



SYSTEM RULES

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SYSTEM RULES VERSION 3.0

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1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these System Rules the following words and phrases will have the following meanings:

2-4-6 means the maximum timescales after a beneficiary pays a cheque into a current or basic bank account for payment of interest (two working days), withdrawal (four working days) and certainty that the money from the cheque will not be reclaimed from the beneficiary without their consent unless they are a knowing party to a fraud (end of six working days);

2-6-6 means the maximum timescales after a beneficiary pays a cheque into a savings account for payment of interest (two working days), withdrawal (six working days, provided withdrawals are allowed) and certainty that the money from the cheque will not be reclaimed from the beneficiary without their consent unless they are a knowing party to a fraud (end of six working days);

Admission Charge has the meaning given to it in Rule 10.3;

Annual Charge has the meaning given to it in Rule 10.1;

Appeal means an appeal against a Relevant Decision, pursuant to Rule 8;

Appeals Committee means the committee established by the System Operator under Rule 8.1;

Appellant means a person entitled to use and using the appeals process described in Rule 8;

BACS System means the means the payment clearing system operated by the Bacs Payment Schemes Limited, the System Operator;

Bank of England means the Governor and Company of the Bank of England, of Threadneedle Street, London, EC2R 8AH;

Business Day means any day other than a Saturday or Sunday on which the Bank of England RTGS system for the making of sterling denominated payments is operational;

Change means any amendment to, modification of, addition to the systems of the Members or the System Operator, which may have an impact on other Members' clearing systems or any part of the System;

Change Control Procedure means the procedure set out in the Operational Documents for making Changes, in a manner agreed by the System Operator;

Charge has the meaning given to that term in the Liquidity Agreement.

Cheque Clearing System means the Cheque System defined in the Membership Agreement as the payment clearing managed by the System Operator comprising the Sub-systems known as Sterling Main (Debit) and Non Standard Paper (Debit) and Sterling Differences (Debit) and including any technology systems used by Operator Suppliers for the automated processing and clearing of payments with respect to such Sub-systems;

Clearing Day is a day from Monday to Friday (excluding GB bank holidays) or any day the Company may reasonably declare when Clearing Transactions take place between two or more System Members in the Cheque Clearing System, and/or the Credit Clearing System and/or the Debit (Euro) Clearing System

Clearing System means any of the Cheque Clearing System, the Credit Clearing System and the Debit (Euro) Clearing System;

Clearing Transaction means a clearing, collection, payment, transfer, transmission, distribution or exchange transaction effected through a Clearing System;

Collateral Amount has the meaning given to it in the Liquidity Agreement;

Credit Rating Affected Member means, at any time, a Member who does not have the Minimum Credit Rating or who has not had the Minimum Credit Rating continuously during the previous three consecutive months.

Credit Rating Affected Member Confirmation Letter has the meaning given to that term in the Liquidity Agreement.

Confidential Information means information (which is of its nature confidential) in any medium or format concerning the business or operations of the System Operator or the System disclosed (either directly or indirectly) to a party to this agreement;

Credit Clearing System means Credit System which is defined in the Membership Agreement as the payment clearing system managed by the System Operator comprising the Sub-systems known as Sterling Main (Credit) and Sterling Differences (Credit) and including any technology systems used by Operator Suppliers for the automated processing and clearing of payments with respect to such Sub-systems;

Credit Institution means institution authorised as a credit institution as defined in Article (1)(a) of Directive 2000/12/EC of the European Parliament and of the Council, including the bodies set out in the list in Article 2(3) and for the purposes of these Rules shall include any electronic money institution as defined in Article 1 (3) (a) of Directive 2000/46/EC , which issues means of payment in the form of electronic money;

Debit (Euro) Clearing System means Debit (Euro) System which is defined in the Membership Agreement as the payment clearing system managed by the System Operator comprising the Sub-systems known as Euro Main and Euro Non Standard Paper and Euro Differences and including any technology systems used by Operator Suppliers for the automated processing and clearing of payments with respect to such Sub-systems;

Deed of Charge means the Deed of Charge between, inter alia, the Security Trustee and the Members as Chargors (as defined in such Deed of Charge) in relation to the assets covered by the Liquidity Funding and Collateralisation Agreement;

Default Date has the same meaning given to it as in the Settlement Agreements;

Designating Authority means the body which declares, by means of a designation order under the EU Settlement Finality Directive (**SFD**), that a system is a designated system of the SFD; in the case of this System it is presently the Bank of England;

Disciplinary Committee means a committee of the System Operator charged with the responsibility for investigating, reporting on and determining disciplinary issues;

Disciplinary Issue means a breach by a Member of a provision or some provisions of the Operational Documents or these System Rules;

Dispute means a dispute between a Member (or a Prospective Member or Prospective Operator Supplier) and the System Operator initiated under Rule 9;

Eligibility Criteria mean the conditions specified in Rule 2.1 with which a Member or person who wishes to become and remain a Member must comply as a condition of membership of the System;

Event of Default has the same meaning given to it as in the Settlement Agreements;

Exclusion Decision means a decision made in accordance with Rule 6.2;

Exclusion Event has the same meaning given to it as in the Settlement Agreements;

Financial Quarter means each of the four three-month periods in each Financial Year;

Financial Year means the financial year of the System Operator for the purposes of section 390 of the Companies Act 2006 (as amended from time to time);

Fitch means Fitch Ratings Limited or any successor to its ratings business;

High Level Principles means the high level principles as contained in the Operational Documents which determine at any time or from time to time the controls required for the clearing and settlement operations of the System in order to maintain its integrity without inhibiting competition and choice;

Increased Collateral Amount means, in respect of a date and a Credit Rating Affected Member or a Stepped Collateral Member, an amount equal to the Collateral Amount applicable to that Member plus an additional amount equal to:

- (a) 10% where that Member's lowest long term credit rating during the three month period ending on that date was Baa1 from Moody's, BBB+ from S&P or BBB+ from Fitch;
- (b) 30% where that Member's lowest long term credit rating during the three month period ending on that date was Baa2 from Moody's, BBB from S&P or BBB from Fitch;
- (c) 50% where that Member's lowest long term credit rating during the three month period ending on that date was Baa3 from Moody's BBB- from S&P or BBB- from Fitch;
- (d) 100% where that Member's lowest long term credit rating during the three month period ending on that date was Ba1 from Moody's, BB+ from S&P or BB+ from Fitch;
- (e) 125% where that Member's lowest long term credit rating during the

three month period ending on that date was lower than Ba1 from Moody's, BB+ from S&P, or BB+ from Fitch,

of that Member's Largest Single Debit Amount, where the period of calculation is the 12 months prior to such date.

Indirect Clearer means a Payment Service Provider which provides cheque and/or credit clearing services to third parties but clears and settles its cheques and/or credits through an agency arrangement with a sponsoring Member and thus does not have direct access to the System or the processing infrastructure of the System;

Largest Single Debit Amount has the meaning given to it in the Liquidity Agreement.

