

CENTRAL BANK of

BOSNIA and HERZEGOVINA

No: UV-122-01-1-22/16 NG

Sarajevo, 31 March 2016

Pursuant to the Articles 2 par. (3) point c) and 7 par. (1) point b) of the Law on Central Bank of Bosnia and Herzegovina ("Official Gazette of BH", No: 1/97, 29/02, 13/03, 14/03, 9/05, 76/06 and 32/07) and Article 49 par. (2) of the By - law of the Central Bank of Bosnia and Herzegovina, No: UV-104-01-1-116/15 as of 28 December, 2015, the Governing Board of the Central Bank of Bosnia and Herzegovina, at its fourth session as of 31 March, 2016, herein, delivers

Decision on Defining Operational Rules for the Real Time Gross Settlement

FIRST PART - GENERAL PROVISIONS

Article 1

(Subject)

(1) Operational Rules of the Real Time Gross Settlement (hereinafter referred to as: the Operational Rules) shall define conditions under which the Central Bank of Bosnia and Herzegovina (hereinafter referred to as: the Central Bank) and commercial banks enter into the Real Time Gross Settlement system (hereinafter referred to as: the RTGS) and exit the RTGS, conditions for exclusion of the banks from the RTGS, practice and operational procedures within the RTGS, procedures for settlement of banks' clearing net positions, as well as, procedures for the settlement for RTGS participants in extraordinary conditions.

(2) Operational Rules and procedures for settlement between the RTGS participants shall be proscribed by the Central Bank.

(3) The Central Bank is responsible for publishing the Operational Rules of RTGS, as well as all the amendments and supplements to these.

(4) The commercial banks, RTGS participants, shall be required to harmonize their procedures and regulations with these Operational Rules.

Article 2

(The RTGS and its Participants)

(1) The Central Bank shall be responsible for operation of the RTGS system which enables the participants to effect individual and prompt settlement of payments by crediting and debiting settlement accounts with the Central Bank.

(2) The RTGS shall provide both settlements between the individual participants and settlements which the participants perform for their clients.

(3) The RTGS participants shall be the Central Bank and commercial banks licensed to perform payment operations in Bosnia and Herzegovina, issued by a competent banking agency and which have a transaction bank account with the Central Bank.

(4) The RTGS system shall settle all payment orders, irrespective of the amount of payment order, sent for execution by commercial banks, being RTGS participants and the Central Bank, the Central Bank Gyro-Clearing and any other legal person acting in their capacity of a clearing agent (for example, a card operations operator).

Article 3

(Rights and Responsibilities of the Central Bank)

(1) The Central Bank shall administer the RTGS system and maintain settlement accounts for the RTGS participants.

(2) The Central Bank shall be responsible to monitor and control the operations performed by banks participating in the RTGS system and the compliance of these operations with the Operational Rules and proceedings of the RTGS.

(3) The Central Bank may hire and authorize an auditing firm to carry out oversight and control of banks with respect to the compliance referred to in par. 2 of this Article.

(4) Each regulation of the Central Bank related to the RTGS operations, delivered by the Central Bank are binding for all participants in the RTGS system.

(5) The Central Bank shall be responsible to ensure that the RTGS system operates in accordance with oversight requirements for payment system operations.

Article 4

(Data Confidentiality)

(4) All knowledge and information obtained by employees of the Central Bank in the course of the performance of their everyday duties relating to the RTGS shall be treated as business secret, except in the following cases:

a) in case it is necessary to forward information and data to the institutions according to the legally defined obligation,

b) in case a Central Bank employee, who has data available, is authorized to submit the data to the Central Bank bodies,

c) in cases of regular monthly reporting of commercial banks on the number and value of transactions.

Article 5

(RTGS Back-up System)

(1) The Central Bank shall provide a dislocated backup RTGS system, in Main Bank of RS of the Central Bank of BH in Banja Luka, which would ensure continuity of RTGS operations in emergency situations.

In the event of any impediments to settlements of payment orders within the RTGS system, the Central Bank may change the business hours of the RTGS system in order to ensure a reliable and successful completion of settlement procedure.

(2) The Central Bank may restrict the settlement of payment orders between participants and it may suspend the operations of the RTGS for either a short or an extended period, if this is necessary, to safeguard the interests of the Central Bank or the participants. The execution of payment orders, in such case, shall be stopped or restricted and the Central Bank shall not be held liable for such discontinuation or restriction.

(3) The Central Bank shall not be held responsible for suspension or strained execution of payment orders where such suspension or strained execution has been result of SWIFT network related difficulties.

(4) The Central Bank shall not be held liable and shall not bear the consequences of and take over any possible damages for a failure to execute, faulty execution or late execution of payment orders, which is caused by a RTGS participant, any third party or an action which could not have been predicted or avoided.

Article 6

(Responsibilities of the Participants)

(1) Each RTGS Participant shall be responsible to obtain cover for its settlement bank account.

