**DISCUSSION DRAFT – SUBJECT TO LEGAL REVIEW**

**Data Services Credit Rules (DSCR)**

**21st October 2016**

**Prepared by Credit Risk Management – Xoserve Limited (the CDSP)**

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# Introduction

Xoserve Limited [has been] appointed by the [Transporters] pursuant to [Standard Special Condition[/] of the Gas Transporters Licence] as the CDSP and has entered into the DSC.

The Data Services Credit Rules (DSCR or Rules) are the “DSC Credit Rules” referred to in the Data Services Contract (DSC) and, in particular, the Credit Policy (as defined in the DSC). The Credit Policy is referred to in GT Section D 3.1.4(iii)] and 3.3(h) of the DSC Terms and Conditions and is a CDSP Service Document. The Credit Policy is an integral part of and is incorporated in the DSC.

The purpose of this document is to set out the DSCR in support of the DSC Credit Policy (DSCP) . These rules apply to all DSC Specific Services or Additional Services or IXA Services or Direct Services or Third Party Services or any other Services and/or charges (as outlined in the CDSP Service Description Document and Budget & Charging Methodology Document) that may be incurred pursuant to or in relation to the DSC.

The Rules are written to protect parties to the DSC against financial loss arising from commercial default (see Paragraph 2.2 below) . The Rules are to be followed by all employees/agents of the CDSP who are involved in proposing, assessing, monitoring or managing credit exposure arising under the DSC, in order to minimise avoidable financial loss to Customers.

This booklet has been designed to provide existing and prospective Customers with all the information they need about the DSCR and how they are applied, in a transparent and readily accessible manner.

These Rules aim to answer those questions that are most commonly asked by Customers and gives an overview of how DSC Credit Limits are established, secured and monitored by the CDSP on behalf of the Parties to the DSC. [For ease of reference we have also provided cross-references to the DSC to provide you with a fuller explanation of a particular legal or technical issue].

Once you have read this booklet, we will be pleased to discuss your requirements further and to answer any questions that you may have. Contact details can be found in paragraph 8 below..

In the event that circumstances dictate that the DSCR need to change, any such changes will be authorised by the Committee (as referred to in the Credit Policy) in accordance with the Credit Policy (also referred to as the DSCC in this Document).

**NB: Liability of the CDSP is outlined in paragraph 2.5 of the DSCP**

# Section A Terminology

## In this Document:

(a) Uniform Network Code (UNC) means the Uniform Network Code prepared pursuant to Standard Special Condition A11(6) of the gas transporter’s licence, as from time to time modified:

(b) DSC Terms and Conditions means DSC Terms and Conditions as defined in GT Section D;

(c) terms defined in the DSC Terms and Conditions and not otherwise defined in this Document have the meanings given to them in the DSC Terms and Conditions;

(d) terms defined in any other DSC Service Document and not otherwise defined in this Document have the meanings given to them in that DSC Service Document;

(e) the further provisions of the DSC as to interpretation apply.

## Definitions in this Document:

(a) Approved Credit rating is a credit rating published by an Approved Credit Rating Agency

(b) Approved Credit rating Agency means a credit agency approved by the DSCC

(c) DSCC means the Data Services Committee set up pursuant to the Data Services Credit Policy.

(d) DSC Default Notice means a notice substantially in the form set out in the DSCR to the effect the Customer is in default of the DSC;

(e) Services means Specific Service or Additional Service or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document and as amended from time to time by the DSCC and in accordance with the DSCP and DSCR

# Section 1: Key Objectives of the Credit Rules

* 1. The DSCC has a set of key objectives it aims to achieve in setting Credit Rules as outlined in Section 3 of this Document.
  2. As noted above, for completeness, this Document refers to certain provisions of the DSC where they are relevant to the Rules. Whilst all reasonable efforts have been made to verify the information in this Document, it can only ever be a high level summary of some of the key provisions in the DSC.. This document is not a substitute for reading the detailed provisions of the DSC or the Code DSC Provisions and must not be relied upon when making any contractual business or other decision. [No representation or warranty is made as to the accuracy or completeness of the information contained herein].

**Any capitalised terms used in the DSCR shall have the same meaning given to them in the DSC (unless otherwise defined in the DSCR).**

## 1.3 Organisation and Responsibility of the Credit & Risk Management Function

The governance structure in respect of the operation of this Credit Policy is as follows:

DSC Committee (DSCC)

(CDSP) Business Process Manager

(CDSP) Credit Team

Customers

# Section 2: The Data Service Credit Rules (DSCR)

## Administration of the Rules

(a) The DSCR are the processes and procedures described in this booklet revised from time to time in accordance with the DSC and they provide the framework by which all Customers exposure to financial loss is managed.

(b) As set out in the Credit Policy, with the approval of the **DSCC**, the DSCR may be revised upon giving notice to all Customers of not less than 2 months or such shorter period as may in any particular case be approved by the DSCC.

(d) For the avoidance of doubt where it is determined that the DSCC or a Customer have proposed a Modification to the DSCP, the DSCC shall give consideration to the proposal prior to making any decision to approve any revision to the prevailing DSCR.

## \*Responsibility for Financial Loss

(a) If a Customer or multiple Customers fail to pay the Charges in accordance with the DSC, such unpaid Charges will be included in the Costs (as defined in the Budget and Charging Methodology Document) and such Costs will be payable by the Customers as set out in the Budget and Charging Methodology Document.

