
FINAL NOTICE

To: **Vocalink Limited**

Date: 9 July 2025

1. Action

- 1.1. For the reasons set out in this Notice, the Bank of England (the “**Bank**”) imposes a financial penalty on Vocalink Limited (“**Vocalink**” or the “**Firm**”) of **£11,900,000** in respect of a compliance failure under section 196 of the Banking Act 2009 (the “**Act**”) for failing to comply with a direction issued by the Bank under section 191 of the Act.

2. Summary of reasons for the Bank’s action

The Firm

- 2.1. Vocalink is a company headquartered in the United Kingdom which designs, builds and operates payments systems infrastructure.
- 2.2. On 24 April 2018, Vocalink was brought under the Bank’s regulatory remit having been specified by HM Treasury as a service provider to certain recognised payment systems.
- 2.3. A specified service provider is a person who provides services that form part of the arrangements constituting a recognised payment system.

The Review

- 2.4. In September 2020, a consultant was commissioned to conduct a review into the performance of Vocalink’s systems and controls (the “**Review**”). In late November 2020, the Review concluded having identified issues and weaknesses in Vocalink’s systems and controls.

Remediation Programme

- 2.5. In December 2020, Vocalink implemented a remediation programme to address the issues identified by the Review (the “**Remediation Programme**”). The progress and success of the Remediation Programme was measured by reference to a remediation plan comprising separate project milestones.

- 2.6. Vocalink put in place a governance framework for the Remediation Programme and the Board had ultimate oversight of its objectives and delivery. Vocalink operated its risk management for the programme through a ‘three lines of defence’ model incorporating the Business Areas (first line), the Risk Function (second line) and Internal Audit (third line). Risks were to be identified (by the first line), challenged and facilitated (by the second line) and successfully closed by way of an ongoing audit exercise and validation work (by the third line). Additional resource and expertise was also provided by external consultants.

The Direction

- 2.7. The Bank was concerned about the Review’s findings and on 16 June 2021, the Bank issued a direction under section 191 of the Act requiring Vocalink to take remediation action in response to the issues and weaknesses identified by the Review (the “**Direction**”). The requirements of the Direction were to be completed to the Bank’s satisfaction by 31 January 2022.

Progress of the Remediation

- 2.8. Following the issuance of the Direction, the Firm updated the Bank of its plans for addressing the requirements of its Direction, which were to be fulfilled by the work that Vocalink was already undertaking as part of the Remediation Programme. Vocalink also provided the Bank with regular updates as to the progress of its remediation work.
- 2.9. An interim review was commissioned by the Firm’s Risk Committee and carried out by the Risk Function between July and August 2021. The review concluded that the Remediation Programme was an ambitious programme which would need continued oversight to meet the scope and timeline of 31 January 2022 prescribed by the Bank’s Direction. It also expressed concerns regarding the responsiveness of the Remediation Programme and whether it would meet the requirements of the Direction.

Further assurance work

- 2.10. In late 2021 and early 2022, the progress of Vocalink’s Remediation Programme was assessed by a number of assurance exercises, including one conducted by Internal Audit, and two by external consultants (“**Consultant A**” and “**Consultant B**”).
- 2.11. In March 2022, Consultant A concluded that the milestones had ‘completed delivery’, and there was sufficient supporting evidence of this. However, the report found certain milestones (related to issues identified in the Review) where the changes ‘*ultimately delivered as part of [the Remediation Programme] deviated from the original milestone description*’. The Firm would later rely heavily on Consultant A’s assurance work to confirm its overall compliance with the Direction.
- 2.12. Consultant B in contrast concluded in several reports (the “**Key Assurance Reports**”) across November 2021 to February 2022 that whilst the Remediation Programme, which was intended

to address the Direction, had resulted in a number of significant improvements, it fell short in a number of areas and that issues previously identified by the Review were still unremediated. Certain of the more negative Key Assurance Reports were only circulated to a small number of individuals within the Business Areas, and were not escalated to Risk, Internal Audit or any of the Firm's governance committees, including the Board.

Confirmation of compliance with the Direction

- 2.13. The Board approved the Firm's completion of the Remediation Programme at a Board meeting on 25 January 2022, subject to the completion of two outstanding aspects of the Remediation Programme. The Firm requested an extension of time on 28 January 2022, and this was granted by the Bank on 31 January 2022. The new deadline for the Firm's compliance with the Direction was 28 February 2022.
- 2.14. In early February 2022, Internal Audit produced a report which concluded that Vocalink's remediation work had '*largely delivered to plan...*'. However the audit review conducted by Internal Audit did not specifically assess whether the Direction had been complied with by the Firm, rather it focused on whether the Remediation Programme's milestones were completed successfully. In addition, Internal Audit concluded in relation to several of the Remediation Programme's milestones that limitations existed in relation to the work undertaken.
- 2.15. On 19 February 2022, one of the Firm's senior executives emailed the Board confirming all of the Remediation Programme's milestones were complete. On 28 February 2022, the Firm wrote to the Bank to confirm that it had complied with the Direction.

Expert Person

- 2.16. On 18 March 2022, the Bank exercised its power under section 195(1)(b) of the Act to require the Firm to appoint an independent expert (the "**Expert Person**") to assess and confirm whether the Firm had addressed all recommendations from the Review, and therefore whether the Firm had fully addressed the requirements of the Direction.
- 2.17. The Expert Person's draft report was issued to the Firm and the Bank on 31 May 2022. The draft report observed that Vocalink's Remediation Programme likely did not cover the full scope of the requirements of the Direction and concluded that the Remediation Programme '*did not deliver the full expectations of the [Direction]*' due to reasons of '*... [u]nrealistic scope, timeline and Executive overcommitment*'. The draft report was critical of the Firm's remediation work in response to the Direction and found that the Firm had failed to comply with the Direction.
- 2.18. After the issuance of the Expert Person's draft report, one of Consultant B's more negative Key Assurance Reports was identified by Vocalink's Legal team. The report was immediately escalated to Vocalink's senior governance committees, including the Board, and disclosed to the

Bank and the Expert Person for the first time. At a 27 June 2022 Board meeting, it was noted that Vocalink's confirmation of compliance with the Direction on 28 February 2022 '*would not have [been] signed*' had the Board been aware of Consultant B's report.

