

Form B – General Direction 3

Please complete the form below, ensuring that you respond to each section of the paper. The **main headings** relate to the reporting requirements of general direction 3 (3.4, a-f). The *sub-headings* provide you with guidance on the information that we would like you to provide in order to meet the reporting requirements.

a) Self-assessment by the operator on compliance of its access requirements contained in regulation 97 of the PSR 2009 throughout <u>2016/17</u> .	
<p><i>I) Please provide a statement as to whether you consider that you have complied with the obligation contained in regulation 97 of the PSR 2009 throughout 2016/17.</i></p> <p><i>You should cross reference a statement of compliance from a responsible person.</i></p>	<ul style="list-style-type: none"> ➤ Visa Europe considers itself to be compliant with the requirements of Regulation 97 of Payment Services Regulation 2009. ➤ Visa Europe’s access requirements may vary but are proportionate to the level of risk an applicant is deemed to pose for example, should it be unable to meet its settlement obligations. ➤ The above statements were endorsed by the Scheme Commercial Committee on 25 October 2017. Authority for oversight of the Scheme Business Unit is delegated to the Scheme Commercial Committee by the Visa Europe Chief Executive Officer.
<p><i>II) Please provide us with an explanation of why you consider that your access requirements mean that you have complied with the obligation contained in regulation 97 of the PSR 2009.</i></p>	<ul style="list-style-type: none"> ➤ The Visa Europe access requirements are broken down into distinct areas that form the main components of the application process (https://www.visaeurope.com/enabling-payments/information-for-partners/), and third party agents that are not a class of membership: <p>Eligibility Criteria</p> <p>The eligibility criteria outlined in the Visa Europe Membership Regulations are applied fairly and consistently to all client membership applications. To be eligible for Visa Europe membership, an entity must have a licence to operate from the relevant regulatory authority. Given that the license decision rests with the relevant regulator this requirement is objective. The requirement is non-discriminatory as it forms part of the eligibility criteria set out in the Membership Regulations (currently available upon request under a Non-Disclosure Agreement). The licence must permit the entity to engage in the activities it is</p>

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intending to carry out using the Visa Europe systems, and is therefore proportionate.

Risk Review

Visa Europe confirms that it applies its Credit Settlement Risk policy uniformly and consistently, both to applications and, on an ongoing basis, to all of its clients therefore meeting the objective and non-discriminatory criteria.

Anti-Money Laundering Review

The AML Policy and process ensure the AML review is conducted in an objective and non-discriminatory manner. The level of due diligence, set out in the policy and process documentation completed by Visa Europe is dependent on the nature of the relationship (i.e. the class of membership being applied for/ held) and is therefore proportionate to the potential level of risk and the requirements set out in applicable regulations such as the Bank Secrecy Act/ USA PATRIOT Act.

Technical Implementation

In order to conduct technical implementation, the membership process is required to have been completed and appropriate users established via Visa On Line (VOL). All other requirements for the implementation of products and services are based on, and proportionate to the client's intended activity and any technical restrictions rather than on Visa Europe policy requirements specifically.

Fees

Initial Service Fees (ISFs) are documented in the Fee Guides. When an application for membership is approved an ISF becomes payable by the applicant. The ISF is a one-off fee which gives clients rights to use the Visa brand/product. The level of the fee depends on the class of membership being applied for, and, for Issuers, the number of cards issued. ISFs are therefore proportionate to intended level of business.

The Access Fee is a recurring annual fee that is based on the level of activity (e.g. processing volumes) and is therefore proportionate to the client's level of business with Visa Europe. Having documented fees linked to intended activity ensures they are applied in an objective, proportionate and non-discriminatory manner.