(b) The effect of the provisions of the Budget and Charging Methodology Document is that if a Customer fails to make payment of any invoice issued when due, all other Customers shall become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).

# Section 3: The Data Services Committee (DSCC)

## Powers and Duties of the DSCC

* + 1. The DSCC is comprised of a body of industry representatives with certain rights and responsibilities concerning the risk management of the DSC.
  1. To establish credit arrangements and associated governance that are consistent with DSCP.
  2. To minimise, as far as practically possible, CDSP’s Customers (who form part of the CDSP’s “mutual” community) risk from avoidable financial loss resulting from another Customer’s default.
  3. To ensure systems, processes and procedures are developed in a manner that is not unduly discriminatory between DSC Customers.

(d) To establish arrangements that are appropriately governed, including the establishment of a DSCC, with clear principles and strategic objectives that are operated in accordance with that governance.

1. Agree a suite of Management Information with DSCC for the CDSP to provide reporting information to agreed key credit related KPIs and allow transparency of performance.
2. Work with the CDSP to ensure DSC Customers operate within the prevailing rules.
3. Develop and maintain a consistent credit limit framework for limiting CDSP’s Customers’ exposure to the risk of financial loss resulting from the provision of CDSP Specific Services or Additional Services or IXA Service or Direct Services or Third Party Services or any other Service(s) as outlined in the CDSP Service Description Document.
4. To enable the CDSP to collect all amounts due in accordance with agreed payment terms in order to achieve monthly cash collection targets.
5. To maintain and monitor an accurate database of Customers in order to actively monitor current and future contractual exposures.
6. Advise relevant management within the CDSP, in a timely manner, on DSC Customers’ exposure to risk resulting from current and future planned initiatives and advise of any action necessary to contain that exposure within the defined limits, ensuring that issues are escalated where appropriate.

## General

1. References to the Committee are to the Contract Management Committee or any sub-committee established by it and comprising of such members, and on such terms, as the Contract Management Committee decides.

(b) The DSCC is chaired by the [Joint Office] and is attended by up to [nine voting] Customers representatives, The CDSP’s business Process Manager and the Authority. The DSCC may invite other persons to attend, in a non-voting capacity.

## Members and Appointment

* + 1. Customers are elected [annually/bi-annually or from time to time] following the decision of the Contract Management Committee on the [1st October] and at other times when vacancies occur from time to time. These elections are conducted by the [Joint Office]. Industry representatives are the only persons who are entitled to vote and have the power to appoint a standing alternate to vote on their behalf.

1. A member must appoint an alternate either on a standing basis or on a meeting by meeting basis. Such appointments shall be made in writing or by email to [**enquiries@gasgovernance.co.uk**.] Where it is impracticable to contact the member, a standing member may appoint an alternate for a meeting.
   * 1. Where a Customer representative has not appointed a standing alternate and either:
2. Resigns; **or**
3. Cannot be contacted and is absent from two consecutive regular committee meetings.
   * 1. The [Joint Office], on behalf of DSCC, will contact the company employing that Customer representative and invite it to nominate a member to serve on an interim basis. If that company declines to make such nomination, the [Joint Office] will invite one of the other standing alternates to act as a member on an interim basis. All such interim appointments will expire when the [DSCC] advises the [Joint Office] that the vacancy has been filled.
     2. Members are representatives in their own right and do not represent the company by which they are employed. With the exception of interim appointments outlined above, the election rules permit no more than one member per Customer. Members or alternate members of the DSCC can hold concurrent appointments to both the DSCC and the EBCC. Their Voting capacity shall be limited to one vote and it is recommended that members should have credit management experience or gas industry experience.
     3. In the event that there is a Conflict of Interest by a Member(s). The individual(s) shall withdraw from any Voting. Members should disclose any potential of a Conflict of Interest at the earliest stage possible to the Chair of the DSCC or the CDSP’s Business Process Manager.
     4. [A list of all members and standing alternates shall be published on the [Joint Office website [**www.gasgovernance.co.uk**](http://www.gasgovernance.co.uk/).]

## Meetings

* + 1. The Committee endeavours to meet on a [quarterly basis] or a period determined by the DSCC, and for the purposes of voting a quorum of three voting members, or appointed alternate(s), is required. Decisions are made by a simple majority vote.
    2. An agenda for each meeting will be published on the [Joint Office] [website] at least [five] Business Days prior to the meeting and minutes published no more than [five] days after the meeting. A monthly operational summary will be published prior to the meeting. If the minutes are of a sensitive nature then members can agree to circulate to members and standing alternates only.
    3. In addition to the regular meetings detailed above, should the need arise for the CDSP to consult with the Committee on a particular issue or in relation to any aspect of its functions, an operational meeting can be called.
    4. A further operational meeting may be convened at [36 hours] notice and for voting a quorum of three voting members or appointed alternate(s) is required. Due to their sensitive nature, minutes of these meetings will generally only be circulated to members and standing alternates. In these situations the DSCC chair may be an Operational Manager within the CDSP. An agenda will be provided to members as soon as is reasonably practicable.
    5. A teleconferencing facility exists for situations where any meeting cannot be conducted by any other means or as agreed by members.
    6. Where necessary the DSCC may also be convened for an emergency meeting for purposes including, but not limited to, discussion of the Customer’s Suspension of Specific Services or Additional Services or IXA Services or Direct Services or Third Party Services or any other Services outlined within CDSP Service Description Document. An emergency meeting can be convened at [36 hours] notice (or less in exceptional circumstances) and for voting a quorum of three voting members or appointed alternate(s) is required. Due to their sensitive nature, minutes of these meetings are only circulated to members and standing alternates. In these situations the DSCC chair may be an Operational Manager within the CDSP. An agenda will be provided to members as soon as is reasonably practicable and pursuant to section 2.4.3 of the DSCP.
    7. The CDSP will keep the DSCR under review [subject to section 2(b) of the DSCR] and the CDSP will discuss the DSCR with the Committee at least once a year (or with such greater frequency as the DSCC may require); and following any such review the CDSP shall revise the DSCR where requested to make a revision by the DSCC (unless the revision would put the CDSP in breach of any legal requirement or the DSC) [paragraph 3.1.5 of the DSCP].
    8. Where the CDSP brings a matter to the attention of the DSCC this will be subject to the conditions in paragraph 2.4.3 of the DSCP.

