



Faster Payout – 19 October 2010 Update SCV Questions and Answers

19 October 2010

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1. Introduction

- 1.1 The purpose of this document is to provide deposit takers with a summary of the amendments that have been made to the FSCS Faster Payout Q&A document. The updates included in this document will be incorporated into the FSCS Faster Payout Q&A
- 1.2 The FSA's policy and rules detailing the SCV requirements was published in the Policy Statement Banking and Compensation Reform (PS09/11¹). Further rules governing the verification requirements and the smaller firm exemption notifications were published in November 2009 (PS09/18)². Setting and enforcing the regulatory framework, including the SCV requirements referred to in this document, remains the responsibility of the FSA.
- 1.3 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.
- 1.4 The information is presented as a series of questions and answers (Q&As). 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

¹ http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_11.shtml

² http://www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_18.shtml

2. Milestones

2.1. No updates to Chapter 2 – Milestones.

3. The Single Customer View File

Additional/amended questions added on 18 October

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).

Question 3.9 (Updated October 2010)

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.

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).

Question 3.22 (Updated October 2010)

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, Gone Away	N
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.

Question 3.23 (Updated October 2010)

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 codes that represent both 'fit for straight through payout' and 'not fit for straight through payout' statuses.

For the avoidance of doubt, all 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 through 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

Question 3.24 (Updated October 2010)

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.

Question 3.25 (Updated October 2010)

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)

Question 3.26 (Updated October 2010)

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).

Question 3.27 (Updated October 2010)

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.

Question 3.28 (Updated October 2010)

What information should be included in the account title field?

See the examples given in Table 1.

4. Eligibility

Question 4.19 (Updated October 2010)

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.

Question 4.20 (Updated October 2010)

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.

5. Calculation

Question 5.3

What if the compensation limit changes? (See italics for update 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)³, FSA are consulting on a proposed change to the compensation limit.

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.

Question 5.10 (Updated October 2010)

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

³ http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10_22.shtml

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>

Question 5.22 (Updated October 2010)

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 (Updated October 2010)

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.

6. SCV Verification - Transmission and security

No updates to this section, but deposit takers may be interested in the Security Update posted on the News and Events section of the FSCS SCV internet dated 13 October 2010.

7. FSA Reporting Requirements

Question 7.1 (Updated October 2010)

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.

8. SCV exclusions

Question 8.11 (Updated October 2010)

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).