing regulatory monitoring activities; or
- where a firm is in default within 72 hours of a request being received from the FSCS.

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**Question 3.2*****What exactly should the Single Customer View file contain?***

The **SCV table** (table 1 below) sets out what is required in the SCV file itself under the FSA rules (the Field identifier and Field descriptor columns). While the first two columns are required by the rules<sup>4</sup>, the remaining columns set out how deposit takers can assist the FSCS in providing data in a format that is compliant with and adaptable to our systems (the Description of FSCS preference, Data Type, Length and Example/Convention columns).

For the sake of clarity, where an eligible depositor has more than one account, the 'Details of Account(s)' table should be replicated for each account.

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**Question 3.3 (Updated October 2010)*****What is the required format for the Single Customer View Record Number (SCVRN)?***

Whilst the rules are silent on the format of the SCVRN, *FSCS would like to remind deposit takers that it is our strong preference* that each SCVRN start with the relevant FSA Firm Registration Number (FRN).

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**Question 3.4*****What is the 'account status code' field for?***

FSCS intend to use the account status code field to help determine the appropriate treatment for SCV records and accounts.

We recognise that different deposit takers will have a variety of 'codes or keys' that are applied to accounts for a range of reasons.

COMP 17.3.7 requires deposit takers to provide an explanation of the different keys and codes (applied at an account level) to the account status field in the SCV file.

FSCS intend to use the 'keys and codes' information provided in the 'account status field' to determine the appropriate treatment for each of the SCV records and account types. For example, while dormant accounts under the Dormant Bank and Building Societies Act 2008 should be excluded from the SCV, 'gone aways' (and other accounts that are 'not fit for straight through to payout'), should be flagged with the relevant key or code that allows FSCS to identify and prevent automated payout. Explanatory details of the key or codes used by each deposit taker should be contained in the implementation report

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<sup>4</sup> in COMP 17.2.3 (3)

submitted to the FSA. For further information on Pre Implementation, Implementation and SCV Reports see Section 7.

Deposit takers will note that account status code allows flagging at account level, not SCV level. As such, where one account is flagged as (say) a 'gone away' and the remaining accounts (for the same customer) are fit for straight through to payout, FSCS will extract the SCV record from the straight through payout file. The whole SCV record will then be subject to a separate FSCS process.

For the avoidance of doubt, deposit takers will not be required to adhere to a set of pre defined keys or codes and should include their own existing, and any new, codes.

See Question 3.6 and 3.7

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### Question 3.5

***The SCV table requires National Insurance (NI) numbers to be provided where held by the firm. Do deposit takers need to start collecting NI numbers?***

While the use of a relatively wide spread unique identifier such as NI numbers will offer some advantages regarding record matching, it is only required within the SCV where held by the deposit taker. For example, for accounts such as ISAs where HMRC already require the collection of NI numbers.

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### Question 3.6

**Will a template be made available showing how the keys and codes information is to be provided?**

Firms have been invited to submit keys and codes information in the FSCS Pre Implementation Report template on a voluntary basis.

FSCS is planning on producing Implementation and SCV Reporting templates which firms may choose to use. Please note that the format of the reports has not been prescribed in the rules, therefore firms can choose not to use the templates to submit the information set out in COMP.

For each key or code that is applied to the account status field the FSCS will ask for (in the Implementation Report, or as soon as possible on a voluntary basis):

- the deposit taker specific key or code:
- a description of what the key or code means; and
- an indication of whether the firm believes that the account is 'fit for straight through payout'.

The implementation and SCV report templates will be available from the FSCS website from November 2010.

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**Question 3.7****What does 'fit for straight through payout' actually mean?**

An account that is deemed 'fit for straight through payout' should not require any additional checks on the completeness or accuracy of the SCV file. Therefore, as a general rule, if a firm is happy to pay a customer the balance of their account without any additional checks or data gathering being required, this would be considered an account 'fit for straight through to payout'.

While the FSCS will perform some initial checks on the completeness and accuracy of an SCV file in a default/payout situation, in order to achieve speedy payout, those accounts that are 'fit for straight through to payout' will proceed directly to payout without manual intervention. (For the avoidance of doubt, all payments will be subject to sanctions screening)

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**Question 3.8****How should a firm treat a customer that has one account considered to be 'fit for straight through payout' and another that is considered 'not being fit for straight through payout' within the same SCV record? (Updated May 2010)**

FSCS recognise that some SCV records may contain accounts with 'keys' or 'codes' that indicate one account is 'not fit for straight through payout', while other accounts within that same SCV record are 'fit for straight through payout'. In such cases, the FSCS Verification Solution will extract the entire SCV record for that depositor and it will be subject to a separate compensation process.

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**Question 3.9****How should firms flag customers who have specific needs such as visual impairments?**

Firms should flag customers who have specific requirements (e.g. Braille or large print requested), with a relevant key or code in the account status code field.

Where deposit takers flag customers with specific requirements (e.g. Braille or large print requested), FSCS would ask that the appropriate key or code is applied indicating that:

- The specific requirement of that particular customer; and
- That the relevant keys and codes in the Implementation Report Template is marked as NOT being fit for straight through payout.

Please note, deposit takers who have decided to use the 'two folder option' (i.e. option 2 as described in paragraph 3.4 of the FSCS Q&A) are not required to change their SCV design and move this type of account(s) from folder A to folder B.

### **Table 1: Single Customer View Tables**

- 3.8 The Customer Details in Table A contains the information used by the FSCS in identifying the beneficiary of any compensation due. For the avoidance of doubt, this would be the payee on a compensation cheque. The Contact Details in Table B contains the address to where the payment would be sent. The Details of account(s) in Table C contains the background information on the compensation value. The Aggregate Balance in Table D contains the amount to be paid.
- 3.9 The first two columns of this table (Field identifier and Field descriptor) summarise the SCV requirements in *COMP*. The remaining columns are provided by the FSCS to assist deposit takers develop their SCV files to ensure compatibility with FSCS systems. Tables A (Customer Details), B (Contact Details) and D (Aggregate Balance) are only required once for each customer. Table C (Detail of accounts) record should be repeated for each account held by the customer. Please note, only the first two columns are FSA requirements.
- 3.10 Please note, the FSCS asks all deposit takers not to truncate files.

#### **FSA Handbook Administration (No 17) Instrument 2010<sup>5</sup> (Updated May 2010)**

- 3.11 On the 26 March 2010, the FSA published an administrative instrument that made a number of minor changes to the SCV table. Specifically, the instrument makes minor changes to certain SCV fields, (to give effect to the policy intention in CP09/3) that firms may leave blank these fields, if the information is not held. However, please note that firms will always be expected to hold the customer's 1st name, where that customer is an individual. If the first name is not know, the firm should take steps to establish their name. Additionally, the instrument:
- Clarified that firms will not be required to complete the postcode field where a country does not use post codes;
  - Clarified that firms will not be required to complete the country field where the country is the UK; and
  - Makes a minor correction to the SCV field for 'Customer Surname' and provides clarification to firms that this field should stipulate either the customer surname or the company name.
- 3.12 The instrument also introduces an addition to the rules, which will allow a firm to use an alternative contact details format in Table B of the SCV file. The FSA made this minor amendment to give firms more flexibility in the way they can transfer customer contact details from their source systems to the SCV file. This addition was also introduced to allow for foreign addresses to be readily incorporated the SCV fields as the format of foreign addresses can vary. In practice, this means that *firms* will be able to select one of the two contact details formats to be applied consistently throughout the SCV.
- 3.13 Please note, the two contact details formats (that will be described as ADDRESS FORMAT A and ADDRESS FORMAT B) cannot be combined or used together in the same SCV file.

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<sup>5</sup> See Annex H - [http://fsahandbook.info/FSA/handbook/LI/2010/2010\\_8.pdf](http://fsahandbook.info/FSA/handbook/LI/2010/2010_8.pdf)

3.14 Please note, some deposit takers have indicated that they are able to provide Date of Birth information as part of their SCV files. While DOB is NOT a field required by COMP, FSCS has provided details within Table A for firms who are able to provide this information.

Table A. Customer details					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Single customer view record number	Unique customer identifier	FSA Firm Registration Number (FRN) prefix followed by customer number	Alphanumeric	100	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 [if applicable and where held by the <i>firm</i> ]	Title  Where the customer is not an individual, this field should be left blank.	Alphanumeric	20	E.g. Mr, Mrs
Customer 1st Forename	1 <sup>st</sup> Forename [ if applicable]	For individuals: First name of the claimant.  Where the customer is not an individual, this field should be left blank.	Alphanumeric	50	E.g. Martin  Please note that <i>firms</i> will always be expected to hold the customer's first name, where that customer is an individual.
Customer 2nd Forename	2 <sup>nd</sup> Forename [ if applicable and where held by the <i>firm</i> ]	For individuals: Middle name of the claimant to help distinguish between claimants with the same first name and surname  Where the customer is not an individual, this field should be left blank.	Alphanumeric	50	e.g. 'Douglas' or 'D'  If the second name is not available, then initial may be entered here  Where no such information is held, deposit takers should leave blank.
Customer 3rd Forename	3 <sup>rd</sup> Forename [,if applicable and where held by the <i>firm</i> ]	For individuals. Third name of the claimant  If third name is not available, then initial may be entered here  Where the customer is not an individual, this field should be left blank.	Alphanumeric	50	e.g. Craig or C  If the third name is not available, then initial may be entered here  Where no such information is held, deposit takers should leave blank.
Customer Surname [or company name or name of account holder]	Surname [or company name or name of account holder]	Surname or Company or Name of the claimant/entity	Alphanumeric	100	E.g. 'Smith', or 'Company Name'

Table A. Customer details					
Field identifier	Field descriptor	Description	Data Type	Length	Example/Convention
Previous Name	Any former name of account holder [, where held by the <i>firm</i> ]		Alphanumeric	200	E.g. King
National Insurance number	National Insurance number where held by the <i>firm</i>	National Insurance number (where held by the firm)	Alphanumeric	9	E.g XXNNNNNNX
DOB	Date of Birth	This field is optional Dates should be in standard UK format (DDMMYYYY)	Alphanumeric	100	e.g 31011977 See paragraph 3.14 above

<b>Table B. Contact details</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	100	E.g. NNNNNN 00000123
House number	House number/Premise name	Number/name	Alphanumeric	100	E.g. 139
Street	Street	Local road address	Alphanumeric	100	E.g. Christchurch Road
Locality	Locality [where held by the <i>firm</i> ]	Locality	Alphanumeric	100	E.g. Hampstead
County	County [where held by the <i>firm</i> ]	Postal county or local government region	Alphanumeric	100	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	30	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.	Alphanumeric	30	E.g. France, USA,