# Section 4: Operation of the Credit Risk Framework

* 1. All contracts exposure entered into by the CDSP in relation to the DSC Agreement entered into at any time must be identified and measured on a continuing basis.
  2. As set out in Clause 4 of the DSC Terms and Conditions, in order to accede to the DSC, Applicants must satisfy certain Accession Requirements. The conditions of being a Customer referred to in Clause 4.3(b) include:

1. **\*All Customer’s shall be credit assessed by the CDSP prior to entering into an Accession Agreement. Please refer to Paragraph 4.6 below.**
2. **\*All Customer’s shall provide security in the specified form and within the stipulated timeframe if requested by the CDSP. The specified forms of security and timeframes are set out in Paragraphs 4.7 below.**
3. **\*All Customer’s shall be assigned a DSC Credit Limit. Please refer to Paragraph 4.5 below.**
4. All Customer’s from time to time shall be required to increase their security in the event that the DSC Credit Limit is exceeded

**NOTE:** In the case of group companies, individual exposure should be aggregated and monitored

* 1. In addition to the monitoring and reassessment of the DSC Credit Limits, all Customers and third party security guarantors who provide security will be monitored.
  2. Customer’s total gross indebtedness is calculated as:

Specific Service or Additional Services Invoiced & Due + IXA Services + Direct Services or Third Party Services and/or any other Services as outlined in the CDSP Service Description Document

Invoiced & Not Due + Specific Service or Additional Services + IXA Services + Direct Services or Third Party Services and/or any other Services outlined in the CDSP Service Description Document Provided & Not Yet Invoiced

-

Disputed Sums

-

Payments in Advance

=

Total Gross Indebtedness

## DSC Credit Limit

* + 1. A Customer’s DSC Credit Limit will be reviewed and may be revised from time to time in accordance with the DSCR on not less than thirty (30) days’ notice (or any lesser period agreed by the CDSP) to the Customer:

(a) at intervals of not less than twelve (12) months;

(b) where the review is requested by the Customer

* + 1. A Customer’s DSC Credit Limit may be reviewed and revised immediately in accordance with the DSCR:

(a) where any Approved Credit rating (or other published Credit Rating) is revised downwards;

(b) where (without prejudice to any requirement in the DSCR) any instrument of DSC Security expires or is determined;

(c) following the appointment of any Supplier of Last Resort (as defined in TPD Section G2.1.7) by the Authority and TPD Section G2.18 applies, where the Customer is a Last Resort User (as defined in TPD Section G2.1.7);

(d) where at any time the CDSP has reasonable grounds to believe that the effect of the review would be to reduce the Customer’s DSC Credit Limit.

* + 1. The CDSP will not be required to agree to the request of a Customer under paragraph 4.5.1 (b) (above) unless the Customer agrees to reimburse reasonable costs and fees payable by the CDSP to any third party in connection with such request.
    2. The DSC Credit Limit represents the value of the security (if) provided by a Customer which in the event of a default may be realised to meet its Outstanding invoices, un invoiced sums and any other costs incurred during the collection of the amounts in default .

1. A Customer’s DSC Credit Limit shall be determined by one of four categories;
2. [Fully Securitised] – either by or in combination with Cash Deposit, Letter Of Credit (LOC), Parent Company Guarantee (PCG)
3. [Cash Credit Balance] or[ (PCG)]
4. [Unsecured Rating]
5. [Lower Grade Rating – e.g. Graydon’s/D&B]
6. Credit limits are applied on an individual Customer basis and are determined in accordance with the standard credit assessment detailed in [paragraph 4.6.3 below]
7. A secured Credit Limit shall be assessed in line with the Principles of Assessment [paragraph 4.6 below]

## Principles of Credit Assessment

* + 1. Once a Customer [Credit Application] is received. A credit assessment will be performed prior to any Services being provided.
    2. The credit assessment will comprise of the Customer being credit checked for an acceptable published credit rating by an approved rating agency assessment of any supporting data, as detailed in [section 1.4 (b) of DSCP and], may be factored into any decision made to provide or extend credit.
    3. The Credit Assessment shall consider the following factors including but not limited to;

