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[NAME OF FIRM]

CONDUCT OF BUSINESS POLICY

1. INTRODUCTION

- 1.1 This Conduct of Business Policy (the "**Policy**") details the compliance policies and consequent procedures which [name of firm] (referred to as "**we**" or "**us**" in this document) has adopted in order to facilitate compliance with the Payment Services Regulations 2009 (the "**PSRs**") and the rules of the Financial Services Authority (the "**FSA**").
- 1.2 The principal sources of our regulatory obligations (the "**obligations**") may be found in the PSRs (which derive from the EU Directive 2007/64/EC on payment services in the internal market). FSA guidance on our obligations may be found in their "approach document"¹, which can be found on the FSA's website at www.fsa.gov.uk. The FSA have also published "perimeter guidance" to help firms consider whether their activities fall within the scope of the PSRs (see FSA doc 2009/19).
- 1.3 Our principal compliance obligations include: (i) providing relevant service and charges information to our customers, (ii) incorporating mandatory terms in our contracts with customers, (iii) executing our customers' orders within certain time-frames, (iv) granting our customers refunds if certain conditions are met, and (v) dealing with complaints in a fair manner.
- 1.4 **A copy of this Policy will be supplied to each employee of [name of firm]. The requirements set out in this Policy are mandatory unless otherwise stated and must be followed by all our employees and agents. It is the responsibility of each such person to acquaint themselves with the requirements of this Policy. [Failure to comply with this Policy may constitute a serious disciplinary offence and could result in dismissal.]**
- 1.5 This Policy is supplementary to our other published policies, including our anti-money laundering, complaints and data protection policies.

2. TRANSACTIONS UNDER FRAMEWORK CONTRACTS

When we should use a Framework Contract

- 2.1 Where we have an ongoing relationship with a customer, we must ensure that a "**Framework Contract**" is put in place which will govern future execution of individual

¹ The approach document describes the FSA's approach to implementing the PSRs and aims to give readers links to all the information they need to have a comprehensive picture of the new regime. It also provides guidance to give a practical understanding of the new requirements, the FSA's regulatory approach and how businesses will experience regulatory supervision.

and successive payment transactions. We must comply with the terms and condition of the Framework Contract in addition to the guidelines set out in this Policy.

Providing customers with a Framework Contract and changes to such contract

- 2.2 A Framework Contract (which includes all the information specified in Schedule 4 to the PSRs) should be provided on paper or another durable medium² to a prospective customer in good time before such customer will be bound by its terms and conditions. We must also supply our customers with additional/replacement copies of the Framework Contract upon request. Any changes to a Framework Contract in place with a customer should be communicated at least two months before they are due to take effect. However, changes to exchange rates may be applied immediately and without notice if (and only if) (i) this has been agreed in the Framework Contract and the changes are based on the "reference exchange rates" information already provided in the Framework Contract to the customer³ or (ii) the changes are more favourable to our customer. The addition of new payment services to an existing Framework Contract, which do not change the terms and conditions relating to the existing payment services, will not be treated as a change and so do not require two months' notice.
- 2.3 We must make sure that any interest rate or exchange rate changes are implemented and calculated in a neutral manner that does not discriminate against our customers. This means that customers should not be unfairly disadvantaged - for example, by using a calculation method that delays passing on changes in rates that favour customers but more quickly passes on changes in our favour.

Termination of a Framework Contract

- 2.4 A Framework Contract may be terminated by a customer at any time, unless a period of notice (not exceeding one month) has been agreed. Any charge that is made for termination must reasonably correspond to our actual costs. However, if the contract has been running for 12 months or more and is for a fixed period of more than 12 months or for an indefinite period, then no charge should be made for termination. We may charge regular service charges for the running of the payment services, but any advance payments in respect of such service charges must be returned on a pro-rata basis upon termination of a Framework Contract.
- 2.5 We must give at least two months' notice if we wish to terminate a Framework Contract that is not for a defined term.