Table B. Contact details					
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	100	E.g. NNNNNN 00000123
ADDRESS LINE 1	As required		Alphanumeric	100	E.g. 22 Christchurch Road OR E.g. 1 Christchurch House, 22 Christchurch Road
ADDRESS LINE 2	As required		Alphanumeric	100	E.g. Christchurch Road E.g. Hampstead
ADDRESS LINE 3	As required		Alphanumeric	100	E.g. London
ADDRESS LINE 4	As required		Alphanumeric	100	
ADDRESS LINE 5	As required		Alphanumeric	100	
ADDRESS LINE 6	As required		Alphanumeric	100	
Post Code	Postcode [where used by a country]		Alphanumeric	30	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 UK]		Alphanumeric	30	

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	100	E.g. NNNNNN 00000123
Account title	Surname or company name, first name, any other account initials or middle name identifier.		Alphanumeric	50	E.g. Martin Smith or 'Company Name'
Account number	Unique number for this account	Standard account number allocated to the account	Alphanumeric	35	Please note, only account numbers should be provided in this field, not the sort code.
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).	FSCS intend to use the Account Holder Indicator to identify how many people are associated with a particular account. This is primarily to support post compensation customer services. Where there are, for example, three account holders, FSCS would use the 003 indicator to establish that there were three people linked to this account.	Numeric	3	E.g. 000 - representative (e.g. Power of Attorney – Also, see question 3.17 and Account Status Code field below) 001 - only account holder 002 – one of two account holders 003 – one of three account holders 004 - Etc  [Please note: The above indicators do not reflect an account hierarchy for payment priority. FSCS Customer Services will use this information to check that more than one account holder is named on an account, that the correct split or apportionment has been applied]
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.  As an alternative to using POA indicator field (see above) to highlight POA cases on accounts, firms can also, as an alternative, if they wish use the Account Status Code field.
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	Numeric decimal	15	E.g. 15000.00

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
		currencies should be converted into GBP	(2 decimal places)		<p>Includes the decimal point and 2 decimal places. Details of the location of the decimal point will need to be specified in the Implementation Report.</p> <p>All accounts with a negative balance (e.g. overdraft, loans etc) should be excluded from the SCV file (see question 5.21 for details)</p>

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	256	100	E.g. NNNNNN 00000123
Aggregate balance across all accounts	At end of business on date of request from the FSCS	The total aggregate balance in GBP across all positive balance 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 decimal  (2 decimal places)	15	E.g. 70000.23  Aggregated account balance included in SCV  Includes the decimal point and 2 decimal places
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  (2 decimal places)	15	E.g. 50000.00  Includes the decimal point and 2 decimal places

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**Question 3.10*****Which firms are required to maintain an SCV capability?***

Every UK incorporated authorised deposit taker is required to adhere to the new requirements, together with EEA firms which accept deposits through a UK branch and top up into the FSCS. Non-EEA firms that accept deposits in the UK are also required to maintain an SCV capability.

COMP 17.1.1R defines who the SCV requirements apply to in more detail.

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**Question 3.11 (Updated October 2010)*****Do deposits in foreign currencies need to be included in the SCV file?***

As detailed in FSA Policy Statement 09/11 where firms provide deposits in foreign currencies, balances should be converted into GBP and be included as part of the depositor's aggregated balance for compensation.

The COMP rules do not require a particular exchange rate to be applied when converting foreign currency accounts into GBP. However, the FSCS considers the Bank of England's spot rate on the date of default to be appropriate.

Deposit takers can find the relevant exchange rates at the website below and should note that the rate for a certain day is not published until the morning of the following day.

<http://www.bankofengland.co.uk/statistics/index.htm>

In the event of a default being declared on a weekend where the Bank of England spot rate may not be available for the day in question, the FSCS preference is for deposit takers to use the most recent available exchange rate available.

Where deposit takers are not using the Bank of England Spot rate, FSCS would ask deposit takers to provide the exchange rate used in their Implementation Report (to be published in November 2010).

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**Question 3.12*****What format should be used to create the SCV file?***

Deposit takers are required to provide FSA with a description of their SCV format in their implementation reports.

While the COMP rules do not prescribe in any detail the format of the SCV verification file, FSCS would prefer to receive SCV verification files that use the information set out in the table below. Firms may opt to use other formats if they so wish.

<b>Physical File Format</b>		
<b>Format Requirement</b>	<b>Setting</b>	<b>Comment</b>
Character set	ASCII	ASCII 7 bit or EBCDIC for Connect Direct Mainframe to Mainframe transfer

Record width	Variable	Up to the maximum field lengths specified in the FSCS Q&A document
Field delimiter		Pipe symbol – ASCII code 24
Heading descriptions	No	None required. Field order to be specified by Deposit Taker in the Implementation Report
Text field encapsulation	n/a	None required
Characters not allowed in fields	Characters less than ASCII 32 Any character used as a field delimiter (i.e. pipe)	
End of line indicator	CRLF	Carriage Return Line Feed (CRLF) ASCII code 13 followed by ASCII code 10
End of file indicator	Trailer record	Twenty digits of character '9' e.g. 999999999999999999

Please note, characters used as delimiter cannot be used in ANY of the SCV fields. This is particularly important is a comma is selected as the delimiter.

While not prescribed in COMP, FSCS would prefer that file formats be provided with .csv file extensions.

Additionally, in order to reduce upload/transmission times, FSCS asks that files are compressed and password encrypted. Our preferred encryption software is PGP (or winzip if necessary).

Should deposit takers be unable to provide their SCV files with .csv extensions, they should provide details of their proposed format in the implementation report. The implementation report is to be submitted to the FSA by 31 Jan 2011 and will be shared with FSCS.

For further questions about the submission of SCV data, the pre implementation report, implementation report and SCV report, see Section 7.

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### Question 3.13

#### ***What about the data structure/field order of the SCV records?***

While the COMP rules do not provide any details on the data structure of the SCV file, FSCS would prefer to receive SCV files in a multi file format.

The FSCS preferred composition would be one file containing tables A, B and D and a second file containing table C as detailed in Table 1, Section 3 of this document. Firms who elect to use the FSCS' preferred composition may wish to note the following FSCS recommendations:

- To avoid duplicating customer details in each record, the SCV records can be split into multiple files as per the tables A- D defined in Table 1, Section 3 of this document
- All files should contain a header and footer (preferably in the preferred format set out in response to Question 6.4 and 6.6) in a consistent format;
- Each unique SCV ID should appear once in tables A, B and D and at least once in table C. The count of unique SCV ID must be the same across all files;
- Each table can be sent as one separate file, or any combination of tables A,B and D, however table C should be sent as a separate file;

- The set of files can be split by fit for straight through payout/not fit for straight through payout or can be combined but must be consistent across the set of files (as described in Annex C of this document);
- The address format must be consistently applied on all files (either FORMAT A/PAF or FORMAT B/Multi line);
- Files should only contain the fields specified within COMP; and
- Each file must contain a single record layout and all fields must be in the same position on every record.

An example of the preferred multi file layout can be found on the FSCS website:

[www.fscs.org.uk/uploaded\\_files/SCV/multi\\_file\\_layout.xls](http://www.fscs.org.uk/uploaded_files/SCV/multi_file_layout.xls)

Should deposit takers choose not to provide the content of the SCV files in the above formats, the FSCS invites these deposit takers to provide details of their proposed data structure, in the implementation report.

For further questions about the submission of the pre implementation report, implementation report, SCV report and SCV sample data, please refer to Section 7.

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#### **Question 3.14**

##### **What if a deposit taker doesn't hold fields (such as previous name, middle name) as required by the SCV table?**

On the 25 March 2010, the FSA published an administrative instrument that made a number of minor changes to the SCV table.

Specifically, the instrument makes minor changes to certain SCV fields allowing firms to leave blank certain fields, if the information is not held. However, please note that firms will always be expected to hold the customer's 1st name, where that customer is an individual. If the firm does not hold this information, the firm should take steps to identify the name of the customer.

Please see SCV Tables A and B above.

Where 'compensatable amount', 'aggregate balance' or 'account balance' are zero, (i.e. a zero balance) FSCS's preferred approach is for firms to populate that field with 0 (Zero)

For any non numeric fields, FSCS's preference is for firms to use spaces.

The approach to populating non-numeric fields with blanks should be consistent throughout the file.

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#### **Question 3.15**

##### **How should deposit takers deal with in-flight transactions?**

Within the 72 hour period, and prior to generating and sending the SCV file to FSCS, we would expect firms to take a rigorous and comprehensive approach to the identification and application of in-flight transactions (initiated prior to default) to those accounts within the SCV file.

For the avoidance of doubt, we would expect firms to apply all transactions that are known by the firm AND that were irrevocable prior to the point of default.

The FSA recognises that SCV file production methods will differ from firm to firm. As such, where certain payment types are not likely to be applied to the balances, a summary of these omissions should be included in the 'Issues' section of the Pre Implementation Report and / or the 'Any other relevant factors' sections of the Implementation Report.

The FSA recognises that deposit takers may encounter challenges in applying in-flight transactions in relation to their representative sample file, during the verification phase. FSA expect firms to take a rigorous and comprehensive approach to the identification and application of in-flight transactions during verification. Firms should summarise any omissions or issues encountered in the 'Any other relevant factors' section of the Implementation Report.

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**Question 3.16**

**A number of our overseas customers live in a country that does not have a postal system and the use of PO Boxes is common place. Is it acceptable to use this information in Table B of the report?**

If a PO Box number is entered into Table B in the SCV table, if a cheque is used to make payment, the FSCS would send any payment to the PO Box number. The deposit taker must be satisfied that this is an appropriate address for payment.

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**Question 3.17**

**A power of attorney gives a designated person the ability to act on behalf of the account owner. Should accounts with a POA be in the SCV file?**

**Under normal circumstances, FSCS would expect that POA accounts would be contained in the SCV file.**

Deposit takers should note that the:

- Customer details (Table A) will be used by the FSCS to identify the beneficiary of the compensation, i.e. the person whose name will appear on a cheque;
- The Contact Details (Table B) – either address format) will be used by FSCS to identify what address any cheque would be sent to; and
- The Customer Account details (Table C) will be used to identify the account 'owner'.

The above assumptions should be used by deposit takers to inform the population of SCV files for the different types of POA accounts that are relevant to their accounts.

We have received a number of questions on how to treat POAs. While we have provided two examples below, firms should take their own expert legal advice if necessary.

**Example 1**

The power of attorney has been added to the account as a signatory but the account holder and account contact details have not changed in any way. In this example the FSCS would expect the account to be included in the 'fit for straight through payout' file (Annex C - file A). The fact that the POA is a signatory on the account has no bearing in respect of compensation

**Example 2**

The power of attorney has been listed on the firms' records as the account contact and all correspondence is sent to the POA. In this example the FSCS would expect the account to be included in the 'fit for straight through payout' file (Annex C - file A). The named account holder remains the account payee regardless of the appointment of a POA.