1. [Additions/changes to the Customer's business activity]
2. [Measurement of credit risk exposure]
3. [Monitoring of credit risk exposure]
4. [Escalation of the credit risk notification]
5. [Escalation, default and recovery of debt]
6. [Increase in Security requirements]
7. [Adverse change in Customer’s credit rating]
8. [Adverse change in Guarantor’s credit rating]
9. [Change in the type of security]
   * 1. **All Customers are required to maintain a DSC Credit Limit at all times in order to provide sufficient protection for the DSC community from Customer failures.**

## Types of Acceptable Security

* + 1. When it is determined that a Customer is to provide a DSC Credit Limit they shall be required to lodge adequate Security in support of their DSC activity.
    2. Customers must lodge security (if so determined) with the CDSP to the value of their DSC Credit Limit. In the event of a change in value of the Customer’s DSC Credit Limit, any security lodged would be changed accordingly. Security may be in the form of a Letter of Credit (LOC) or cash accompanied by a Non Registrable Deposit Deed, a Parent Company Guarantee [see types & forms of security contained in paragraphs 4.7 to 4.11 in this Document]
    3. In the case that any lodged Security is due to expire and requires renewal, it will have a deemed value of zero one month[30 days] prior to maturity.

## Letter of Credit (LOC)

* + 1. An **Irrevocable Standby Letter of Credit**, issued by a UK branch of a financial institution with a long term credit rating of not less than A3 [insert section no.] provided by Moody’s Investors Services or such equivalent rating by Standard and Poor’s Corporation (where such ratings conflict, the lower of the two ratings will be used).
  1. The Letter of Credit must be issued in favour of [the CDSP].
  2. The Letter of Credit will not be accepted unless two authorised signatories are obtained from the Financial Institution.
  3. The Letter of Credit will have a deemed value of zero for the purposes of security one month prior to maturity.
     1. The accepted format of the Irrevocable Standby Letter of Credit is set out in [Appendix TBC] and is compliant with the UCP 600 and current prevailing legislation.

## Multiple Customer Letter of Credit (MCLOC)

* + 1. A **Multiple Customer Irrevocable Standby Letter of Credit** issued by a UK branch of a financial institution with a long term credit rating of not less than A3 [insert section no.] provided by Moody’s Investment Services or such equivalent rating by Standard and Poor’s Corporation (where such ratings conflict, the lower of the two ratings will be used).

1. The Multiple User Letter of Credit must be issued in favour of [the CDSP].
2. The Multiple User Letter of Credit will not be accepted unless 2 signatories are obtained from the Financial Institution.
3. The Multiple User Letter of Credit will have a deemed value of zero for the purposes of security [one month prior to maturity].
4. If this form of Security is the preferred option, the companies that are covered under the Multiple User Letter of Credit must have the same Parent Company in common.
5. A side letter outlining the DSC Credit Limits that have been assigned to each User must accompany the Multiple User Letter of Credit.
   * 1. The accepted format of the Multiple User Unconditional Irrevocable Standby Letter of Credit is set out in [Appendix TBC]. The accepted format of the side letter outlining the Credit Limits that have been assigned is set out in [Appendix TBC].

## Non Registrable Deposit Deed

* + 1. A **Non Registrable Deposit Deed** is a deed containing terms (i.e. protection from default) relating to the depositing of Cash that can be for an amount that is either part or all of the agreed Secured Credit Limit. Cash deposited with [the CDSP] for the purpose of security must be subject to a Non Registrable Deposit Deed.

1. The Non Registrable Deposit Deed must be issued in favour of Xoserve Limited (the CDSP).
2. The Non Registrable Deposit Deed will not be accepted unless returned with one mandatory authorised signatory (Director) and a Company Secretary.
3. The cash held in the form of the Non Registrable Deposit Deed will be held in a separate designated account.
   * 1. The accepted format of the Non Registrable Deposit Deed is set out in [Appendix TBC].

## Parent Company Guarantee (PCG)

* + 1. A Parent Company Guarantee shall only be accepted in the following circumstances;

1. The Parent Company Guarantee is from an ultimate or intermediate holding company
2. The terms of the PCG shall be based upon an indemnity/demand guarantee basis
3. The issuer of the PCG must have an acceptable credit rating by an approved rating agency.

**NB: Any deviation made from the accepted format of any Security Template Document will result in the rejection of that document.**

**NB: The CDSP manages all DSC security activity on behalf of Customers. In order to avoid unnecessary delay. It is the responsibility of the Customers to ensure that correctly completed Security Template Documents are provided directly to the CDSP at the address detailed in paragraph 8 of this Document.**

## Financial Institution Ratings

* + 1. Only financial institutions with a Moody’s long term credit rating of A3 or above or Standard and Poor’s equivalent as detailed below, will be acceptable. Ratings are monitored daily and in the event that a financial institution is placed on watch for a possible downgrade affected Customers may be notified and requested to confirm contingency arrangements. In the case that a downwards rating change occurs Users affected will be notified as soon as reasonably practicable. The following table explains the rating action that will be taken by [the CDSP] in the event that the rating of a financial institution providing Security falls below the acceptable rating.