² That is, in a way which allows the customer to store information addressed personally to him in a way accessible for future reference for an adequate period of time and which allows the unchanged reproduction of the information stored.

³ ie information in respect of the exchange rate which is used as the basis for calculating any interest to be applied and which comes from a publicly available source which can be verified by both parties to a contract for payment services.

Information to be provided at the request of a customer prior to execution of a transaction

- 2.6 Where a payment order is given to us direct by a payer customer, we must, at the customer's request, inform the customer of:
 - 2.6.1 the maximum execution time for the transaction concerned; and
 - 2.6.2 any charges payable (including a breakdown of those charges where applicable).

Information to be provided to a payer customer on individual payment transactions

- 2.7 We must provide our payer customers with the information set out in the Framework Contract in respect of individual payment transactions, including:
 - 2.7.1 a reference enabling the customer to identify the payment transaction and, where appropriate, information on the payee;
 - 2.7.2 the amount of the transaction in the currency of the payment order, along with details of any exchange rate used and the amount of the payment transaction after it was applied;
 - 2.7.3 the amount and breakdown of any transaction charges, so that the customer knows the total charge he is required to pay; and
 - 2.7.4 the date of receipt of the payment order.

Information to be provided to a payee customer on individual payment transactions

- 2.8 We must provide our payee customers with the information set out in the Framework Contract in respect of individual payment transactions, namely:
 - 2.8.1 a reference enabling the customer to identify the payment transaction and, where appropriate, information on the payer and any information transferred with the payment transaction;
 - 2.8.2 the amount of the payment transaction in the currency in which the funds are at the customer's disposal;
 - 2.8.3 any exchange rate used by us and the amount of the payment transaction before it was applied; and
 - 2.8.4 the amount and breakdown of any transaction charges.

How Framework Contract information must be presented

- 2.9 The pre-contractual information required to be provided to Framework Contract customers (which information should be included in the draft Framework Contract itself)

must be provided to the customer (that is, sent or given directly to the customer) on paper or another durable form (eg by e-mail) in a way which enables our customer to store and reproduce the information unchanged. If a customer so requests, we must provide post transaction information to Framework Contract customers on paper or another durable medium. We must also provide such information as soon as reasonably practicable after each individual transaction. If agreed in the Framework Contract, such post transaction information may be provided or made available at least once a month, for example through a secure website or on request.

Low Value Payment Instruments

- 2.10 Low value payment instruments are those that under a Framework Contract can only be used for individual transactions of €30 (or equivalent) or less, or for transactions executed wholly within the UK of €60 (or equivalent) or less.
- 2.11 In cases of low value payment instructions, we only have to provide the following, less detailed, information to customers regarding the main characteristics of our payment service:
- 2.11.1 the way in which the instrument can be used;
 - 2.11.2 the payer's liability for unauthorised payment transactions;
 - 2.11.3 details of any charges applicable;
 - 2.11.4 any other material information that the customer might need to make an informed decision; and
 - 2.11.5 details of where the customer can easily access the full information in Schedule 4 of the PSRs that must normally be disclosed prior to being bound by a Framework Contract.

We may also agree with the customer that there is no need to communicate contractual changes in respect of low value payment instructions on paper or another durable medium.

- 2.12 Fluctuations in exchange rates between euro and sterling may cause difficulties over time in determining whether a particular payment instrument is a low value payment instrument. For example, if the value of the euro decreases against sterling, it may mean that transactions denominated in sterling which were formerly low value transactions may no longer be so. We must take a reasonable and consistent approach to dealing with such fluctuations.

3. SINGLE PAYMENT TRANSACTIONS

When we should use a Single Use Contract

- 3.1 Where we have no ongoing relationship with a particular customer, or in cases where there is such a relationship but our existing Framework Contract with the customer does not cover the particular payment service requested, we must ensure that a "**Single Use Contract**" containing the information set out at clause 36(2) of the PSRs is either provided to the customer or made easily accessible – for example by keeping it on a notice board on the premises. The Single Use Contract will govern the one-off transaction to be performed by us: we must comply with its terms and conditions as well as this Policy in order to comply with our regulatory obligations.