---

**Question 3.18****Do I have to send multiple files for each table or can my firm just send one file?**

While the COMP rules do not prescribe the data structure of the SCV file, FSCS would prefer to receive SCV files in a multi file format containing the fields as specified here:

[http://www.fscs.org.uk/uploaded\\_files/SCV/multi\\_file\\_layout.xls](http://www.fscs.org.uk/uploaded_files/SCV/multi_file_layout.xls)

and as described in question 3.13.

To minimise duplication of customer details it is recommended that files are split as follows:

- one file containing all fields from table A,B and D with the unique SCV Identifier appearing only once in each record
- A second file containing all fields from table C with the unique SCV Identifier appearing multiple times (once per account record)

Should firms wish to send a single file, the FSCS requests that these firms note the following:

- A single file can be provided containing all records (fit for straight through payout / not fit for straight through payout combined), or
- Two single format files can be sent: one containing fit for straight through payout, the other containing not fit for straight through payout.
- If a single file format is provided, each record must contain all fields from tables A through D and must contain one record per account;
- All files should contain a header and footer (preferably in the preferred format in Question 6.4 and 6.6) in a consistent format;
- The address format must be consistently applied throughout the file (either FORMAT A/PAF or FORMAT B/Multi line); and
- The file should only contain the fields specified within COMP.

Should deposit takers choose not to provide the SCV data in the above structure, the FSCS invites these deposit takers to provide details of their proposed data structure, in the implementation report.

For further questions about the submission of the pre implementation report, implementation report, SCV report and SCV sample data, please refer to Section 7.

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**Question 3.19**

**Where a joint account includes a single deceased owner and a surviving owner, it is our understanding that probate prevents the surviving owner removing the funds, should the portion of the account belonging to the surviving owner be included in file A, 'accounts fit for straight through payout' (Annex C) or file B "accounts not fit for straight through payout"?**

The relevant terms and conditions that relate to joint accounts should be considered by firms before deciding what action is appropriate.

**Question 3.20**

**Where a customer has more than one role on an account (e.g. where a surviving spouse to a joint account has now also become the executor to their spouse's estate), can they have two account records recorded within the SCV file, one to reflect their share of the ownership (50% share) of the account and one to represent their relationship as the executor? If not how would you expect the multiple roles to be reflected in the record (Account Status, Account Holding Indicator)**

No customer should have more than one SCV record in the SCV file.

In the example given in the question, the relevant terms and conditions covering the joint account should be considered before deciding what action to take. However, if the firm has received probate documentation, and subject to the terms and conditions of the account, it is likely that the account status indicator would be set to '01', a sole account holder.

It is important to note that if an individual happens to be an executor of an estate, this has no relationship or impact on their own personal SCV file or compensation entitlement.

**Question 3.21**

**How does the FSCS expect the Account Holder Indicator to be used? For example, a joint account where one account holder is deceased, an executor has been appointed and someone holds a Power of Attorney over the account. Will the account holder indicator be used to enable the FSCS to count the number of beneficial owners for the account or to infer some kind of relationship to the account?**

The FSCS intends to use the 'Account Holder' indicator to identify that the balance has been split correctly where there are multiple account holders. This information will be primarily used to support FSCS customer service in a default scenario.

**Question 3.22**

**Keys/codes – This question relates to the 'Account Status' field. How should the 'account status' field be populated where an account has more than one 'issue' that necessitates more than one key/code?**

FSCS intend to use the account status code field to help determine the appropriate treatment for SCV records and accounts. In order to do this, it is essential that all deposit takers provide FSCS with the keys and codes that are applied to the account status field.

Where deposit takers have multiple status codes that need to be applied to an account (e.g. Fraud, suspect money laundering and Gone Away), FSCS would prefer to receive the mapping information for the combined codes as a distinct code in the keys/codes table (that will be submitted as part of the Implementation Report).

For example, where an account has a 'Fraud', 'Money Laundering' and 'Gone Away' code, we would expect to see a unique code that represents these combined codes. Some indicative examples are given in Row 4-7 below that might represent a combined code scenario.

	Account status key or code (s)	Description (s)	Fit for straight through payout?
1	FRAUD	Fraud risk	N
2	LAUND	Money Laundering	N
3	GONEA	Gone Away	N
4	FRLAGO	Fraud risk, Money Laundering,	N

		Gone Away	
5	FRAUD/LAUND/GONEA	Fraud risk, Money Laundering, Gone Away	N
6	FLG	Fraud risk, Money Laundering, Gone Away	N
7	GONEA/FRAUD/LAUND	Gone away, Fraud risk, Money Laundering	N

Deposit takers should note that the code listed in the 'Account status key or code (s)' column must be an **exact** match to the code that appears in the account status fields within the Account Status field in the SCV file. Please note, where deposit takers are specifying a combined code (e.g. FRAUD/LAUND/GONEA), each combination must be specified. For the avoidance of doubt:

- FRAUD/LAUND/GONEA, is not the same as,
- GONEA/FRAUD/LAUND.

**Both** codes would need to appear in the keys and codes table if **both** codes appeared in the SCV file.

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**Question 3.23**

***Do I only need to include keys and codes for account status codes that are not fit for straight through payout?***

No. Firms need to include product codes that represent both 'fit for straight through payout' and 'not fit for straight through payout' statuses.

For the avoidance of doubt, all product codes that appear in the SCV sample file should be included in the Keys and Codes Table (which will be submitted as part of the Implementation Report).

Please note, it is **vital** that deposit takers include a key or code that represents fit for straight through payout scenarios. For example, the table below provides two indicative examples of account codes that might represent a 'fit for straight through payout status'.

See Row 2. If a blank field account status code field is intended to represent a 'fit for straight though payout' scenario, the keys and codes table should include a blank row.

Account status key or code (s)	Description (s)	Fit for straight through payout?
A	Active and operating normally	Y
	Active and operating normally	Y

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**Question 3.24**

**Is it acceptable to include the first name and the surname in the same field?**

No. COMP provides for first and surname information to be provided in separate fields.

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**Question 3.25**

**This question relates to the Pre Implementation Report template? What does 'file size' mean?**

The information being sought in relation to file size is number of SCV IDs within the file, NOT the actual size of the file (e.g. 2MG)

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**Question 3.26**

**Is the file naming convention specified in Question 6.4 mandatory?**

FSCS recommend that all deposit takers use the preferred file naming convention as it will support the secure and automated receipt of SCV files when they are sent to Experian. However, if deposit takers do not use the preferred file naming convention, FSCS request that the date and time (or a version number) is included in the file name to enable any resubmissions to be identified (should they be necessary).

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**Question 3.27**

**Is it acceptable to include the customer name in the first line of the address if we are using the multi line address format?**

The address fields should only include information relating to the address, not the customer details.

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**Question 3.28**

**What information should be included in the account title field?**

See the examples given in Table 1.

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**Question 3.29**

**Are there any characters (e.g. @ or !) that are prohibited from use by COMP?**

No. COMP does not restrict the use of characters such as @ or !.

However, use of the characters (see Table 2 below) within any fields within your SCV file will result in the SCV ID being extracted for manual inspection by FSCS.

*Table 2: Single Customer View – Additional check characters*

Character
!
\$
%
*
+
;
<
=
>
?
@
^
-
~
DEL (Character)

## 4. Eligibility

- 4.1 SCV is defined as ‘a single, consistent view of an eligible claimant’s aggregate protected deposits with the relevant firm which contains the information required by *COMP...*’. This Section deals with questions of eligibility.
- 4.2 The SCV file provided to the FSCS must only contain eligible depositors. However, the FSCS (and the Insolvency Practitioner) will need access to all customer data in the normal way - as is presently the case - to deliver our statutory responsibilities.

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### Question 4.1

#### ***What are the eligibility criteria that need to be applied to the creation of the SCV file?***

COMP 4.2 and 4.3 define (largely by exclusion) who is eligible to claim the FSCS compensation<sup>6</sup> and deposit takers should take all necessary steps to ensure that they understand and apply the rules.

The FSCS has provided a summary of the COMP eligibility rules in Annex A, but this should not in any way be treated as a definitive list and deposit takers are strongly recommended to seek their own expert advice to satisfy themselves that they understand and apply the FSCS eligibility rules correctly.

The systems must be flexible to allow for future changes to the definition of eligible claimants.

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### Question 4.2

#### ***What types of eligible accounts should be excluded from the SCV?***

Whilst potentially eligible, the following accounts (described in COMP as ‘not active’) should not be included in the SCV file:

- dormant accounts as defined as defined in the Dormant Bank and Building
- Society Accounts Act 2008;
- accounts where a deposit taker has received a formal notice of a legal dispute or competing claims to the proceeds of the account;
- accounts which appear on the ‘Consolidated list of financial sanctions targets in the United Kingdom’ that is maintained by HM Treasury.

The three categories of accounts listed above are represented in Box C – Not Active in Annex C – File Contents.

Additionally, all accounts where the named account holder is holding funds on behalf of or for the benefit of another person, such as trust accounts or client accounts, should be excluded from the SCV. For the avoidance of doubt, even where the underlying beneficiary is known by the deposit taker, the account should be excluded from the SCV. Beneficiary accounts such as these are represented in Box D – Beneficiary Accounts in Annex C – File Contents

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<sup>6</sup> <http://fsahandbook.info/FSA/html/handbook/COMP/4/2>

The FSCS has provided an indicative list of accounts which may be protected deposits under COMP, but this should not in any way be treated as a definitive list and deposit takers are strongly recommended to seek their own expert and legal advice to satisfy themselves that they understand and apply the rules to the accounts they provide.

Please note that whilst 'not-active' accounts should be excluded from the SCV file as stated above, they should be counted by firms, in determining whether a firm operates less than 5,000 accounts held by eligible claimants as set out in COMP 17.2.7.

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### Question 4.3

#### ***How must client and trust accounts be identified?***

**Accounts held on behalf of another, such as client and trust accounts (including Child Trust Funds) must be identifiable in the deposit taker's system but the accounts should not be included in the SCV file.**

Deposits within accounts held on behalf of another, such as client and trust accounts may be eligible for the FSCS compensation but the persons beneficially entitled to the deposits may not be immediately identifiable and as such will not receive payment as part of the SCV process. However, COMP requires deposit takers to ensure that such accounts are identifiable on source systems to allow the FSCS to deal with such accounts through a separate claims process.

The account needs to be identified as an account held on behalf of another, such as a client or trust account, for example by calling the account "[Name of firm] client account". In the event of the failure of the named deposit taker, the deposit holder will need to give the FSCS evidence of each beneficiary's entitlement.

For the avoidance of doubt, a firm must be able to identify which accounts are held on behalf of beneficiaries (who are or who may be eligible). While these accounts will be flagged on the deposit taker's system, the deposit taker would not 'flag' the underlying client as eligible or not – this would only be identified upon investigation by the FSCS.

