

**IRISH RETAIL ELECTRONIC PAYMENTS CLEARING COMPANY LIMITED**

**Fair & Equitable Principles under Rule B6 of the Membership Rules for determining impact costs as applicable to existing members of the Company when responding to an applicant for Ordinary Membership of the Company**

The following guiding principles are to be employed by all existing ordinary members in determining the impact costs as arise individually for each member in respect of an application received by the Company for new (ordinary) membership of the Company:

1. Costs arrived at must be confirmed by each member's internal auditor and their nominee director on the Board of the Company, and then submitted to the Central Bank – see further 5. below. Costs should, where possible, be presented under standard sub headings – see section on '**Costs – Standard Response**' below.
2. Any new/additional on-going Revenue Costs are to be included.
3. A single new member applicant is to be charged the full costs arrived at.
4. A number of Disallowances (meaning costs not to be taken into account as part of the calculation of impact costs) are to apply – see section on '**Disallowances**' below. Each member will also confirm how long the impact costs as derived will continue to be applicable.
5. Following receipt of the estimated impact costs for each ordinary member the Central Bank (acting as regulator) shall review and determine the reasonableness of such costs on the basis and in accordance with the procedure set out in the Appendix to these Principles. In the event of an existing ordinary member being aggrieved at the amount of impact costs attributable to that institution as determined to be reasonable by the Central Bank, that member shall have a right of appeal in relation thereto to the Governor of the Central Bank (whose decision in that regard shall be final)
6. In the event of an applicant for ordinary membership being aggrieved at the aggregate level or quantum of impact costs to be paid then the applicant shall have a right of appeal in relation thereto to the Governor of the Central Bank (whose decision in that regard shall be final).
7. The Board will review these principles on an on-going basis, both generally and also as necessary arising out of the undertaking of the foregoing process.

**DISALLOWANCES**

The following disallowances will apply:

1. New entrants will not materially alter existing processing volumes or volume trends (if any member is undecided as to the scope/application of this Disallowance, the matter may be referred to the Central Bank for consideration/advice).

#### **Final Version September 2004**

2. Operating costs for current Exchanges activities will not be impacted by any special logistical or deadline arrangements, as a result of a new member joining.
3. Costs will exclude any IRECC or IPSO additional once-off Administration and Management costs to support the full entry of a new entrant (e.g legals, due diligence, procedures etc.), as those costs will be charged out, as appropriate, under the heading of 'Administration Costs' payable by the applicant.

#### **COSTS – STANDARD RESPONSE**

The following standard areas are to be examined by members and costs established for development / changes required. Changes required for systems at Contingency sites should also be factored into the costs.

On the assumption that the current infrastructure remains, these costs may not be replicated upon the joining of subsequent new member(s).

**Final Version September 2004**

**Figures are to be provided by each member directly to the Central Bank.**

| <b>SYSTEM &amp; TECHNOLOGY CHANGES<br/>Inclusive of IT development, testing and<br/>installation.</b> | <b>Total<br/>Cost<br/>€</b> | <b>Exceptional<br/>Once-Off<br/>Costs<br/>€</b> |
|---|-----------------------------|---|
| Branch Capture Systems  |                             |   |
| Clearing Applications – Inwards & Outwards  |                             |   |
| Mainframe, Data Warehouse   |                             |   |
| Reconciliation's & Exchanges  |                             |   |
| Queries & Retrievals Systems  |                             |   |
| Hardware implications (if any)  |                             |   |
| Unpays & Exceptions systems   |                             |   |
| Agency Processing impacts (or impacts on any current<br>special processing arrangements).             |                             |   |
| Contingency Costs   |                             |   |
| Connectivity Costs  |                             |   |
| Security Costs  |                             |   |
| Preliminary Investigation/Administration Costs  |                             |   |
| Other business costs identified by individual members<br>(please specify)                             |                             |   |
|   |                             |   |
| <b>Total Estimated Cost</b>   |                             |   |

| <b>BUSINESS MANGEMENT COSTS</b>  | <b>Total<br/>Cost<br/>€</b> | <b>Exceptional<br/>Once-Off<br/>Costs<br/>€</b> |
|--|-----------------------------|---|
| Project Management Costs (man days for resources,<br>expenses etc.)                |                             |   |
| Operational Change & Testing (forms, procedures, test<br>runs, communications etc. |                             |   |
| MIS  |                             |   |
| Preliminary Investigation/Administration Costs                                     |                             |   |
| Other business costs identified by individual members<br>(please specify)          |                             |   |
|  |                             |   |
|  |                             |   |
| <b>Total Estimated Cost</b>  |                             |   |

The above costs will expire on \_\_\_\_\_ (dd/mm/yy)

Signed: \_\_\_\_\_  
Authorised Official

Bank Name: \_\_\_\_\_

Date: \_\_\_\_\_

APPENDIX

Impact Costs Determination by Central Bank

Following receipt of the impact costs figure for the Company from each ordinary member, the Central Bank will then determine for each ordinary member the level of impact costs which it considers appropriate as a levy on an applicant for ordinary membership of the Company, and will advise each member accordingly.

In assessing the appropriateness and reasonableness of the level of impact costs that might be levied, the Central Bank would expect there to be a proportional relationship between costs and clearing volumes.

The Central Bank will apply the following formula to the existing ordinary members' individual impact costs figures:

- *the percentage difference in chargeable impact costs between two ordinary members may not be any larger than the percentage difference in their respective clearing volumes;*
- *the chargeable impact costs for any ordinary member may not exceed that member's actual impact costs;*
- *the chargeable impact costs for any ordinary member may not exceed those of an ordinary member with a higher clearing volume.*

The Central Bank will inform each existing ordinary member as to the amount which has been so determined as reasonable in respect of that member's impact costs as submitted.

The Central Bank will inform the Company of the total 'reasonable' impact costs figure that the Company may charge to an applicant for ordinary membership.

The Company will advise the applicant for membership of the total impact costs figure payable to the Company.