## Rating Comparison Table

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratings Comparison** | | **Aggregate**  **Limit**  **(Maximum exposure acceptable for an individual Financial Institution)** | **Rating Action** |
|
| **Moody’s** | **S&P** |
| **Aaa**  **Aa1**  **Aa2**  **Aa3** | **AAA AA+**  **AA AA-** | **[£[12],000,000]** | **Rating is acceptable provided that the maximum Aggregate Limit is not exceeded.** |
| **A1**  **A2**  **A3** | **A+**  **A**  **A-** | **[£5,000,000]** | **Rating is acceptable provided that the maximum Aggregate Limit is not exceeded.** |
| Baa  Baa1 Baa2 Baa3 | BBB+  BBB BBB- | Zero | Rating is not acceptable. In the event of a downgrade below Moody’s A3 or equivalent, Customer(s) will be notified to provide alternative Security within 30 days. If alternate Security is not provided within 30 days, the Customer(s) DSC Credit Limit will prevent further Specific Services or Additional Services IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document being provided and indebtedness will be managed via the RPFS process and DSC Credit Limit process . |
| Ba1  Ba2  Ba3  or below | BB+  BB  BB- or below | Zero | Rating is not acceptable. In the event of a downgrade below Moody’s Baa3 or equivalent, the Customer(s) will be notified to provide alternative Security and the Customer’s DSC Credit Limit will be set to zero with immediate effect. Indebtedness will be managed via the RPFS process and DSC Credit Limit process .. |

* + 1. The amount of any costs, expenses or other amounts incurred by [the CDSP] for the procurement of Credit Rating Analytic Specific Services from third parties shall be recovered as an amount to be included within the [as detailed in the Budget & Charging Methodology Document] Such Specific Service or Additional Services or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document will be procured following direction and approval by the DSCC under [DSCP] and the DSCR.

## Renewal of Security

* + 1. In the event that a renewal of Security is required, the Customer(s) will be notified in writing of not less than [60 days] before the expiry date, to put in place revised Security [30 days] prior to the existing Security’s expiry.
    2. Where a Customer fails to put in place revised Security [30 days] prior to the existing Security's expiry date the Customer will be required to provide an immediate cash payment of an adequate sum to be held until the revised Security is in place based on prevailing exposures.
    3. If accepting this revised Security would cause the Aggregate Limit of a financial institution to be exceeded, the Customer(s) will be notified by email immediately upon the Customer notifying [the CDSP] and will be asked to make alternative provisions for Security purposes in accordance with section 4.7 of the DSCR.
    4. Where a Customer’s DSC Indebtedness:

(a) exceeds 85% of the Customer’s Credit Limit, the CDSP shall give the Customer notice to that effect;

(b) following notice under paragraph (a), if indebtedness exceeds 100% of the Customer’s DSC Credit Limit, the CDSP will notify;

(i) the Customer to such effect and request the Customer to provide additional DSC Security in such amount as required to reduce the Customer’s DSC Indebtedness to below 70% of the Customer’s Credit Limit

## Rating Downgrades and Security

* + 1. Should the rating of the financial institution providing Security fall below [Moody’s] rating [A3] or Standard and Poor’s equivalent [paragraph 4.13 above], the Customer(s) will be required to provide acceptable alternative Security within [30 days] of [the CDSP’s]request.

* + 1. Notwithstanding the above, the Customer(s) shall be permitted an extension of [30 days] where:

1. The Customer(s) has made a written request for an extension within [7 days] of the [CDSP’s] request for alternative security; and
2. the Customer(s) has been required to provide acceptable alternative Security as a result of the rating of a financial institution providing the Customer(s) Security falling below Moody’s rating A3 or Standard and Poor’s equivalent once within the preceding [6 months];
   * 1. Customer(s) shall be permitted an extension of [60] days where:
3. The Customer(s) has made a written request for an extension within [7 days] of [the CDSP’s] request; for alternative security and
4. the Customer(s) has, on [two or more] occasions within the preceding [6 months], been required to provide acceptable alternative Security as a result of the rating of a financial institution providing the Customer(s) Security falling below [Moody’s] rating [A3] or [Standard and Poor’s] equivalent.

**NB: Extension provisions will not apply where a Customer(s) original Security is due to expire within the extension period.**

* + 1. Where the rating of the financial institution providing Security falls below [Baa3] (provided by [Moody’s Investors Services] or such equivalent rating by [Standard and Poor’s Corporation]), or where an insolvency practitioner is appointed to manage the affairs of said financial institution or company, [CDSP] shall give notice to downgrade the Customer’s DSC Credit Limit to zero with immediate effect in accordance with paragraph 4.16 below and paragraph 4.13 above.

* + 1. For the avoidance of doubt, the CDSP will continue to hold the original Security provided until such time as an acceptable alternative has been received and the CDSP has confirmed that the replacement security meets the requirements of the DSCR.