Payment orders shall be settled only if a cover has been provided on the settlement account. In the event that such cover has not been obtained, the payment orders shall be diversified and prioritized for future execution. In the event that a RTGS participant has failed to obtain sufficient funds to

execute the settlement by the close of business, such participant shall be required to cancel (stop) the related payment order, in the contrary, the Central Bank shall cancel the order.

(2) Each RTGS participant shall be liable to pay service fee to the Central Bank with respect to its participation in the RTGS system, pursuant to the Decision on the RTGS Fee issued by the Central Bank, by debiting the reserves bank account with a corresponding Main Unit of the Central Bank.

(3) Each RTGS participant shall be responsible for accurate and proper reception of an authorized payment order sent by any other RTGS participant during the RTGS business hours.

(4) Each participant is responsible for own software applications and their compliance and ability of connecting with the RTGS, to avoid endangering the RTGS, and it is also responsible to provide the dislocated back up system. The liability of the participant –receiver is to check the authenticity of the received payment order.

SECOND PART- PARTICIPATION IN THE RTGS

Article 7

(Technical Requirements for Joining the RTGS)

(1) Each participant shall possess adequate technical equipment, including a backup system and detailed procedures for safe operations of the system in uninterrupted regime of participation in the RTGS.

(2) In the event of technical difficulties with respect to the own equipment, each participant shall immediately notify the Central Bank about such difficulties, remove any related deficiency and ensure regular participation in the RTGS, as soon as possible.

Article 8

(SWIFT Status)

(1) Each RTGS participant shall have status of a domestic participant in payment operations system in SWIFT, including an appropriate SWIFT interface.

(2) Each participant shall exchange with other participants the control keys and other data used by the RTGS system in the authentication procedure for received transmissions.

Article 9

(Authorized Persons)

(1) Each participant shall provide required number of employees trained and authorized to carry out the payment operations.

Article 10

(Withdrawal from the RTGS)

The participant may withdraw from the RTGS by submitting a request to the Central Bank in writing.

Article 11

(Exclusion from the RTGS)

(1) The Central Bank may exclude any participant from the RTGS, on a temporary or permanent basis, if such participant does not meet the rules and conditions of RTGS participation, if such participant breaches the defined rules or if its further participation could affect the operations of the entire RTGS.

(2) The participant shall be immediately excluded from the RTGS if, according to the measures of the authorized agency or a supervisory body taken against it, the participant is unable to perform payment transaction services, or in other cases when such participant is unable to perform the payment transaction services.

PART THREE – THE WAY AND PROCEDURES OF SETTLEMENT

Article 12

(Payment Order)

(1) Payment orders directed to the RTGS shall be denominated in BAM.

(2) Payment orders directed to the RTGS shall be in the electronic form, filled-in in accordance with the SWIFT standards and applicable provisions of the regulations on domestic payment transactions. The types of payment messages are the following: MT102, MT103, MT202 and MT205. It is compulsory to fill in the field 103 in the header of the message with the service code BAP.

Article 13

(Execution of Payment Orders)

(1) After execution in the RTGS system, the payment orders are final and irrevocable.

(2) Payment orders shall be carried out according to the priority list. If two or more payment orders have the same priority, the payment orders which arrived earlier in the RTGS system will be carried out first.

(3) The list of priorities of payment orders includes priorities from 1 to 98, which are determined by the participant. If the participant does not state the priority, priority 98 is understood.

(4) The participant is obliged to monitor and check the status of the payment orders directed to RTGS system.

Article 14

(Cancellation of the Payment Order)

(1) The participant or the Central Bank on behalf of the participant, if the participant fails to do it or if the Central Bank estimates it necessary, may cancel the order which is in the queue waiting for execution.

(2) The Central Bank may cancel the payment order on behalf of the participant – sender in case of a delay in the payment system due to technical reasons, if the participant – sender cannot do it itself.

Article 15

(Misrouted Payment Order)

(1) At the request of the Central Bank or an RTGS participant which has misrouted a payment order, the participant which has received the funds based on the misrouted payment order shall return the remitted funds:

a) until the end of the working hours, if the funds in the account of the customer-end beneficiary have not been recorded, or

b) immediately upon the receipt of the funds returned by the customer in whose account the misrouted funds were recorded.

(2) If the participant – receiver cannot record the order due to insufficient or incorrect data in the payment order, the participant – receiver will contact the participant – sender and request the supplement of the data or the payment order shall be returned to the participant-sender as soon as possible, and on the next working day at latest.

Article 16

(RTGS Business Hours)

(1) The RTGS working days are all working days during the year from Monday through Friday.

(2) The RTGS non-working days are Saturdays, Sundays, 1 and 2 January, and 1 and 2 May, and any other day, as determined by the Governor of the Central Bank according to the regulations and justified reasons.

(3) The RTGS working day starts at 08:00 hours and ends at 16:00 hours, and payment orders are received in that time.

(4) In case that for any reason, the beginning of the RTGS working day is late or the RTGS working days needs to be extended, the Central Bank will inform the participants in the fastest and most appropriate way.

