

Image Clearing System (ICS) Manual

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Chapter I

Overview

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INTRODUCTION

About the ICS Operator

This Image Clearing System (**ICS**) Manual is issued by Pay.UK Limited (Pay.UK), as the operator of the ICS (the **ICS Operator**).

The ICS Operator is incorporated in England and Wales under number 10872449 and its registered office is located at 2 Thomas More Square, London, E1W 1YN.

About the ICS

The ICS enables the electronic processing and/or presentment and settlement of Eligible Paper (see *Chapter II – 'ICS Glossary'* and *Chapter III - 'ICS Service Description'*) one ICS Business Day after its deposit¹, and provides certain related services.

The ICS Operator has put in place a robust contractual and related risk-management framework that is designed to support the settlement of Eligible Paper, as between settlement participants, on the ICS Business Day after the deposit of the relevant item (subject to local bank or public holidays). Accordingly, the ICS Manual (including this Overview), in particular when describing the ICS clearing and processing cycles, has been prepared on the basis that settlement between settlement participants will occur within this timescale.

There may be exceptional circumstances, however, where settlement does not occur within this timeframe in respect of a particular item or items. In such cases, the time at which funds are credited and made available to the payee under the relevant item may be delayed beyond the clearing and processing cycles described in this ICS Manual.

The ICS Operator's operation of the ICS is underpinned by the following key principles:

- enhancing the choice of options available to customers for paying in cheques and other Eligible Paper so as to provide optionality to pay in such Eligible Paper remotely by smartphone or scanner, in addition to paying in paper instruments or other documents at PSP branches, cash machines, Post Offices or by post;
- ensuring clarity and certainty about when funds will be credited to and available in a customer's account;
- instating proportionate and robust measures to mitigate fraud and security risks;
- providing open access for ICS participants, potential ICS participants and those businesses that wish to have indirect access to the ICS;
- allowing for flexibility of clearing timescales within the minimum criteria of ensuring that funds are credited and made available to the payee at the latest at 23:59:59 on the ICS Business Day after deposit of the relevant item (subject to local bank holidays or public holidays in the location of a relevant party); and

¹ This clearing cycle may be extended if there is a local bank holiday or public holiday in the location of a relevant party as explained further in Chapter III of this ICS Manual.

- ensuring stability and reliability of the ICS as a systemically important payment system.

The ICS plays an important role in the financial system and broader economy of the United Kingdom (including the Isle of Man, the Channel Islands and Gibraltar). The systemically important nature of the ICS is evidenced by the fact that it is a designated system² for the purposes of the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (the **SFRs**). The SFRs provide certain protections to the ICS and the ICS participants from the impact of the insolvency of (other) ICS participants, so as to support the finality of settlement through the system and the irrevocability of Payment Messages as from the time defined in the ICS Rules.

The ICS is also a regulated payment system under Part 5 of the Financial Services (Banking Reform) Act 2013 (the **2013 Act**). As a regulated payment system under the 2013 Act, the ICS Operator and the ICS participants are subject to the jurisdiction of the Payment Systems Regulator (see further below in this Overview).

NAVIGATING THIS ICS MANUAL

This ICS Manual is comprised of six chapters:

Overview (Chapter I)

The Overview deals with specific matters relevant to this ICS Manual. In particular, the Overview:

- provides basic information about the ICS Operator and the ICS;
- helps guide the reader to relevant parts of this ICS Manual which are likely to be of interest;
- explains how to navigate this ICS Manual;
- explains the key purposes of this ICS Manual;
- sets out the legal responsibility which the ICS Operator accepts for the provisions of this ICS Manual and other documents referred to in it; and
- establishes certain core provisions which are applicable to all parts of this ICS Manual, including its governing law.

ICS Glossary (Chapter II)

The ICS Glossary contains guidance on how to interpret this ICS Manual and provides definitions for the key terms used in it (and the supporting contractual framework to which ICS participants are party).

ICS Service Description (Chapter III)

² The designation process is currently in progress.