3. Compliance failure

- 3.1. For the reasons detailed below in Annex A and Annex B to this Notice, the Bank considers that Vocalink is responsible for a compliance failure under section 196 of the Act as it failed to comply with the requirements of the Bank's direction by the required deadline of 28 February 2022.

4. Reasons why the Bank has taken action

- 4.1. The Bank is responsible for supervising certain financial market infrastructures and specified service providers (referred to collectively as "**FMIs**"). The Bank's role is to protect and enhance the stability of the financial system of the United Kingdom.
- 4.2. The Act grants the Bank a general power to give directions. The Bank's power of direction is an important supervisory tool that may be used to ensure a firm addresses those areas of its business which contain serious risks and weaknesses.
- 4.3. Where the Bank has issued a supervisory direction to a firm (for example by setting a requirement that a firm remediate issues in its systems and controls within a certain timeframe), the firm is expected to ensure that it has adequate risk management frameworks and controls and governance arrangements in place to be able to fully meet the requirements of the direction. This also means ensuring that the risks of non-compliance with the direction are appropriately managed, and to have open communication, both within the firm and with the Bank, about any risk issues that may threaten or undermine the firm's ability to bring itself into compliance.
- 4.4. Where a firm undertakes remediation in response to a supervisory direction from the Bank, an effective risk management framework is required. This means that key risk-based decisions must be taken with the close involvement of a firm's second line risk function. The firm must also ensure it has a centralised process or control in place to adequately quantify, track and interrogate such decisions from a risk perspective. Similarly, where valid concerns are raised by the risk function or external assurance providers around the scope or adequacy of a firm's remediation work, these must be properly reviewed and acted upon, including by the firm's governance committees. Firms should also take steps to ensure any internal or external assurance work conducted in response to a supervisory direction is properly scoped (should firms wish to rely on these as evidence of compliance).
- 4.5. It is essential that those first line business areas tasked with the implementation of remediation work understand the importance of recognising the risks they encounter and information they

receive. In particular, such risks or information should be escalated to those senior governance committees (including the Board) who are formally responsible for the firm's compliance with a Bank direction (along with the second and third lines of defence), with a clear explanation how this information might threaten the firm's compliance with a Bank direction. Failing to do so may mean that the Board and other senior governance committees will make decisions around the firm's readiness to confirm compliance with a direction when that is not in fact the case.

- 4.6. The Bank's investigation identified that the root causes of Vocalink's non-compliance with the direction were that Vocalink failed to ensure it had a sufficiently integrated risk management framework in place for its Remediation Programme, such that risks (including baseline regulatory requirements) could be properly understood, monitored and shared amongst the three lines of defence (and external assurance providers), and that the Firm failed to escalate to its senior committees key risks and information which undermined the Firm's ability to fully comply with the direction. The Bank also considers that the governance and escalation arrangements surrounding Vocalink's remediation work fell below the standards expected of a financial market infrastructure firm.

5. Annexes/appendices and procedural matters

- 5.1. The particulars of the facts and matters relied on by the Bank in its decision-making process regarding the Firm can be found in **Annex A**. The Firm's compliance failure is detailed in **Annex B** and the basis for the sanction the Bank has imposed is set out in **Annex C**. Relevant procedural matters are set out in **Annex D**. The definitions used in this Notice are set out in **Appendix 1** and the relevant statutory, regulatory and policy provisions are set out in **Appendix 2**.

David Chaplin

Head of Legal, Enforcement and Litigation Division

for and on behalf of the Bank of England

ANNEX A: FACTS AND MATTERS RELIED UPON

1. Background

Financial market infrastructures

- 1.1. Financial market infrastructures (“**FMI**s”) support the safe operation of financial markets and financial stability by reducing counterparty credit risk and settlement risk and enabling safe and reliable payments.
- 1.2. The Bank of England (“the **Bank**”) supervises FMIs to keep the UK financial system operating smoothly and to support the Bank’s financial stability objective. The Bank supervises three broad types of FMIs: recognised payment systems (including specified service providers to recognised payment systems, of which Vocalink is one), central securities depositories and central counterparties.

Payment Systems

- 1.3. Payment systems are arrangements, or proposed arrangements, designed to facilitate or control the transfer of money, except the physical movement of cash. Recognised payment systems are those payment systems recognised by HM Treasury as systemically important. They are critical to the functioning of financial markets and the economy. They allow funds to be transferred between, for example, businesses and individuals, and from business-to-business and individual-to-individual.

Specified Service Providers

- 1.4. A specified service provider in relation to a recognised payment system is a person who provides services that form part of the arrangements constituting that payment system. The Bank supervises specified service providers pursuant to Part 5 of the Act.

The Firm

- 1.5. Vocalink Limited (“**Vocalink**” or the “**Firm**”) is a company headquartered in the United Kingdom which designs, builds and operates payments systems infrastructure.
- 1.6. On 24 April 2018, Vocalink was brought under the Bank’s regulatory remit, having been specified by HM Treasury as a specified service provider to certain recognised payment systems.

The Review

- 1.7. In September 2020, a consultant was commissioned to conduct a review into Vocalink to examine the performance of its systems and controls (the “**Review**”).
- 1.8. In late November 2020, the Review concluded having identified various issues and weaknesses with Vocalink’s systems and controls.

