

Bank of England

3: For consultation – draft CoPs for market oversight of wholesale cash distribution

Section 3 of the Bank's Consultation on the codes of practice for wholesale cash distribution market oversight

November 2023

CODES OF PRACTICE RELATING TO WHOLESALE CASH DISTRIBUTION

Powers exercised

- A. The Bank of England (the “Bank”) publishes these codes of practice in the exercise of its powers under section 206L of the Banking Act 2009 (the “Act”).
- B. Failure by a recognised person to comply with a code of practice under section 206L of the Act, will constitute a “compliance failure” under section 206R(a) of the Act, which can result in the imposition of a sanction under sections 206T to 206V of the Act. Under section 206S of the Act, the Bank may publish details of a compliance failure and of any sanction imposed under sections 206T to 206V of the Act.

Pre-conditions to making

- C. [In accordance with section 206L(3) of the Act, the Bank consulted such persons as appeared to it to be representative of persons likely to be affected by each code of practice. During the consultation period, the Bank published a draft of the proposed codes of practice. After consultation, the Bank published these codes of practice, having had regard to representations made.]

Codes of Practice: Wholesale Cash Distribution 2023

- D. The Bank publishes the codes of practice in the Annexes to this document.

Code of Practice	Annex
Information gathering (which incorporates the WCD Data Catalogue)	A
Third-party arrangements	B
Cash centre closure and market exit	C

Definitions

- E. In these codes of practice, the following definitions apply:

arrangement

includes an arrangement of any form

associate

means (in relation to a *person*) an *undertaking* in the same *group* as that *person*

backing FI

means a *recognised person* in respect of its *specified relevant function* of providing financial assistance

Bank

means the Bank of England as defined in Schedule 1 of the Interpretation Act 1978

banknote

has the meaning given in section 206E(2) of the Banking Act 2009

business day

means (in relation to anything done or to be done in (including to be submitted to a place in) any part of the United Kingdom) any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the United Kingdom

business continuity plan

has the meaning given in paragraph 3.1 of the Code of Practice – Information gathering

business plan

has the meaning given in paragraph 4.1 of the Code of Practice – Information gathering

calendar month and calendar quarter

have the meaning given to those terms in the WCD Data Catalogue

cash centre

means a premises that is owned, leased or otherwise occupied, by an *operator* for the purpose of carrying out any of the following *specified relevant functions*:

- (a) undertaking;
- (b) managing; or
- (c) providing a service,

directly in relation to an *operational activity*

cash centre closure

means an *operator* ceasing to perform, wholly or substantially, a *specified relevant function* in relation to an *operational activity*, at, to or from, a *cash centre*

CIT business continuity plan

has the meaning given in paragraph 3 of the Code of Practice – Third-Party Arrangements

cash-in-transit activity

means the activity of transportation of *cash* by or on behalf of an *operator*:

- (a) to or from the *issuing authorities* or the *Mint*; or
- (b) between two or more *cash centres* owned, leased or otherwise occupied by such *operator* or to or from a *cash centre* owned, leased or otherwise occupied by another *recognised person*; or
- (c) to or from a *cash services user*,

whether or not such *cash-in-transit activity* is a *wholesale cash distribution activity*

cash-in-transit arrangement

means a *third-party arrangement* relating to a *cash-in-transit activity*

cash-in-transit provider

means a *third-party provider* in respect of a *cash-in-transit arrangement*

cash services user

means a *person* who receives services relating to the wholesale collection or delivery of *cash* and includes the “operator” of a “cash access coordination arrangement” (within the meaning given to those terms in Part 8B (Cash Access Service) of the Financial Services

and Markets Act 2000) but excludes a *person* in its capacity as the provider of a “cash access service” within the meaning of Part 8B (Cash Access Service) of that Act

code of practice

means a code of practice published by the *Bank* in accordance with section 206L of the Banking Act 2009

data item and data item format

have the meaning given to those terms in the WCD Data Catalogue

date of specification

means the date on which a *person* is specified in a *wholesale cash oversight order*, as a *recognised person*

director

means, in relation to a *recognised person*, any *person* appointed to direct its affairs, including:

- (a) a person who is a member of the *governing body* of the *recognised person*;
- (b) a *person* occupying in relation to it the position of a director (by whatever name called); and
- (c) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of such *recognised person* are accustomed to act

employee

means an individual:

- (a) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise; or
- (b) whose services, under an *arrangement* between that *person* and a third party, are placed at the disposal and under the control of that *person*

exit

means a *recognised person* ceasing to perform, in whole or in part, a *specified relevant function* (but does not include a *cash centre closure*)

governing body

means, in relation to a *recognised person*, the board of directors, committee of management or other governing body of the *recognised person*

group

has the meaning given by section 421 of the Financial Services and Markets Act 2000

issue

has the meaning given in section 206E(2) of the Banking Act 2009

material CIT provider

means a *cash-in-transit provider* under a *material third-party arrangement* that is a *cash-in-transit arrangement*

material third-party arrangement

means a *third-party arrangement* under which a *third-party provider* performs a process, service or activity or provides a product or good, of such importance that any deficiency in, or disruption to, the performance of such process, service or activity, or any deficiency in, or disruption to, the provision of such product or good, would be likely to significantly undermine the ability of a *recognised person* to perform a *specified relevant function*

note circulation scheme

means the contractual framework between the *Bank* and members of the scheme which governs the distribution, processing and storage of Bank of England banknotes in the United Kingdom

operator

means a *recognised person* in respect of its *specified relevant functions* of:

- (a) undertaking;
- (b) managing; and
- (c) providing a service in relation to,
an *operational activity*

operational activity

means any of the following *wholesale cash distribution activities*:

- (a) purchasing *cash* from issuing authorities or the Mint;
- (b) storing *cash*;
- (c) transporting *cash*;
- (d) receiving requests for *cash* from *wholesale customers* preparing *cash* for distribution
- (f) dispatching *cash* to *wholesale customers*
- (i) providing *cash* collection, delivery and/or deposit services;
- (k) reconciliation of *cash*;
- (l) sorting of *cash*;
- (m) undertaking authentication processes;
- (n) receiving *cash*;
- (o) facilitating the return of *cash* to *issuing authorities* or the *Mint*; and

such other *wholesale cash distribution activity* to the extent described as an “operational activity” in a *wholesale cash oversight order*

person

means a person as defined in Schedule 1 of the Interpretation Act 1978

principles

means the principles for wholesale cash distribution market oversight, published by the *Bank* in accordance with section 206K of the Banking Act 2009

recognised person

means a *person* specified in a *wholesale cash oversight order*, as a recognised person

self-assessment

has the meaning given in paragraph 5 of the Code of Practice – Information gathering

specified activity

means a *wholesale cash distribution activity* to the extent specified in a *wholesale cash oversight order*

specified relevant function

means a *relevant function* that a *recognised person* is specified in a *wholesale cash oversight order*, as performing in relation to a *specified activity*

third-party arrangement

means an *arrangement* between a *recognised person* and a *third-party provider*, whereby the *third-party provider* performs a process, service or activity, or provides a product or good, to the *recognised person*, whether directly or by sub-contracting in relation to a *specified relevant function* of such *recognised person*

third-party provider

means a *person* who performs a process, service or activity or who provides a product or good to, for, or on behalf of, a *recognised person* (and can include a *person* in the same *group* as the *recognised person*)

undertaking

means an undertaking within the meaning of section 1161(1) of the Companies Act 2006

WCD Data Catalogue

means the Bank of England Wholesale Cash Distribution market oversight reporting form instructions, which are incorporated into and form part of the Code of Practice – Information gathering, and which are available from [LINK]

wholesale collection or delivery of cash service

means a service whose sole or dominant purpose is the collection or delivery of *cash*

wholesale customer

means a *cash services user* who:

- (a) enters into an agreement that includes the provision of a *wholesale collection or delivery of cash service*, directly with a *recognised person*; or
- (b) who directly collects or delivers *cash* from or to an *operator* other than pursuant to an agreement to transport such *cash* between *operators*.

Unless otherwise defined, any italicised expression used in these *codes of practice* has the same meaning as in Part 5A of the Banking Act 2009.

Application

- F. Except to the extent stated otherwise, these *codes of practice* apply to every *recognised person* in respect of its *specified relevant functions*.

Commencement

- G. Each *code of practice* comes into force on [DATE].

Citation

- H. The *code of practice* set out in Annex A may be cited as the Code of Practice – Information gathering.