For information, the Law Society guidance on solicitor client accounts can be located here (<http://www.lawsociety.org.uk/productsandservices/practicenotes/bankingcrisis/1841.article>)<sup>7</sup>.

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### Question 4.4

#### ***How should deposit takers identify eligible depositors in the SCV file?***

The rules require deposit takers to be able to provide the FSCS with an SCV file that contains only eligible depositors. Consequently, there is no requirement for an eligibility field within the SCV table.

Whilst the FSA does not mandate the method to be used, deposit takers must be able to identify which accounts are held by eligible depositors, whether by using/adapting existing account codes or by some other means.

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<sup>7</sup> <http://www.lawsociety.org.uk/productsandservices/practicenotes/bankingcrisis/1841.article>

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**Question 4.5**

***Should deposit takers ask their corporate depositors annually whether they are eligible (on the basis of size) and exclude them from the SCV file if they do not reply? Could deposit takers rely on third party data to determine the size of a company?***

Under the rules it is the deposit taker's responsibility to check eligibility. Where a customer's eligibility is likely to change from time to time, the bank must at least annually take reasonable steps to check whether or not the customer is eligible (COMP 17.2.2R).

The method used by the deposit taker to check eligibility and the steps they take to comply with COMP 17.2.2R are matters for the deposit taker. Approaches could include writing to the depositor annually. Whether a bank chooses to use third party data is a matter for the deposit taker.

If the deposit taker has taken reasonable and appropriate steps to check eligibility but has been unable to establish whether the customer is eligible, the deposit taker should exclude the customer from the SCV. If in fact, a customer is excluded from the SCV file who believes he is eligible, it will be necessary for the customer to make an application to the FSCS for compensation.

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**Question 4.6**

***How often must deposit takers check the eligibility of depositors?***

In addition to systems being able to identify eligible depositors, deposit takers must take reasonable steps to check the eligibility of depositors on a routine and (at least) annual basis.

(Deposit takers should also note that there may be scope for a change in the eligibility criteria at some point in the future.)

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**Question 4.7**

***What do deposit takers do with accounts that have been excluded from the SCV file?***

COMP requires all eligible accounts to be included in the SCV other than accounts which are not active and beneficiary accounts (also see Question 4.2). However, any accounts that have been excluded from the SCV file for whatever reason may still be eligible for compensation.

In addition to the SCV, accounts which are 'not active' and/or that are held on behalf of somebody else (e.g. client and trust accounts) must be identifiable on the deposit taker systems. In a default scenario, FSCS will work with the deposit taker and any relevant Insolvency Practitioner to obtain the relevant data.

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**Question 4.8**

**When a person dies, the personal representatives (for example, an executor or administrator) will engather the estate before distributing it to the beneficiaries. If during the engathering process the deposit taker defaults, who is the eligible claimant?**

Whilst the ownership of the deposit remains as an asset of the deceased person's estate, the FSCS would regard the personal representatives as the persons bringing the claim on behalf of the deceased person (i.e. a single claim for the estate, up to £50,000).

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**Question 4.9**

**Does a sole trader have a separate claim on FSCS in respect of business and personal accounts?**

A person trading as a sole trader has no separate legal personality when trading in that capacity, so there is no separate claim on FSCS.

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**Question 4.10**

**Where a number of different legal entities (that as small companies are eligible in their own right) form part of a wide group (which would not be eligible), should these entities be aggregated into a single customer view (i.e. representing the group)?**

COMP defined the eligibility criteria that are to be applied to each eligible depositor.

If the depositor is a company, then eligibility for FSCS's purposes is assessed in accordance with the criteria set out under the Companies Act 2006.

If a company is itself a 'parent', then it and any subsidiaries' thresholds will need to be assessed in aggregate for eligibility purposes.

---

**Question 4.11****What is the test for assessing the eligibility of companies and other “bodies corporate”?**

COMP excludes “large” companies from claiming compensation in respect of deposits. Therefore, companies who do not qualify as “small” companies under section 382 of the Companies Act 2006 are not eligible for compensation.

Please note that, for FSCS’s purposes, the test as set out in the Companies Act 2006 applies to all “bodies corporate” including e.g. LLPs, companies incorporated outside the UK and charities established by Royal Charter. Therefore, a “body corporate”, even though it is not subject to the requirements set out under the Companies Act 2006, will still need to be assessed under the Companies Act 2006 for eligibility purposes.

Section 382 sets out the test to be applied. To qualify as a “small” company, a company must satisfy two or more of the following requirements over a number of years:

1. Turnover- Not more than £6.5 million
2. Balance sheet total - Not more than £3.26 million
3. Number of employees - Not more than 50

Section 383 will then need to be applied where a company is a “parent”.

Firms should refer to the relevant sections of the Companies Act 2006 when determining eligibility.

---

**Question 4.12****What is the eligibility test for charitable enterprises?**

The eligibility of a charitable organisation will depend on how the organisation is constituted. For example, if a charity is set up as a company, section 382 of the Companies Act 2006 should be applied.

For the avoidance of doubt, there is no specific eligibility test for charities and deposit takers should consider the legal structure of charities before taking a decision on eligibility.

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**Question 4.13****How should firms assess the eligibility of an overseas company or unincorporated association?**

Deposit takers should establish what the legal structure of the depositor is under the law of their country and then test for eligibility as if the depositor were a UK-based entity.

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**Question 4.14****Should firms apply the Companies Act 2006 small companies test to partnerships (other than LLPs)?**

With the exception of limited liability partnerships, all other partnerships are eligible as depositors under COMP 4.3.1(1) (R).

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**Question 4.15****How do firms consider the eligibility of limited liability partnerships?**

Limited liability partnerships and other “bodies corporate” (such as organisations established under Royal Charter) should have their eligibility tested under the Companies Act 2006.

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**Question 4.16****What is the test for assessing the eligibility of mutual or unincorporated associations?**

Many clubs and societies are likely to be ‘unincorporated associations’. Firms should apply the “large mutual association” test (COMP 4.2.2(13)) which excludes ‘a mutual association or unincorporated association with net assets of more than £1.4 million from eligibility.

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**Question 4.17****How should firms deal with an account holder on an account who is an adult but the money is the child's? This is not a joint account.**

Firms will need to satisfy themselves who the legal owner of the account is.

Where a parent is the account holder, and their child is the beneficiary, it is likely that such an account would be excluded from the SCV file and would be contained in the beneficiary category.

---

**Question 4.18****Against whom should the compensation calculation be performed for Child Trust Funds – the child or the parent?**

Child Trust Funds compensation will be payable to the account holder (ie the child). However, please note that CTFs should be identifiable and extractable from firm systems and not included in SCV file.

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**Question 4.19****A customer holds a personal account and is also a partner in a partnership account (which relates to an account which is eligible under the FSCS). Are the personal and partnership accounts subject to separate limits?**

Yes. FSCS treat the claim by a partnership (where they are carrying on business together in partnership) as a single, separate claim for compensation (i.e. with a max of the current limit) which should not be aggregated with the partners’ personal accounts.

This is clarified in COMP 12.6.10R.

For the avoidance of doubt, the “large partnership” test at COMP 4.2.2(14) R is disapplied in the context of deposit claims (by COMP 4.3.1(1)R). However, this is not the position for limited liability partnerships (LLPs) for which eligibility is governed by the “large company” test at COMP 4.2.2(13) R.

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#### **Question 4.20**

##### **Please confirm if former UK residents now residing in EU or non-EU countries are eligible?**

FSCS rules do not contain a residency requirement in the context of deposit claims. If the deposit is held at a UK bank (FSA authorised) or an EEA branch of a UK authorised bank the depositor will be eligible, subject to FSCS eligibility defined in COMP 4.2, regardless of their place of residency.

#### **Question 4.21 (Updated December 2010)**

##### **What additional money laundering checks are required under the SCV COMP rules?**

Deposit takers are not required undertake additional money laundering checks over and above those checks they are already legally obliged to complete.

## 5. Calculation

- 5.1. SCV is defined as ‘a single, consistent view of an eligible claimant’s aggregate protected deposits with the relevant firm which contains the information required by *COMP*. This Section deals with questions about calculating an aggregate balance.
- 5.2. When a depositor is eligible all their positive deposit balances should be included in their SCV file.

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### Question 5.1

#### ***What needs to be excluded from the SCV calculation?***

Under the new *COMP* requirements, a depositor’s debts will no longer be set off against any positive balances held with the same authorised deposit taker. The move to gross payout is designed to help speed up payment and also ensure that eligible depositors will not lose liquidity in the event of a default.

Negative balances such as overdrafts, credit cards and certain types of “off set” mortgage accounts (where the savings and loan elements cannot be separated) should be excluded. (See Question 5.9)

Where an eligible customer has a zero balance on one of their accounts within the SCV record, this should be included in the SCV record. Whilst we appreciate it is unlikely, should a customer’s zero balance be their only account, this should also be included in the SCV record.

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### Question 5.2

#### ***How do deposit takers apply the compensation limit?***

Deposit takers must ensure that their systems are capable of performing a ‘limit check’. Such a facility will enable a deposit taker’s system to identify automatically a particular depositor’s compensation entitlement, i.e. the actual figure the FSCS will pay out in accordance with *COMP*.

Where eligible depositors hold funds above the FSCS compensation limit (currently £50,000, or Euros 50,000 (whichever is the greater)) the system should show their entitlement to be £50,000, even though their aggregate balance may be in excess of this.

Deposit takers should note that *COMP* 17.3.6R requires the SCV Implementation Report to include an explanation of how the limit check (*COMP* 17.2.5R) has been applied. For more information on the Implementation Report, please see tables

([http://www.fscs.org.uk/uploaded\\_files/SCV/verification\\_rules\\_summary.pdf](http://www.fscs.org.uk/uploaded_files/SCV/verification_rules_summary.pdf)).

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### Question 5.3

#### **What if the compensation limit changes? (Updated October 2010)**

Deposit taker systems should be sufficiently flexible to change the limit as it may change in the future. This limit check is essential, as it allows the FSCS to identify the precise figure of compensation which should be paid out.

Depositors should also note that the FSCS compensation limit is currently £50,000 or €50,000, whichever is the greater. Consequently, the SCV systems should be able to apply any relevant adapted limit at any particular date (e.g. any date of insolvency).

*Deposit takers should note that as part of the FSA Consultation Paper (10/22)<sup>8</sup>, FSA are consulting on a proposed change to the compensation limit.*

[http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10\\_22.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10_22.shtml)

The amendments to the DGSD in March 2009 require all member states to set their deposit compensation limit at €100,000, with effect from 31 December 2010. This means member states must adopt only this level as their compensation limit: no more and no less. The amending Directive in March 2009 allows member states to set the limit in their national currencies, as long as the limit delivers an equivalent level of protection. The Commission published further draft proposals in July 2010 which allow for member states to round up the currency conversion to within €2,500.