The Remediation Programme

- 1.9. In December 2020, Vocalink implemented a remediation programme to address the issues identified by the Review (the “**Remediation Programme**”). The progress and success of the Remediation Programme was measured by reference to a remediation plan comprising of separate project ‘milestones’. The project required additional resource and expenditure on different remediation workstreams, and the implementation of bespoke governance arrangements.
- 1.10. The Firm operated its risk management for the project through a ‘three lines of defence’ model incorporating the Firm’s relevant Business Areas tasked with executing the project (first line), the Risk Function (second line) and Internal Audit (third line). The first line (the Business Areas) was responsible for the delivery of the project milestones and identifying and owning key risks. The second line (the Risk Function) was responsible for challenging and facilitating management of these risks and providing oversight and validation of the remediation plan. The third line (Internal Audit) was responsible for validating the closure of those risk issues that had been rated ‘medium’ or ‘high’, by means of an audit exercise and ongoing validation work.
- 1.11. The governance arrangements for the Remediation Programme required reporting to and oversight from all three lines of defence, as well as from Vocalink’s Board, which had ultimate oversight of the Remediation Programme. In particular, two bespoke first line committees were established to oversee the progress of the remediation work, namely an Operating Committee which reported in turn to a Steering Committee, which in turn reported to Vocalink’s Management Committee. The first line and second line provided regular progress updates on the Remediation Programme to the Board and the Board Risk Committee.
- 1.12. Steps were also taken by the Firm to obtain external assurance in relation to the completion of each of the Remediation Programme milestones, discussed further below.

The Bank’s supervisory direction

- 1.13. As part of its supervisory strategy, the Bank undertakes annual assessments of supervised firms, known as Annual Risk Reviews (“**ARR**”). The purpose of the ARR is to review the key risks that a supervised firm presents to the Bank’s objectives, to confirm the Bank’s expectations as to how

the firm should manage those risks, and to set the supervisory strategy for the Firm.

- 1.14. On 29 April 2021 the Bank wrote to the Firm regarding its ARR. The ARR highlighted a number of findings from the Review regarding weakness in Vocalink's systems and controls, which fell below the Bank's expectations. The ARR therefore set out the Bank's intention to exercise its power of direction under section 191 of the Act to require the Firm to take immediate action to remediate the issues identified by the Review. The Bank considered a formal supervisory direction to the Firm under section 191 of the Act was appropriate given the seriousness of its concerns.
- 1.15. On 16 June 2021 the Bank issued a supervisory direction to the Firm under section 191 of the Act (the "**Direction**") in response to the weaknesses identified by the Review. The Direction required Vocalink to implement the recommendations of the Review. The requirements of the Direction were to be completed to the Bank's satisfaction by 31 January 2022.
- 1.16. The Bank also noted that Vocalink's compliance was to be assessed by an expert and it would be in contact with Vocalink later in the year to discuss the details of their appointment under section 195(1)(b) of the Act, which empowers the Bank to require a system service provider such as Vocalink to appoint an expert to report on the provision of its services.

Progress of the Remediation Programme

- 1.17. Following the issuance of the Direction, the Firm updated the Bank with its plan for addressing the Direction's requirements. The Firm intended the Remediation Programme to address the issues identified in the Review and in doing so, address the Direction. The Firm also provided updates on the progress of the Remediation Programme each quarter and at the conclusion of certain key stages in the project. For example, at a meeting on 29 June 2021, the Firm outlined the governance of the Remediation Programme, and how it would oversee and ensure the findings from the Review were addressed. At the same meeting, the Bank asked the Firm how it would ensure the scope of remediation as required by the Direction would not be reduced in order to deliver individual Remediation Programme milestones. In response, the Firm explained that it did not expect there to be any changes to the scope of the Remediation Programme, and any changes would have to go through an established governance process.
- 1.18. The Firm's Risk Committee commissioned an interim review to be carried out by the Risk Function between July and August 2021. The purpose of the interim review was to provide an assessment of the status, scope and appropriateness of the Remediation Programme for the Risk Committee and Board, and to assess how the Remediation Programme would meet the requirements of the Direction, alongside other supervisory priorities.
- 1.19. By late August and September 2021, the Risk Function had expressed concerns regarding the progress of the Remediation Programme and whether it would meet the requirements of the

Direction. In terms of the risk reduction and control environment improvements required under the Direction, Risk staff noted a narrow rather than holistic approach had been adopted and there was not control capability in place to reduce risk to an agreed level. A 25 August 2021 email circulated amongst senior staff in the Risk Function explained that Risk had not seen a mapping of the remediation work to the Direction. This made staff '*... worried about who in the organisation has reviewed and signed off on*' the remediation work required to satisfy the Direction and led the Risk Function to request '*a s.191 mapping of projects and whether the existing scope of delivery is sufficient*'.

- 1.20. On 6 September 2021, the results of the Firm's Risk Function review were presented to the Risk Committee. The review identified that whilst an initial scope assessment was performed at the outset of the Remediation Programme '*... there was no evidence available to independently validate that the scope meets all parts of s.191.*' The review also found '*...evidence indicates that it is possible not all actions will [be] fully implemented by year end.*' As to whether the substance of the Direction would be completed, the review found that '*(s.195) external assurance is likely to identify that control weaknesses have not all been embedded by the Q1 2022 timeline expected from the Bank of England.*' The review also identified that the Firm had not undertaken an exercise to map '*specific objectives and deliverables of the [Remediation Programme] against the s.191...*'. The Risk review also recommended (amongst other things) further clarity for measuring how new controls had reduced risk overall.
- 1.21. It was agreed at this meeting of the Risk Committee that a further meeting should be held in early November "to follow up on" the Risk review. Shortly after this meeting, a programme of weekly reporting to Board on the progress of the Remediation Programme was instituted, with the first update being sent to the Board on 17 September 2021.
- 1.22. Despite the risks identified above, the Firm did not adequately revisit the approach taken to the Remediation Programme, which continued throughout the remainder of 2021.