- I. The *code of practice* set out in Annex B may be cited as the Code of Practice – Third-party arrangements.
- J. The *code of practice* set out in Annex C may be cited as the Code of Practice – Cash centre closure and market exit.
- K. The *codes of practice* together may be cited as the Bank of England Wholesale Cash Distribution Recognised Persons Codes of Practice 2023.

Annex A

CODE OF PRACTICE - INFORMATION GATHERING

1 REPORTING REQUIREMENTS FOR OPERATORS

- 1.1 This paragraph 1 applies to each *operator* in respect of its *specified relevant functions* of:
- (a) undertaking;
 - (b) managing; and
 - (c) providing a service in relation to,
an operational activity.
- 1.2 Subject to the Code of Practice – Cash centre closure and market exit and to paragraphs 10 and 13 of this *code of practice*, an *operator* must submit to the *Bank* the *data items* stated as applicable to it in, and in accordance with, the WCD Data Catalogue.

See paragraphs 14 to 16 (inclusive) of this *code of practice* for further submission requirements.

2 REPORTING REQUIREMENTS FOR BACKING FIs

- 2.1 This paragraph 2 applies to each *backing FI* in respect of its *specified relevant function* of providing financial assistance.
- 2.2 Subject to the Code of Practice – Cash centre closure and market exit and to paragraphs 10 and 13 of this *code of practice*, a *backing FI* must submit to the *Bank* the *data items* stated as applicable to it in, and in accordance with, the WCD Data Catalogue.

See paragraphs 14 to 16 (inclusive) of this *code of practice* for further submission requirements.

3 BUSINESS CONTINUITY PLAN

- 3.1 Each *recognised person* must draw up, test, maintain and where applicable, have appropriate regard to, a plan (the “business continuity plan”) that identifies threats or risks to such *recognised person’s* performance of its *specified relevant functions*, and details how such threats and risks may be mitigated and how the *recognised person’s* performance of such *specified relevant functions* will be maintained in the event of any such identified threats or risks materialising.
- 3.2 A *business continuity plan* must include the following information:
- 3.2.1 a business impact analysis and risk assessment;
 - 3.2.2 a business continuity strategy for the *recognised person*;
 - 3.2.3 an incident response structure;
 - 3.2.4 a testing and performance evaluation strategy;
 - 3.2.5 any ongoing actions which need to be undertaken by the *recognised person* to ensure the *business continuity plan* is fit for purpose; and
 - 3.2.6 the arrangements in place for the continued performance by the *recognised person* of their *specified relevant functions* in the event of a deficiency in, or disruption to, the performance of a process, service or activity, or the provision of a product or good, under a *material third-party arrangement* and any *cash-in-transit arrangement*.
- 3.3 Each *recognised person* must:
- 3.3.1 review its *business continuity plan* at least once a year; and
 - 3.3.2 keep its *business continuity plan* up to date.

4 BUSINESS PLAN

- 4.1 Each *recognised person* must draw up and maintain a business plan (the “business plan”) setting out how the *recognised person* will perform their *specified relevant functions* over a period of at least two years from the date of the *business plan*.
- 4.2 A *business plan* must include the following information with respect to the *specified relevant functions* of the *recognised person*:
- 4.2.1 a description of the business model;
 - 4.2.2 a description of the strategy and aims of the *recognised person*;
 - 4.2.3 a description of the market in which the *recognised person* operates;
 - 4.2.4 a description of the risks that could impact the day-to-day operations of the *recognised person*;
 - 4.2.5 with respect to the risks described under paragraph 4.2.4 an assessment of why the risks are important and the likelihood of the risks occurring, a description of the magnitude of the potential impact of the risks occurring on the ability of the *recognised person* to perform their *specified relevant functions*, how the risks will be managed, controlled, avoided or mitigated, and the realistic availability and likely effectiveness of such managing and controlling, avoiding or mitigating actions;
 - 4.2.6 whether and how the business model is or may be adapted in response to the above risks;
 - 4.2.7 an assessment of the viability and resilience of the business; and
 - 4.2.8 a description of any material challenge to the resilience of the *recognised person's* ability to carry out its *specified relevant functions* over the term of the *business plan*, together with an explanation of how this judgement of materiality has been made.
- 4.3 Each *recognised person* must:
- 4.3.1 review its *business plan* at least once every year; and
 - 4.3.2 keep its *business plan* up to date.