The new compensation limit must take effect from 31 December 2010. The FSA calculated the sterling compensation limit on 1 October 2010. On this date, €100,000 equated to £86,971 using the Bank of England Daily Spot Rate.

The FSA has rounded this figure down, to within €2,500, to produce a compensation limit of £85,000.

The proposal therefore is that £85,000 will be the new FSCS deposit compensation limit with effect from 31 December 2010, unless the sterling euro exchange rate moves materially to the consumer's disadvantage before the FSA make the final rules in December. If such disadvantage were evident, the proposal is to revise the limit for inclusion in the final rules, in line with the above approach.

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### Question 5.4

#### **Some eligible accounts may provide for the depositor to receive a payment on a particular future date or at the end of the term of the account if withdrawals are not made before a certain date. Should these payments be included in the SCV?**

Unless the account terms and conditions have been met, and payment is due, FSCS does not protect a bonus. Such payments are only protected if the deposit is held for the full term and the necessary conditions have been met prior to the point of default.

Also see Question 5.12 and 5.16

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<sup>8</sup> [http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10\\_22.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10_22.shtml)

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**Question 5.5*****How would any compensation limit apply to a Discretionary Trust?***

The FSCS would usually regard the trustee(s), not the beneficiaries, as the claimant where the trust is not a bare trust, for example it is a discretionary trust. In the case of a bare trust, or nominee company, the FSCS treat the beneficiary or beneficiaries, not the trustees or nominee company, as having the claim (COMP 12.6.2R).

So, a discretionary trustee(s) may have a single £50000 claim. Further, to the extent that beneficiaries of the trust would not be eligible for compensation if they were the claimant themselves, the FSCS would seek to adjust the total claim to eliminate that part which is a claim for those ineligible beneficiaries (COMP 12.6.5R).

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**Question 5.6*****How should joint account holders be treated in relation to the compensation 'limit check'?***

Where there are two account holders the funds should be split 50:50 unless the deposit taker has evidence that the holders' respective shares are not 50:50 in which case the actual split must be used.

Compensation balances are not portable from one individual to another.

---

**Question 5.7*****Are positive balances on credit cards eligible deposits?***

In principle, a facility that allows a customer to build up a repayable credit balance is a deposit. (An authorised payment services provider is not permitted to offer this service.) A credit card issuer that deliberately allows customers to build up a credit balance needs a deposit-taking permission. Where credit balances are deposits, they will therefore be protected by the FSCS subject to the other necessary conditions for protection being met. Accidental overpayments will not be deposits if the credit card agreement does not allow the customer deliberately to build up a credit balance.

It is possible that there may be no explicit references to positive loan balances within a credit card's terms and conditions. In these circumstances, it would be necessary to look at all the other terms to see what light they shed on the issue. However if the firm allows the positive balance to happen, it could perhaps be presumed that this is permitted unless there is something specific to the contrary in the terms.

The FSA has considered the implications for the SCV of positive balances on credit cards. The FSA has made available a modification by consent so that these positive balances on credit cards need not be included in the SCV. It follows that, in the absence of a modification of the rules, a positive balance on a credit card which is a deposit will be required to be included in the SCV.

The FSA website contains general information about modifications and waivers.

<http://www.fsa.gov.uk/Pages/doing/regulated/notify/waiver/index.shtml>

The following modifications by consent have been published by the FSA for deposit takers:

- who have credit card products that do not offer interest on positive balances;
- who do have credit card products that allow positive balances; and
- who do not have branches.

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**Question 5.8*****What is the position as regards positive balances arising on non-credit card loans?***

It is possible that a positive balance might arise in error in relation to a non-credit card loan if, for example, a borrower continued to make regular payments to a bank after the loan had been repaid. If the positive balance appears on the loan account, it will not be a deposit. However it would become a deposit if it was paid into the customer's ordinary current account (assuming that the current account is in credit). The account on which monies are held matters because that account will set the repayment terms and conditions.

The terms and conditions of the loan are unlikely to cover the existence of a positive balance as such a balance is inconsistent with the nature of a loan. The absence of a reference to a positive balance is likely to indicate that a positive balance is not allowed. This is because a positive balance is inconsistent with the nature of a loan. This can be distinguished from the position of a positive balance on a credit card.

It follows that a positive balance on a loan account is not required to be included in the SCV but that if it is paid into the customer's current account, it is required to be included in the SCV.

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**Question 5.9****How do deposit takers treat offset mortgages where there is a negative balance?**

Set off is dis-applied for FSCS payout purposes so that if a depositor also owes a bank money, the debt is no longer set off against the deposit in calculating the amount of the protected deposit. This has implications for offset mortgages.

If the deposit account is separately identified from the mortgage balance, it should be separated and compensation calculated on a gross basis. However, if the deposit account is combined with the mortgage account, the FSCS would have to treat it as an overdraft and no compensation would be payable.

PS09/11 explained that the two most common types of offset mortgage structures had been identified as:

- Type 1: a savings/current account which is usually separately identified from the mortgage balance. The balance in the account is offset against the mortgage and interest is calculated on the amount of the mortgage debt less the amount on deposit;
- Type 2: a current account is combined with a mortgage account and operated as one large overdraft (with a credit limit).

In the first type, deposits are normally separately identified from the mortgage balance, therefore the FSA consider that it should be relatively easy to separate the two elements and calculate compensation on a gross basis.

In the case of the second type, the FSA consider that the nature of the product meant it might not be possible to separate the deposit element from the mortgage element; the FSCS would simply have to treat the single balance as a debt to the bank (i.e. as an overdraft).

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**Question 5.10*****Is the return on structured deposits to be included in the SCV file?***

The FSA has stated that provided the structured deposit falls within the Regulated Activities Order definition of a deposit, the legal position is the same whether the deposit is an ordinary deposit or a complex structured one. Interest or the return on a deposit is itself a deposit if it is added to the account. If the interest cannot be added to the account but is instead paid away at once to an account of the depositor with another bank, then it is that other bank that accepts the interest payment as a deposit.

However, the FSA recognised the difficulties of including this return in the SCV where the calculation is complex. Firms may wish to seek waivers on an individual basis so that they would include the principal, but not the return, in the SCV.

The FSA website contains general information about modifications and waivers.

<http://www.fsa.gov.uk/Pages/doing/regulated/notify/waiver/index.shtml>

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**Question 5.11**

***Does a structured deposit under which some capital is only at risk in the event the deposit does not run to term meet the Regulated Activities Order definition of a deposit?***

A deposit is broadly defined in the Glossary to the Handbook as a sum of money (other than one excluded by any of articles 6 to 9AB of the Regulated Activities Order) paid on terms under which it will be repaid (see also Question 5.12). It is therefore necessary to consider whether Customer A pays money to Bank B on terms under which it will be repaid, with or without interest or premium, and either on demand or at a time or in circumstances agreed by or on behalf of Customer A and Bank B.

It may help to describe three scenarios:

Scenario 1 - Customer A makes a deposit with Bank B. Customer A runs the risk that he will not be repaid in full if Bank B becomes insolvent because of insolvency law.

Such a risk does not mean that the deposit ceases to be a deposit for regulatory purposes.

Scenario 2 - Customer A makes a deposit with Bank B on terms that Customer A will be repaid in full unless Customer A withdraws the deposit early, in which case Customer A may not get back his deposit in full.

As the risk of a loss of capital is under the control of Customer A it is still a deposit. The answer would be different if Customer A could lose his capital if Customer A himself becomes insolvent.

Scenario 3 - Customer A makes a deposit with Bank B on terms that provide that the deposit abates to the extent that Bank B does not have assets to meet its repayment obligations.

This will not be a deposit as it is paid on terms that it may not be repaid in full.

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**Question 5.12**

***Should amounts payable at a future date be included in the SCV file?***

COMP 12.3.1R(2) requires the FSCS to quantify compensation for a protected deposit claim at the date the firm is determined in default and pay compensation comprising the principal sum, interest or premium accrued to that date and unaccrued interest or premium attributable to or arising in respect of the period to the date of default.

However, amounts payable in the future are not protected by FSCS and should be excluded from the SCV file. For example, unless the conditions have already been satisfied, FSCS does not protect a bonus which would be payable in the future.

Also see Question 5.4 and 5.16

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**Question 5.13**

***Does the reward payment on Shariah deposits (as interest is not payable on such deposits) count as interest and have to be included in the SCV file?***

If the Shariah compliant account is classified as a deposit, then it has to comply with all requirements, including the SCV, and this includes the reward payment if it is credited to the account.

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**Question 5.14**

***Should pre-paid card balances be excluded from the SCV?***

Pre-paid cards that are e-money or are not repayable are not deposits. Therefore, in either case, they are not protected by the FSCS and should be excluded from the SCV.

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**Question 5.15**

***How should deposits held as security be treated?***

The Glossary definition of a deposit, which reflects the Regulated Activities Order (RAO) definition, excludes a deposit paid on terms.... which are referable to the giving of security if...it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract.

Whether a deposit falls within the RAO definition will turn on the particular facts. Some examples may explain the position.

**Example 1** Say that Bank A lends money to Son B. Mother C has a deposit with Bank A and Mother C pledges that deposit to Bank A as security for Son B's debt to Bank A. The key is that Bank A is both the deposit-taker and the person to whom security is given.

In this case FSA's view is that in principle the deposit falls outside the RAO definition of a deposit and so will not be covered by the FSCS and will therefore be outside the SCV. It falls outside the definition because the deposit is paid by way of security for the performance of a contract. This covered by the exclusion in articles 5(2) and (3) of the RAO.

However, what if Mother C's deposit was originally just an ordinary savings account not paid by way of security? Does the deposit stop being a deposit just because later it is pledged to the bank without a new sum being paid into the account? This is arguable, but the FSA tends to the view that in this scenario the deposit stays as an RAO deposit. This is because the exclusion applies to monies that are paid as security; one must look at the purpose at the time the deposit is originally made.

**Example 2** There is a related issue. What if Mother C pledges her current account? The account is being used for two purposes – as a current account and as security. Is this excluded? FSA considers that again this is arguable but that the preferable view is that it remains an RAO deposit.

**Example 3** Say that A grants B a loan. Neither is a bank. B has an account with Bank C and B grants security to A over that account in order to secure B's loan obligation to A. Assuming the deposit meets the other conditions in COMP, B's deposit will be protected.

The availability of FSCS cover will depend on the particular scenario. It is for firms to decide whether an account needs to be included in the SCV for payment of compensation by FSCS.

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**Question 5.16****How do deposit takers calculate the compensatable balance for term accounts that would normally be payable at a later date?**

If a protected deposit was not due and payable on or before the default date the deposit taker must calculate compensation comprising:

- the principal sum on the basis that it is due and payable on that date;
- interest or premium accrued to that date; and
- unaccrued interest or premium attributable to or arising in respect of the period to that date.