Legal Documents mean the Membership Agreement and the Settlement Documents and any other document designated by the System Operator as a Legal Document from time to time;

Liquidity Agreement means the Liquidity Funding and Collateralisation Agreement dated 14 June 2012 made between, amongst others, the System Operator and the Members, as supplemented, amended and restated from time to time, for the provision of liquidity and collateral in support of the Settlement Agreements;

Member means a person that satisfies the Eligibility Criteria listed in Rule 2.1 and is party to a Membership Agreement;

Member's Half Yearly Volume Percentage means, at any point in time, with reference to a Member, the aggregate volumes of paper items both sent to and sent from that Member through the Sub-systems for Sterling Main (Debit) and Non Standard Paper (Debit), Sterling Main (Credit), and Euro Main and Euro Non Standard Paper during a Financial Half Year as a percentage of the total aggregate volumes of paper items both sent to and sent from all Members through the same Sub-systems during that Financial Half Year;

Member Supplier means a provider of Services pursuant to a Member Supplier Agreement and includes any agent, contractor or subcontractor of the Member Supplier;

Member Supplier Agreement means an agreement between a person and a Member under which that person undertakes to provide Services to the Member;

Membership Agreement means the **System Membership Agreement**, which is the agreement between the System Operator and the Members by which each of the Members confirms its present intention to continue to participate as a settlement member of the System and agrees to assume certain rights and obligations regarding its conduct in relation to the System; each new Member must accede to this agreement;

Membership Charges means the charges determined by the System Operator from time to time to be charged to the Members or any of them as a condition of its being a Member, which may include any of the charges listed in Rule 10;

Member Supplier means a provider of Services pursuant to a Member Supplier Agreement and includes any agent, contractor or subcontractor of the Member Supplier;

Minimum Credit Rating means:

- (a) a prime short-term credit rating of A-3 or higher by S&P, F-3 or higher by Fitch and P-3 or higher by Moody's; and
- (b) an investment grade long-term credit rating of BBB- or higher by S&P, BBB- or higher by Fitch and Baa3 or higher by Moody's.

Minimum Credit Rating Suspension Period has the meaning given to it in Rule 2.1(c);

Moody's means Moody's Investors Service Limited or any successor to its ratings business;

Non-Clearing Day is any day from Monday to Friday (excluding GB bank holidays) or any day the Company may reasonably declare when there are not two members able to effect Clearing Transactions. Such declaration shall mean that there will be no Clearing Transactions whatsoever taking place between any System Members in the Cheque Clearing System and the Credit Clearing System and/or the Debit (Euro) Clearing System.

Operational Documents means all the policies, agreements, rules, procedures, principles, standards and codes with respect to the System laid down by the System Operator from time to time including, for the avoidance of doubt, the High Level Principles;

Operator Supplier means a provider of Services pursuant to an Operator Supplier Agreement and includes any agent, contractor or subcontractor of the Operator Supplier;

Operator Supplier Agreement means an agreement for the provision of Services to the System Operator by an Operator Supplier;

Operator Supplier's Charge has the meaning given to it in Rule 10.2;

Payment Message means a message (which contains value information) sent in the format and satisfying the criteria described in the Settlement Agreements which a Member sends through the System;

Payment Service Provider has the same meaning given to it in Regulation 2 (Interpretation) of the Payment Services Regulations 2009 (as amended from time to time) ("the PSR's") and for the purposes of these Rules may also include those institutions set out in paragraph (g) of such definitions of the PSR's when acting in their capacity as monetary authority or carrying out other functions of a public nature and the entities set out in paragraph (h) of such definition of the PSR's when carrying out functions of a public nature (if required);

Prospective Member has the same meaning given to it in Rule 2.2(a);

Public Authority means a person or administrative body entrusted with functions to perform for the public benefit and not for profit;

Regulatory Authority means any governmental or regulatory body that has responsibility for regulating or overseeing all or any part of a Member's activities in relation to the System or the System itself, including the Competition & Markets Authority, the European Commission, HM Treasury, the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and the Payment

Systems Regulator;

Relevant Decision means a decision made under Rules 2.2(d), 4.2 and 7.6;

Rules means these System Rules as amended by the System Operator from time to time;

Rules Committee means any committee established by the System Operator responsible for dealing with queries and issues relating to these System Rules;

Sales Tax means any sales, purchase or turnover tax as may be applicable in any relevant jurisdiction, including value added tax chargeable under or pursuant to the Value Added Tax Act 1994 or the EC Sixth Directive (77/388/EEC);

S&P means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. or any successor to its ratings business;

Services means services in connection with the operation of the System;

Settlement Account has the same meaning given to it as in the Settlement Agreements;

Settlement Agreements mean the Cheque Clearings Settlement Agreement, Credit Clearings Settlement Agreement, and Debit Clearings (Euro) Settlement Agreement dated 23 May 2005 between the System Operator and the Members as amended from time to time (each a "**Settlement Agreement**");

Settlement Documents mean the Settlement Agreements, the Liquidity Funding and Collateralisation Agreement, the Deed of Charge, the Settlement Service Provider Agreement as defined in the System Membership Agreement and any other document designated by the System Operator and the Members as a Settlement Document from time to time;

Settlement Service Provider means the Bank of England and/or such other person as may be appointed to provide settlement services to the System Operator and/or the Members for the purpose of enabling the Members to settle amounts and make payments due in respect of the System;

Settlement Service Provider Agreement means the Agreement between the System Operator and the Settlement Service Provider for the provision of settlement services;

Single Amount has the meaning given to that term in the Settlement Agreements;

Stepped Collateral Member means, on any date, a Member whose lowest long term credit rating during that three month period ending on that date:

- (a) was Baa1 from Moody's, BBB+ from S&P or BBB+ from Fitch;
- (b) was Baa2 from Moody's, BBB from S&P or BBB from Fitch; and
- (c) was Baa3 from Moody's, BBB- from S&P, or BBB- from Fitch;

Sub-system means each of:

- (a) Sterling Main (Debit) and Non Standard Paper (Debit);
- (b) Sterling Differences (Debit);
- (c) Sterling Main (Credit);
- (d) Sterling Differences (Credit);
- (e) Euro Main and Euro Non Standard Paper; and

(f) Euro Differences;

System means the Cheque and Credit Clearing System as described in Rule 1.3. The System is comprised of the Cheque Clearing System, the Credit Clearing System and the Debit (Euro) Clearing System;

System Closure has the same meaning as given to it in the Membership Agreement;

System Operator means the Cheque and Credit Clearing Company Limited (Company No. 01962903); and

Withdrawal Date has the same meaning as given to it in the Settlement Agreements.

1.2 Interpretation

Any reference in these Rules to any statute or statutory provision (which includes any legislative provision or regulatory instrument of the European Union or of the European Central Bank) shall (save as the context otherwise requires) be construed as a reference to such statute or statutory provision (including all instruments, orders or regulations made under them or deriving validity from them as in force at the date of this version of these Rules) as they may be subsequently amended, re-enacted or consolidated.

Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and *vice versa*.

The clause headings in these Rules are for ease of reference only and shall not affect their interpretation.

In the event of any inconsistency between these Rules and the Settlement Documents, the provisions of the Settlement Documents shall prevail and these Rules shall be deemed to be amended to the extent necessary to give effect to the terms of the Settlement Documents.

In these Rules:

- (i) references to a person include an individual, a body corporate and an unincorporated association of persons;
- (ii) references to a Member include references to the successors or assigns (immediate or otherwise) of that Member;
- (iii) use of the words **includes** or **including** means without limitation and the use of the these or similar words shall not limit the meaning of the general words; and
- (iv) each reference to a document is a reference to that document as amended from time to time.

This Rule 1.2 applies unless the contrary intention appears.

1.3 Cheque and Credit Clearing System

The "System" means the system in Great Britain relating to the clearing of Payment Messages for bulk cheque obligations and paper credit claims between the

Members and the inter-bank settlement of funds in respect of such Payment Messages, including the rules, standards and procedures for such clearing and settlement providing, amongst other terms, for (1) admission criteria, (2) technical standards in respect of the transmission of Payments Messages, (3) operating procedures and (4) settlement terms and processes. The System being a domestic clearing System does not allow the clearing of cross border payments. An entity admitted as a Member of the System may be admitted to participate in all of the Clearing Systems, or any one or more Clearing System.

The System Operator shall ensure that any person who is not a Member at no time effects a clearing transaction in any Clearing System for the time being operated by the System Operator other than through a Member under agency or other arrangements with such Member whereby the Member agrees to effect clearing transactions for such person in such Clearing System.

Clearing Transactions are effected every Clearing Day.

The System Operator may declare a Non-Clearing Day. A declaration of a Non-Clearing Day will apply to both the Cheque Clearing System and the Credit Clearing System but a separate decision may be made for the Debit (Euro) Clearing System.

The System Operator must give regard to the following non-exhaustive list when making the decision to declare a Non-Clearing Day:

- (1) There must be a genuine inability to carry out Clearing Transactions on the Clearing Day in question.
- (2) For the avoidance of doubt, a saving in costs will not be a consideration for declaring a Non-Clearing Day.
- (3) Due regard is given to the Members' obligations under 2-4-6, 2-6-6 and any legal obligations they may have with any customers, contractors, banks, or any other person or entity with which they have contractual and/or legal obligation. Each Member shall be responsible for informing the System Operator of such of these matters as relate to it so as to support the System Operator's decision.
- (4) The declaration must be for the wider public good and in the interests of the Clearing System, the System Operator and the Members as a whole and there must be an objective justification.
- (5) The declaration of a Non-Clearing Day will not unfairly or unduly prejudice any other Member or the System Operator.
- (6) Any other considerations that a prudent person should have regard to when making such a declaration.

If a Non-Clearing Day is declared, none of the Members will undertake any Clearing Transactions whatsoever with any other Member on the day or days specified. If any Clearing Transactions have already occurred at the time of the declaration, then the day will be a Clearing Day. Declaration of a Non-Clearing Day does not in itself impact the settlement process on that day if there are Clearing Transactions from the previous Clearing Day to settle.

For the avoidance of doubt: The Member cannot hold the System Operator liable for any loss incurred as a result of declaring a Non-Clearing Day; and A Non-Clearing Day will also be declared if there is a legal or regulatory obligation to do so.

2. ELIGIBILITY CRITERIA AND ADMISSIONS PROCESS

2.1 Eligibility Criteria

- (a) To be eligible to become and remain a Member, a person shall:
- (i) be a Credit Institution, Public Authority or publicly guaranteed undertaking;
 - (ii) hold, as required for the operation of the Clearing System(s) concerned, a Settlement Account at the relevant Settlement Service Provider for the relevant currency and/or the agreement of the relevant Settlement Service Provider to allow access to the settlement arrangements operated by that Settlement Service Provider
 - (iii) carry out business and operate an office within the European Economic Area;
 - (iv) provide or provide upon on becoming a Member a service to its customers whereby they may through the applicant effect paper clearing transactions (sterling cheques and/or sterling credits and/or euro cheques) between themselves and third parties through the relevant Clearing System (recognising that the Clearing System is a domestic clearing that is not able to process cross-border payments);
 - (v) have the ability to comply on a continuous basis with the technical and operational requirements of the System as set out in the Operational Documents from time to time; such compliance shall include any outsourcing arrangements with Member Suppliers;
 - (vi) pay the Membership Charges described in Rule 10;
 - (vii) have, where that person is a Prospective Member, the Minimum Credit Rating:
 - (A) for a period of at least three months prior to the date that it submits an application to become a Member pursuant to Rule 2.2(a); and
 - (B) at all times from the date that it submits an application to become a Member pursuant to Rule 2.2(a) until the date that it enters into all Legal Documents pursuant to Rule 2.2(h);
 - (viii) have, where that person has become a Member, the Minimum Credit Rating at all times;
 - (ix) as if a party to the Settlement Agreements, is not a Defaulting Member as defined therein;
 - (x) upon its application for membership being accepted, execute or accede to and remain party to the Membership Agreement and the Settlement Documents;
 - (xi) if required by the System Operator, provide a legal opinion from external legal counsel (in each case, to the extent reasonably satisfactory to the System Operator) confirming that:
 - (A) each Legal Document to which that Member is a party constitutes, or when executed in accordance with its terms will constitute, that Member's legal, valid and binding obligation enforceable in accordance with its terms; and
 - (B) without prejudice to (A) above, following the occurrence of any Exclusion Event with respect to that Member, the rights owed to and obligations owed by that Member under the relevant Settlement Agreement arising

from the submission of Payment Messages to the relevant Sub-system will include its rights and obligations with respect to each Single Amount of that Member outstanding at the moment the Exclusion Event occurs or is determined by the System Operator at any time thereafter; and