Information to be provided to a payer customer after receipt of a payment order

- 3.2 We must provide, or make available to, our payer customers the information set out in the Single Use Contract immediately after receipt of the payment order, including:
- 3.2.1 a reference to enable the payer to identify the transaction (and if appropriate the information relating to the payee, for example, in a money remittance what the payee will need to do to collect the funds);
 - 3.2.2 the amount of the payment transaction in the currency used in the payment order;
 - 3.2.3 details of any charges payable by the payer (including, where applicable, a breakdown of those charges);
 - 3.2.4 where the transaction involves a currency exchange and the rate used differs from the rate provided before the transaction, the actual exchange rate used (or a reference to it) and the amount of the payment in the other currency after exchange; and
 - 3.2.5 the date the payment order was received.

Information to be provided to a payee customer after execution of a payment order

- 3.3 We must provide, or make available to, a payee customer, immediately after execution of the payment transaction, the following information:
- 3.3.1 a reference to enable the payee to identify the transaction and where appropriate, relevant information transferred with it (for example, name of the payer and invoice number);
 - 3.3.2 the amount of the transaction in the currency in which the funds are being put at the payee's disposal;

- 3.3.3 details of any charges payable by the payee (including a breakdown of those charges); and
- 3.3.4 the exchange rate used (if relevant) and the amount of the payment before it was applied.

How Single Use Contract information must be provided

- 3.4 Unless a customer so requests, no information to be provided or made available to Single Use Contract customers needs to be provided on paper or another durable medium. We may give such information orally over the counter or make it otherwise easily accessible, for example by a link to a secure website.

4. GENERAL OBLIGATIONS

Communication of Information

- 4.1 We must ensure that any information provided or made available in accordance with this Policy or under the terms of the relevant contract with our customer is provided or made available:
 - 4.1.1 in an easily accessible manner;
 - 4.1.2 on paper or on another durable medium (eg email/text etc) if our customer so requests;
 - 4.1.3 in easily understandable language and in a clear and comprehensible form; and
 - 4.1.4 in English or in another language agreed between us and the customer.

Charges for Information

- 4.2 We must provide any information specified in this Policy or under the terms of the relevant contract with our customer free of charge. We may however charge for additional or more frequent provision of information, or where another means of transmission from that agreed in the relevant contract is requested, but such charges must reasonably correspond to the actual cost to us of providing the information. We must therefore be able to justify the level of any such charges.

Information on additional charges or reductions

- 4.3 If we levy an additional charge or offer a reduction in cost for using a particular means of payment (for example an additional charge for using a credit card), we must advise the customer of this before starting the payment transaction.

Each party to a payment transaction to pay own charges

- 4.4 Unless there is a currency conversion as part of the payment transaction, the payee must pay any charges levied by its payment service provider, and the payer must pay any

charges levied by its payment service provider. The effect of this is that, unless the payment transaction involves a currency conversion, arrangements where the payer pays both its own and the payee's payment service providers' charges, or conversely the payee pays both his and the payer's payment service providers' charges, will not be effective.

Currency and currency conversion

- 4.5 Where we offer a currency conversion service before a payment transaction, we must disclose to the customer the exchange rate to be used and all charges before the transaction is agreed. The payment transaction must be executed in the agreed currency.

