

PhonepayPlus Registration Scheme – Second Update: 7 January 2011

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Registration Scheme

1. Introduction

For a number of years, some industry stakeholders have been making the case for a mandatory industry Registration Scheme to improve transparency for those doing business in the PRS market and assist in driving up levels of compliance with regulation. Ofcom considered the matter as part of its review of the scope of PRS regulation and, in its statement in October 2009, agreed that a Registration Scheme could provide benefits to consumers and industry as part of a regulatory framework that extended responsibilities throughout the PRS value chain. Respondents to the Ofcom review suggested that it was most practical for PhonepayPlus to implement and manage such a Scheme. Work commenced on scoping the project in late 2009.

This document picks up from our [last Registration Scheme update](#) published in April 2010. We do not intend to repeat all that was set out there – but instead update you on some key questions that stakeholders are keen to hear more about, including:

- Who will be affected by the Scheme?
- When will the Scheme become active?
- What information will be required of those registering?
- How easy will it be to register and keep information up-to-date?
- How much will the Scheme cost?
- Where will everyone find out more information about what happens next?

Some of these issues are still to be resolved, as the Scheme is still in development. We continue to consult with industry through our workshop programme with key stakeholders and further clarification will be given in the next update in February/March 2011.

For those who are new to the issues, what follows is a brief reminder of our objectives and how we got here.

2. Objectives

Specifically, we will provide a Scheme which will:

1. Assist the industry in performing sufficient due diligence to identify risky organisations and the individuals behind them and so manage the risk of services causing consumer harm;
2. Assist the regulator in engaging with the organisations and individuals most responsible for causing harm and to enforce regulatory compliance;
3. Make it easy for consumers to contact their provider's customer service team without needing to call their network or the regulator in the first instance;
4. Make it increasingly difficult for fraudulent organisations to operate and so improve the confidence of consumers in using premium rate services.

In addition, PhonepayPlus has identified two secondary objectives:

1. To minimise the administrative burden associated with registration; and

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2. To integrate with existing PhonepayPlus data systems to more easily provide intelligence which will then be shared with industry to aid compliance and prevent harm.

3. Where we are

Interim consultation

On 13 April 2010, we asked you:

Do respondents agree that PhonepayPlus should continue with the implementation of the Scheme to meet the timing requirements detailed above?

The consultation closed on 25 May 2010. We received 24 responses – two respondents stated their opposition to the implementation of the Scheme, two more felt they did not have enough information to comment and 20 respondents (including several major trade associations) supported the proposal to continue with the Scheme, recognising that there was a small risk that investment in the Scheme could be thwarted if the new Code of Practice that will be needed to support the Scheme was not approved by Ofcom.

We published the responses on 28 May. Given the overwhelmingly positive response, we decided, and Ofcom agreed, that continuing with the project was the correct and proper course of action.

Invitation to tender and negotiations

Next, we issued an invitation to tender for the build of the Scheme. We received ten full tender responses and an internal Programme Board, which included our two industry Board members, analysed the merits of the bidders against common objective criteria – taking three of those applicants through to a final stage.

At this final stage, the shortlisted applicants each demonstrated a working version of their software with sample data. Each applicant demonstrated a robust system; however, one supplier in particular, Cantata Ltd, demonstrated a suite of products that was a strong match to the principles of the project – and furthermore could demonstrate a similar solution currently at the market for the Advertising Standards Authority. We entered into negotiations with Cantata in August 2010 and commenced work in October 2010. *Figure 1* summarises the timelines:

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Figure 1: Overview of project timelines

What	When
IT consultant engaged/Project Board formed (chaired by Jeremy Hallsworth, Non-Exec industry Board Member)	February 2010
Research/fact finding - industry, Ofcom and suppliers	March – May 2010
Final statement on short consultation	May 2010
Invitation to tender	May 2010
Shortlisted vendors – system demos and due diligence	June – July 2010
Preferred supplier chosen	July 2010
Hosting and licensing options agreed	August 2010
Controlling specification issued	September 2010
Contract signing	September 2010
Project implementation phase	October 2010
Workshop Programme begins	December 2010
Update on Registration published	January 2011
Update on Registration published	February/March 2011
Code published	First Quarter 2011

4. When the Scheme will become active

We expect to publish the new Code in the first quarter of 2011, with it coming into force later in 2011. Prior to this, we will open the Scheme with a 'pre-registration' phase in which the database will be populated, with the aim that, on the first day of the new Code being in force, the Scheme will be fully operational.

We will co-ordinate the publication of the Code, its date of enforcement and the 'pre-registration' period in order to allow you and your industry partners every reasonable opportunity to register.

Currently, the publication of the new Code is dependent upon approval from the European Commission and Ofcom – however, we anticipate that this will be resolved before we publish our next update to you in February/March, at which time we will clearly explain the relevant dates leading up to the new Code and Registration coming into force.

