



HM TREASURY

Recognition Order

The Treasury:

- having complied with the requirements of section 186(1) of the Banking Act 2009 ("the Act") (including the requirement to notify Bacs Payment Schemes Limited in accordance with section 186(1)(b)); and
- having had regard to the factors specified in section 185(2) of the Act,

are satisfied that the recognition criteria specified in section 185(1) of the Act are met in respect of the inter-bank payment system specified in point 1.

Accordingly, the Treasury make this Recognition Order in exercise of the power conferred by section 184(1) of the Act.

1. SYSTEM SPECIFIED AS A RECOGNISED SYSTEM FOR THE PURPOSES OF PART 5 OF THE ACT:

Bacs

2. ARRANGEMENTS CONSTITUTING THE RECOGNISED SYSTEM:

The system consisting of the formal arrangements and the standardised arrangements designed to facilitate or control payments in respect of, or in relation to, Direct Debits, Direct Credits (including some Standing Orders), REMIT International, REMIT Domestic and Direct Credit Euro (including the settlement of funds to or from the members of Bacs in respect of such payments). These arrangements include:

- the sub-systems (including the Payment Engine Standard 18 – Sterling stream; the REMIT Domestic – Sterling stream; the REMIT International – Sterling stream; the Payment Engine Standard 18- Euro stream; the REMIT Domestic- Euro stream and the REMIT International – Euro stream);
- the Bacs Rules;
- the infrastructure utilised to facilitate or control payments to or from the members of Bacs.

SIGNED:

Tony Cunningham

Frank Roy

Two of the Lords Commissioners of Her Majesty's Treasury

DATE OF RECOGNITION: 5th January 2010

Notes

These notes do not form part of the Recognition Order

1. Bacs provides five electronic payment schemes: Direct Debits,¹ Direct Credits² (including some Standing Orders³), REMIT International, REMIT Domestic and Direct Credit Euro. Approximately 115,000 businesses use the services of Bacs. In 2008 Bacs processed on average 22.2 million electronic payments per day with an average total value of £15.5 billion per day.⁴
2. The Treasury are satisfied that the recognition criteria specified in section 185(1) of the Act are met by Bacs, having regard to the factors specified in section 185(2) of the Act. The Treasury note, in particular, that at the time of recognition:
 - (a) Bacs is the largest payment system in the UK by volume of transactions;
 - (b) 1.6% of the total average payments by value and 36.2% of the total average payments by volume effected through UK payment systems (referred to in the Bank of England's Payment Systems Oversight Report 2008) each day are processed through Bacs; and

¹ Direct Debits are instructions submitted by an organisation to collect a payment from a bank or building society account. Direct Debits are commonly used to effect the payment of utility bills such as gas, water and electricity.

² Direct Credits are electronic transfers of funds to a bank or building society account. For example, most salary payments are made in this way.

³ Standing Orders are arrangements set up by a customer for regular payments to be made from a bank or building society account to another account.

⁴ *Payment Systems Oversight Report 2008*, Bank of England (April 2009).

(c) Bacs is used to make payments that are vital to UK households, such as salary payments and payments of benefits and tax credits.

3. In accordance with section 186(1) of the Act, before making this Recognition Order, the Treasury consulted the Bank of England and notified the operator of Bacs, Bacs Payment Schemes Limited, and considered any representations made.