5 SELF-ASSESSMENT

In respect of each calendar year (or part thereof) each *recognised person* must complete a written self-assessment (the “self-assessment”) that sets out how the *recognised person* has:

- 5.1 had regard to the *principles* in the performance of their *specified relevant functions*; and
 - 5.2 complied with each *code of practice*,
- in respect of such year (or part thereof).

6 SERVICE LEVEL AGREEMENTS

Each *recognised person* must take appropriate steps towards measuring the performance by it or on its behalf, of its *specified relevant functions*.

7 SUSTAINABILITY

Each *recognised person* must put in place appropriate arrangements for the setting of targets, and for the monitoring of performance against such targets, in relation to the sustainability of its *specified relevant functions*.

8 ATTESTATION

As at the last day of each calendar year each *recognised person* must complete a written attestation that the information that the *recognised person* has provided to the *Bank* pursuant to a *code of practice* (taking into account any information notified to the *Bank* pursuant to paragraph 13 (*Changes to information*) of this *code of practice* or paragraph 3 (*Notice – additional requirements*) of the Code of Practice – Cash centre closure and market exit) is complete, accurate and up to date.

9 WHOLESALE CUSTOMER PRICING

Each *recognised person* must collate appropriate details of the fees and charges charged by such *recognised person* to *wholesale customers* in respect of the *recognised person's specified relevant functions*.

10 EVENT NOTIFICATIONS

10.1 Each *recognised person* must notify the *Bank* in writing immediately if it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or would be likely to occur in the foreseeable future:

- (1) civil or administrative proceedings are brought against the *recognised person* where such proceedings are reasonably likely to be adversely determined and which, if adversely determined, would be likely to undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (2) the *recognised person* is prosecuted for, or convicted of, any offence involving fraud or dishonesty, or any penalties are imposed on it for tax evasion or for breach of anti-money laundering or counter terrorist financing requirements;
- (3) the *recognised person* becomes aware that a *person*, whether or not an *employee*, may have committed a criminal offence against it or against one of its *wholesale customers* or *third-party providers* or is acting with intent to commit a criminal offence against it or against one of its *wholesale customers* or *third-party providers*, and such offence would be likely to undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (4) the *recognised person* identifies irregularities in its accounting or other records, whether or not there is evidence of fraud, and such irregularities are connected with the performance by the *recognised person* of a *specified relevant function*;
- (5) the *recognised person* suspects that one of its *employees* is guilty of serious misconduct concerning their honesty or integrity and which is connected with the performance by the *recognised person* of a *specified relevant function*;
- (6) disciplinary measures or sanctions are imposed on the *recognised person* by any statutory or regulatory authority, professional organisation or trade body or the *recognised person* becomes aware that one of those authorities, organisations bodies has started an investigation into its affairs;
- (7) the *recognised person* breaches a *code of practice*;
- (8) the *recognised person* breaches any law or regulation where such breach would be likely to undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (9) any failure, error or irregularity occurs, pertaining to the *recognised person's* people, processes, technology, facilities, or information, which would be likely to significantly undermine the ability of the *recognised person* to perform a *specified relevant function*;

- (10) the *recognised person* stops or suspends payment of any of its debts or is unable to, or admits its inability to, pay its debts as they fall due;
- (11) the calling of a meeting to consider a resolution for the winding up of the *recognised person*;
- (12) an application to dissolve the *recognised person* or to strike it off the Register of Companies;
- (13) the presentation of a petition for the winding up of the *recognised person*;
- (14) the making of, or any proposals for the making of, a composition or arrangement with any one or more of its creditors;
- (15) an application for the appointment of an administrator or trustee in bankruptcy of the *recognised person*;
- (16) the appointment of a receiver to the *recognised person* (whether an administrative receiver or a receiver appointed over particular property);
- (17) an application for an interim order against the *recognised person* under section 252 of the Insolvency Act 1986 (or, in Northern Ireland, section 227 of the Insolvency (Northern Ireland) Order 1989) (or, in Scotland, the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018 or the Insolvency (Scotland) (Receivership and Winding Up) Rules 2018);
- (18) a vacancy or change in *person* holding an office or position involving responsibility for taking decisions about the management of the *recognised person* where such vacancy or change would be likely to undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (19) any proposed restructuring, reorganisation or business expansion, including a takeover or merger, which could have an impact on the ability of the *recognised person* to perform a *specified relevant function*;
- (20) to the extent not otherwise notified to the *Bank* under this *code of practice*, a change in an *arrangement* with a *wholesale customer* that would be likely to significantly affect the performance by the *recognised person* of a *specified relevant function* or a change in a *material third-party arrangement* or *cash-in-transit arrangement* that would be likely to significantly undermine the ability of a *recognised person* to perform a *specified relevant function*;
- (21) a *third-party provider* serves a notice of termination under a *material third-party arrangement*;
- (22) a *third-party provider* breaches a material term or condition of a *material third-party arrangement*;
- (23) any of the events listed in paragraphs 10.1(10) to 10.1(17) (inclusive) occurs with respect to a *third-party provider* (where references in those paragraphs to '*recognised person*' shall be read as if they were references to '*third-party provider*');
- (24) a *cash-in-transit provider* serves a notice of termination under a *cash-in-transit arrangement*;
- (25) a *cash-in-transit provider* breaches a material term or condition of a *cash-in-transit arrangement*;
- (26) any of the events listed in paragraphs 10.1(10) to 10.1(17) (inclusive) occurs with respect to a *cash-in-transit provider* (where references in those paragraphs to '*recognised person*' shall be read as if they were references to '*cash-in-transit provider*'); and