Also see question 5.4 and 5.12

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**Question 5.17****Does a deposit taker's SCV system have to be able to convert currencies into Sterling?**

For those firms that operate accounts in a currency other than sterling, a firm's system will need to be capable of including any non-sterling accounts in the aggregated and compensatable balances. All non sterling balances should be converted into Sterling using the exchange rate as at the date of default.

See question 3.7 for further information on exchange rates.

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**Question 5.18****What are the FSCS's current expectations with regard to tax on the account balances and thus on the compensatable amount? If joint owners have different tax status how would you expect this to be treated?**

COMP does not make any specific provisions for any tax treatment during verification or payout. Tax should be treated by firms in the usual way. Firms (or depositors) are responsible for accounting to HMRC for any tax.

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**Question 5.19****Is the "Account balance" field in the SCV file the actual balance on the account in total or the share applicable to the Customer that is used to determine the amount eligible for consideration for compensation?**

The account balance figure should represent the relevant proportion of an account balance. For example, if Customer A and Customer B have a joint account with a balance of £10,000, the 'account balance' field would be £5,000 in each SCV record, and the account holder indicator would be '02'

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**Question 5.20**

**Where a Child has a direct ownership account (e.g. with £60k in it) as well as a Child Trust Fund (e.g. with £5k in it) and their direct ownership account consumes all of the available compensation i.e. £50,000?**

FSCS are liaising with the FSA and HMT on how to execute payments to Child Trust Fund holders. However, firms should:

- ensure that Child Trust Funds – like all other beneficiary accounts – are identifiable and extractable from their systems
- note that once an eligible individual has received their compensatable limit (for example via their SCV record) , FSCS will not execute any further payments (for example if they are a beneficiary).

FSCS will use the relevant keys and codes to work with the Insolvency Practitioner to extract the relevant beneficiary account information

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**Question 5.21**

**Should accounts with negative balances be included within the SCV file, accepting that the balance would not be included with the “Aggregate Balance” field or be included with the compensation calculation? If not should the status of the account be considered when determining the file to allocate the customer?**

All accounts with a negative balance (e.g. overdraft, loan) should be excluded from the SCV file.

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**Question 5.22**

**What is the ‘compensatable’ amount field for?**

The compensatable amount field will be used by FSCS to determine how much compensation will be paid to the customer. Deposit takers should note that:

- It should never be more than the compensation limit; and
- It should not include the limit itself (i.e. currently £50,000), unless of course the customer has an aggregate balance greater than the existing limit (when compensation paid has to be capped at the limit).

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**Question 5.23**

**How should balances be treated for joint accounts?**

Where a customer has a joint account with another customer, the balance should be split equally (i.e. 50:50, unless there is satisfactory evidence to the contrary, such as the account’s terms & conditions) in accordance with COMP 12.6.10R. For example:

- Customer 1 and Customer 2 have a joint account that is to be split equally;
- The joint account has a balance of £1,000;
- Customer 1 and Customer 2 will be allocated a balance of £500 each; and
- The figure used to calculate the ‘compensatable’ balance should be £500 for each customer.

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**Question 5.24 (Updated December 2010)****Structured deposits****How should deposit takers deal with the return element of a structured deposit, where the return calculation is unknown?**

Where the return element of a structured deposit cannot be calculated until a particular point in time, for example, a structured deposit is linked to an index at a future date, such that the rate or calculation of the return is not known until that future date, deposit takers should include the principal in the SCV file and apply to the FSA for a waiver allowing them to exclude the return element. See also (the other question on structured deposits, which will give links to the waiver process etc).

## 6. SCV Verification - Transmission and security

- 6.1 Deposit takers subject to the electronic SCV requirements are required to 'provide the SCV information in an electronic format which is readily transferable to and compatible with the FSCS's systems'
- 6.2 FSCS has appointed Experian as the SCV Verification Solution provider. FSCS are working with the FSA and the trade bodies to ensure that initial contacts with deposit takers regarding the verification process are co-ordinated, effectively managed and that the security of the deposit taker data is maintained at all times.
- 6.3 Some deposit takers have asked whether it will be possible to pilot their SCV verification files prior to the submission deadline on 31 January 2011.
- 6.4 FSCS is keen to engage with deposit takers at the earliest opportunity in order to help prepare the Verification Solution and supporting business processes. FSCS plan to work with the FSA, trade bodies and deposit takers to consider how any pilot might work. It should be noted that should any piloting arrangement be agreed:
- the pilot would be on a voluntary basis;
  - as far as possible, FSCS would seek to pilot a range of different deposit takers; and
  - deposit takers would still be required to adhere to the COMP SCV Verification, pre implementation, implementation and SCV reporting requirements.

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### Question 6.1

#### **How will deposit takers be required to transmit the SCV verification files to the FSCS?**

The FSCS considers security over the receipt, use and destruction of SCV files of paramount importance and will take all necessary steps to protect the personal details of consumers at all times.

Deposit takers are required to provide details of their SCV transmission method to the FSA in their pre implementation report and their implementation report. This information will be shared with the FSCS and the Verification Solution provider.

While the COMP rules do not provide details on the transmission methods to be used by deposit takers, FSCS would prefer that deposit takers send SCV data in a compressed file using either:

- Winzip; or
- pgp file

The FSCS preferred transmission method is SFTP (Secure File Transfer Protocol), however, deposit takers with an existing Connect Direct link to Experian are encouraged to use their existing links where possible.

Other secure transmission channels will be accepted including encrypted email, physical media, CD, DVDs, USBs and hard drives. In such cases, secure courier companies should be used if transmission of physical SCV data is to be used.

Should deposit takers not be able to transmit their SCV data using the methods described above, they should provide details of their proposed transmission method in their implementation report. The implementation report is to be submitted to the FSA by 31 Jan 2011 and will be shared with FSCS.

While csv file formats are preferred, Microsoft Excel and Access files can also be received by the Verification Solution Media Centre.

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### Question 6.2

**The COMP rules require deposit takers to provide a representative sample of files to be included in their SCV Verification file. What does ‘representative’ mean?**

There is no requirement for the SCV Verification file to be statistically representative of the wider protected deposit population. However, deposit takers should ensure that the SCV file includes all types of accounts and customers across any brands of each authorised deposit taker.

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### Question 6.3

**What check totals/header information should be used for file transmission to FSCS?**

Check totals should be provided in the preferred header format below:

Check total header information					
Field identifier	Field descriptor	Max data length in bytes	Layout	Content Type	Notes
Spaces	Spaces	14		Spaces	
Header	HEADER	6	Alphanumeric	Character	Header
FRN	FRM of the SCV file	6	numeric	Numeric	000000 = FRN number for the file
File Generation Date and Time	File Generation Date and Time	14	YYYYMMDDHHMMSS	Date	YYYY = Year, MM = Month, DD = day HH = hours, MM = minutes, SS = Seconds YYYYMMDDHHMMSS
Total Unique Customer Count	Count of unique SCV IDs	9	numeric	Unsigned numeric	Total number of unique SCV IDs #####
Total Record Count	Count of all records excluding the header and footer	9	numeric	Unsigned numeric	Total number of unique SCV IDs #####
Filename	Name of SCV file	50	Alphanumeric	Character	

## Question 6.4

### Is there an SCV naming convention that deposit takers should use?

The COMP rules do not require deposit takers to adhere to a specific SCV naming convention.

However, in order to support secure receipt and management of SCV verification files, FSCS would prefer that deposit takers use the following naming convention:

#### File naming convention

Example 122702-20110115141218SAMPLEB01.csv

Filename		
Name element	Representation	Comment
FRN	000000	FRN will be a 6 digit numeric value identifying the failed firm
Space	"-" character	ASCII code 45
SCV date and time	YYYYMMDDHHMMSS	
SCV Type	FULL OR SAMPLE	
File indicator	B	C = fit for straight through payout O = not fit for straight through payout B – Combined
File number	01	Number files making up the SCV E.g. if 3 files are sent: File 1 = 01 File 2 = 02 File 3 = 03
Suffix	.csv	The file format is not prescribed in COMP and firms can submit their SCV files to the Verification solution provider in other formats.  Firms should provide details in their Implementation Report that is due to be submitted to the FSA by 31 Jan 2011.
Example	122702-20110115141218SAMPLEB01.csv	

Where firms intend to use their existing Connect Direct link of SFTP, a specific naming convention will be agreed directly with Experian at the time of set up. For existing users, the standard PIF format will be agreed.

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**Question 6.5****Is xml a suitable file format to use for the provision of an SCV file?**

The file format is not prescribed in COMP and firms can submit their SCV files to the verification solution provider in xml.

While firms are required to provide details of their SCV format in the Pre Implementation Report and Implementation Reports, the FSCS is asking for firms to provide this information, on a voluntary basis, if known, as part of the Verification Registration Process.

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**Question 6.6****Is there a preferred footer format?**

Yes. See below for the preferred footer format

Field identifier	Field description	Max Data Length in Bytes	Layout	Content Type	Notes
	Character to indicate footer record	20	Numeric	Numeric	999999999999999999

## 7. FSA Reporting Requirements

7.1 FSA COMP rules set out a three stage verification process with different reporting requirements being applied at each stage:

- pre-implementation (31 July 2010);
- implementation and initial verification (31/01/2011); and
- ongoing verification (post 31/01/2011).

The COMP reporting requirements for each stage are set out in the SCV verification tables ([http://www.fscs.org.uk/uploaded\\_files/SCV/verification\\_rules\\_summary.pdf](http://www.fscs.org.uk/uploaded_files/SCV/verification_rules_summary.pdf)). Deposit takers will note that there are different requirements for those using electronic and non electronic SCVs.

7.2 In addition to the COMP based reporting requirements set out above, the FSCS is asking deposit takers to register for the Verification exercise in advance of the first reporting deadline.

On the 16 April 2010, FSCS started sending 'Dear Compliance Officer' letters to deposit takers formally introducing Experian as the FSCS Verification Solution provider. The Dear Compliance Officer letter can be found at:

[http://www.fscs.org.uk/uploaded\\_files/SCV/dear\\_compliance\\_officer\\_final.pdf](http://www.fscs.org.uk/uploaded_files/SCV/dear_compliance_officer_final.pdf)

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### Question 7.1

#### **When will more guidance be made available to deposit takers regarding the format of pre implementation reports and implementation reports?**

The COMP rules set out the information that deposit takers are required to provide to the FSA in their pre-implementation, implementation and SCV reports.

FSCS recognise that many deposit takers are seeking additional guidance (and in some cases requesting templates) to use. We are working with the FSA to ensure that deposit takers have sufficient information available to support the efficient submission of the various reports and will make more information available as soon as practicable.