Communications between Vocalink and the Bank about the Direction

- 1.23. On 15 September 2021, the Firm and Bank held a call to discuss the criteria for how the Firm would successfully meet the requirements of the Direction. On the call, the Bank explained it wanted Vocalink to fix the issues for the long term, '*not just for the deadline*' and noted the need for ongoing communication and discussion between Vocalink and the Bank. The Bank explained it would measure compliance with the Direction as the Firm reducing risk '*within risk appetite*' and that engagement of the Firm's second line (i.e. the risk function) was important. The Bank also indicated it would appoint an expert under section 195 of the Act to independently verify the Firm's remediation was effective and risk had been reduced.

- 1.24. On 21 September 2021, the Firm wrote to the Bank setting out its understanding that implementing the recommendations from the Review and completion of the Direction would be assessed *‘through the risk lens’* and reducing risk to *‘within risk appetite as assessed by Vocalink’s second line Risk Function.’* The Bank agreed with the Firm’s assessment and set out a number of expectations, including that the Firm should *‘... present their risk assessment in relation to the remediation and how this was communicated within their organisation (across the 3 LoDs and at the Board level)’* and have not only an implementation plan, but *‘a plan to assess effectiveness of the remediation implemented.’*

The Remediation Programme assurance work

- 1.25. The Remediation Programme was supported by a number of assurance exercises. In particular, Internal Audit carried out its review of the Remediation Programme between October 2021 and January 2022 and produced a final report on 2 February 2022. In parallel with the ongoing remediation work, the Firm also instructed two external parties to carry out assurance of the project in late 2021.

Consultant A

- 1.26. Following the concerns raised by the Risk Function in September 2021, in early October 2021 the Firm instructed an external consultant (“**Consultant A**”) to provide an independent first line assessment of whether the issues identified in the Review (and subsequent Direction) had been successfully remediated and that there was sufficient supporting evidence of this.
- 1.27. As part of the Remediation Programme’s first line, Consultant A noted its work was just one input into the Firm’s decision to confirm compliance with the Direction, alongside views of the Risk Function and Internal Audit. Consultant A was not engaged to provide an expert opinion on whether there was legal compliance with the Direction, nor on the efficacy of the remediation undertaken (for which an additional third party was engaged).
- 1.28. Following its review, Consultant A confirmed in a report of 6 March 2022 that all the milestones of the Remediation Programme had a detailed supporting business case and successful delivery would address issues related to the scope of the Direction, having conducted a review of whether milestones would collectively remediate the issues by mapping those milestones to the issues and recommendations and, separately, the Direction. Consultant A also confirmed its view that the milestones had *‘completed delivery’*, and there was sufficient supporting evidence of this. However, the report found several milestones where the changes *‘ultimately delivered as part of [the Remediation Programme] deviated from the original milestone description’*. This was due to factors including delivery constraints within the timeline of the Remediation Programme. In these instances, Consultant A noted they worked with the Business Areas to confirm mitigating actions

were in place. The report did not record the involvement of the second line Risk Function in the decisions to deviate these milestones from their original scope.

- 1.29. Further, the Firm did not inform the Bank in sufficient detail of deviations from its originally reported remediation plan. This was despite internal Remediation Programme assurance meetings noting the need to update the Bank of changes to milestones.
- 1.30. Despite the limitations of Consultant A's first line role, the Firm relied heavily on their assurance work ahead of confirming Vocalink's overall compliance with the Direction.
- 1.31. After issuing their final report, the Firm requested and Consultant A provided a 'lessons learned' document on 24 March 2022 which provided Consultant A's observations and recommendations on the governance and delivery execution of the Remediation Programme. This document observed there were unclear communication lines between those delivering the Remediation Programme and those engaging directly with the Bank in relation to the Firm's compliance with the Direction. It also identified that oversight of the Remediation Programme was often inconsistent or retrospective, making it harder to accurately monitor progress against targets and there were issues with the timelines of the project. Additionally, it was not clear how risks on the project were managed on a day-to-day basis given a lack of unified reporting.

Consultant B and the Key Assurance Reports

- 1.32. During the period November 2021 to February 2022, the Firm engaged another external party to support its assurance of the Remediation Programme ("**Consultant B**") by working with the Business Areas to carry out a series of assessments examining the effectiveness of the remediation work undertaken to date as part of the Remediation Programme.
- 1.33. Consultant B's assessments resulted in a series of assurance reports (the "**Key Assurance Reports**"). Whilst these noted improvements (in some respects significant) had been made, several also contained a number of highly critical findings regarding the progress and results of the Remediation Programme. For instance, several reports issued in November and December 2021 examined the Firm's systems and controls and found that they fell significantly short in a number of areas and that issues previously identified by the Review were still unremediated, despite the Remediation Programme having been running for a year by this time.
- 1.34. A further report issued on 14 February 2022, two weeks before the Direction deadline of 28 February 2022, was also highly critical of the Remediation Programme. Whilst noting that '[a] number of significant improvements' had been made, the report found '*serious un-remediated issues*' and noted '*substantial further progress is required to fully address*' the findings from the Review. The first line staff who received the report immediately recognised the significance of the findings, commenting it '*[m]akes it look like [the Remediation Programme] didn't deliver...*'.

- 1.35. The Key Assurance Reports were circulated to a small number of individuals within Vocalink's first line team only.

