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**RULES FOR MEMBERSHIP
OF
IRISH RETAIL ELECTRONIC PAYMENTS
CLEARING COMPANY LIMITED**

**(As adopted by the Board of Directors and by
Member’s Ordinary Written Resolution on 15th September 2011)**

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A INTRODUCTION

- A1** Irish Retail Electronic Payments Clearing Company Limited (the "Company") was incorporated as a company limited by guarantee on 25th June 1997, under registered number 267916. The principal object of the Company is to establish, maintain and operate in the State a payment, clearing and settlement system relating to any means or mode of payment or money transfer constituted in the form of EFT (as defined in the Articles of Association of the Company) issued or receivable by or otherwise attributable to such persons as may be admitted into membership of the Company.
- A2** The Company was established following the enactment of the Central Bank Act, 1997 to assume and take over the role and responsibility of the clearing and settlement system previously operated in the State by the Dublin Bankers Clearing Committee (DBCC) in relation to debit and credit electronic payment items. The payment system operated by the Company is that referred to as the System in Clause 2(a) of the Memorandum of Association of the Company.
- A3** The Articles of Association of the Company ("Articles") set out certain regulations concerning membership of the Company. Membership of the Company is divided into two categories, ordinary membership and associate membership. Pursuant to the Articles the Board of Directors of the Company are empowered to adopt rules for membership (subject to approval by the ordinary members of the Company) concerning applications for membership and continuing obligations on existing members of the Company. In the event of any conflict or inconsistency between these Rules and the Articles, the Articles shall prevail.
- A4** Set out in this document are the current Rules for Membership ("Rules") so adopted pursuant to the Articles. The Rules are in addition and, where applicable, supplementary to, provisions concerning membership of the Company as set out in the Articles. Words and expressions used or defined in the Articles shall have the same meaning where used in these Rules, unless the context otherwise so requires. References herein to "these Rules" shall be to these Rules as amended, varied or replaced from time to time pursuant to the Articles or otherwise as herein provided. These Rules and any amendments or variations to the Rules, require to be approved by the Central Bank, and as currently set out herein have been so approved by the Central Bank. However, such approval does not constitute a warranty as to the solvency of the System (to the extent that liabilities may arise through operation of the System) or the Company or of any member of the Company nor shall the Central Bank be liable, by reason of such approval, in respect of any losses incurred through the insolvency or default of the System, the Company or any member of the Company. These Rules have also been notified by the Company to IPSO.
- A5** Notwithstanding any specific provisions of these Rules concerning membership, and bearing in mind the provisions of the Central Bank Act, 1997, the Board intend to apply certain principles which may be regarded both as fundamental and of overriding application to any consideration of both applications for membership and continuing membership. These principles may be stated as follows:-

- (a) the necessity of maintaining and assuring at all times the absolute integrity, stability, and proper and orderly regulation and operation, of the System;
- (b) the necessity of maintaining and assuring at all times the continuing efficiency and effectiveness of the System and on a cost efficient basis for all the members of the Company;
- (c) subject thereto, to ensure the openness of membership to all appropriately supervised or regulated persons.

B ORDINARY MEMBERSHIP

B1 To qualify for consideration for ordinary membership, an applicant must comply with all of the following access criteria to the satisfaction of the Board:-

- (a) the applicant must be a:
 - (i). credit institution; or
 - (ii). electronic money institution; or
 - (iii). financial institution; or
 - (iv). payment institution,

in each case so long as the relevant institution is and continues to be supervised by the Central Bank or other competent authority charged by law with the supervision of credit institutions, electronic money institutions, financial institutions, or payment institutions (as applicable) and is authorised by the Central Bank or such other competent authority to provide money transmission services to customers;
- (b) the applicant must be eligible to participate, and has been duly admitted to participate, as a direct participant within TARGET2;
- (c) the applicant must maintain a settlement account in its own name through which, on a continuing basis, Clearing Transactions to which such member is a party may be settled;
- (d) the applicant must demonstrate that it has and will continue to have, on a continuing and timely basis the ability to honour all settlement commitments arising in respect of Clearing Transactions to which such applicant as an ordinary member is a party;
- (e) the applicant must demonstrate that it has (whether by reason of its participation in any predecessor or equivalent clearing or payment system in the State to the System, or by virtue of being an associate member for a certain period of time and/or otherwise as may be relevant for the purposes of participation in the

System) and will continue to have on an ongoing basis, an appropriate level of experience, expertise, personnel and resources in the State to enable the applicant to participate as an ordinary member in the System;