## Revision’s to a Customer’s DSC Credit Limit

* + 1. A Customer’s DSC Credit Limit will be reviewed [at least every 12 months]. However a review may be initiated at [any other time] if it is deemed there are reasonable grounds to do so in the event that a Customer’s circumstances have changed. For the avoidance of doubt, the CDSP will continue to hold the original Security provided until such time as an acceptable alternative has been received and the CDSP has confirmed that the replacement security meets the requirements of the DSCR. A Customer may apply at any time to increase its DSC Credit Limit.
    2. A Customer who has provided DSC Security may request the CDSP to release such DSC Security (in whole or part), and following such request, provided the requirements of paragraph 4.6.3 are satisfied, the CDSP will as soon as reasonably practicable and in any event within thirty (30) days after such request, comply with such request.
    3. The requirement is that at the date two (2) Business Days before the date of release or reduction the amount of the Customer’s DSC Indebtedness is less than 70% of the Customer’s DSC Credit Limit (as calculated after taking into account the proposed release or reduction of the DSC Security)
    4. An instrument of DSC Security shall not form part of the DSC; and no provision or modification of the DSC, nor any inconsistency between the DSC and any such instrument, and nothing done by the CDSP pursuant to the DSC, shall prejudice or invalidate such instrument.
    5. Where any information reviewed by the CDSP indicates that a Customer’s credit limit should either be increased or decreased by 50% or more, then the Business Process Manager or CDSP Representative shall present details to the DSCC. Following their decision credit limits may be revised upon notice to the Customer.
    6. A Customer may apply to increase its DSC Credit Limit by giving notice to the CDSP specifying the basis [(in accordance with paragraph 4.16.7 below] for the increased limit and (if the Customer wishes) and is granted the increased DSC Credit Limit (in accordance with paragraph 4.6 above). The Customer must provide (where applicable) any new or revised Security which forms part of such basis of the increased DSC Credit Limit pursuant to paragraph 4.7 of the DSCR.
    7. A Customer’s DSC Credit Limit may also be revised, in accordance with the DSCR, save where either paragraph 4.6.3 above or paragraph 4.16.1 above applies, on notice of not less than [30] Days (or any lesser period agreed by the Customer) to the Customer:

1. at intervals of approximately [12] months;
2. where any published credit rating of a provider of security is revised downwards;
3. where (but without prejudice to any requirement of the DSCR) any instrument of Security expires or is determined;

iv) where at any time the CDSP has reasonable grounds to believe that the effect of the review will be to reduce the Customer’s DSC Credit Limit provided that nothing in the DSC Credit Policy shall require the CDSP to undertake a review under paragraph 4.6.3 above or paragraph 4.16.1 above.

* + 1. Where any published credit rating of a provider of security is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the DSCR, a Customer’s DSC Credit Limit may be immediately reviewed and revised by the CDSP in accordance with the DSCR, on notice to the Customer.

## Section 5: Operation of the Request to Provide Further Security (RPFS) Process

## Request to Provide Further Security Overview

(a) A Request to Provide Further Security is made if a Customer has exceeded their DSC Credit Limit. No further Specific Services or Additional Services or IXA Services or or Direct Services or Third Party Services or any other Service(s) as outlined in the CDSP Service Description Document shall be provided by the CDSP until Further Security has been provided by the Customer.

(b) In the event that the DSC Credit Limit has changed or the Customer has exceeded their secured credit limit which results in an increase in security. The CDSP shall notify the Customer within [7] days in writing and provide the reason for the required increase in security

## Calculation of Further Security

* + 1. Where a Customer’s DSC Indebtedness:

(a) exceeds 85% of the Customer’s Credit Limit, the CDSP shall give the Customer notice to that effect;

(b) following notice under paragraph (a), exceeds 100% of the Customer’s DSC Credit Limit, the CDSP will notify;

(i) the Customer to such effect and request the Customer to provide additional DSC Security in such amount as required to reduce the Customer’s DSC Indebtedness to below 70% of the Customer’s Credit Limit

## Right of Appeal

* + 1. A Customer may Appeal in the following circumstances where;

(a) A Further Security Request (the "**relevant**" Further Security Request) has been

submitted to a Customer; and

(b) the Customer considers it inappropriate that is should be required to provide a further, additional or revised Security,

* + 1. The Customer may, not later than [12:00 hours] on the [3rd Business Day] following the Day on which the Further Security Request was submitted, so notify the CDSP, specifying in as much detail as possible the Customer’s reasons for appeal.
    2. A Customer must lodge the Further Security with the CDSP by [12:00 hrs] on the [8th Business Day] following issue of the Request to Provide Further Security.
    3. For the avoidance of doubt, a Customer must maintain Security equal to their total Security value for a minimum of [90] Days. Any Security lodged in response to a RPFS must remain in place for no less than [90] days following the date of issue. In the event of a subsequent Further Security Request, all Security must remain in place for a further [90] days from the date of the most recent Further Security Request. After this period has lapsed, the Customer may request the return of their Further Security provided that there have been no Further Security Requests issued in accordance with the provisions of DSC, DSA, DSC T&C’s Sections.

5.4 Where a Customer has not provided the further, additional or revised Security in accordance with the Request to Provide Further Security (RPFS) by [12:00 hours] on the [8th Business Day]:

5.4.1 following;

(a) the date the Further Security Request was submitted; or

(b) where the Customer has given a notification under [paragraph no 5.3.2 above], the date the revised Further Security Request was submitted or the date the Customer was notified that the Further Security Request remains valid pursuant to [paragraph 5.4.5 below]

5.4.2 The CDSP shall submit to the Customer’s a Failure to Supply Further Security Notice in a form set out in the DSCR. Without prejudice to paragraph 5.4.5 below, The CDSP shall notify the DSCC that such a notice has been issued.