Confirmation of compliance with the Direction

- 1.36. On 11 January 2022, the Firm's Risk Committee met with a number of senior executives tasked with the Firm's remediation work and compliance with the Direction. A senior executive with responsibility for the Firm's remediation work updated the Risk Committee on the Remediation Programme's status; stating all but three of the milestones were complete and that, whilst Consultant A's work remained ongoing, no issues had been identified by Consultant A to date. Those responsible for the second line and third line reviews of the Remediation Programme also presented to the Risk Committee. The Risk Function reported that it had a *'high degree of confidence in the completion of the s.191 requirements.'* However the Risk Function also noted there was a reduction in *'overall certainty'* due to the availability of metrics for assessing controls. They also noted that although the Remediation Programme had delivered material improvements, it would take time to deliver risk reduction. Internal Audit noted that their work was nearing completion.
- 1.37. At a Board meeting on 25 January 2022, the Board approved the completion of the Remediation Programme, subject to completion of two outstanding milestones.
- 1.38. On 27 January 2022, certain members of the Firm's Risk Committee met with those responsible for the second and third line reviews of the Remediation Programme to obtain views from Risk and Internal Audit prior to confirmation of compliance with the Direction being given. A meeting also took place with a senior executive with overall responsibility for the Firm's remediation work.
- 1.39. On 28 January 2022 the Firm emailed the Bank to request an extension of time to comply with the Direction. The Firm explained that two milestones from the Remediation Programme required further work. On 31 January 2022 the Bank granted the Firm's extension request. The new date for compliance with the Direction was 28 February 2022.
- 1.40. On 2 February 2022 the Firm's Internal Audit function completed their review of the Remediation Programme (which was undertaken between October 2021 and January 2022) and circulated their final audit report. The Internal Audit report noted in its summary that although the remediation work had *'largely delivered to plan...'*, the audit review it had conducted focused only on audit issues rated *'medium and above'*. The audit review was not designed to assess whether the Direction had been complied with by the Firm. Rather, the objective of the Internal Audit review was to perform a *'limited scope review of [the Remediation Programme] to evaluate whether controls...are appropriately designed to mitigate key risks.'* In addition, Internal Audit concluded in relation to several of the Remediation Programme's milestones that the required remediation was not in place.

- 1.41. On 19 February 2022, a senior executive emailed the Board confirming all milestones for the Remediation Programme were complete.
- 1.42. On 28 February 2022, members of the Firm's Risk Committee met with the individual responsible for the second line review of the Remediation Programme, and a senior executive with responsibility for the Firm's remediation work.
- 1.43. Later on 28 February 2022, the Firm wrote to the Bank to confirm its full compliance with the Direction. The letter stated, '*[The Remediation Programme] is now complete and ...s191 direction requirements have been met. All milestones set out in the remediation template have been completed.*'

Appointment of the Expert Person

- 1.44. On 18 March 2022 the Bank exercised its power under section 195(1)(b) of the Act to require the Firm to appoint an independent expert (the "**Expert Person**") to assess the Firm's remediation and outline their findings. In particular, the Expert Person was asked to confirm whether the Firm had addressed the requirements of the Direction. Regular 'tri-lateral' meetings were held following the appointment of the Expert Person between them, the Bank and the Firm to discuss the progress of the Expert Person's work.
- 1.45. As the Expert Person's work progressed, several individuals within the Firm expressed concerns that the Expert Person might conclude that the requirements of the Direction were not met. By the time of the fourth tri-lateral meeting with the Firm, the Bank and the Expert Person on 5 May 2022, the Expert Person observed '*... [the Remediation Programme] likely did not cover the full scope of the s191 ...Overall...the EP [Expert Person] believes [the Remediation Programme] did not deliver the full expectations of the s191 letter. Comparing the work seen from other organisations, the EP thinks [the Remediation Programme] should probably have been a 2-year programme...*'.
- 1.46. As part of their review, the Expert Person requested copies of documents relating to the Firm's assurance work. In particular, on 18 May 2022 the Expert Person asked for more information regarding assurance testing, noting a summary report they had been provided with was '*light on detail*' and '*whilst we have requested previously for more information I am led to believe there isn't any.*' Firm staff in the Business Areas provided a response to the Expert Person which omitted any copies of, or reference to, the responsive Key Assurance Reports. The same staff noted internally that providing the requested material '*...could take us places we may not want to or need to go*' and to '*... please refrain from sharing the interim reports if at all possible. The wording in some of the earlier reports would detract from the overall achievements and almost timely conclusion of the programme.*'