- (f) the applicant must demonstrate that it can and will be able to comply on an ongoing basis with all the provisions and requirements of the Rules for Clearings; and the applicant provides to the Company a Technical & Operating Plan in such form, and containing such technical and operational System link up particulars, as the Company may reasonably require;
- (g) **[Rule B1(g) stands suspended and accordingly is not currently applicable - the applicant must demonstrate that, in relation to the System, it would be a significant provider of money transmission services as measured by the volume of Clearing Transactions anticipated to be presented against it by other ordinary members in any relevant period of assessment as determined by the Board pursuant to the Articles (and so that any applicant shall furnish to the Company a five year forward clearing plan or projection indicating its anticipated volume of such Clearing Transactions);]**
- (h) the applicant must pay to the Company the required membership applicant administration fee in order to cover such administrative and professional costs as have been or may be incurred by or on behalf of or with respect to the Company in connection with the dealing with and processing of the application for membership of the Company (such fee being payable whether or not the applicant is admitted to membership);
- (i) the applicant must pay or agree to pay to the Company such amount by way of levy as represents the aggregate of all such reasonable impact costs as have been incurred or are estimated to be incurred by each existing ordinary member in preparing for the entry of such applicant to membership, including, without limitation, making such arrangements as are necessary in order to enable each such ordinary member to accommodate and deal with Clearing Transactions as may be or will be attributable to the applicant.

Notwithstanding the provisions of **B1 (a), (b), or (g)** of these Rules, the Central Bank shall be entitled to become an ordinary member of the Company if it so applies to the Board. Subject as aforesaid the Central Bank, if it is a member, shall be subject (in such capacity) to the provisions of these Rules in the same manner in all other respects as other members. Any such membership shall be separate and distinct from the capacity and functions of the Central Bank as regulator of the business or activities of the Company and the System.

[The following paragraph stands suspended, because of the suspension of Rule B1(g), and accordingly is not currently applicable - In relation to B1(g) of these Rules, the Board shall be entitled in any particular case to waive the strict application of the access criteria referred to therein, if to do so would not, in the opinion of the Board, be contrary to the principles referred to in A5(a) and A5(b) of these Rules, bearing in mind the satisfaction (if that is the case) by the applicant of all other criteria

*referred to in **B1** of these Rules.]*

B2 In addition to satisfying the access criteria referred to in **B1** above, the applicant shall be required, as a precondition to admittance to membership, to have agreed with and undertaken to and in favour of the Company as follows:-

- (a) to execute and remain a party to such bilateral and/or multilateral payment, settlement or other agreements as the Board may require from time to time and to which other existing ordinary members are party;
- (b) to be bound by and to comply with the Articles, these Rules, the Rules for Clearing, any code of conduct governing the System or participation in the System as adopted by the Company from time to time, and any direction, condition or requirement as may be imposed or issued from time to time by the Central Bank relating to membership of the Company;
- (c) to pay on demand to the Company its fair and equitable share, as determined by the Board, of the ongoing administration and operational costs of the Company, whether by annual ordinary membership subscription or otherwise (and so that any such payment may be demanded at any time whether in advance of such costs, as estimated by the Company, being incurred or otherwise);
- (d) where the applicant acts or proposes to act as agent in the System for any associate member, that such applicant has and will have in place on an ongoing basis appropriate agency arrangements governed by written contract and approved by the Central Bank in relation to the provision of clearing services in connection with the System to such associate member (but without prejudice to the payment obligations owing by it to other ordinary members as may arise through operation of the System in respect of the liabilities of such associate member for whom it so acts as agent);
- (e) should the applicant, having been admitted to ordinary membership, subsequently be either suspended from membership or terminated as member, that it will at the request of the Board make immediate alternative clearing arrangements without delay and further shall on demand pay the specific costs incurred by the Company and other ordinary members arising as a consequence of such suspension or termination;
- (f) to notify the Company of any change in control (as referred to in **D6** of these Rules) of the applicant occurring at any time forthwith upon such change taking effect .

B3 In relation to **B1(d)** of these Rules, the applicant may be required, as a precondition to admittance to membership, to put in place suitable third party bonding or indemnity arrangements (in favour of the Company as trustee for the benefit of ordinary members) in connection with the settlement obligations of the applicant arising through operation of the System (but no such requirement may be made of or applied to the Central Bank

in the event it wishes to become an ordinary member).