* + 1. Without prejudice to paragraph 5.4.5 below where a Customer fails to provide additional DSC Security where requested by the CDSP by the date specified in the CDSP's notice under paragraph 5.1(b) above:
    2. the Customer fails to provide additional DSC Security where requested by the CDSP by the date specified in the CDSP’s Notice (pursuant to paragraph 3.5.1 of the DSCP):

the CDSP will notify the Committee, and

* + 1. in the case of a Customer who is a Shipper User, each Transporter;
    2. in the case of a Customer who is a Transporter, the Authority; and

where and for as long as the Customer’s DSC Indebtedness exceeds 100% of the Customer’s DSC Credit Limit the CDSP shall suspend the provision of any Specific Service or Additional Service or IXA Service or Direct Services or Third Party Services or any other Service(s) which the CDSP is providing to the Customer until such time as the Customer’s DSC Indebtedness is reduced to less than 70% of the Customer’s DSC Credit Limit (pursuant to paragraph 3.5.2(b) of the DSCP) and without prejudice to paragraph 3.5.3 of the DSCP.

* + 1. **RPFS Process After an Appeal Has Been Received**
    2. The CDSP shall bring to the attention of the DSCC that the Customer has failed to meet the requirements of the RPFS request. The DSCC may consider the Appeal made by the Customer.
    3. In the event that the Appeal is not successful. The Customer must provide the CDSP with full satisfaction of the RPFS within 24 hours of the Notice of Outcome of the Appeal Decision or in any event no later than the expiry of the [8th] business day of the RPFS Notice being issued.
    4. Subject to paragraph 5.4.6 above the CDSP shall issue a Suspension Notice to suspend any further Specific Service or Additional Services or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document and/or exceeding 85% of the Customer’s DSC Credit Limit upon approval of the DSCC.
    5. Where and for as long as the Customer's DSC Indebtedness exceeds 100% of the Customer’s DSC Credit Limit the CDSP shall upon approval of the DSCC suspend the provision of any Specific Service or Additional Service or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document which the CDSP is providing to the Customer’s until such time as the Customer’s DSC Indebtedness is reduced to less than 85% of the Customer’s DSC Credit Limit.
    6. A Notice of Outcome which may result in the:

1. Re-instatement of the RPFS if the DSCC considers the appeal to be invalid.
2. Issue a revised RPFS if the DSCC considers the appeal does not fully mitigate the RPFS.
3. Issue a withdrawal if the DSCC considers the appeal to be fully valid.

## Right of Appeal Against a Reissued or Revised RPFS

* + 1. There is no further right of appeal following a decision of the DSCC

## Lodging the Revised or Reissued RPFS with the CDSP

5.6.1 Customer must lodge the revised or reissued Security with the CDSP by [12:00 hrs ] on the [8th] Business Day following issue of the original RPFS [pursuant to paragraph 5.4.6 above]

## Notice of Failure to Appeal or Lodge Security

* + 1. Where a Customer fails to appeal or lodge Security within the prescribed timescale a Notice of Failure will be issued after 12:00 hrs on the 8th Business Day following issue of the RPFS.

* + 1. A copy of the Failure Notice shall be issued to [The Authority].
    2. There is no right of appeal against such notice.

## Process After a Notice of Failure is Issued

* + 1. A Customer must lodge the Security referred to in the original RPFS, revised RPFS or reissued RPFS with the CDSP by [12:00 hrs] on the Business Day following the date of issue of the Notice of Failure to Supply Further Security Request following the expiry of the [8th] business day after the RPFS was issued.
    2. Subject to paragraph [paragraph 5.3.1(b) above ], where the Customer has not provided the further, additional or revised Security in accordance with the Further Security Request by [12:00 hours] on the Business Day following the date the Failure to Supply Further Security Notice was submitted and irrespective of the Customer’s outstanding total indebtedness, the DSCC shall be entitled to, and as soon as reasonably practicable thereafter shall issue a Suspension Notice to the Customer [paragraph 5.4.8 above] to the effect that the Customer shall cease to have access to the Specific Service or Additional Service or IXA Service or Direct Services or Third Party Services or any other Service(s) provided by the CDSP to the Customer with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice and the CDSP shall send a copy of any notice given to the Authority.

## Result of Customer failing to Lodge Security in Accordance with the Notice of Failure with the CDSP within the Prescribed Period

* + 1. The CDSP shall convene an emergency DSCC Meeting to consider Suspension of the Specific Service or Additional Services or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document supplied to the Customer.

## Result of RPFS Issued

* + 1. The CDSP shall not be under any obligation to pay any credit invoices falling due to a Customer until the RPFS has been satisfied (Security lodged or RPFS successfully appealed and withdrawn).
    2. Any credit invoice falling due will be paid into the Customer’s [Deposit Account] on its due date.
    3. The CDSP shall not be liable to pay any interest if a credit invoice is subsequently paid to a Customer after its due date.
    4. A Customer must maintain RPFS for a minimum of [90] Days. Any Security lodged in response to a RPFS must remain in place for no less than [90] days following the date of issue. In the event of a subsequent Further Security Request, all Security must remain in place for a further [90] days from the date of the most recent Further Security Request.