The Expert Person's Report

- 1.47. The Expert Person's draft report was issued to the Firm and the Bank on 31 May 2022.
- 1.48. Whilst noting certain positive highlights to the Firm's response to the Review, the draft report was highly critical of the Firm's remediation work in response to the Direction and found that the Firm had failed to comply with the Direction for reasons of '*...[u]nrealistic scope, timeline and Executive overcommitment.*'
- 1.49. In particular, the Expert Person made a number of critical findings, including that the Remediation Programme had an unrealistic timeline; rescoping of the Remediation Programme coverage to the Direction was not performed; the Risk Function's concerns and valid challenge was not acted upon; there were weaknesses in the management of defining and managing baseline regulatory requirements and risk reduction definition, monitoring and reporting; and failings across the three lines of defence to effectively support the Board and the Risk Committee. As a result, the Board was not provided with all the appropriate information to inform decision-making, resulting in the issuance of an inaccurate response letter to the Bank regarding compliance with the Direction.
- 1.50. The Expert Person was also critical of Consultant A's report and findings, noting they had failed to identify gaps with the Remediation Programme delivery in achieving the requirements of the Direction. Consultant A had identified '*exceptions*' to aspects of the Remediation Programme, but failed to raise concerns that deviations to milestones could risk potential non-compliance with the Direction.
- 1.51. As to Internal Audit, the Expert Person's draft report found this function had failed to explicitly identify potential requirements of the Direction. Internal Audit informed the Expert Person that the scope of their report was not to assess the Remediation Programme against the Direction. The Internal Audit report identified several exceptions to the Remediation Programme's milestones but did not state this risked the Firm being non-compliant with the terms of the Direction.
- 1.52. The Expert Person's draft report led to concerns within the Firm regarding its compliance with the Direction. It was recognised within the Firm that a number of the Expert Person's criticisms may have been valid. A 25 May 2022 update from a senior executive recorded the Expert Person had found that '*... the scope of [the Remediation Programme] didn't meet the needs of the 191 and we didn't address this – they gave at least 3 examples of this which were tricky to argue against...Our 3rd line have stated that they didn't sign off on us delivering the scope of the 191. Instead they signed off the scope of [the Remediation Programme] which...is not helpful.*' A 31 May 2022 presentation to the Firm's Risk Committee noted the Expert Person was '*... concluding the s.191 notice is not fully closed. [The Expert Person] has taken a very pointed view of the objectives with their interpretation of the s191 and in some cases, we believe their interpretation is valid.*'

- 1.53. In order that the Firm could instead direct its resources to urgently addressing the concerns raised by the Expert Person, the Bank and the Firm agreed that the Expert Person was not required to prepare a final report which incorporated the findings of the Key Assurance Reports (discussed below).

Response to the Expert Person's draft report and emergence of the Key Assurance Reports

- 1.54. The Firm's Board discussed the draft Expert Person's report on 7 June 2022 and immediately recognised the seriousness of the report's findings.
- 1.55. As part of the Firm's analysis and interrogation of the Expert Person's draft report, certain of the Key Assurance Reports re-emerged on or around 21 June 2022, having been identified by Vocalink's Legal team. The significance of these documents to the Firm's purported compliance with the Bank's Direction was immediately recognised, and they were escalated internally to the Firm's senior committees, including the Board, and disclosed to the Bank, all for the first time.
- 1.56. On 24 June 2022, Vocalink requested that Consultant A urgently review the findings of a 14 February 2022 Key Assurance Report which had highlighted several unremediated issues from the Review and whether these had been addressed by the Remediation Programme. Consultant A confirmed a number of the Key Assurance Report's findings, including certain issues that were left unremediated, or only partially remediated.
- 1.57. On 24 June 2022, Vocalink informed the Bank about the existence of the Key Assurance Reports. On a call held between one of the Firm's senior executives and the Bank, the former expressed their view that if the Reports had been disclosed to the Board, then the Board would not have concluded the Firm had met the requirements of the Direction and the Expert Person '*... may have reached even more critical conclusions.*' Further, in a 27 June 2022 Board Meeting, the senior individual who signed the 28 February 2022 confirmation of compliance to the Bank noted they would not have done so had they been made aware of the Key Assurance Reports, and that the first line's confirmation of delivery against the Direction was incorrect. Similarly, during a 28 June 2022 call between members of the Firm's Board and the Bank, the Firm noted that '*Vocalink would have written a different letter if the Board had sight of*' a particular Key Assurance Report.

ANNEX B: BREACHES AND FAILINGS

1. Compliance failure

- 1.1. As a result of the facts and matters set out at Annex A, the Firm failed to comply with a direction given by the Bank under section 191 of the Act. The Firm is therefore responsible for a compliance failure under section 196 of the Act.

2. Failings

- 2.1. The Firm failed to comply with a direction issued by the Bank under section 191 of the Banking Act 2009. This is because the Firm had failed to meet the Direction's requirements when it confirmed to the Bank its compliance on 28 February 2022.
- 2.2. The Firm failed to comply with the Direction for the following reasons. First, the Firm's risk management framework and controls, which operated through a three lines of defence model, was not sufficiently integrated and did not operate effectively to identify, oversee and mitigate the risks of the Firm's remediation programme not fulfilling the requirements of the Direction. In particular:
- a) the Firm took decisions to remove or limit narrow elements of the Remediation Programme intended to respond to the Direction, which meant the remediation work undertaken only partially met the scope of the Direction. Although these decisions were risk-based, they were often taken by the first line without the involvement of the Firm's second line Risk Function. These decisions and their potential impact on Vocalink's risk management framework and controls were not clearly communicated either within the Firm, or to the Bank, and the Firm did not have any centralised process or control in place to adequately quantify, track and interrogate, from a risk perspective, such decisions;
 - b) although the Risk Function raised concerns around whether the remediation work being undertaken was sufficiently responsive to the requirements of the Direction, these concerns were not adequately interrogated or acted upon by the first line Business Areas;
 - c) whilst the Bank and the Firm discussed the importance of the Risk Function in assessing compliance with the Direction, there was no holistic assessment of new controls implemented under the Remediation Programme. Nor was the Risk Function able to quantify the level of risk reduction achieved by the Firm's remediation in specific terms, given there was no assessment of the baseline risk position at the outset of the project; and
 - d) although Internal Audit, Consultant A and Consultant B were involved in providing assurance for the Firm's Remediation Programme, the assurance work conducted by Internal Audit and Consultant A was not in all respects designed to properly assess the key question of whether the Direction had been complied with by the Firm. These limitations

were not challenged appropriately or specifically drawn to the Board's attention.