- (C) that the Member (being a Credit Institution, Public Authority or publicly guaranteed undertaking) is able to issue cheques.
- (xii) Not Used.
- (xiii) despite Rule 2.1 (a) (viii) a Member who does not have the Minimum Credit Rating but who satisfies all other eligibility criteria specified in this Rule 2.1 (a) shall not be excluded from the System provided that: (i) such Member has signed a Credit Rating Affected Member Confirmation Letter within 10 Business Days of the System Operator becoming aware of, or having been notified that, the Member has failed to meet the Eligibility Criterion specified in Rule 2.1 (a) (viii) (whichever is the earlier); (ii) the System Operator has agreed to that Credit Rating Affected Member Confirmation Letter; and (iii) such Member complies with the Rules that are expressed to be applicable to a Credit Rating Affected Member at all times until such Member ceases to be a Credit Rating Affected Member (by regaining the Minimum Credit Rating and maintaining the Minimum Credit Rating continuously for a period of three consecutive months).
- (xiv) A Credit Rating Affected Member shall comply with all terms of the Liquidity Agreement and Charge that are expressed to apply to Credit Rating Affected Members.
- (xv) A Stepped Collateral Member shall deliver additional collateral securities to the Security Trustee to be subject to the Charge in accordance with the Liquidity Agreement in order to ensure that the total collateral provided by the Stepped Collateral Member is not less than the Increased Collateral Amount.
- (xvi) A Credit Rating Affected Member shall deliver additional collateral securities to the Security Trustee to be subject to the Charge in accordance with the Liquidity Agreement in order to ensure that the total collateral provided by the Credit Rating Affected Member is not less than the Increased Collateral Amount applicable to that Credit Rating Affected Member.
- (b) The Bank of England shall be entitled to be a Member as of right.
- (c) Where a Member has failed to meet the Eligibility Criterion specified in Rule 2.1 (a) (viii), it shall immediately notify the System Operator. Upon receiving this notification or upon the System Operator becoming aware that the Member has failed to meet the Eligibility Criterion specified in Rule 2.1 (a) (viii) (whichever is the earlier) the System Operator shall notify the Member that it has suspended the effect of that Member's exclusion from the System for a period of nine consecutive months after the date that the Member failed to meet the Eligibility Criterion specified in Rule 2.1 (a) (viii) (the **Minimum Credit Rating Suspension Period**). Subject to Rule 2.1 (d) and Rule 2.1 (a) (xiii), at the end of the Minimum Credit Rating Suspension Period, the relevant Member shall be excluded from the System with immediate effect. At all times during the Minimum Credit Rating Suspension Period, the Member must comply with Rule 2.1 (a) (xvi). (d) If the relevant Member meets the Eligibility Criterion specified in Rule 2.1(a) (viii) on, or before, the final day of the Minimum

Credit Rating Suspension Period, and has met that Eligibility Criterion for a period of at least three consecutive months prior to that date, the System Operator shall notify that Member that the current Minimum Credit Rating Suspension Period in respect of that Member shall be of no further effect.

- (e) Where a Member becomes a Stepped Collateral Member or a Credit Rating Affected Member or where the Increased Collateral Amount applicable to such Stepped Collateral Member or a Credit Rating Affected Member changes in accordance with the definition of Increased Collateral Amount, such Member shall immediately notify the system Operator and comply with Rules 2.1(a)(xv) and (xvii) and all terms of the Liquidity Agreement and Charge that are expressed to apply to Stepped Collateral Members or Credit Rating Affected Members as applicable.
- (f) Where a Credit Rating Affected Member becomes subject to the Increased Collateral Amount specified in paragraph (e) of the definition of Increased Collateral Amount, such Credit Rating Affected Member shall be subject to daily monitoring of its Largest Single Debit Amount by the system Operator.

2.2 Admissions Process

- (a) Any person wishing to become a Member (a “Prospective Member”) may submit an application in writing to the System Operator’s registered office providing that it agrees to comply with the appeals and disputes processes under Rules 8 and 9 and providing that in doing so it agrees to comply with Rule 12. Any application must set out sufficient detail for the System Operator to satisfy itself of the Prospective Member’s compliance, and its ability to continue to comply, with the Eligibility Criteria. A person may apply to be admitted to participate in one or more of the Cheque System, the Credit System and the Debit (Euro) System.
- (b) The System Operator shall consult with all Members as to whether to approve such an application, and shall also seek the opinion of such independent persons as she/he thinks fit, to assist her/him in the application of the Eligibility Criteria.
- (c) If the System Operator is satisfied that the Prospective Member complies, and can be expected to continue to comply, with the Eligibility Criteria, she/he shall accept the application.
- (d) The System Operator will notify the Prospective Member and all Members in writing of the decision (and the reasons for refusal of membership if applicable) within 3 months after receiving the application described in Rule 2.2(a) or such longer period as agreed between the System Operator and the Prospective Member. Such a decision shall be a “Relevant Decision”.
- (e) If a Prospective Member is refused membership or disagrees with any additional conditions of membership imposed on it, it shall be entitled to appeal against that Relevant Decision by using the process described in Rule 8 (an “Appeal”) and/or the process described in Rule 9 (a “Dispute”), but, for the avoidance of doubt, such a Prospective Member shall not be admitted to membership of the System until such an Appeal (or Dispute, if applicable) has been resolved.
- (f) Any Member may object to the Relevant Decision of the System Operator described in Rule 2.2(d) by informing the System Operator of its objection and the reason for its objection in writing within ten Business Days after receiving the notice

described in Rule 2.2(d).

- (g) Any Member that disagrees with the decision to admit a Prospective Member and notifies the System Operator under Rule 2.2(f) shall appeal against the Relevant Decision to admit the Prospective Member by using the process described in Rule 2.2(e). The Prospective Member shall not be admitted to membership of the System until any such Appeal has been resolved. Any Prospective Member or Member who disagrees with the finding of the Appeals Committee under Rule 8 may initiate a Dispute under Rule 9.
- (h) If a Prospective Member's application is accepted it shall enter into the Legal Documents.
- (i) Each Member shall take all necessary steps as designated by the System Operator to allow the Prospective Member to become a Member of the System, provided any Appeals and/or Dispute processes initiated in respect of its admission have been completed.

3. RIGHTS AND DUTIES OF MEMBERS

- 3.1** Each Member agrees and acknowledges that it accepts responsibilities and liabilities under these Rules, as between itself and the System Operator, and as between itself and the other Members, as principal and not as agent for any other party.
- 3.2** Each Member shall comply with the Operational Documents. A Member shall operate within the rules, procedures, standards and timetables of the relevant Clearing System(s), for the paper items of itself, its customers and its Indirect Clearers' customers. This includes abiding by decisions made by, or on behalf of, the System Operator, and adhering to any service level codes as relevant.
- 3.3** Each Member undertakes to the System Operator to notify the System Operator and the Bank of England (as Designating Authority) immediately if that Member believes that an Exclusion Event has occurred in relation to that Member or if that Member believes that that Member no longer satisfies any one or more of the Eligibility Criteria.
- 3.4** Each Member agrees to contribute in the manners and proportions decided by the System Operator from time to time to the costs, liabilities and expenses incurred by the System Operator which a Member is specifically required to be responsible for as described in Rule 10 of these Rules, including payments made to any Operator Supplier in respect of Services provided to Members generally.
- 3.5** Each Member may appoint one or more Member Suppliers subject to giving notice under the Change Control Procedure and to meeting the guidelines for outsourcing agreed, published and issued to Members by the System Operator from time to time.
- 3.6** Each Member may present, in the relevant Clearing System(s), its paper items and the paper items of its customers and of its Indirect Clearers and their customers.
- 3.7** Each Member shall accept all valid items presented to it in the relevant Clearing System(s); subsequently the Member may return, recall or dishonour such items as are allowed by the Legal Documents and Operational Documents.
- 3.8** Each Member shall maintain the efficient operation of the relevant Clearing System(s) for the payments of itself, its customers and its Indirect Clearers' customers.
- 3.9** Each Member may enter into agency arrangements with Indirect Clearers. The terms of any such arrangement will be solely negotiated between the Member and the Indirect Clearer, but a Member will be responsible for its Indirect Clearers in respect of any failure to comply with the Operational Documents and in respect of all paper items put through the relevant Clearing System(s), on each of the following points:
- (a) the Indirect Clearer shall follow the rules of the relevant Clearing System(s), as notified by the Member, at all times and for all payments delivered or received from the relevant Clearing System(s), together with any additional requirements arising from the System Operator, and undertakes to treat as confidential all Confidential Information of the System;