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	<p><u>Third Party Agents</u></p> <p>Under the Visa Core Rules and Visa Product and Services Rules, clients must register all third parties providing services for them. Acquiring clients must ensure that they, their merchants and sponsored merchants only use agents that are registered with Visa Europe.</p> <p>The requirements set out above are applied objectively across all applicants. Access requirements may vary but are proportionate to the level of risk an applicant is deemed to pose, for example, should it be unable to meet its settlement obligations. Applicants are reviewed against the processes in place as described above and the approval decision rests with the Scheme Commercial Committee to ensure a consistent approach when considering the facts presented.</p>
<p><i>III) Please highlight any changes that have been made to the access requirements over 2016/17. Where changes have been made, please explain how they better meet the obligation contained in regulation 97 of the PSR 2009 and how they addressed any relevant concerns or focus areas we have identified.</i></p>	<p>➤ Visa Europe is in the process of integrating with Visa Inc. and has taken some steps towards a global client licensing model. There are a number of ‘integration principles’ which are aligned to regulation 97 of the PSR 2009 including, but not limited to:</p> <ol style="list-style-type: none"> 1. Enhancing the client experience; 2. Improving time to market; and 3. Increasing clarity and transparency in process and decision making. <p>Some of the more significant changes include:</p> <ol style="list-style-type: none"> 1. Application licensing decisions are now under delegated authority to the Scheme Commercial Committee which meets every week, as opposed to the Europe Risk Committee which is updated quarterly. 2. Service Level Objective established for the end-to-end process of 40 business days, reducing from a licencing time in the region of 100 days. 3. Simplification of document requirements (e.g. the Visa Europe Trade Mark Licence, Visa Europe Technology Licence and Visa Europe Membership Deed is in the process of being replaced with the VEL Membership Agreement. The changes made do not materially alter Visa Europe’s access requirements. 4. License fee payable upon approval rather than upon application. 5. In August 2017 the Member Risk Policy was replaced with the Credit Settlement Risk Policy. The

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	<p>new policy expands the risk controls to include letters of credit, guarantees and securities. In addition to this, updates were made to the principles guiding the method for calculating client exposure to provide a more accurate view of the risk posed.</p> <p>6. The Visa Europe Operating Regulations were incorporated into the Visa Core Rules and Visa Product and Service Rules. The purpose of the change was to align into a global model, making the rules simpler for those clients operating on a global basis rather than having separate rules for European and rest of the world Visa engagements.</p> <p>Relevant internal stakeholders e.g. Account Executives are receiving training on the end-to-end membership process.</p>								
b) Details of all occasions in 2016/17 when an expression of interest in potentially securing direct access or direct technical access has been made and details of the operator's response to, and outcome of, such expression of interest.									
<p><i>I) Information for publication on new members and demand for access.</i></p>	<p><i>Complete the following table. Data should be correct as at 30 September 2016.</i></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;"><i>Expressions of interest</i></th> <th style="text-align: center;"><i>Signed letters of intent</i></th> <th style="text-align: center;"><i>New members during reporting period</i></th> <th style="text-align: center;"><i>No. of participants¹</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">➤ 14</td> <td style="text-align: center;">➤ 14</td> <td style="text-align: center;">➤ 10</td> <td style="text-align: center;">➤ 113 (of which 77 UK Principal Members, 36 other classes of membership)</td> </tr> </tbody> </table>	<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of participants¹</i>	➤ 14	➤ 14	➤ 10	➤ 113 (of which 77 UK Principal Members, 36 other classes of membership)
<i>Expressions of interest</i>	<i>Signed letters of intent</i>	<i>New members during reporting period</i>	<i>No. of participants¹</i>						
➤ 14	➤ 14	➤ 10	➤ 113 (of which 77 UK Principal Members, 36 other classes of membership)						
<p><i>II) Confidential information on demand for access.</i></p>	<p><i>Please complete the table at confidential annex 1. This information will not be published.</i></p>								

¹ Non-Member licensees are not included in scope.

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c) Details of all occasions in 2016/17 when an enquiry or objection regarding potential changes to the access requirements has been made to the operator and details of the operator's response to, and outcome of, such enquiry or objection.	
<i>I) Number of enquires made to change access requirements</i>	<ul style="list-style-type: none"> ➤ Visa Europe has collated information from all client facing roles during the relevant period. Of those teams, no enquiries were received to change access requirements.
<i>II) Please provide a general explanation of the process that is followed to deal with these enquires.</i>	<ul style="list-style-type: none"> ➤ The relationships between Visa Europe and its clients are handled by Visa Europe's Account Executives. These teams, deployed throughout Visa Europe's local offices and headquarters, are the interface between Visa Europe and its clients and are ordinarily the first port of call for any client queries, including any possible enquiries to change Visa Europe's access requirements. The Account Executives pass the queries to the relevant teams within Visa Europe in order to respond to the client in a timely manner.
<i>III) Number of objections made to any proposed changes.</i>	<ul style="list-style-type: none"> ➤ Visa Europe has collated information from all client facing roles during the relevant period. Visa Europe did not receive any objections from UK parties to proposed changes to its access requirements during the relevant period. ➤ In addition to the above, Visa Europe introduced a complaints capture process in July 2017 to ensure that complaints are centrally captured and handled within a reasonable timeframe. No complaints were recorded during the relevant period relating to Visa Europe's access requirements.
<i>IV) Please provide a general explanation of the process that is followed to deal with these objections.</i>	<ul style="list-style-type: none"> ➤ The relationships between Visa Europe and its clients are handled by Visa Europe's Account Executives. These teams, deployed throughout Visa Europe's local offices and headquarters, are the interface between Visa Europe and its clients and are ordinarily the first port of call for any client queries, including any possible objections to proposed changes to Visa Europe's access requirements. The Account Executives pass the queries to the relevant teams within Visa Europe in order to respond to the client in a timely manner. ➤ Visa Europe also introduced a centralised 'Complaints Capture Process' in July 2017, see above
<i>V) Confidential information on enquiries and objections.</i>	<i>Please complete the table at confidential annex 2. This information will not be published.</i>
d) Details of all occasions in 2016/17 when the operator has engaged with, and considered, the views of payment service providers and other interested parties on the operation and effectiveness of its access	