(27) to the extent not otherwise notified to the *Bank* under a *code of practice*, any other matter:

- (i) that would be likely to affect the ability of the *recognised person* to comply with a *code of practice*;
- (ii) that would be likely to affect the ability of the *recognised person* to perform its *specified relevant functions* having regard to the *principles*; or
- (iii) about the performance by the *recognised person* of a *specified relevant function*, of which the *Bank* ought reasonably to be made aware.

10.2 A notification under paragraph 10.1 must provide all relevant and significant details of the matter or suspected matter of which the *recognised person* is aware.

10.3 Nothing in paragraph 10.1 requires a *recognised person* to provide a notification to the *Bank* that would be inconsistent with applicable laws or regulations.

11 INFORMATION REPORTING FRAMEWORK

Each *recognised person* must ensure that appropriate arrangements are in place for the management of information relating to the performance of their *specified relevant functions*.

12 FALSE, INACCURATE OR MISLEADING INFORMATION

Each *recognised person* must at all times deal with the *Bank* in an open and cooperative way, and take reasonable steps to ensure that all information it gives to the *Bank* in accordance with this *code of practice* is:

- (a) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the *recognised person*; and
- (b) up to date and complete.

13 CHANGES TO INFORMATION

13.1 If a *recognised person* becomes aware or has information that reasonably suggests that it has or may have provided the *Bank* with information, under this *code of practice*, which was or may have been false, misleading, incomplete or inaccurate, or which has or may have changed in a material particular, *the recognised person* must notify the *Bank* in writing as soon as reasonably practicable after it has become so aware or has such information.

13.2 Notice under paragraph 13.1 must include:

- (1) details of the information which is or may be false, misleading, incomplete or inaccurate, or which has or may have changed; and
- (2) the correct information.

14 REPORTING FORMAT AND REPORTING PERIODS

14.1 Information (including any *data item*) submitted pursuant to this *code of practice*, must be submitted:

- (a) in the *data item format* for such information as described in the WCD Data Catalogue; and
- (b) with the reporting frequency and in respect of each reporting period, to the extent that these have been specified for such information in the WCD Data Catalogue.

14.2 Where a *recognised person* is required to submit information (including any *data item*) to the *Bank* under this *code of practice*, in respect of the *recognised person's* capacity as both an *operator* and a *backing FI*, such *recognised person* may comply with the submission requirements by submitting the information in a single document such as, for example, in a

single business continuity plan that contains information with respect to the *recognised person's* activities as both an *operator* and as a *backing FI* where applicable.