- (b) the Member shall settle for all of the Indirect Clearer's paper items put onto or taken from the relevant Clearing System(s), including any items returned;
- (c) adequate notice shall be given of termination of the arrangements with an Indirect Clearer to the System Operator and the Member remains responsible for any paper items already presented in any Clearing System;
- (d) all communication concerning the relevant Clearing System(s) and an Indirect Clearer shall be channelled through the Member and not the System Operator;
- (e) a member of the BACS System, which is not also a Member, may provide what is, in a strictly technical sense, sub-agency facilities in the System exclusively to support paper recalls and reversals relating to agency work for which the original entries passed through the BACS System; in such cases the agency must be in the name of the BACS member.

3.9A In the event that a collecting Member suffers a loss because the statutory protections in the Cheques Act 1957 and/or Bills of Exchange Act 1882 (as applicable) may not be available to the collecting Member and/or the paying Member as appropriate but in circumstances where such statutory protections would have been available had the Indirect Clearer that issued the instrument been a Credit Institution, then the Member that is responsible for the Indirect Clearer will on demand indemnify the collecting Member for the loss suffered by the collecting Member (such recoverable loss being that loss which directly arises in respect of the paper item instrument but excluding any indirect or consequential loss or any loss of profit, business or revenue whether direct or indirect but including any losses resulting from fraud or death or personal injury that cannot be excluded by law caused by the negligence of the paying Member or that of its employees, agents, or third party service providers).

3.10 Each Member is technically, operationally and financially responsible for its paper items, its customers' paper items, its Indirect Clearers' paper items and the paper items of its Indirect Clearers' customers. The Member is financially responsible for the settlement of all those paper items.

3.11 If a Member ceases to be a Member and becomes an Indirect Clearer, it may, subject to the agreement of the System Operator, continue to provide pre-existing Indirect Clearers with clearing services, but may not take on any new Indirect Clearers. The responsibility for the sub-agency paper items rests with the Member with whom it has an agency contract.

3.12 (a) In-Clearing

A Member shall not be an Indirect Clearer in respect of its in-clearing in a Clearing System of which it is a Member, except in the following circumstances:

- temporarily following admission to membership,
- temporarily during withdrawal from membership;
- an agency arrangement with a total daily debit in-clearing value limit of no more than the lower of 3% of the Member's or the sponsoring Member's average daily debit in-clearing value irrespective of the number of sort codes. (Agency arrangements include a Member's own branches and offices and those registered on the Industry Sort Code Directory (ISCD) as trading names and

wholly owned subsidiaries).

(b) Out-Clearing

A Member may appoint another Member of the Clearing System as agent for presentation of all or part of its out-clearings. Although an Indirect Clearer in this respect, the Member may continue to undertake agency clearing business for one or more Indirect Clearers so long as the appointing Member continues to settle for the in-clearing work of each such Indirect Clearer. The appointing Member must also retain responsibility for notifying the Indirect Clearer, within the prescribed timescales, of any cheques paid into the Indirect Clearer's customers' accounts that have been returned unpaid.

- 3.13** An Indirect Clearer, which is a wholly-owned subsidiary of its Member, may provide clearing services to other Indirect Clearers on condition that the clearing service is provided by the Member, and that the Member accepts responsibility for all paper items handled.
- 3.14** Every Member shall at all times maintain facilities enabling every other Member to send Payment Messages to it in each of the Clearing Systems in which it participates.
- 3.15** In the event of a contingency, a Member shall promptly follow any instructions issued by the System Operator.
- 3.16** A Member shall have facilities and procedures in place to handle contingencies which affect the relevant Clearing System(s) to a standard and timetable that is acceptable to the System Operator.
- 3.17** A Member shall co-operate with other Members in the resolution of any problems, which may arise from the processing or clearing of paper items or Payment Messages.
- 3.18** A Member shall make provision, to the timetable set out by the System Operator, to clear with any new Member whose application for membership has been duly approved. The System Operator shall request any records from an Operator Supplier that a Member reasonably requests unless such records relate to the confidential information of another Member.
- 3.19** Each Member shall conduct periodic audits of itself and its Member Suppliers (if any) to ensure its compliance with the technical and operational requirements as detailed in the Operational Documents issued from time to time by the System Operator and shall provide such annual self-certification assurances as are required by the System Operator.
- 3.20** Each Member shall co-operate with any audits, credit or operational review of business operations, as are relevant to the Member's membership, by the System Operator or by an independent third party appointed by it.
- 3.21** Each Member shall notify the System Operator immediately upon becoming aware of any change in law or regulation applicable to it that may materially affect the System.

3.22 Members must advise the System Operator of Changes according to the Change System Rules v3.0

Control Procedure. Following agreement by the System Operator of a Change under the Change Control Procedure, each Member will implement any changes to its own systems in accordance with the terms of the Change agreed through the relevant Change Control Procedure.

- 3.23** Each Member shall contribute reasonable resources to System forums when requested by the System Operator in order to participate in the resolution of issues and the development and governance of the System.
- 3.24** Each Member agrees to submit to the System Operator a record of the volumes of paper items sent to and received from each other Member through the Sub-systems for Sterling Main (Debit) and Non Standard Paper (Debit), Sterling Main (Credit), and Euro Main and Euro Non Standard Paper to enable the System Operator to determine each Member's Quarterly Volume Percentage.
- 3.25** Each Member agrees to notify the Company as soon as reasonably possible upon becoming aware of any problem or issue which in its opinion is likely materially to affect the integrity of the System. For the avoidance of doubt, this obligation is subject to any legal or regulatory bar on the Member disclosing the information concerned.

4. SYSTEM OPERATOR SUPPLIER APPROVAL

- 4.1 In approving a person to act as an Operator Supplier the criteria to be applied by the System Operator shall be open, transparent, justifiable and non-discriminatory.
- 4.2 If a Member requests that a person be considered for approval as an Operator Supplier by the System Operator (a “Prospective Operator Supplier”) and such a request is refused, that Member may appeal against the refusal to consider the Prospective Operator Supplier using the appeals and disputes procedures described in Rules 8 and 9. Such a refusal by the System Operator shall be a Relevant Decision.

5. ESCALATION PROCESS

5.1 Breaches of System Rules

Operational issues such as live incident reporting, service level code breaches and temporary exemptions are managed through Operational Performance Committee and Operations Management Committee. The Escalation Policy for non-compliance is managed by Audit, Risk and Compliance Committee. Scheme Review Panel reviews items of major risk or change to the clearing.