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5. Who will be affected

The new Code will state that no one is able to operate a premium rate service (PRS) without themselves being registered, nor do PRS business with any organisation that is not registered. This means that, generally speaking, the whole of the PRS industry will be affected by the Scheme.

However, in the [new Code consultation paper](#), we invited respondents to submit services or market areas that should be made exempt. We received a substantial response to this question.

We are now considering the evidence provided in these submissions and our Board will decide this issue at its next meeting in February. Following this meeting, we will update stakeholders on the decision and in due course outline by way of formal notice, which premium rate services (if any) are exempt from registration, or who may be required to register, but exempt from paying the registration fee.

6. What information will be required to register

The documents that you will require to have in-hand in order to complete registration will be communicated clearly before registration opens – and our aim is that your organisation should be able to register on the Scheme quickly and easily.

It is a first principle of the Scheme that the party who will be operating the service must complete registration themselves. We recognise that each and every item of information that is required to register is an additional burden and cost to business. For this reason, we have looked to identify the minimum information required to meet the Scheme's objectives. We believe that the following information must be included for each organisation to be validly registered:

For Companies

- Company name;
- Companies House number (or foreign equivalent);
- Country of incorporation;
- The date the business was incorporated;
- Trading name(s);
- Previous trading name(s);
- Address for receiving instructions and regulatory contact number and email.

For Sole Traders and partnerships

- Trading name;
- Previous trading names;
- Full names and dates of birth of each owner;
- A working email address for each owner/partner;
- Address for receiving written instructions and regulatory contact number and email.

Perhaps our most important objective is to raise awareness within the industry of individuals who consistently cause harm in the PRS market. Accordingly, we will match information of individuals who are behind breaches of the Code to their new organisation's record, so that future potential business partners are fully aware of their track record and can then make an

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informed risk assessment of doing business with them. In order to achieve this objective, we will require the following information about directors:

For Company directors

- Full name;
- Date of birth;
- Email address to verify identity.

We will also match directors and owners who register as being responsible for more than one provider – and, when that director or owner’s organisation is in breach of the Code, we will share that information on the Scheme. Before we make any connection, we will offer individuals the chance to validate the connection – before taking an evidence-based decision.

The Scheme gathers together publicly available data in an accessible way and matches PhonepayPlus adjudication data, where relevant.

We will make it easy to keep information up-to-date and will periodically remind registrants to review their data.

Validation

We will not validate every entry on the Scheme – to do so would require us to significantly increase our costs of operation and place a disproportionate burden on industry. However, it will be a breach of the Code to provide inaccurate information on the Register and we will carry out spot checks on data entered on the Scheme, taking informal or formal enforcement action, as appropriate, against those whose entries are not up-to-date.

7. Registering your services

We will require every service to be registered through the Scheme and we expect this will lead to an almost 100% positive response to number checks. This will provide benefits to consumers, through speedier enquiries and redress, and PRS providers, by supporting more effective customer service.

Registering services will be straightforward and require only the essential information to achieve the objectives of the Scheme. For this reason, we have pared down our system requirements around registration of services from that proposed in the April 2010 interim update. We will now require the provider responsible for customer service to ensure service information is registered and up-to-date.

The registering provider must provide the following information:

- Access number of the service (premium rate number or consecutive number range, shortcode and keyword combination, or other identifier, e.g. network Payforit identifier);
- Link to the registration of the organisation providing customer care;
- A customer care number.

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Some providers also want to offer consumers more information about their services – which will assist consumers to ‘self-serve’ – reducing their need to make an enquiry to the PRS provider and reducing customer care costs. To facilitate this, we will enable registering organisations to provide voluntary service information, such as:

- Name of the service;
- Charging information;
- Type of service;
- Free text describing the service or best route to make an enquiry.

We recognise the value of the present Number Checker (which we believe returns information on at least 90% of premium rate services in the UK at present) and so will carefully manage the process of switching from our current database to that which is populated through the Registration Scheme. We will only complete the transfer to the new system when we are sure that we can offer consumers at least the same level of service as that which we currently provide.

Bulk uploads

Services

In order to meet the objective of populating the bulk of premium rate services onto the Number Checker before the date of implementation of the new Code, we are looking to offer an initial bulk registration service in certain circumstances.

Organisations that are registering more than 50 unique services will be able to download a spreadsheet which they can populate from the existing data that they hold about their services. We will then upload that data, providing it meets the required data validation requirements, to the database free of charge. The format of this spreadsheet will be compatible with the existing Cross Network Customer Care Forms. Although the burden of service registration falls on the party responsible for the customer care provision, we will accept bulk upload spreadsheets from any party in the value-chain – including aggregators and Network operators, subject to subsequent validation by the customer care party.

Providers

We also expect that some PRS providers with a large database of clients will similarly wish to bulk upload details of these parties. Again, we will facilitate this, with the ‘pre-registered’ clients then required to complete registration, including validating details and paying the required fee. Again, a simple spreadsheet upload facility that will enable details to be emailed to PhonepayPlus will be provided.