Execution of payment transactions

- 4.6 Where we provide payment services to a payer customer, we must ensure that the amount of a payment transaction is credited to the payee's payment service provider's account by the end of the third business day following the time of receipt of the payment order⁴. "Business day" in this context means a day on which we are open for business (other than a Saturday, Sunday or public holiday).⁵
- 4.7 For the purposes of the paragraph above, the time of receipt of a payment order is the time at which the payment order is received by us. If we receive the order on a day which is not a business day for us, or if we receive an order after [17.00]⁶, we should consider ourselves as having received the order on the following business day. Where a customer agrees with us that execution of a payment order is to take place either (i) on a specific day, (ii) on the last day of a certain period, or (iii) on the day on which he has put funds at our disposal, the time of receipt is deemed to be the day so agreed. If such

⁴ After 1 January 2012, we must ensure that the amount is credited by the end of first business day following the time of receipt of the payment order. In addition, where a payment transaction is initiated by a paper payment order, the relevant timeframes may be extended by a day. However, these timeframes may be lengthened in respect of payment transactions we are carrying out for a customer (i) where the payment service provider on the opposite side of a payment transaction to us is not located within the EEA (eg where we simply send money on behalf of a payer customer to a payee whose payment service provider is located in Nigeria or India - so called "one-leg-out" transactions) or (ii) where the payment service is not carried out in euro or in the currency of an EEA state that has not adopted the euro as its currency (eg sterling).

⁵ Paragraph 4.6 applies to transactions in euro and in sterling, and those involving only one currency conversion between euro and sterling (provided that the currency conversion is carried out in the UK and any cross-border transfer takes place in euro). In respect of other transactions, we may agree with the relevant customer that such timeframes do not apply. However, in respect of transactions which are executed within the EEA, and where we provide a payment service to a payer customer, we must as a minimum ensure that the amount of the payment transaction is credited to the payee's payment service provider's account by the end of the fourth business day following the time of receipt of the payment order.

⁶ Regulation 65(3) allows payment providers to set a time towards the end of a business day after which any payment order received will be deemed to have been received on the first business day thereafter. We must give notice of this cut off time to the customer.

day agreed is not a business day for us, the payment order should be considered as having been received on the first business day thereafter.

- 4.8 Where we provide payment services to a payee customer, we must ensure the relevant funds are available to the payee customer immediately after the funds have been credited to our account.
- 4.9 Where all the conditions set out in our Framework Contract with a customer have been satisfied, we should not refuse to execute an authorised payment order, unless such execution is otherwise unlawful (eg, due to anti-money laundering legislation). Where we do refuse to execute a payment order, we must notify the relevant customer (at the earliest opportunity, and within the periods set out in paragraphs 4.8 and 4.10 above) of the refusal, and if possible, the reasons for such refusal together with the procedure for rectifying any factual errors that may have led to the refusal. The notification must be provided or made available in the way agreed in the relevant contract with the customer. However, we should not make such a notification where it would be otherwise unlawful (eg, due to restrictions on tipping-off under anti-money laundering laws). Furthermore, we do not need to provide a notification in respect of low value payment instructions if the non execution is apparent from the context (eg, the purchase is refused at point of sale).
- 4.10 A customer may only revoke a payment order after we have received such order if we consent. However, if a customer has agreed with us that execution of a payment order is to take place either (i) on a specific day, (ii) on the last day of a certain period, or (iii) on the day on which he has put funds at our disposal, such customer may revoke a payment order up to the end of the business day preceding the agreed day.
- 4.11 We must ensure that the full amount of any payment transaction is transferred and that no charges are deducted from the amount transferred. For instance, if a payer customer transacts with us to send £100 to a payee, our obligation is to ensure the whole amount is transferred to the payee's payment service provider.
- 4.12 We may agree with payee customers to deduct charges from the amount transferred to us before passing on such amount, provided that the full amount of the payment transaction and the amount of the charges are clearly stated in the information we provide to such payees. For instance, if we deduct £1 from a transferred amount of £100 (and therefore pass on £99 to a payee customer), we must ensure that this information is provided or made available to the customer.

5. **REFUNDS AND REDRESS**

- 5.1 Where we incorrectly execute a payment transaction or execute a payment transaction which was not authorised by a payer customer (ie where consent to the transaction has not been given or has been withdrawn sufficiently early), and we have been notified of

such error by the customer within 13 months after the transaction date, we must immediately refund the amount of the unauthorised payment transaction to the customer.