5.2 Escalation Process

The Escalation Process outlined in the table below will be followed in the event of any System Rule breach, and will sit alongside the existing committee referral process. It constitutes interim steps to be taken before the Disciplinary Process is invoked (Rule 7).

Trigger	Level	Action	Consequences (options)
An omission or action which is a breach of the rules	3	Examined and decided by the System Operator	<ul style="list-style-type: none"> Written notice of breach and requirement to rectify & deadline to the Member;
A serious omission or action but not such as to cause an imminent material threat to the orderly operation or continued failure to rectify level 3	2	Examined and decided by the relevant committee (see Section 5.1)	<ul style="list-style-type: none"> Written notice of breach to Member's Director of Risk and requirement to rectify and deadline. And /or summoning of Member's Director of Risk to provide written/oral submissions to the Disciplinary Committee (Rule 7.4).
Material grounds for suspension or exclusion event as defined in Section 6. or Continued failure to rectify level 2	1	Examined and decided by the System Operator	<ul style="list-style-type: none"> Censure notice to Member's PLC or Group Board copied to the relevant regulatory authority; and/or warning of suspension or exclusion if not rectified by deadline; and/or immediate Suspension or exclusion

6. CEASING TO BE A MEMBER AND SUSPENSION AND EXCLUSION OF A MEMBER

6.1 Voluntary Withdrawal

- (a) Any Member may withdraw from the System or any Clearing System by giving at least nine months' written notice to the System Operator, or such shorter period as shall be agreed by the System Operator, taking into account the stability of the System and the requirements of the Membership Agreement and the Settlement Documents and any other relevant legal document.
- (b) On receiving a notice of withdrawal, the System Operator shall acknowledge receipt of the notice to the Member who has given it and notify each other Member within 2 calendar days (excluding Saturdays, Sundays and bank holidays) after receiving such notice.
- (c) The date on which a withdrawal by a Member takes effect shall be the Withdrawal Date.
- (d) Once the System Operator has received a notice of withdrawal, the withdrawing Member shall only be entitled to revoke such notice with the prior written approval of the System Operator.
- (e) When a Member has withdrawn from all of the Clearing Systems, that Member shall cease to be a member of the System.

6.2 Suspension and Exclusion of a Member

- (a) Any decision of the System Operator that an Exclusion Event has occurred shall be an **Exclusion Decision**.
- (b) The System Operator shall act on any decision taken to suspend or exclude a Member with immediate effect (or with effect from such time and date as the System Operator may specify) as provided for in the Settlement Agreements, or as the result of a breach of the relevant Member's Membership Agreement, giving rise to a right of the System Operator to terminate, in each case.

6.3 Continuing obligations of suspended or excluded Members

Where a Member is suspended or excluded from one or more of the Clearing Systems by the System Operator under Rule 6.2, such excluded or suspended Member shall remain fully liable for the due performance of all its then outstanding obligations under these Rules.

6.4 Continuing obligations following Withdrawal Date and Default Date

- (a) Without prejudice to the Settlement Agreements, where the System Operator has designated a Default Date or a Withdrawal Date, the Member concerned shall remain fully liable for the due performance of all its then outstanding obligations under these Rules, including those incurred prior to the said Date, and for the payment of any costs, charges and expenses arising from its withdrawal as a Member or ceasing to be a Member, as reasonably determined by the System Operator.

- (b) Without limiting Rule 6.4(a), where a Member voluntarily withdraws or ceases to be a Member, the Member shall pay:
- (i) its full share of the System Operator's annual costs in relation to the System Operator's Financial Year in which it withdraws or has a Default Date designated plus (if any) the subsequent Financial Year;
 - (ii) its full share of all other costs, charges and expenses that the System Operator has approved for such Financial Year plus (if any) the subsequent Financial Year; and
 - (iii) any other costs, charges and expenses arising from the withdrawal or the Member ceasing to be a Member as reasonably determined by the System Operator.

7. DISCIPLINARY PROCESS

The Escalation Process (Rule 5) should be exhausted before the Disciplinary Process is initiated.

- 7.1** Any Member may notify the System Operator, or the System Operator may decide that a Member may have breached these Rules (a Potential Disciplinary Issue”).
- 7.2** If a Member notifies the System Operator of a Potential Disciplinary Issue (a “Notifying Party”) the Notifying Party shall provide the System Operator with any supporting information it has.
- 7.3** If the System Operator decides or is notified that a Member (a “Potential Transgressor”) may have breached these Rules it shall notify the chairman of the Disciplinary Committee and the Potential Transgressor of the substance of the Potential Disciplinary Issue within 5 Business Days after making such a decision or receiving such a notification.
- 7.4** Following a notification to the chairman of the Disciplinary Committee under Rule 7.3, the Disciplinary Committee shall:
- (a) invite the Potential Transgressor to make written and/or oral submissions to the Disciplinary Committee within 10 Business Days after receiving such invitation;
 - (b) investigate the Potential Disciplinary Issue and compile a written report (the “Report”) containing a decision as to whether the Potential Transgressor has breached these Rules within 20 Business Days after issuing the invitation made under Rule 7.4(a), unless the Disciplinary Committee has extended this period; and
 - (c) circulate the Report as soon as it is finalised to all directors of the System Operator.
- 7.5** Any Member shall co-operate in the preparation of the Report if asked to do so.
- 7.6** If the Disciplinary Committee's Report finds that a Member has breached these Rules (the “Transgressor”), this shall be a Relevant Decision, and the Transgressor may appeal against the finding under the Appeals Process described in Rule 8.

8. APPEALS PROCESS

- 8.1** Any Appeal against a Relevant Decision (an “Appeal”) may at the request of any party to the Relevant Decision (the “Appellant”) be referred to a committee appointed by the System Operator constituted for that purpose (the “Appeals Committee”), providing that such a referral is made within 10 Business Days of the Relevant Decision being notified to that party.
- 8.2** The Appeals Committee shall not include any individuals who are or have been within the last two years, an employee or director of or have had a material business relationship with the Appellant or any Member in the same corporate group as the Appellant, as well as their respective alternates.
- 8.3** The Appeals Committee will consider all previous submissions made and may ask the Appellant or any other person to make further submissions.
- 8.4** The Appeals Committee will decide whether to confirm or overrule the Relevant Decision within 10 Business Days after the referral was made under Rule 8.1 and shall notify the Appellant of its decision immediately.