2.3. Second, the Firm did not have sufficiently robust governance arrangements and escalation processes in place to ensure the adequate assessment and management of the delivery of the Remediation Programme as against the requirements of the Direction. In particular:

- a) certain of the Key Assurance Reports were not escalated to the Firm's governance committees or Board, nor were they circulated to the Risk Function, Internal Audit or any other individuals responsible for assessing the success of the Remediation Programme prior to the Firm's confirmation to the Bank that it had complied with the Direction. The first line did not sufficiently appreciate the importance of immediately escalating the risks and negative findings identified in these reports to the Board or Board Risk Committee (or other critical areas within the Firm); and
- b) decisions to remove or narrow elements of the Remediation Programme responding to the Direction were taken informally, outside of the Firm's governance structure or procedures, and were not properly escalated to either the Risk Function or the Firm's governance committees, including the Board. The Firm did not appreciate such decisions represented a risk to the Firm's compliance with the Direction (even when highlighted in Consultant A's and Internal Audit's report), and so they were not reported to the Risk Function or the Firm's Management Committee, where they may have been escalated to the Board or the Board Risk Committee. Similarly, the Firm did not take sufficient steps to ensure compliance and/or to keep the Bank apprised of its decisions to change the scope of its remediation work, which risked non-compliance with the Direction.

ANNEX C: PENALTY ANALYSIS

1. Financial penalty

- 1.1. On 12 November 2024, the Bank published an updated approach to Enforcement, *The Bank of England's approach to enforcement: statements of policy and procedure*. However, when setting a penalty, the Bank is required under section 198(4)(d) of the Act to apply the penalty policy in place at the time of the breach. The Bank's penalty policy in place at the time of the breach for imposing a financial penalty was set out in the April 2013 policy statement '*Financial penalties imposed by the Bank under the Financial Services and Markets Act 2000 or under Part 5 of the Banking Act 2009*' (the "**Penalty Policy**").
- 1.2. Pursuant to paragraphs 11 to 24 of the Penalty Policy, the Bank applies a five-step framework to determine the appropriate level of financial penalty.¹

2. Step 1: Disgorgement

- 2.1. Pursuant to paragraph 14 of the Penalty Policy, the Bank seeks to deprive a person of any economic benefits derived from or attributable to the breach of its regulatory requirements, where it is practicable to ascertain and quantify them. There is no evidence to suggest that Vocalink derived any economic benefit from the compliance failure, including any profit made or loss avoided.
- 2.2. The Step 1 figure is therefore **£0**.

3. Step 2: The seriousness of the breach

- 3.1. Pursuant to paragraphs 15 of the Penalty Policy, the Bank determines a starting point for a financial penalty which properly reflects the seriousness of the breach by the relevant body, including any threat or potential threat it posed or continues to pose to the advancement of the Bank's objectives and a suitable indicator of the financial strength of the relevant body.
- 3.2. The Bank has taken the following factors into account to determine the seriousness of the breach by the Firm:
 - a) the Firm occupies a key position in the UK's national financial payments infrastructure; and
 - b) the compliance failure revealed significant risk management and governance weaknesses at the Firm. In particular, there was a failure to escalate critical information to the Board and relevant governance fora, insufficient engagement of the second and third line in risk management issues (a number of risk-based decisions were taken without the involvement of these functions) and a failure to adequately assess or review whether the original scope

¹ See [Appendix 2](#).

of the Firm's remediation work was appropriate following the issuance of the Direction.

- 3.3. The Bank has also had regard to the matters set out in Annexes A and B to this Notice.
- 3.4. In assessing the Firm's financial strength, the Bank has had regard to the Firm's current financial position and recent financial history, as well as its own supervisory assessments of the Firm.
- 3.5. Taking these factors into account, the Bank considers the compliance failure in this case was serious and has determined the appropriate Step 2 figure is **£20,000,000**.

4. Step 3: Adjustment for any aggravating, mitigating or other relevant factors

- 4.1. Pursuant to paragraph 17 of the Penalty Policy, the Bank may increase or decrease the amount of the penalty determined at Step 2 to take into account any factors which may aggravate or mitigate the breach, or other factors which may be relevant to the breach or the appropriate level of penalty in respect of it.
- 4.2. In deciding whether any adjustment for aggravated or mitigating factors is warranted, the Bank has considered the following factors:
 - a) the Firm co-operated with the Bank's investigation. The Firm provided a number of detailed reports and transcripts of internal interviews which assisted the Bank's investigation. The Firm also made detailed admissions as to the facts and failings in this case, including an admission that it was responsible for a compliance failure. The Firm's admissions assisted the Bank's investigation; and
 - b) the Firm has engaged in remediation investing significant financial resources.
- 4.3. Having taken into account the above factors, in particular the Firm's admissions, the Bank considers it is appropriate to reduce the Step 2 figure by 15%.
- 4.4. The Step 3 figure is therefore **£17,000,000**.

5. Step 4: Adjustment for deterrence

- 5.1. Pursuant to paragraph 19 of the Penalty Policy, if the Bank considers the figure arrived at after Step 3 is insufficient to effectively deter the individual that committed the breach, or others, from committing further or similar breaches, then the Bank may increase the penalty at Step 4 by making an appropriate adjustment to it.
- 5.2. The Bank considers the Step 3 figure of **£17,000,000** is sufficient to effectively deter others and no adjustment at Step 4 is warranted.

6. Step 5: Application of any reductions for early settlement or serious financial hardship

- 6.1. The Bank does not consider that any reduction for serious financial hardship is appropriate.
- 6.2. In accordance with the Bank's Settlement Policy, the Bank and the firm or individual on whom a penalty is to be imposed may seek to agree the amount of the penalty and any other appropriate settlement terms. In recognition of the benefits of such agreements, the Settlement Policy provides that the amount of the penalty which would otherwise have been payable may, subject to the stage at which a binding settlement agreement is reached, be reduced.²
- 6.3. The Bank and the Firm reached an agreement to settle during the Discount Stage. Therefore a 30% settlement discount applies to the Step 4 figure.
- 6.4. The Step 5 figure is therefore **£11,900,000**.