15 DUE DATES FOR SUBMISSION

- 15.1 Subject to paragraph 16 below and unless expressly provided for otherwise in the WCD Data Catalogue, the *data items* submitted pursuant to paragraphs 1 and 2 of this *code of practice*, must be submitted within 20 *business days* of:
- (a) the end of the relevant reporting period for such information to the extent that such reporting period is specified in the WCD Data Catalogue; and
 - (b) (if no reporting period is specified in the WCD Data Catalogue):
 - (i) the date to which the information relates; or
 - (ii) (in the case of submission of the *business continuity plan* and the *business plan*) the date of such *business continuity plan* or *business plan* (as applicable); or
 - (iii) (in the case of submission of the *self assessment*) the end of the calendar year to which the *self assessment* applies.
- 15.2 The *data items* referred to below must be submitted by the day falling 20 *business days* after the end of the calendar month that falls six months after the month in which the *date of specification* occurs:

Data item name
Cash Centre Details
Desktop Equipment Details
Firm Details
Key Equipment Details
Reporter Details
Wholesale Customer Pricing
Material Third Party Arrangements
Service Level Agreement Details
Sustainability Target Details
Wholesale Customer Details

- 15.3 The *data items* referred to below must be submitted in respect of each *material CIT provider* by the day falling 20 *business days* after the end of the calendar month that falls six months after the month in which the *date of specification* occurs:

Data item name

Materiality Assessment
Contract
Due diligence
Risk assessment

- 15.4 Information within scope of the *data items* referred to below must be submitted in respect of any *third-party provider* other than a *material CIT provider*, where requested in a written notice by the *Bank*, before the end of such reasonable period as is specified by the *Bank* in such notice:

<i>Data item name</i>
Materiality Assessment
Contract
Due diligence
Risk assessment

- 15.5 If the due date for submission of information required by this *code of practice* falls on a date which is not a *business day*, the information must be submitted so as to be received by the *Bank* no later than the first *business day* after such due date.

16 INITIAL SUBMISSION

- 16.1 No *recognised person* is required to submit, pursuant to this *code of practice*, any of the *data items* referred to below, until the day falling 20 *business days* after the end of the calendar month falling six months after the month in which the *date of specification* occurs:

<i>Data item name</i>
Attestation
Business Continuity Plan
Business Plan
Self-Assessment
Firm Financials
Sustainability Target Performance
Cash Centre Throughput
Service Level Agreement Performance
Vault Utilisation

Wholesale Customer Flows

- 16.2 Where applicable to a *data item*, the first reporting period for a *data item* submitted in accordance with paragraph 16.1 above, shall commence:
- (a) (in the case of a reporting period specified as a calendar month) on the first day of the calendar month falling six months after the month in which the *date of specification* occurs and shall end on the last day of that calendar month; and
 - (b) (in the case of a reporting period specified as a calendar quarter) on the first day of the calendar quarter immediately preceding the month in which the *data item* is submitted and shall end on the last day of that calendar quarter.
- 16.3 Each of the following *data items* must be submitted to the *Bank* by no later than the day falling 20 *business days* after the end of the calendar month falling six months after the month in which the *date of specification* occurs:
- (a) the *business continuity plan* and the *business plan*;
 - (b) the written attestation required pursuant to paragraph 8 of this *code of practice*; and
 - (c) the *self assessment*.

Annex B

CODE OF PRACTICE - THIRD-PARTY ARRANGEMENTS

1 ACTIONS BEFORE ENTERING INTO A THIRD PARTY ARRANGEMENT

- 1.1 Before entering into a *third-party arrangement*, a *recognised person* must carry out a materiality assessment in respect of such *third-party arrangement*.
- 1.2 Other than where required by paragraph 1.3 below, before entering into a *material third-party arrangement*, a *recognised person* must:
- (1) carry out appropriate due diligence in respect of the proposed *third-party provider*; and
 - (2) carry out an appropriate risk assessment in respect of such *material third-party arrangement*.
- 1.3 Before entering into any *cash-in-transit arrangement*, a *recognised person* must:
- (1) carry out appropriate due diligence in respect of the proposed *cash-in-transit provider*; and
 - (2) carry out an appropriate risk assessment in respect of such *cash-in-transit arrangement*.

2 MATERIAL THIRD PARTY ARRANGEMENTS

Other than where required by paragraph 3 below, a *recognised person* must ensure that each *material third-party arrangement*:

- (1) contains appropriate provisions to ensure the delivery of the process, service, activity, product or good, such that any deficiency in, or disruption to, the performance of such process, service or activity, or any deficiency in, or disruption to, the provision of such product or good, would not be likely to significantly undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (2) waives any contractual or other duty of confidentiality owed by the *recognised person* to the *third-party provider* which might limit the provision of information by the *recognised person* to the *Bank* in accordance with any *code of practice*; and
- (3) does not otherwise impair the ability of the *Bank* to exercise its powers under Part 5A of the Banking Act 2009 in relation to the performance by the *recognised person* of a *specified relevant function*.