9. DISPUTES PROCESS

- 9.1** If a Prospective Member objects to a Relevant Decision made under Rule 2.2 that Prospective Member may initiate the disputes process described in this Rule 9.
- 9.2** Any party to an Appeal, who is dissatisfied with a finding of the Appeals Committee under Rule 8 may initiate the disputes process described in this Rule 9.
- 9.3** Any Member dissatisfied with a decision taken by the System Operator to suspend or exclude that Member may initiate the disputes process described in this Rule 9, but the Dispute shall only take effect after the Member has been suspended or excluded.
- 9.4** A Dispute may be initiated by the dissatisfied party serving notice of a Dispute, specifying in reasonable detail the nature of the Dispute, on all of the other parties to the Dispute and the System Operator.
- 9.5** If a dispute is initiated under Rules 9.1, 9.2, 9.3 and 9.4 that matter shall be a Dispute. Any Member or Prospective Member which chooses to initiate a Dispute must do so within 30 Business Days of the Relevant Decision or Exclusion Decision being notified to that party.
- 9.6** If a person who initiates a Dispute agrees with the person or persons that they are in dispute with that the Dispute is of a technical nature, the disputing parties may jointly request the System Operator in writing to refer the matter to an independent expert, for determination. If the parties are unable to agree on the identity of the expert within 15 Business Days after the date of the request that the Dispute be determined by an expert, or if the person appointed is unable or unwilling to act, the expert shall be appointed by the Chief Executive for the time being of UK Finance on the application of either party. If the parties do not agree the Dispute is suitable for expert determination within 20 Business Days after the Relevant Decision, Exclusion Decision or ruling of the Appeals Committee is made, then it shall be determined using the procedure described in Rules 9.7 and 9.8.
- 9.7** Any expert appointed under Rule 9 shall act on the following basis:
- (a) the expert shall be required to be independent and act as an expert and not as an arbitrator;
 - (b) the expert's determination shall be final and binding on the parties;
 - (c) the expert shall decide the procedure to be followed in the determination and shall be requested to make his determination in writing within 20 Business Days after his appointment or as soon as practicable after that;
 - (d) any amount payable by one party to the other party as a result of the expert's determination shall be due and payable within five Business Days after the expert's determination has been notified to the parties;
 - (e) the expert may, if he thinks fit, award interest at the rate of one per cent. per annum above the official interest rate of the Bank of England for the time being in force on any amount which is determined to be payable by either party to the other party from such date as he shall determine; and

- (f) the expert shall determine how and by whom the costs of the determination, including the charges and costs of the expert, are to be paid and, until the determination is given, the parties shall pay the costs in equal shares, and reallocate those payments in accordance with the expert's determination.

- 9.8** Any Dispute that cannot be settled by expert determination under Rules 9.6 and 9.7 shall be settled by arbitration. Such arbitration shall be finally settled within a reasonable time by a panel of three independent arbitrators, appointed by the London Court of International Arbitration (or a suitable alternative selected by the System Operator). The seat of the proceedings shall be London and they shall be conducted in the English language. The arbitration rules of the London Court of International Arbitration (or a suitable alternative selected by the System Operator) shall be applied.
- 9.9** This Rule 9 is without prejudice to the right of any party to a Dispute to seek interim relief against the other party (such as an injunction) through the English courts to protect its rights and interests, or to enforce the obligations of another party.
- 9.10** Any decision by the expert appointed under Rule 9.8 or any award of the arbitral tribunal appointed under Rule 9.8 shall be without prejudice to the rights and obligations of each Member with respect to each Single Amount outstanding at the moment the Exclusion Event occurs or is determined at any time thereafter. For the avoidance of doubt, no such Single Amount shall be the subject of any retrospective adjustment.
- 9.11** Notwithstanding any other provision of these Rules, no Member and no person who was a Member shall call into question any Single Amount in any arbitration (including an arbitration in accordance with Rule 9.8) dispute resolution process or other legal proceeding (together, "Legal Proceedings") including, without limitation, any Legal Proceedings relating to a payment made to a third party by the receiving Member as directed, or otherwise in connection with a Payment Message.
- 9.12** No Member and no person who was a Member may utilise the procedures under this Rule 9 in order to challenge the validity of the limitations on the System Operator's liability set out in the Settlement Agreements and Schedule 3 of the Membership Agreement.

10. MEMBERSHIP CHARGES & OTHER FEES

10.1 Annual Charges

- (a) The System Operator will set a budget at a level which it anticipates will allow it to recover, through the Annual Charges, the running costs of administering and operating the System (including those related to System Closure) over the forthcoming year. The Annual Charges will be set by reference to the Financial Year of the System Operator. The System Operator shall determine, and notify each Member of the total annual running costs three months before the start of the relevant Financial Year.
- (b) Each Member agrees that the total running costs will be met by the Members through "Annual Charges" payable to the System Operator. Each Member's Annual Charge shall be paid through the "Company Call" in proportion to their Member's Half Yearly Volume Percentage in the manner set out in this Rule 10, subject to a minimum Annual Charge at such fixed minimum percentage of the total costs as shall be determined by the System Operator from time to time (see appendix 1). Each Member shall pay their Annual Charge in two half yearly instalments.

10.2 Contracts with Operator Suppliers

If the System Operator is contractually required to make any payment (other than a liability for a default of the System Operator) to an Operator Supplier in respect of the provision of Services to Members, or the carrying-out of activities by a supplier ancillary to those Services, the Members shall reimburse the System Operator for that payment, in a proportion and in a manner determined by the System Operator. Unless the System Operator decides otherwise, the proportion shall be that Member's Half Yearly Volume Percentage, subject to such fixed minimum percentage of the total costs as shall be determined by the System Operator from time to time (see appendix 1), and these payments to Operator Suppliers may be included in the calculation of the Member's Annual Charge. If the System Operator decides that reimbursement should be calculated in a different manner, the payments will be itemised separately ("Operator Suppliers' Charges") from the Annual Charges.

10.3 Membership Admission Charges

If a Member is admitted membership of the System under Rule 2.2, that Member shall pay an initial joining charge to the System Operator (an "Admission Charge") in addition to the Annual Charges referred to in Rule 10 above. The System Operator shall determine the Admission Charge on a cost-recovery basis, taking into account the costs that it and all other Members expect to incur in admitting the Member into the System.

10.3A Unplanned / Emergency Funding Calls

- (a) **Right of the System Operator:** Notwithstanding any other Rules, the System Operator may from time to time require the Members to contribute (and the Members shall so contribute), in the amounts and in the manner determined by the System Operator from time to time to be equitable between the Members, towards the payment and discharge of the costs, liabilities, and expenses, incurred by the

System Operator.

- (b) **Guidance on application:** Without limiting the System Operator's discretion, Rule 10.3A(a):
- (i) is anticipated to be used for emergency or exceptional funding requirements only, with the Annual Charge addressing all planned funding needs;
 - (ii) should extend to the costs, liabilities, and expenses, incurred that relate to the System or that are otherwise required to ensure the continued operation and stability of the System, and
 - (iii) (without prejudice to (ii)) should not extend to any costs or liabilities or expenses of the 'Image Clearing System', which is subject to separate legally binding agreements with funding provisions.
- (c) **Form of notice:** To require the Members to contribute under Rule 10.3A(a), the System Operator shall be required to issue a notice to the relevant Members. That notice shall:
- (i) refer to Rule 10.3A(a);
 - (ii) state the amount required to be contributed by the Member that is the recipient of the notice; and
 - (iii) set out such of the following as the System Operator considers it is reasonably capable of providing at that time: (A) a statement as to the nature of the costs, liabilities, and expenses which have caused the System Operator to exercise its rights under Rule 10.3A(a); (B) an estimate of the costs, liabilities, and expenses which have caused the System Operator to exercise its rights under Rule 10.3A(a); and (C) a statement as to the System Operator's anticipated application of the funds received further to exercising its rights under Rule 10.3A(a).