Providers and Network operators wishing to take advantage of these facilities will need to submit their spreadsheets well in advance of the publication date. More information and the conditions relating to these facilities will be available in our next update.

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Transferring services

Going forward, providers must register each service within 48 hours of it being activated. Any party involved in the service can register information about that service. Each time a service is updated, an email will be sent to the regulatory contact at the relevant providers, informing them of the proposed change. The provider then has the opportunity to amend or dispute the change.

If a company registers a service that appears to be a duplicate of one already in existence, PhonepayPlus will proactively investigate the anomaly and resolve it.

8. Security of data

Generally, we are only proposing to store publicly available data on the Scheme.

However, there have been some concerns expressed that the Scheme could be used as a tool to gather marketing or commercially-sensitive data about the industry. For this reason, only those who register on the Scheme can use its facility to search. In this way, we will monitor use of the Scheme and ensure that it is not abused in this way; to do so will be a breach of the Code.

9. Conducting due diligence

Once the database has been populated with your registration data, we will allow due diligence searches and reports to be created. These reports will create a record of any information available to you at the time of your contract and subsequent checks. Should there be an investigation into a breach of the Code, this due diligence report will be vital evidence when considering what steps were taken to prevent consumer harm. However, this report should not be seen as a 'get-out-of-jail-free' card – providers must be able to provide evidence that they have taken a risk-based response using information from their due diligence search and have ongoing reasonable risk and control measures in place.

10. Future added benefits

We have chosen a software solution which offers flexibility and a degree of future-proofing. The data model is such that many of the future benefits envisaged by key stakeholders can be realised at a later stage. PhonepayPlus fully understands and appreciates the need to reassure industry that potential enhancements that would deliver operational benefits to industry – i.e. process efficiencies and cost savings – will be fully considered, assessed and, where appropriate, acted upon. To that end, once the Scheme is up and running and delivering its regulatory agenda, we will expect our Industry Liaison Panel to advise us on any potential enhancements and how they might be achieved. Depending on the nature of the enhancement, wider formal consultation may also be appropriate in keeping with the need for transparency.

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11. Costs

The introduction of the new industry Registration Scheme is being funded initially from cash reserves held by PhonepayPlus, with the aim that the Scheme is self-funding over time through registration fees, with those reserves being fully replenished. This principle of funding was part of the agreement with Ofcom over the introduction of the Scheme and has wide industry support. Once the initial set-up costs of the Scheme are recovered through fees, they will be returned to industry – we will consult at that point on the precise means of doing this with stakeholders and funders. The budget and accounts for the Registration Scheme will be transparently reported and will form part of our Annual Report for 2010/11 and will be incorporated fully into our business planning process for the financial year 2012/13.

Fees

Current forecasts of the likely number of registrants lead us to believe that the fee in the first year will be £100 + VAT. The fee will be collected through the Registration Scheme online and can be paid with all major credit and debit cards. Fees in subsequent years may change according to the number of registrants anticipated to participate in the market in that year and will be consulted on as part of the annual Business Plan consultation. As mentioned above, we may exempt some registrants from paying the fee in particular circumstances. We will confirm this in due course.

Build costs

In our update in April 2010, we set out our projected costs for the development and implementation of the Registration Scheme. At the time, we said we expected the cost to be no more than £875,000 on building the system, including the cost of software, configuration and any professional services. At this stage of the project, we have a well-developed, but not yet final, view on the likely total build costs and, on current projections, we expect these to be around £650,000, significantly less than our forecast. Our intention is that this cost will be depreciated over five years.

Ongoing costs

Operational costs for the Registration Scheme remain in line with original forecasts. Current best estimates during this development stage of the project forecast an annual cost of £155k over five years, slightly more than our forecast in April. This covers the ongoing maintenance and hosting, along with operational costs associated with administering a Scheme. We will provide a further update on costs of the Scheme in our next update.

12. Where you can find out more

In accordance with our primary objective to deliver cost-effective and efficient regulation, we are looking to utilise the existing commercial communications channels in order to communicate to providers throughout the value-chain. We will be providing online resources and links for Network operators, resellers, aggregators and platform providers to pass on to

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their clients, so that they can learn about the new rules and their obligations under the Scheme.

We will begin this communications campaign in earnest in early-2011, but in the meantime, anyone wishing to receive updates on the new Code and Registration Scheme can send an email with UPDATES in the subject line to newcode@phonepayplus.org.uk.

Stakeholders can also visit [our website](#) for updates and frequently asked questions on the new Code and Registration Scheme.

13. Next steps

Following the publication of the new Code and the PhonepayPlus Board decision on exemptions, we plan to publish a third update in February/March 2011. This update will provide more information on the timing of the pre-registration, costs and potential exemptions

In the meantime, we will continue our programme of workshops which will inform the design and usability of the system. If you wish to learn more about these workshops, please email Alex Littlemore: alittlemore@phonepayplus.org.uk