3 CASH-IN-TRANSIT ARRANGEMENTS

A *recognised person* must ensure that any *cash-in-transit arrangement*:

- (1) is in writing and describes the nature and scope of the *cash-in-transit activities* subject to the *arrangement*;
- (2) includes appropriate service level agreements or key performance indicators with the *cash-in-transit provider* in relation to the performance of the *cash-in-transit provider's* obligations under the *cash-in-transit arrangement*;
- (3) includes appropriate provisions for the monitoring and audit of service legal agreements and key performance indicators, by the *recognised person*;
- (4) contains appropriate reporting and notification obligations of the *cash-in-transit provider* in respect of any breaches of the *cash-in-transit arrangement*;

- (5) other than in the event of termination directly as a result of insolvency of the *cash-in-transit provider*, provides for a minimum notice period of three months for termination of the *cash-in-transit arrangement*;
- (6) obliges the *recognised person* and the *cash-in-transit provider* to draw up, test, maintain and where applicable, have appropriate regard to, a plan (the "CIT business continuity plan") that identifies threats or risks to *cash-in-transit provider's* performance of the *cash-in-transit activities* and details how such threats and risks may be mitigated and how the *cash-in-transit provider's* performance of such activities will be maintained in the event of any such identified threats or risks materialising;
- (7) a *CIT business continuity plan* produced in accordance with sub-paragraph (6) above, must be subject to approval by the *recognised person* and must include the following information in relation to the *cash-in-transit arrangement*:
 - (a) a business impact analysis and risk assessment;
 - (b) a business continuity strategy;
 - (c) an incident response structure;
 - (d) a testing and performance evaluation strategy agreed between the *recognised person* and the *cash-in-transit provider*;
 - (e) any ongoing actions which need to be undertaken by the *cash-in-transit provider* to ensure the *CIT business continuity plan* is fit for purpose; and
 - (f) the arrangements in place for the continued performance by the *recognised person* of their *specified relevant functions* in the event of a deficiency in, or disruption to, the performance of a process, service or activity, or the provision of a product or good, under a *material third-party arrangement*;
- (8) contains a requirement of the *cash-in-transit provider* to notify the *recognised person* of any sub-contracting arrangement in relation to the *cash-in-transit activity*;
- (9) contains appropriate provisions to ensure the delivery of the process, service, activity, product or good, such that any deficiency in, or disruption to, the performance of such process, service or activity, or any deficiency in, or disruption to, the provision of such product or good, would not be likely to significantly undermine the ability of the *recognised person* to perform a *specified relevant function*;
- (10) waives any contractual or other duty of confidentiality owed by the *recognised person* to the *third-party provider* which might limit the provision of information by the *recognised person* to the *Bank* in accordance with any *code of practice*; and
- (11) does not otherwise impair the ability of the *Bank* to exercise its powers under Part 5A of the Banking Act 2009 in relation to the performance by the *recognised person* of a *specified relevant function*.

Annex C

CODE OF PRACTICE - CASH CENTRE CLOSURE AND MARKET EXIT**1 NOTICE OF PROPOSED CASH CENTRE CLOSURE**

- 1.1 An *operator* must notify the *Bank* in writing of the *operator's* intention to effect a *cash centre closure*.
- 1.2 Notice required by paragraph 1.1 must be provided at the earliest opportunity and no less than six months in advance of the intended date of the *cash centre closure*.
- 1.3 Notice required by paragraph 1.1 must contain the following information:
- (1) the name and address of the *cash centre*;
 - (2) the reasons for the proposed *cash centre closure*;
 - (3) an assessment of the impact of the *cash centre closure* on the ability of the *operator* to perform its *specified relevant functions*;
 - (4) measures that appear to the *operator* to be necessary or expedient to address any potential deficiency in, or disruption to, the performance by the *operator* of its *specified relevant functions*, including details of any actions already taken;
 - (5) a cost benefit analysis of the *cash centre closure*;
 - (6) the timeframe for implementation of the *cash central closure*;
 - (7) the likely barriers to implementation of the *cash centre closure*;
 - (8) a description of: (a) the stakeholders (including any *backing FIs* and any other *operators*) likely to be impacted by the *cash centre closure*; and (b) the actions that the *operator* has taken or intends to take in relation to such stakeholders;
 - (9) the communication strategy for the *cash centre closure*;
 - (10) the job title and a description of the responsibilities of each individual designated as having responsibility for and being accountable to the *governing body* of the *operator* for oversight of the implementation, production, review and sign off of the *cash centre closure*; and;
 - (11) an explanation of how the *operator* has had regard to the *principles* in preparing the information specified in paragraphs 1.2(2), (3), (4), (5), (6), (8) and (9).