The System Operator shall, if it identifies material errors or omissions in such information, communicate a revised version of the original notice to each relevant Member within a reasonable time. This revised version shall act to vary the original notice with effect from the date of the original notice. Reference to the original notice shall be to it as varied from time to time in accordance with this Rule.

Any error or omission in information in the original notice (whether provided in the original notice or a subsequent variation) shall not: (A) cause the original notice to be invalid or unenforceable; or (B) enable any Member or other person to either challenge the validity of such notice, or avoid complying with its obligations under this Rule 10.

- (d) **Timing of notice:** The System Operator shall not be able to issue a notice under Rule 10.3A(c) following the date falling 6 months after the final Clearing Day.
- (e) **Associated invoice:** The System Operator may issue an invoice to each relevant Member in accordance with the amount due from it under Rule 10.3A(a), as stated in the notice referred to under Rule 10.3A(c). Such invoice may, but is not required to, accompany the notice referred to under Rule 10.3A(c).

10.4 Invoice and Payment

- (a) The System Operator shall invoice each Member for its Annual Charges and

Operator Suppliers' Charges for each Financial Quarter at the beginning of that Financial Quarter. Those invoices shall be paid within 30 days following receipt by each recipient Member.

- (b) Each Member agrees to pay, in addition to any charges which it is liable to pay the System Operator, any Sales Tax chargeable in respect of those charges or charges, against issue of a proper Sales Tax invoice by the System Operator.
- (c) Any costs relating to Rule 6 will be invoiced following the Withdrawal Date or Default Date (as appropriate) and shall be paid within 30 days following receipt of such invoice.
- (d) Any costs and liabilities relating to Rule 10.3A will be invoiced to each Member and shall be paid within the lesser of:
 - (i) 30 days; and,
 - (ii) such shorter period as the System Operator may: (A) consider reasonable in the circumstances (which may include immediate payment); and (B) inform the relevant Members of in such invoice,

following receipt of such invoice by each relevant Member.

10.5 Payment Systems Regulator (PSR) Fees

The PSR is funded entirely by fees paid by participants in regulated payment systems. As a system operator, C&CCC must issue invoices for regulatory fees to its members in accordance with methodology and instructions set out in the PSR's fees rules. This 'indirect billing' approach, where C&CCC acts as an agent for the PSR and FCA, means PSR fees are outside the scope of VAT.

- (a) For each billing period, C&CCC will provide the PSR with fee calculations for each member, based on transaction volumes in that period. Transaction volumes include in-clearing and out-clearing for GBP, USD and EUR. This information must be sent no later than when the invoices are issued.
- (b) Invoices must be issued with a minimum of 30 days' notice.
- (c) Invoices must cover only the regulatory fees for the relevant period, without any addition of other charges, fees, administrative or handling fees.
- (d) Members should pay fees:
 - (i) within the notice period provided for under (b); and,
 - (ii) by electronic credit transfer and should notify if they intend to pay in another way.

Full detail on the PSR's fees rules is available in the FCA Handbook

<http://fshandbook.info/FS/html/handbook/FEES/9>

11. AMENDMENTS TO THESE RULES

- 11.1** Any Member or the System Operator may propose changes to these Rules and the System Operator shall appoint the Rules Committee.
- 11.2** After consulting all Members, the chairman of the Rules Committee shall forward the recommendations of the Rules Committee to the System Operator, where appropriate.
- 11.3** The System Operator shall then decide, in its absolute discretion, whether it wishes to make the recommended changes and the time at which those changes shall become effective.
- 11.4** The System Operator shall ensure that any changes to these Rules shall be consistent with the requirements of the Membership Agreement and the Settlement Documents and any other relevant legal document.
- 11.5** This procedure shall not affect the validity of any other changes to these Rules agreed in writing by the System Operator and all Members.
- 11.6** The System Operator shall not be permitted to amend Rule 10.3A under this Rule 11 without the consent of each Member. Each Member shall not unreasonably withhold, delay or condition such consent if it is requested.

12. GOVERNING LAW AND JURISDICTION

12.1 These Rules shall be governed by and construed in accordance with the laws of England and Wales.

12.2. Subject to the disputes process described in Rule 9, each Member, a Prospective Member and the System Operator submits to the exclusive jurisdiction of courts of England for all purposes in relation to the Rules.

13. PUBLICATION OF DOCUMENTS

- 13.1** The System Operator shall make the Operational Documents, Membership Agreement and the Settlement Documents available to any bona fide applicant for membership who agrees to sign an undertaking, in a form acceptable to the System Operator, to keep the content of those documents confidential and use them only for the purposes of its application for membership.
- 13.2** The System Operator and each Member shall provide, to any person who requests it (save where the request is frivolous or vexatious) within 14 days of the request being made, but subject to receipt by the System Operator or the relevant Member of such reasonable charge as it may wish to levy, the following information:
- (a) details of the systems which are designated for the purposes of the EU Settlement Finality Directive in which the System Operator or the relevant Member participates; and
 - (b) information about the main rules governing the functioning of those systems as mentioned in (a) above.

14. MISCELLANEOUS

14.1 Notices

Any notice or other document to be served to a Member under these Rules may be delivered or sent by post or facsimile process to the person to be served at its registered office or at any other address or facsimile number or to any other addressee as it may have notified to the System Operator in accordance with this Rule. Any notice or other document to be served to the System Operator under these Rules may be delivered or sent by post or facsimile process to the System Operator's registered address. Any notice may also be given using electronic communication to an address for the time being notified for that purpose to the person giving the notice. Any notice or other document sent by post shall be sent by prepaid first class recorded delivery post (if within the United Kingdom) or by prepaid airmail (if elsewhere). Any notice shall be deemed to have been served on the date which is the second day after it is posted, sent by facsimile process or sent by electronic communication.

14.2 Contracts (Rights of Third Parties) Act 1999

A Prospective Member may rely on Rules 2, 8, and 9 (as appropriate) providing it complies with Rule 12. Except to the extent otherwise expressly provided for in these Rules, no person other than a Member or the System Operator shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term (express or implied) of these Rules but this is without prejudice to any right or remedy of the third party which may exist or be available apart from that Act.

14.3 Assignment

No Member may transfer or assign any of its rights under these Rules other than in accordance with the Legal Documents.

APPENDIX 1

MEMBERSHIP CHARGES

1. Under clause 10.1(b) the fixed minimum percentage of the total costs for the minimum Annual Charge as determined by the System Operator is 2%.
2. Under clause 10.2 the fixed minimum percentage of the total costs payable by the System Operator to Operator Suppliers and reimbursed by Members to the System Operator, as determined by the System Operator, is 2%, unless the System Operator determines otherwise.