- B4** For technical and operating efficiency reasons, any new person joining the Company as an ordinary member will only be admitted at a mutually agreeable time and after a suitable preparatory period as determined by the Board, in order to allow sufficient time for the Company and existing ordinary members to plan for and accommodate the entry to ordinary membership and participation in the System by such person. The initial timing of entry may, subsequently, be varied with the agreement of such person and all existing ordinary members. Further, such person will be subject to review at a meeting of the Board in or about or shortly after the expiry of the first year of its ordinary membership when performance and Clearing Transaction volumes attributable to such person will be assessed.
- B5** In relation to the administration fee referred to in **B1(h)** of these Rules, the Board shall acting reasonably determine what amount shall be payable by the applicant, but so that no such administration fee shall be levied for such amount as might fairly be regarded as prohibitive.
- B6** In relation to the impact costs referred to in **B1(i)** of these Rules, the amount thereof attributable to each existing ordinary member shall be as determined respectively by each such ordinary member subject to approval by the Central Bank applying such common or generic fair and equitable principles as the Board may approve or adopt from time to time in determining such costs, but allowing for any special circumstances as may be applicable to enable any ordinary member to accommodate such applicant and its participation in the System.

It is not intended that any party, other than the Chief Executive of the Company or the Company's Accountants or the Central Bank (acting as regulator), shall be privy to the amount of individual impact costs attributable to existing ordinary members.

The amount actually paid by an applicant to the Company by way of levy (as referable to impact costs) may be applied by the Company in such manner and for such purposes as the Board shall determine provided however that, unless otherwise permitted by the Central Bank (acting as regulator), no onward payment may be made by or on behalf of the Company to existing ordinary members in discharge of their impact costs as determined in connection with the application concerned.

- B7** In relation to the administration and operational costs referred to in **B2(c)** of these Rules, such costs shall be chargeable to members in accordance with fair and equitable principles including, without limitation, by reference to that proportion of the Clearing Volume on an annual basis attributable to each ordinary member and the services provided by the Company in respect of the System to both ordinary members and associate members. If the Company is not in receipt or possession of any projection or estimate as to the Clearing Volumes for an ordinary member, or the Clearing Volume for an ordinary member (whether actual or estimated or projected) is below a specified minimum threshold for members, the Company shall be at liberty to charge such ordinary member a minimum fee in respect of the aforesaid costs. Some costs may also be allocated on an individual member specific basis or sub group membership specific

basis where, for example, issues specific to any one member or to certain members require or are requested to be considered, researched or advised upon by or through the auspices of the Company.

- B8** In relation to impact costs and the administration fee and costs as referred to above, the Board and, as the case may be, ordinary members shall take into account, and accordingly shall be bound by, any conditions imposed by the Central Bank pursuant to Section 15 of the Central Bank Act, 1997 or otherwise.
- B9** In the event that the Board decide to refuse any applicant admission to ordinary membership, the Board shall as soon as practicable following the date of such decision notify such applicant in writing accordingly (which such notice shall contain reason(s) for such refusal). Within two months of the date of issue of such notice, such applicant shall be entitled to refer the matter to the Central Bank for its determination as to whether or not the Board should be asked to reconsider the application for membership of such applicant. If so requested by the Central Bank, the Board shall reconsider the application for membership of such applicant during such time period and/or by such date as may be specified by the Central Bank.
- B10** The period of assessment referred to in Article 9(a) of the Articles (and accordingly the relevant period of assessment for the purposes of Article 9 of the Articles) shall, unless otherwise determined by the Board whether generally or in any particular instance, be each twelve month period running from 1st December in one calendar year to 30th November in the next following calendar year. Accordingly, it is intended that the review of Voting Rights by the Board (as referred to in Article 9(f) of the Articles) shall be conducted in December of each calendar year, and any adjustments to such Voting Rights thereby arising to be effective as and from 1st December of each such calendar year.
- B11** The rights of ordinary members shall be determined by reference to the Articles.

C **ASSOCIATE MEMBERSHIP**

- C1** To qualify for consideration for associate membership, an applicant must comply with all of the following access criteria (to the satisfaction of the Board):-
- (a) the applicant is a:
- (i). credit institution; or
 - (ii). electronic money institution; or
 - (iii). financial institution; or
 - (iv). payment institution,
- in each case so long as the relevant institution is and continues to be

supervised by the Central Bank or other competent authority charged by law with the supervision of credit institutions, electronic money institutions, financial institutions, or payment institutions (as applicable) and is authorised by the Central Bank or such other competent authority to provide money transmission services to customers;

- (b) the applicant has and will have in place on an ongoing basis with an ordinary member appropriate agency arrangements governed by written contract and approved by the Central Bank in relation to such ordinary member acting as its agent in the System;
- (c) insofar as applicable to it as an associate member, the applicant demonstrates that it can and will be able to comply on an ongoing basis with all the provisions and requirements of the Rules for Clearings.