FSCS published a pre implementation reporting template in June 2010 *and intend to publish SCV Report and an Implementation Report templates in early November 2010*

Deposit takers should note that as part of the 'transmission and format' section of the Implementation Report:

- FSCS will be asking deposit takers to provide a complete list of the different product types (i.e. the information that is used to populate the 'Product Type' field in the SCV table) that are included in the source SCV file. The product type information will be one element of the 'representativeness' assessment of the sample data, and would also be used to support customer service in the event of a default; and
- FSCS will also be asking deposit takers to confirm that they have used the same 'data type' (i.e. Alphanumeric, numeric, Numeric decimal, text) as specified in Table 1 of the Q&A document.

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**Question 7.2**

**The pre-implementation and implementation reports both require deposit takers to confirm how they propose to transfer the SCV files, specifying the transfer method and format. Can deposit takers decide their own transfer method and format?**

Yes. COMP does not specify the transmission method or file format.

While FSCS have provided preferred methods of SCV transmission, format and structure, deposit takers should note that adherence to these preferred options are not regulatory requirements.

Providing deposit takers with FSCS preferences helps us design appropriate processes, controls and the necessary security infrastructure around the receipt, verification and destruction of SCV data. It also allows the Verification Solution provider to automate the verification process which not only achieves cost efficiencies, but also offers additional security over SCV data.

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**Question 7.3**

**I have received a 'Dear Compliance Offer' letter from the FSCS requesting that I register with Experian for the Verification process. What is the purpose of this letter?**

The purpose of this letter is to advise you of the FSCS registration and verification process for the SCV, and to invite expressions of interest to participate in a verification pilot project to be commenced by FSCS in the near future.

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**Question 7.4**

**The 'Dear Compliance Officer' letter asks for some information that I thought I would provide in my Pre Implementation Report. Do I have to submit both?**

The 'Dear Compliance Officer' letter is asking for firms to register and provide basic information on a Registration Document.

Completing the Registration Document is voluntary, but by completing it and registering with Experian you will be able to:

- liaise with Experian on any technical issues that relate to the secure transmission of your SCV file;
- set up any electronic or physical transmission methods for the provision of the SCV file; and
- register an interest in participating in a Verification pilot scheduled to take place later this year.

The Registration Document should be returned to Experian.

The Pre Implementation Report is a COMP based requirement and those who submit the Registration Document will still be required to submit their PIR to the FSA.

## 8. SCV exclusions

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### Question 8.1

#### What types of accounts are to be excluded from the SCV file?

The SCV file provides a single, consistent view of an eligible claimant's aggregate protected deposits.

Accounts where the eligible claimant is a beneficiary rather than the account holder, or where the account is not active (as defined in COMP 17.2.3R(2)) should be excluded from the SCV file.

See Annex C, Box C represents 'not active accounts, while box D represents the beneficiary accounts. FSCS refer to these account types as 'SCV exclusions'.

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### Question 8.2

#### I understand I do not need to provide non SCV files for verification, is this right?

Correct. Firms are not required to provide non-SCV files such as the exclusions (beneficiaries and not active).

However, COMP does require that firms are able to identify which accounts (including, for example, client accounts and trust accounts) are held on behalf of beneficiaries who are or who may be eligible claimants.

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### Question 8.3

#### How will the Insolvency Practitioner be able to identify which accounts are held on behalf of beneficiaries who are or who may be eligible claimants?

FSA and the FSCS are planning on producing Pre Implementation (PIR), Implementation and SCV Reporting templates. The PIR will be made available in May 2010.

The FSCS Implementation Report template will provide deposit takers with an opportunity to provide the relevant keys and codes:

- that FSCS will use to extract ' **not** fit for straight through payout' accounts from the SCV file (for the SCV file); and
- that the IP will use to identify which accounts are held on behalf of beneficiaries who are/ may be eligible claimants (for the 'SCV Exclusions' file).

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**Question 8.4****What does 'not active' as defined by COMP 17.2.3R (2) actually mean?**

An account is not active if it:

- is a dormant account as defined in the Dormant Bank and Building Society Accounts Act 2008; or
- is an account for which the firm has received formal notice of a legal dispute or competing claims to the proceeds of the account; or
- the depositor appears on the 'Consolidated list of financial sanctions targets in the United Kingdom' that is maintained by HM Treasury.

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**Question 8.5**

**This question is specifically in relation to beneficiary accounts. We understand that:**

- **all beneficiary accounts need to be 'identifiable' and 'extractable' from our systems; and**
- **'exclusions' are not covered by the COMP verification rules.**

**However, we are planning on building our SCV solution so that it generates both the SCV and exclusion files at the same time. Does FSCS intend to provide a preferred file format for the exclusions file?**

The FSCS has no plans to produce a file specification for exclusions.

However, we would prefer that in this scenario, insofar as possible, firms provide the fields laid out in the SCV table in COMP. However, if possible, in addition FSCS would also prefer to receive the following additional information:

- The names, addresses and dates of birth for each of the underlying beneficiaries (if held); and
- An email address and phone number for the beneficiary account manager.

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**Question 8.6**

**Does a "customer" within the SCV file need to include links to all accounts i.e. both beneficial and non-beneficial relationships?**

Even if a firm can identify that a customer in the SCV file (e.g. See Annex C - file A) is also a beneficiary in the beneficiary file (e.g. See Annex C - File D), COMP does not require the two records to be linked.

While the two records should not be incorporated into the same file, where a firm can link the underlying beneficiary in the beneficiary file (e.g. See Annex C - File D) to the correct SCV record FSCS would prefer that, for reconciliation purposes, the customer's unique SCV number be attached to both records.

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**Question 8.7**

**Where an account was for a deceased customer and there is also an Executor linked to the account (clearly on a non-beneficial basis), which file (FSCS Faster Payout Q&A: Annex C) would the Deceased Person be included within and which file would the executor record be included in? If either is to be recorded within file B (i.e. accounts that are not fit for straight through payout), which “customer” record would the compensation amount be recorded against? Does this change if there is more than one executor?**

Where a customer has passed away, and the firm has received the relevant probate documentation, it is likely that the SCV record would be included in the SCV file with a key or a code that indicates that it is fit for straight through payout (i.e. file A). Please note that, where probate documentation has been received and an executor appointed, the executor’s personal SCV file (if they have one) and the SCV file for the estate should not be linked.

Where the probate documentation is pending, or there are no contact details for the estate, the FSCS anticipates that the SCV record would be included in the SCV file with a key or a code that indicates it is not fit for straight through payout (i.e file B). Please note, the FSCS would payout if there is a contact address to which it can send cheques payable to the estate.

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**Question 8.8**

**Where a customer has multiple accounts and the accounts fall in different categories (such as an account in file A (fit for Straight through payout) and an account in file C (Not Active e.g. an account which was in dispute)), can the customer exist in both the SCV file (for their file A accounts) and in the Banks systems for the file C account, or is the entire set of accounts listed under file C? Would this vary i.e. are there any circumstances when a customer can be split between the SCV file and the non SCV file locations e.g. The Child and Parents to a Child Trust Fund?**

As a general rule, customer accounts should not be split across the different files. Some scenarios are listed below:

- FSCS would not expect a customer to have separate accounts flagged as dormant and active in the same SCV record
- Individuals (not accounts) will be subject to sanctions; therefore all accounts belonging to the individual would be excluded.
- It is possible for a child to have a SCV record in file A, and a separate Child Trust Fund (in file D)

Also see Question 8.11

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**Question 8.9**

**What is meant by the file C term ‘Legally Disputed’? Does it only apply to where there is a dispute over the actual ownership of the account or does it apply to any kind of dispute e.g. if a customer was suing over charges on the account? Does the definition extend to disputes within the regulatory framework such as FOS complaints?**

FSA policy Statement 09/11 describes legally disputed as being ‘an account for which the firm has received formal notice of a legal dispute or competing claims to the proceeds of the account.’

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**Question 8.10**

**Should orphaned accounts (i.e. no name or address is held for an account with a positive balance) be included within the “Not Active” file C or under a “Dummy” customer as Category B in the SCV file?**

The Deposit Guarantee Scheme Directive 94/ Article 7 states:

‘Member States may provide that certain depositors or deposits shall be excluded from guarantee or shall be granted a lower level of guarantee. Those exclusions are listed in Annex I’ –one of the exclusions listed in Annex 1 is non-nominative deposits (accounts which have no name) and this exclusion has been transposed into COMP. Therefore accounts with no name are excluded from eligibility for compensation by FSCS.

For accounts with no address the FSCS anticipates that the SCV record would be included in the SCV file with a key or a code that indicates it is not fit for straight through payout.

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**Question 8.11**

**How should we treat customers with (for example) three accounts in their SCV file, and a fourth account that is subject to a legal dispute and excluded?**

FSCS would prefer that deposit takers include the three accounts in the SCV file, and that the fourth account is excluded from the SCV file and remains identifiable and extractable from the source systems (i.e. the fourth account remains in category C).

## 9. Pilot feedback

- 9.1 During October and November 2010, FSCS undertook a Verification Pilot with 17 volunteer deposit takers (including banks, building societies and credit unions). This Chapter provides the broader deposit taking community with some feedback and lessons that we have learnt as a result

### Initials in names

- 9.2 Please note that COMP requires full names and not initials within the SCV file.

### Address formats

- 9.3 Please note:
- the two different address formats (PAF and Multi Line) cannot be combined or used together in the same SCV file; and
  - address line information should be populated starting at the first field (i.e. House Number, or ADDRESS LINE 1), and then completing each subsequent field thereafter.

### Foreign addresses

- 9.4 Where a customer has an overseas address, please populate the country field with the relevant country. Where an overseas address has an equivalent of a post code, FSCS would prefer that this be populated in the post code field.

### Post codes

- 9.5 Please note that for PAF address formats, customer post codes must be in field 6 of Table B (see page 10, of FSCS Q&A).

Please note, that for Multi line address field formats, customer post codes must be in field 8 of Table B (see page 10, of FSCS Q&A).

### Keys and codes

- 9.6 Deposit takers should note that the code listed in the 'Account status key or code (s)' column in the Implementation Report must be an **exact** match to the code that appears in the account status fields within the Account Status field in the SCV file. Please note, where deposit takers are specifying a combined code (e.g. FRAUD / LAUND / GONEA), each combination must be specified. For the avoidance of doubt:

- FRAUD / LAUND / GONEA, is not the same as,
- GONEA / FRAUD / LAUND.

**Both** codes would need to appear in the keys and codes table if **both** codes appeared in the SCV file.

### **Treatment of joint accounts within Table C**

- 9.7 For joint accounts, the account balance (i.e. the table C figure) should represent the relevant proportion of an account balance. For example, if Customer A and Customer B have a joint account with a balance of £10,000, the 'account balance' field would be £5,000 in each SCV record, and the account holder indicator would be '02'.

### **Treatment of zero balanced accounts**

- 9.8 For the avoidance of doubt, where an eligible customer has a zero balance on one of their accounts within the SCV record, this should be included in the SCV record. Should a customer's zero balance be their only account, this should also be included in the SCV record.