² [The Bank of England's approach to enforcement: statements of policy and procedure](#); Annex 2, Chapter 4, §4.27, p.153; Annex 1, Chapter 10, §10.37-10.45 p.114-116.

ANNEX D: PROCEDURAL MATTERS

Decision maker

1. The settlement decision makers made the decision which gave rise to the obligation to give this Final Notice.
2. This Final Notice is given under section 201 of the Act.

Manner and time for payment

3. The Firm must pay the financial penalty in full to the Bank of England. If all or any part of the financial penalty is outstanding at close of business in London on its due date, the Bank may recover the outstanding amount as a debt owed by the Firm and due to the Bank of England.

Publicity

4. Section 197 of the Act provides the Bank of England may publish details of a compliance failure and may publish details of a sanction imposed under the Act.

Bank of England contacts

5. For more information concerning this matter generally, please contact Press Office (Press@bankofengland.co.uk).

APPENDIX 1: DEFINITIONS

The definitions below are used in this Notice:

1. “The Act” means the Banking Act 2009.
2. “ARR” means Annual Risk Review – an annual supervisory assessment undertaken by the Bank of supervised firms to review key risks and confirm the Bank’s expectations as to how these should be managed.
3. “The Bank” means the Bank of England.
4. “Consultant A” means the external consultant instructed by Vocalink in October 2021 to support Vocalink’s first line in delivering the Remediation Programme.
5. “Consultant B” means the external consultant instructed by Vocalink in November 2021 to support the assurance of the Remediation Programme.
6. “Direction” means the direction issued by the Bank to Vocalink under section 191 of the Act on 16 June 2021.
7. “Expert Person” means the independent expert appointed by the Firm following the Bank’s exercise of section 195(1)(b) of the Act requiring the Firm to appoint an expert to report on the provision of services to recognised payment systems.
8. “FMI” means Financial Market Infrastructure.
9. “Key Assurance Reports” means a series of draft and final assurance reports issued by Consultant B between November and December 2021 which examined the progress and results of the Remediation Programme.
10. “Recognised Payment System” means those payment systems recognised by HM Treasury pursuant to section 184 of the Act.

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11. "Remediation Programme" means the remediation programme created by Vocalink in response to the findings of the Review.
 12. "Review" means the review undertaken by a consultant into the performance of Vocalink's systems and controls which commenced in September 2020.
 13. "Settlement Policy" means the Bank of England's approach to enforcement: statements of policy and procedure November 2024 - Annex 2, Chapter 2 - Statement of policy on financial penalties imposed by the Bank under the Financial Services and Markets Act 2000 or under Part 5 of the Banking Act 2009.
 14. "Three lines of defence" means a risk management model incorporating the Firm's relevant Business Areas tasked with executing the Remediation Programme (first line), the Risk Function (second line) and Internal Audit (third line).
 15. "Upper Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).
 16. "Vocalink" or "the Firm" means Vocalink Limited.

APPENDIX 2: RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. Relevant statutory provisions

The Bank of England's objectives

1. The Bank of England has an objective, set out in section 2A of the Bank of England Act 1998, to protect and enhance the stability of the financial system of the United Kingdom.

Disciplinary powers

2. Section 191 of the Banking Act 2009 ("**the Act**") provides that the Bank of England may give directions in writing to a specified service provider of a recognised payment system. A direction may require or prohibit the taking of specified action in the operation of the system or the provision of services or set standards to be met in the operation of the system or the provision of services.

3. Section 196 of the Act provides:

"In this Part "compliance failure" means a failure by the operator of a recognised payment system, a recognised DSA service provider, or a service provider in relation to such a system or such a DSA service provider, to –

- (a) *comply with a code of practice under section 189,*
- (b) *comply with a requirement under section 190,*
- (c) *comply with a direction under section 191, or*
- (d) *ensure compliance with a requirement under section 195.*

4. Section 198 of the Act provides:

"The Bank of England may require the operator of a recognised payment system, a recognised DSA service provider, or a service provider in relation to such a system or such a DSA service provider, to pay a penalty in respect of a compliance failure."

5. Vocalink is a service provider for the purposes of section 198 of the Act. As of 24 April 2018, Vocalink has been specified as a service provider. As set out in this notice, there was a compliance failure by Vocalink as it failed to comply with a direction from the Bank of England given under section 191 of the Act.

2. Relevant policy

Approach to the supervision of FMIs

6. [The Bank of England's approach to financial market infrastructure supervision | Bank of England](#) sets out how the Bank of England carries out its role in respect of service providers to recognised payment systems. One of the purposes of the document is to communicate to service providers what the Bank of England expects of them, and what they can expect from the Bank of England in the course of supervision.

Approach to enforcement

7. *The Bank of England's approach to enforcement: statements of policy and procedure* (November 2024) sets out the Bank's current approach to exercising its main enforcement powers under the Act, and the Settlement Policy applicable to financial penalties imposed under Part 5 of the Banking Act 2009.
8. When imposing a financial penalty, the Bank must apply the penalty policy in force at the time of the breaches.³ In this case the Bank's 2013 policy statement '[Financial penalties imposed by the Bank under the Financial Services and Markets Act 2000 or under Part 5 of the Banking Act 2009](#)' applies.
9. The Bank's approach to the imposition of penalties is outlined in the Penalty Policy; and the Bank's approach to settlement is outlined in the Settlement Policy.⁴

³ S.198(3) and (4)(d) of the Banking Act 2009.

⁴ Annex 2, Chapter 4; Annex 1, Chapter 10, §10.37-10.45, p.114-116.