PART FOUR – EXECUTION OF ORDERS FROM CLEARING

Article 17

(Settlement of Orders)

(1) The settlement of orders from the clearing shall be effected through the settlement accounts of the participants in the clearing.

(2) Participants in the gyro clearing of the Central Bank, legal entities acting in the capacity of clearing agents (for example, card operators) and the Central Bank as the settlement agent for the RTGS, shall comply with the defined rules.

(3) After a clearing agent has performed clearing operation, it shall notify the Central Bank on positions of the participants - net debits and net credits, by sending the clearing report, in the electronic form defined by the Central Bank.

(4) Based on the clearing report mentioned in par. (3) of this Article, the Central Bank shall check whether the net debits can be executed in the RTGS through the settlement accounts.

(5) After the Central Bank has debited the settlement account of the RTGS participant/net debtor, it shall immediately credit the settlement account of the RTGS participant/net creditor, according to the submitted clearing report. Settlement of obligations and claims arising from clearing shall be deemed final and irrevocable once the settlement account of the RTGS participant/net creditor has been credited. The Central Bank shall notify the RTGS participants on completion of the settlement of the orders arising from clearing.

Article 18

(Direct Debiting in the Settlement of the Obligations from the Central Bank Gyro Clearing)

(1) Settlement of net obligations arising from the Central Bank Gyro Clearing as indicated in clearing report shall be effected by direct debiting the settlement account of the RTGS participant/net debtor.

(2) Direct debiting of any settlement account shall be effected based on the clearing report which the Central Bank shall, upon completion of clearing, send to all the clearing participants.

(3) Direct debiting of the settlement account of the RTGS participant/net debtor shall be effected immediately if there are sufficient funds in its settlement account. In the event more orders are waiting in the queue for payment from the settlement account, the Central Bank shall execute payment orders from the Gyro Clearing as priority.

(4) Obligations of each participant/net debtor shall be settled by direct debiting the settlement account in favour of the Central Bank account. Upon completion of settlement of obligations of all net debtors, the Central Bank shall credit individual accounts of the participants/net creditors.

(5) In the event that a participant/net debtor, does not have sufficient funds in the settlement account at the time when direct debiting is needed, such participant/net debtor shall be required to provide the funds immediately upon notification and no later than within 15 minutes. In the event that it has failed to provide the funds within this period, the Central Bank reserves the right to transfer to the settlement account the funds from the reserve account of the participant. The debiting of such participant shall be effected immediately after the funds have been provided in the settlement account.

(6) In the event that a participant has failed to obtain the funds for settlement in any of the above ways, the settlement shall not be carried out and the procedure will be applied according to the Operational Rules for Gyro Clearing.

(7) Any objections made by any participant/net debtor with respect to any obligation arising from a clearing procedure shall not suspend direct debiting of the settlement account. In the event of incorrect debiting, a participant shall be entitled to request the refund after completion of the settlement procedure.

PART FIVE – OPERATION RECOVERY IN CONTINGENCIES

Article 19

(Contingency Plans)

The Central Bank and the participants shall have prepared plans for contingencies with procedures and measures for the continuation of reliable, correct and legal operation of the RTGS.

Article 20

(Taking Measures in Contingencies)

In contingencies, the Central Bank shall undertake all the necessary measures to ensure the continuation of reliable, correct and legal operation of the RTGS, within two hours as latest.

Article 21

(Providing Conditions for Operation on a Back-up Site)

The Central Bank and the participants shall provide the conditions so that the plans for contingencies referred to in Article 19 of these Operational Rules can be realized, if necessary, on a back-up site.

Article 22

(Violation of Rules and Procedures for Contingencies)

Failure to ensure conditions for operation in a back-up site and failure to adopt plans for contingencies, as well as, failure to observe the Central Bank measures for procedures in contingencies shall be considered a violation of the rules and procedures of RTGS.

PART SIX – TRANSITIONAL AND FINAL PROVISIONS

Article 23

(Termination of Validity)

(1) On the day when these Operational Rules take effect, the Operational Rules, No: 01-766/04 dated 19 November 2004, Decision No: 01-763/04 dated 19 November 2004 and Decision No: 01-1403/08 dated 09 October 2008 cease to have effect.

(2) To acquire the status of an RTGS participant, in addition to the payment transaction performance authorization, the Operational Rules of RTGS shall have to be accepted, which the participants shall confirm by a written statement.

(3) The RTGS participants which have acquired their status according to the Operational Rules, No: 01-766/04 dated 19 November 2004, are required to make their enactments compliant with the provisions of these Operational Rules and to make a written statement referred to in par. (2) of this Article by 30 June 2016; in the event they fail to do so, they shall lose their status of an RTGS participant.

Article 24

(Entry into Force)

These Operational Rules shall take effect 15 days from the day of their publishing in "Official Gazette of BH" and they shall also be published in "Official Gazette of Republika Srpska", "Official Gazette of the Federation of BH" and "Official Gazette of BH Brčko District".

Chairman
of the Governing Board of the Central Bank
of Bosnia and Herzegovina

GOVERNOR
Senad Softić, Ph.D.