### **Negative balances**

- 9.9 Deposit takers should not that negative balances (such as loans and overdrafts) should be excluded from the SCV file

### **Account numbers**

- 9.10 Please note that COMP requires 'a unique number for this account' to be provided in each SCV ID. i.e. each SCV ID should not contain duplicate account numbers.

### **SCV ID**

- 9.11 Where more than one file is provided, it is essential that each SCV ID appears in every file.

## 10. Further contact details

- 9.1 The FSCS will maintain a copy of this document on its website. In addition to notifying trade bodies when updates are posted, the FSCS will also email those who have sent an enquiry to the email address below.
- 9.2 Specific questions for the FSCS can be sent to the email address below. We will endeavour to answer your question as soon as practicable and will keep you updated regarding the status of your response. Please send enquiries to [fasterpayoutenquiries@fscs.org.uk](mailto:fasterpayoutenquiries@fscs.org.uk).
- 9.3 The FSCS intends to keep the format, content and use of this document under review and will liaise closely with the FSA, deposit takers and trade associations to ensure deposit takers have access to the necessary information to plan and deliver SCV in the most effective way.

## Annex A – Eligibility – FSCS’s summary of the FSA Compensation Handbook

This note provides a summary by the FSCS of the eligibility criteria as at 7 October 2009, extracted from the FSA COMP Rules. This is not formal FSA guidance and cannot be relied upon as demonstrating compliance with FSA rules. These criteria may be subject to change at any time by the FSA.

Deposit takers should see the FSA Handbook Compensation sourcebook COMP 4.2R and COMP 4.3R for full wording and are strongly recommended to take their own expert advice on the application of the eligibility rules.

**Note:** Words in *italics* are defined in the glossary<sup>9</sup> to the FSA Handbook.

A *person* will be eligible to claim compensation from the FSCS unless they are excluded.

Persons who are currently NOT eligible to claim compensation from the FSCS in the event of a bank failure:

1. *Firms* (other than a *sole trader firm*; a *credit union*; a trustee of a <http://fsahandbook.info/FSA/glossary-html/handbook/Glossary/?definition=G1195> *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*; a *firm* carrying on the *regulated activity* of operating, or winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*; or a *small business* <http://fsahandbook.info/FSA/glossary-html/handbook/Glossary/?definition=>; in each case, whose *claim* arises out of a *regulated activity* for which they do not have a *permission*).
2. *Overseas financial services institutions*.
3. *Collective investment schemes* and anyone who is the operator or trustee of such a scheme.
4. Pension and retirement funds, and anyone who is a trustee of such a fund. However, this exclusion does not apply to:
  - a trustee of a *personal pension scheme* or a *stakeholder pension scheme* (which is not an *occupational pension scheme*); or
  - a trustee of a *small self-administered scheme* or an *occupational pension scheme* of an employer which is not a *large company*, *large partnership* or *large mutual association*.
5. Supranational institutions, governments, and central administrative authorities.
6. Provincial, regional, local and municipal authorities.
7. *Directors* and *managers* of the *relevant person in default* (*but see note at end*). However, this exclusion does not apply if:
  - the *relevant person in default* is a mutual association which is not a *large mutual association*; and
  - the *directors* and *managers* do not receive a salary or other remuneration for services performed by them for the *relevant person in default*; or
  - the *relevant person in default* is a credit union.
8. *Bodies corporate* in the same *group* as the *relevant person in default* unless that *body corporate* is:

<sup>9</sup> <http://fsahandbook.info/FSA/html/handbook/Glossary>

- a trustee that falls within point (1) or (4) above; or
  - carrying on the *regulated activity* of operating or winding up a stakeholder pension scheme (which is not an *occupational pension scheme*) or *personal pension scheme*.
9. *Persons* holding 5% or more of the capital of the *relevant person in default*, or any body corporate in the same group (*but see note at end*).
10. The auditors of the *relevant person in default*, or of any *body corporate* in the same group as the *relevant person in default*, or any *actuary* appointed under SUP 4 (Actuaries) in the Supervision sourcebook by a *friendly society* or *insurance undertaking* in default (*but see note at end*).
11. *Persons* who, in the opinion of the FSCS, are responsible for, or have contributed to, the *relevant person's* default (*but see note at end*).
12. *Large companies*<sup>10</sup> or *large mutual associations*.
13. *Persons* whose claim arises from transactions in connection with which they have been convicted of an offence of *money laundering*.

**Note: The exclusions (1) to (3), (7), and (9) to (11) do not apply if, on the date of default, the claimant was not a large company, large mutual association, or a credit institution (defined in the Glossary to the FSA Handbook).**

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<sup>10</sup> Defined as "A body corporate which does not qualify as a small company under section 382 of the Companies Act 2006.". The limits were recently changed (through the "Companies Act 2006 (Amendment) (Account and Reports) Regulations 2008 (SI 2008 No. 393)").

## Annex B – FSCS’s summary of protected deposits

**This is not formal FSA guidance and cannot be relied upon as demonstrating compliance with FSA rules.**

*IMPORTANT: this list is not exhaustive and is provided for indicative purposes only. Deposit takers should take their own expert advice to ensure they understand and apply the FSA Rules (namely COMP Rule 5.3).*

### COMP 5.3.1

*A deposit is a protected deposit only if:*

*(1) the deposit was made with:*

- (a) an establishment of a relevant person in the United Kingdom; or*
- (b) a branch of a UK firm which is a credit institution established in another EEA State under an EEA right; and*

*(2) the deposit is not:*

- (a) a bond issued by a credit institution which is part of the institution's capital, as set out in the Consolidated Banking Directive (Directive 2000/12/EC); or*
- (b) a secured deposit; or*
- (c) a deferred share issued by a building society; or*
- (d) a non-nominative deposit (that is, a deposit made without disclosing the depositor's identity).*

*“Deposit” is defined by Article 5 of the Regulated Activities Order 2001.*

### DGSD Article 1 definition:

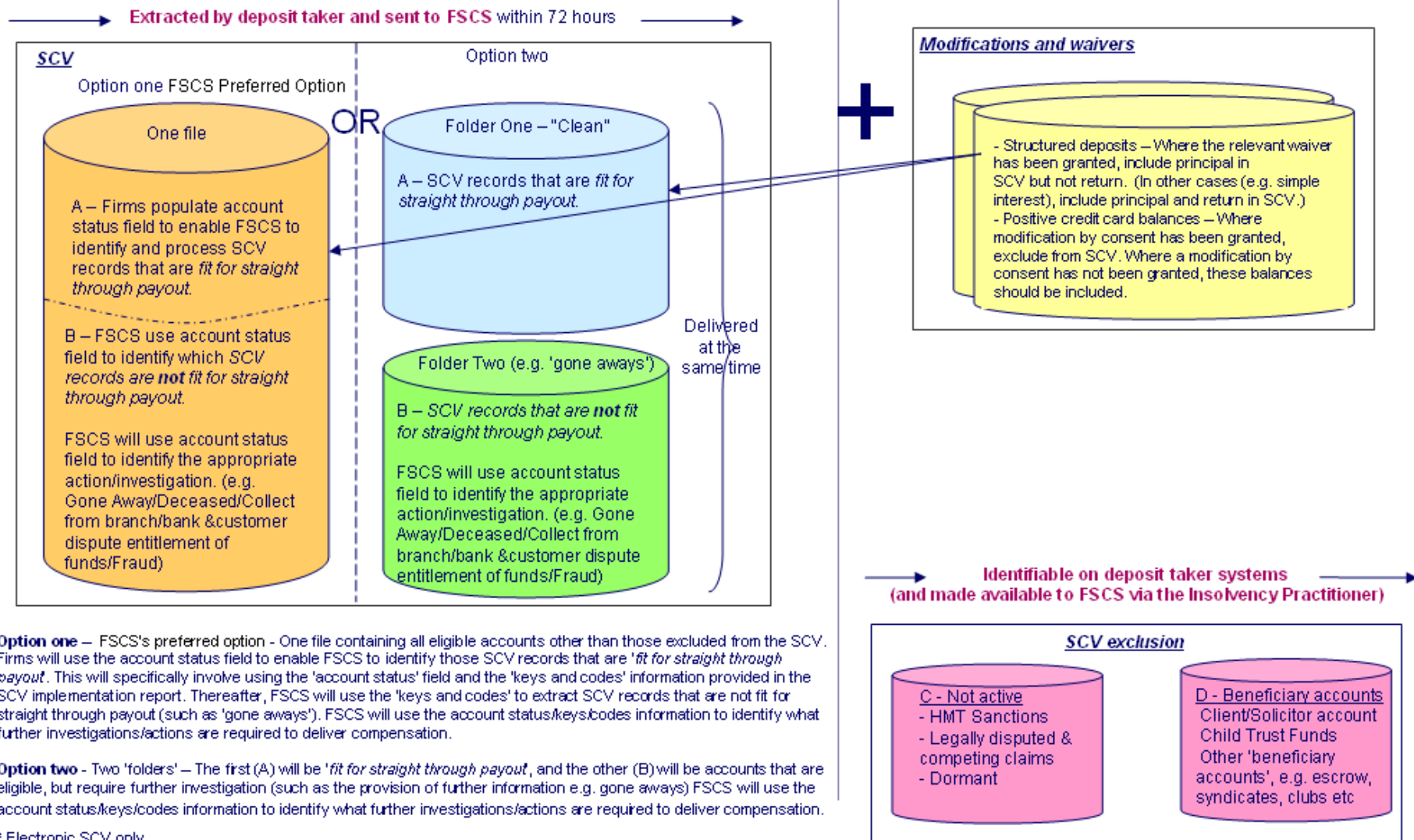
*“Deposit” shall mean any credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay under the legal and contractual conditions applicable, and any debt evidenced by a certificate issued by a credit institution.*

### **FSCS protected (indicative only)**

- Current accounts
- Savings accounts
- Deposit accounts
- Fixed term deposit accounts
- Notice accounts
- Cash ISAs
- TESSA roll over accounts (TOISAs)
- Child Trust funds (deposits)

*NB All currencies covered*

# Annex C – Single Customer View\* File Contents



**Option one** – FSCS's preferred option - One file containing all eligible accounts other than those excluded from the SCV. Firms will use the account status field to enable FSCS to identify those SCV records that are 'fit for straight through payout'. This will specifically involve using the 'account status' field and the 'keys and codes' information provided in the SCV implementation report. Thereafter, FSCS will use the 'keys and codes' to extract SCV records that are not fit for straight through payout (such as 'gone aways'). FSCS will use the account status/keys/codes information to identify what further investigations/actions are required to deliver compensation.

**Option two** - Two 'folders' – The first (A) will be 'fit for straight through payout', and the other (B) will be accounts that are eligible, but require further investigation (such as the provision of further information e.g. gone aways) FSCS will use the account status/keys/codes information to identify what further investigations/actions are required to deliver compensation.

\* Electronic SCV only