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requirements.	
<p><i>I) Please provide a general explanation of the process you follow to engage with interested parties.</i></p>	<ul style="list-style-type: none"> ➤ Visa Europe has previously surveyed those entities that have gone through the membership application process during the relevant period to obtain feedback on the operation and effectiveness of its access requirements. <p>However, as previously noted, Visa Europe has made, and is in the process of making a number of changes to the application process to better align to regulation 97 of the PSR 2009 and to address feedback received regarding the number of forms. Given the transition period, Visa Europe will look to recommence requests for feedback once the changes are fully in force. This will promote better outcomes, as the feedback will be accurate, based on the new processes being introduced and therefore allow Visa Europe to make better informed decisions based on the feedback received.</p>
<p><i>II) Confidential information on views expressed relating to the operation and effectiveness of the access requirements.</i></p>	<p><i>Please complete the table at confidential annex 3. This information will not be published.</i></p>
e) Details of any anticipated <i>operator</i> review, or engagement with <i>payment service providers</i> and other interested parties, that the <i>operator</i> plans to take over the following 12-month period in relation to its access requirements.	
<p><i>I) If you have work on-going reviewing your access requirements please include a description of that work. You should explain the aim of the work (and how it related to the GD2 obligation), the progress that has been made to date, the way in which stakeholders have informed the work and the expected completion date.</i></p>	<ul style="list-style-type: none"> ➤ Financial Services (Banking Reform) Act 2013 ("the Act"): As Visa Europe continues to work with stakeholders on how they plan to meet rules relating to the ring-fencing of core UK financial services and facilities, it will become clearer how these plans relate to, or are impacted by, the Visa Europe access requirements. These plans, once known, will feed into any future developments/ amendments to the Visa Europe access requirements. This is an ongoing piece of work based on stakeholder needs and is expected to continue up until 2018. ➤ Enquiries Mailbox: Visa Europe performed a review of the enquiries mailbox included in the membership section of its website (https://www.visaeurope.com/enabling-payments/information-for-

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	<p>partners/enquiry-form). The purpose of the review was to determine the effectiveness of the access mailbox in capturing genuine membership enquiries. A comparison was made between the number of enquiries received and those that resulted in a membership application to Visa Europe between the period of October 2016 - September 2017. Over the 12-month period, 18 (non-spam) UK membership enquiries were received and 2 of the enquiries received resulted in a membership application.</p>
<p>II) If you are planning to review your access requirements in the next 12 months please include a description of the planned work. You should explain the aim of the work (and how it related to the GD2 obligation), the way in which stakeholders will be engaged in the work, the planned stages of the project and the expected completion date.</p>	<p>➤ N/A – General Direction 2 is not applicable to Visa Europe. Current and planned changes are set out above in relation to General Direction 3 which is applicable to Visa Europe.</p>
<p>f) Details of any anticipated future developments that the operator considers may require or justify material updates or changes to its access requirements.</p>	
<p>I) Please provide an explanation of the anticipated future developments you have identified.</p>	<p>➤ Financial Services (Banking Reform) Act 2013 ("the Act"): As Visa Europe continues to work with stakeholders on how they plan to meet rules relating to the ring-fencing of core UK financial services and facilities, it will become clearer how these plans relate to, or are impacted by, the Visa Europe access requirements. These plans, once known, will feed into any future developments/ amendments to the Visa Europe access requirements. This is an ongoing piece of work based on stakeholder needs and is expected to continue up until 2018.</p> <p>➤ Alignment with Visa Inc.: following the Visa Europe by Visa Inc. in June 2016 – please refer to a) iii for more detail on changes that are in progress/ taken affect.</p>
<p>II) Please provide an explanation of how any of these developments could have an</p>	<p>Please refer to a) iii for more detail on changes that are in progress/ taken affect.</p>

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impact on your access requirements.	
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