# Section 6: Payment of Invoices

## Failure to Pay an Invoice

* + 1. A Failure To Pay Notice (FTPN) (pursuant to paragraph 4 of the DSCP) will be issued on the [next Business Day] following the due date where a Customer fails to pay a DSC invoice. This will request that the Customer settles the amount in full by two [Business Days] after issue of the Notice. All payments due to the Customer will be withheld. Late payment interest will not accrue (against payments withheld by the CDSP) and any monies will be paid into the Customer’s [Cash Deposit Account].
    2. Where a Customer does not pay the Net Invoice Amount under a DSC Invoice in full on the Invoice Due Date, notwithstanding the CDSP shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the Customer a Credit Default Notice (pursuant to paragraph 4.1.4 and subject to paragraph 4.2 of the DSCP), substantially in the form set out in the DSCR, notifying the Customer that the CDSP shall issue a Suspension Notice to the Customer [upon approval of the DSCC] if the Customer does not pay the outstanding amount of the Net Invoice Amount in full by the Business Day after the date of such Credit Default Notice.

## Withholding Against an Invoice

* + 1. A Customer may [not] withhold against a DSC [CDSP] Invoice. Any query must be notified by the Customer to the CDSP within [7 Business Days] from the date the invoice was issued.

## A Customer Does Not Pay within two [Business Days] following the Issue of the Failure to Pay Notice

* + 1. Where a Customer does not pay within two the Business Days following the issue of the FTPN. A Default Notice will be issued, allowing the Default Customer to settle the invoice within ten [Business Days]. Upon expiry of the Default Notice, an emergency (pursuant to paragraph 3.4.6 of the DSCR) meeting of the DSCC will be convened to determine whether or not a Suspension Notice should be issued and Recovery action commenced.

## DSC Recovery Steps

For the purposes of this paragraph and pursuant to paragraph 4.3 of the DSCP:

* + 1. **DSC Debt** means unpaid indebtedness of a defaulting Customer in respect of any amount payable to the CDSP under the DSC;
    2. **DSC Recovery Steps** are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the Customer or a provider of security in connection with any such step taken by the CDSP) taken by the CDSP to recover any
    3. **DSC Debt** from a defaulting Customer, or to enforce or realise any security (including DSC Security) provided by a defaulting Customer, or to enforce any judgment against a defaulting Customer, or to make any claim in any insolvency proceedings relating to a defaulting Customer;
    4. **DSC Recovered Amounts** means amounts recovered (by way of payment of debt or damages or otherwise) by the CDSP as a result of taking DSC Recovery Steps;
    5. **DSC Recovery Costs** means all fees, costs and expenses (including any payments the CDSP may be required to make by way of damages or costs or otherwise by any court) incurred by the CDSP in taking DSC Recovery Steps (and including amounts in respect of the CDSP's own internal costs and expenses);
    6. The CDSP will keep the Committee reasonably informed as to the progress of such DSC Recovery Steps the Committee authorised it take in relation to DSC Debt and the CDSP will and shall be entitled to discontinue taking DSC Recovery Steps (other than any steps necessary for such discontinuance) where the Committee has authorised it to do so.
    7. All DSC Recovery Costs and amounts of unrecovered DSC Debt shall be recovered from Customers in accordance with the Budget and Charging Methodology Document.

## Section 7: Appointment of Insolvency Practitioner (IP) to a Customer

* + 1. Where an Insolvency Practitioner is appointed assurances are required within two Business Days to provide an undertaking to cover ongoing exposures. Should the IP fail to provide an undertaking within two Business Days of its appointment, an emergency meeting of the DSCC shall be convened to determine if a Suspension Notice for Specific Service or Additional Service or IXA Service or Direct Services or Third Party Services or any other Service(s) should be issued and inform the Transporters of the failure of the IP to provide such undertaking as required.
    2. It is imperative that the Insolvency Practitioner contacts the [Business Process Manager] as soon as appointed. [Business Process Manager] can be contacted on 0121 623 2789.
    3. The CDSP shall convene a meeting of the DSCC as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) to provide those assurances referred to in paragraph 7.1.1 above and shall consult with the DSCC to determine whether the CDSP should be obliged to issue the Suspension Notice, pursuant to paragraph 4.1.2(d) of the DSCP, or whether the [DSCC] should defer taking such step.
    4. Subject to paragraph 4.1.4 of the DSCP, the CDSP shall be entitled to take such action as the DSCC recommends pursuant to the meeting referred to in paragraph 4.2.1 of the DSCP as soon as reasonably practicable.

# Section 8: Conclusion & Contact Details

* 1. After reading this document you should have a greater understanding of how we operate the Data Specific Service or Additional Services or IXA Service or Direct Services or Third Party Services or any other Service(s) outlined within CDSP Service Description Document, Credit Risk framework, on behalf of Customers.
  2. If you require further information please contact Sandra Dworkin, Zar Suleman or Mark Cockayne, CDSP, at the address below:

**Credit Risk Management**

**Xoserve Limited**

**2nd Floor**

**Lansdowne Gate**

**65 New Road**

**Solihull**

**West Midlands**

**B91 3DL**

**Tel. No. 0121 623 2789**

[**Sandra.dworkin@xoserve.com**](mailto:Sandra.dworkin@xoserve.com)

[**Zar.suleman@xosrerve.com**](mailto:Zar.suleman@xosrerve.com)

Each Customer shall provide to the CDSP:

#### a single telephone number, a single address, a single email address by means of which the CDSP may contact a representative of the Customer for any purpose connected with this Document;

#### the name(s) and title(s) of the Customer's representatives at such numbers and addresses.

* 1. Each Customer shall give the CDSP notification of any amendment to the details provided under paragraph 2.6.1 of the DSC Credit Policy no later than the day following the day on which such amendment has effect.