2 NOTICE OF PROPOSED MARKET EXIT

- 2.1 A *recognised person* must notify the *Bank* in writing of the *recognised person's* intention to *exit*.
- 2.2 Notice required by paragraph 2.1 must be provided at the earliest opportunity and no less than twelve months in advance of the intended date of *exit*.
- 2.3 Notice required by paragraph 2.1 must contain the following information:
- (1) specification of each *specified relevant function* and *specified activity* that is subject to the intention to *exit*;
 - (2) the reasons for the proposed *exit*;
 - (3) an assessment of the impact of the *exit* on the ability of the *recognised person* to perform its *specified relevant functions*;
 - (4) measures that appear to the *recognised person* to be necessary or expedient to address any potential deficiency in, or disruption to, the performance by the *recognised person* of its *specified relevant functions*, including details of any actions already taken;

- (5) a cost benefit analysis of the *exit*;
- (6) the timeframe for implementation of the *exit*;
- (7) the likely barriers to implementation of the *exit*;
- (8) a description of: (a) the stakeholders likely to be impacted by the *exit*; and (b) the actions that the *recognised person* has taken or intends to take in relation to such stakeholders;
- (9) the communication strategy for the *exit*;
- (10) the job title and a description of the responsibilities of each individual designated as having responsibility for and being accountable to the *governing body* of the *recognised person* for oversight of the implementation, production, review and sign off of the *exit*; and
- (11) an explanation of how the *recognised person* has had regard to the *principles* in preparing the information specified in paragraphs 2.2(2), (3), (4), (5), (6), (8) and (9).

3 NOTICE - ADDITIONAL REQUIREMENTS

3.1 A *recognised person* must:

- (1) at all times deal with the *Bank* in an open and cooperative way and disclose to the *Bank* anything relating to a *cash centre closure* or *exit* of which the *Bank* would reasonably expect notice;
- (2) take reasonable steps to ensure that all information it gives to the *Bank* in accordance with this *code of practice* is:
 - (i) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the *recognised person*; and
 - (ii) up to date and complete; and
- (3) when providing any information to the *Bank* under this *code of practice*, inform the *Bank* of the extent to which that information is, or may be, limited or incomplete in scope or detail.

3.2 If a *recognised person* becomes aware or has information that reasonably suggests that it has or may have provided the *Bank* with information, under this *code of practice*, which was or may have been false, misleading, incomplete or inaccurate, or which has or may have changed in a material particular, the *recognised person* must notify the *Bank* in writing immediately.

3.3 Notice under paragraph 3.2 must include:

- (1) details of the information which is or may be false, misleading, incomplete or inaccurate, or which has or may have changed;
- (2) an explanation why such information was or may have been provided; and
- (3) the correct information.

3.4 To the extent that this information cannot be submitted with a notification under paragraph 3.2 because it is not immediately available, it must instead be submitted as soon as possible afterwards.

3.5 Where a *recognised person* is required to submit information, including any notice in writing, in accordance with this *code of practice*, it must submit the information in accordance with the instructions for submission set out in the WCD Data Catalogue.

3.6 If the due date for submission of information required by this *code of practice* falls on a date which is not a *business day*, the information must be submitted so as to be received by the *Bank* no later than the first *business day* after such due date.

4 REVIEW PERIOD

- 4.1 Notwithstanding any intended date of *cash centre closure* or *exit*, unless otherwise required by any applicable law, regulation or rule, a *recognised person* must not take any irrevocable step towards such *cash centre closure* or *exit* before notifying the *Bank* in accordance with this *code of practice* and before the expiry of the relevant review period set out in paragraph 4.2.
- 4.2 The relevant review period in relation to:
- (1) *cash centre closure*, is four months from the date of notification to the *Bank* in accordance with this *code of practice*; and
 - (2) *exit*, is six months from the date of notification to the *Bank* in accordance with this *code of practice*.