C2 In addition to satisfying the access criteria referred to in **C1** of these Rules, the applicant shall be required, as a precondition to admittance to membership, to have agreed and undertaken to and in favour of the Company as follows:-

- (a) to be bound by and to comply with the Articles, these Rules, the Rules for Clearing, any code of conduct governing the System or participation in the System as adopted by the Company from time to time, and any direction, condition or requirement as may be imposed or issued from time to time by the Central Bank relating to membership of the Company;
- (b) to pay on demand to the Company its fair and equitable share, as determined by the Board, of the ongoing administration and operational costs of the Company, whether by annual associate membership subscription or otherwise (and so that any such payment may be demanded at any time whether in advance of such costs as estimated by the Company, being incurred or otherwise);
- (c) to notify the Company of any change in control (as referred to in **D6** of these Rules) of the applicant occurring at any time forthwith upon such change taking effect.

C3 In the event of any applicant being refused admittance to associate membership by decision of the Board, the provisions of **B9** of these Rules shall apply mutatis mutandis in connection with such refusal.

C4 An associate member may not have agency arrangements with more than one ordinary member in relation to the System (for reasons of System operational efficiency). An associate member may not provide sub-agency facilities to any person in respect of Clearing Transactions.

C5 The rights of associate members shall be determined by reference to the Articles. Without prejudice to the foregoing, associate members are entitled to be consulted by the Company on topics of mutual interest in connection with the System and to be kept informed of developments relating thereto. Associate members will be entitled to raise issues directly with the Company and to pursue any grievances with regard to any aspect of the System in the context only of their agency arrangements with an ordinary member.

D **MEMBERSHIP OBLIGATIONS**

D1 An ordinary member is obliged:

- (a) to maintain the integrity and efficient operation of the System at all times, whether through its own actions or those of any associate member for which it provides services under an agency arrangement; the responsibilities of an ordinary member for its associate member are detailed in **D7** of these Rules;
- (b) to operate within the operational procedures, timetable and other provisions set out in the Rules for Clearing and to ensure that any associate member, for which it acts as agent, also respects and observes such Rules for Clearing and any other regulations as obtain concerning the System from time to time;
- (c) to provide for itself the processing capability (including contingency arrangements) in order to comply with **D1(a)** and **D1(b)** of these Rules.

D2 An ordinary member is not itself permitted to avail of an agency arrangement concerning the System, and accordingly may not itself be an associate member.

D3 Participation in the System confers on members right of access, whether directly or indirectly, only to EFT clearing. To participate in the System, members must use unique National Sorting Code Numbers (each on "NSC") for each destination member's office. See further **D7** of these Rules in relation to NSCs.

D4 As members of the Company are required to adhere to all rules, regulations and standards which may be promulgated by the Company from time to time (and which have been notified by the Company to and approved by the Central Bank), it follows that members who fail to meet these obligations can be suspended or terminated from membership of the Company and accordingly from the right to participate in the System (see further in this context the Articles).

D5 At least three months notice of intention to resign as an ordinary or associate member must be given to the Company. The Company shall promptly inform all other members and the Central Bank of, and following receipt of, such notice. Any costs incurred by other members as a result of such resignation shall be payable on demand by the member so resigning.

D6 Membership of the Company may not be bought, sold or transferred. In the event that the Board becomes aware of, or determines (in its sole discretion) that there has occurred, a change in control of a member, the Board may require to be satisfied (as a condition of the continuing membership of such member) that the change does not in any way undermine any of the principles referred to in **A5(a)** and **A5(b)** of these Rules nor that such change would be likely to result in a breach of any of the membership criteria or conditions referred to in these Rules. For the purposes of these Rules, a change in control will be deemed to have occurred if:

- (a) a person, or group of persons acting collectively or in concert, become entitled (whether directly or indirectly) to exercise, or to control or direct the exercise of, one third or more of the issued stock or capital carrying the right to vote of such member and/or of the voting power exercisable at meetings of the shareholders, directors or other governing body of such members (in each case as determined with reference to the constitutional documents, and the governing law of the country of incorporation, of the member concerned); or
- (b) the Central Bank have notified the Company that, in its opinion, a change of control has so occurred;

in each case being or relating to a person or group of persons not having such control in or about the time at which the member was registered as a member of the Company. Each member hereby acknowledges that the Company may from time to time or at any time make inquiries with the member or the Central Bank with a view to ascertaining whether any change in control of the member has occurred or is likely to occur, and undertakes in favour of the Company to respond promptly to such inquiries in a manner satisfactory to the Company.