- 5.2 However, it will usually be reasonable for us to investigate a claim before making a refund if there is evidence to suggest that either fraud or deliberate, or grossly negligent, behaviour on the part of the customer may have occurred. Where such an investigation is justified, we should carry it out as quickly as possible in light of the circumstances.

6. **COMPLAINTS**

- 6.1 Please refer to our Complaints Policy for the procedures to be employed when dealing with customer complaints. We must ensure customers have access to our Complaints Policy upon request, and include a copy of such policy in any written acknowledgement of a customer complaint.

- 6.2 It is important that we send a written "final response" to complainants within 8 weeks after receipt of a complaint. The final response should either (a) accept the complaint and, where appropriate, offers redress or remedial action, (b) offer redress or remedial action without accepting the complaint, or (c) reject the complaint and gives reasons for doing so. The final response should also enclose a copy of the Financial Ombudsman Service's ("**FOS**") standard explanatory leaflet and inform the complainant that if he remains dissatisfied with our response, he may now refer his complaint to the FOS and must do so within six months. If we are unable to provide such a final response within 8 weeks, we should send the complainant a written response which explains why we are not in a position to make a final response and indicate when we expect to be able to provide one. This response should also inform the complainant that he may now refer the complaint to the FOS and should enclose a copy of the FOS 's standard explanatory leaflet.

- 6.3 In handling complaints, we should identify and remedy any recurring or systemic problems, for example by (a) analysing the causes of individual complaints so as to identify root causes common to types of complaint, (b) considering whether such root causes may also affect other processes or products, including those not directly complained of, and (c) correcting, where reasonable to do so, such root causes.

- 6.4 We should retain records of complaints received and the measures taken for three years from the date the complaint was received. This record may be used to help the FOS if necessary.

7. **CONTRACTS TO WHICH THE DISTANCE MARKETING REGULATIONS APPLY**

- 7.1 The Financial Services (Distance Marketing) Regulations 2004 (the "**DMRs**") apply to "distance contracts" made on or after 31 October 2004. A "**Distance Contract**" is one which has been concluded with a "consumer" (defined in the DMRs as any individual who is acting for purposes which are outside any business he may carry on), either by ourselves or by an intermediary acting on our behalf, in respect of which we (or the

intermediary) have made exclusive use of one or more means of distance communication up to and including the time at which the contract was concluded. Accordingly, if we negotiate and conclude a contract with a customer solely by telephone, post or via our internet site (or by other means without both parties being physically present at the same time), and such customer is an individual who is acting for purposes which are outside any business he may carry on, such contract will be a Distance Contract.

- 7.2 Customers who have concluded a Distance Contract with us must have the right to cancel their contract within 14 days, beginning with the day after the Distance Contract was concluded. If we provide the information referred to below in paragraph 7.3 after the date on which the Distance Contract is concluded with a customer, the cancellation period ends on the expiry of 14 calendar days from the day after the date on which the customer received the last of such information.
- 7.3 In addition to the terms and information we are obliged to provide under the PSRs, we must provide the information set out in paragraphs 8 to 13, 16, 17 and 21 of Schedule 1 to the DMRs to our Distance Contract customers. We must provide this information on paper or in another durable medium which is available and accessible to our Distance Contract customers prior to the conclusion of the Distance Contract. Informational requirements exceeding those under the PSRs in respect of Framework Contracts include informing our Distance Contract customers of any specific additional cost we charge for using the relevant means of distance communication – eg if we charge more for a customer to make a payment through our internet page or via the telephone than if the customer comes to our premises to make the payment, then we must inform our customer of this fact prior to concluding the contract. Note that if we enter into Single Use Contracts which are also Distance Contracts, the informational requirements in Schedule 1 to the DMRs go significantly further than those in the PSRs.