D7 With reference to **B2(d)** of these Rules, the purpose of associate membership is to permit credit institutions, electronic money institutions, financial institutions and payment institutions to have access to the full range of clearing services provided by the Company through operation of the System, so as to enable such institutions to provide money transmission services in relation to EFT to their customers. Further, that associate members may engage the agency services of ordinary members on a competitive tender basis inter se (and for such purposes, the Company shall supply any applicant for associate membership with a current list of ordinary members). Thus associate members would not be placed at a competitive disadvantage vis a vis ordinary members, and should accordingly receive, albeit indirectly, the same quality of service through operation of the System as ordinary members. In addition to the requirements of **B2(d)** of these Rules in relation to such agency arrangements, the following provisions shall also be applicable:

- (a) it is the responsibility of the ordinary member engaged as agent to ensure that its associate member
 - is made aware of and conforms to the Rules for Clearing;

- is capable, on a technical and operational basis, of working within the Rules for Clearings;
 - does not embark upon any operation or practice which might impair the integrity, stability or efficiency of the System;
- (b) an ordinary member which proposes to provide an agency service to an associate member must notify the Company not less than one month prior to the date such service is agreed or due to commence; further, in the event of the proposed termination of any existing agency arrangement (other than arising upon the insolvency of an associate member or pursuant to a direction from the Central Bank concerning such agency or membership), the ordinary member must notify the Company not less than one month prior to the proposed or agreed date of termination (and so that any agency agreement or contract entered into between an ordinary member and an associate member must allow for a minimum period of one month for unwinding or termination of the agency arrangement);
- (c) an ordinary member is responsible for allocating to any associate member for whom it acts as agent, a sorting code number from within the range of NSC's allocated by IPSO to the ordinary member.

D8 To accommodate the transmission of payments in respect of EFT, an addressing system is used under which each "destination point" (which must be and can only be a branch, office or department of an ordinary member or its agency associate member) is allocated its own unique sorting code number (this number must be used on all payments, and the address used for each sorting code number must be consistent in every application of the number). The allocation of sorting code numbers to ordinary members is controlled by IPSO. The allocation of sorting code numbers to associate members is controlled by the appropriate ordinary member from within its own range of NSCs.

If an associate member changes its status to that of an ordinary member then it will be a matter for IPSO, in liaison with the Company, to allocate new sorting code numbers to that member. If an associate member changes its agent ordinary member, then it will be the responsibility of the newly appointed ordinary member to allocate fresh NSCs.

When an NSC is allocated by an ordinary member to any branch or department of that member, or to an associate member, details of the number, the full postal address and title must be advised to the Company by the ordinary member. These details, in turn, will be communicated to all members and will be included in an annual sorting code directory published IPSO and/or by the Company for the benefit of all users.

D9 In order to prevent access to or participation in or use of the System by persons who are not members (in this respect see Article 6 of the Articles), inter alia, member(s) are prohibited from providing, whether through or through the auspices of any branch, office or department of such member(s) or otherwise, any specific or dedicated agency service(s) for the clearance of EFT items through the System or for or on behalf of any person who is not a member (whether or not such person is a customer of such member) in respect of EFT whether attributable to such member for such person, or to such

person, or to such person on behalf of any other person(s), and so that accordingly members are not permitted to allocate any sorting code number(s) to any branch, office or department of that member, or otherwise to or for the account of or with respect to any such person(s), for the purposes of or in connection with the provision by such member of such agency service(s) (and so that any determination by the Board that such member has been or is engaged in the provision of any such agency service(s) shall be final and conclusive with respect to such member, save in the case of manifest error). Provided however, that the foregoing provisions of this Rule **D9** shall not apply to the following:

- (a) where such agency services are in the ordinary course of banking (and in the opinion of the Board) usually provided by the members at large to their own customers with respect to EFT item(s) payable to or by customers at large of members; or
- (b) such agency services as are required and to be engaged by any state or semi-state or governmental body, authority or department in order to facilitate the performance by it of its statutory or designated functions (and which may involve payments to or payments by such body, authority or department in the form of EFT item), and where the engagement by such body, authority or department of such agency services from or through a member has been notified to and approved by the Board (and so that for the purposes of giving its approval, the Board must be satisfied that such body, authority or department would satisfy the access criteria for associate membership as referred to in these Rules, other than being a credit institution, electronic money institution, financial institution or payment institution); or
- (c) the use for administrative convenience by members of “collection accounts” on behalf of some of their customers, whereby one branch, office or department of such members may be designated or constituted as the single destination point (and so may be accordingly allocated a specific sorting code number) for the purpose of receiving payment on behalf of a customer or large numbers (in terms of volume) of EFT items attributable and payable to such customer (which must be attributable or payable to such customer in its own right and not on behalf of or for on payment to any other person not being a member).