The ICS Service Description describes those functions, facilities and services that are operated or provided to ICS participants by the ICS Operator as part of the ICS.

The ICS Service Description clarifies which services are made available to each different participant type to allow each ICS participant (or prospective ICS participant) to identify what part of the ICS functionality is relevant to it; and, consequently, determine the risks and costs of participation under that specific participant type.

The ICS Service Description also assists clearly to demarcate the services for whose operation the ICS Operator accepts responsibility to a particular business admitted under a specific participant type – as no responsibility is accepted to an ICS participant for the performance of functionality made available to businesses admitted under a different participant type.

ICS Rules (Chapter IV)

The ICS Rules only apply to ICS participants that are “responsible” (in accordance with the definition of “institution” in regulation 2(1) of the SFRs) for the settlement of Payment Messages that enter the ICS Central System, namely, settlement participants.

The ICS Rules set out those obligations or other matters applicable to settlement participants which either:

- enable or facilitate the ICS Operator to identify, monitor, measure and/or manage (i) *material* risks to the ICS or the wider financial system, and (ii) matters that have a *significant effect* on the efficiency or effectiveness of the ICS; or
- by statute, are specifically directed to be covered by the rules of the ICS.

ICS Requirements (Chapter V)

The ICS Requirements set out those obligations applicable to all ICS participants (including settlement participants) which are not in the nature of a “rule”.

This may be because they do not by themselves enable or facilitate the ICS Operator to identify, monitor, measure and/or manage (i) *material* risks to the ICS or the wider financial system, or (ii) matters that have a *significant effect* on the efficiency or effectiveness of the ICS; or they may be addressed and applicable to participant types other than settlement participants.

They remain, however, individually and collectively important obligations with which ICS participants must comply to support the security, integrity and reputation of the ICS.

The ICS Requirements also set out the principal costs arising out of or in connection with participation in the ICS.

ICS Procedures (Chapter VI)

The ICS Procedures:

- describe certain key elements of the ICS design and operations; and

- set out or refer to certain other important matters and material that enable ICS participants, and other interested parties, to have a clear understanding of the risks and controls on risks relevant to the ICS Operator's operation of the ICS.

PURPOSE OF THIS ICS MANUAL

This ICS Manual performs two principal functions:

- firstly, it forms a key part of the legal basis for the ICS Operator's operation of the ICS; and
- secondly, it provides a clear and comprehensive description of the rules, requirements and key procedures relevant to the ICS Operator's operation of the ICS in a document which is publicly available.

Legal Basis of the ICS

Participants in the ICS will enter into a contract with the ICS Operator (the **ICS Participant Agreement**). Under this contract, ICS participants agree to comply with the ICS Specifications, including:

- (if applicable) the obligations for the time being applicable to a settlement participant under or by virtue of the **ICS Rules** set out in Chapter IV of this ICS Manual; and
- the obligations for the time being applicable to an ICS participant under the relevant participant category under or by virtue of the **ICS Requirements** set out in Chapter V of this ICS Manual.

The ICS Rules and ICS Requirements cross-refer to certain procedures applicable to an ICS participant which form part of the **ICS Procedures** set out in Chapter VI of this ICS Manual.

The ICS Requirements also include, for example, a description of the principal costs associated with the different types of participation in the ICS.

Under the ICS Participant Agreement, the ICS Operator agrees to provide certain services and to perform certain functions in relation to the ICS. In connection with these services and functions, the ICS Procedures also:

- describe important procedures relevant to the performance of these services and functions; and
- explain how the ICS Operator intends to exercise fundamental discretionary powers reserved to it in relation to the performance of these services and functions.

The ICS Procedures include, for example:

- a description of the Appeals Process which the ICS Operator makes available to ICS participants and prospective ICS participants who wish to appeal against relevant decisions made by the ICS Operator in the performance of its ICS Regulatory Functions; and
- a description of the procedures adopted by the ICS Operator to make changes to (i) the ICS Participant Terms and Conditions incorporated by reference into the ICS Participant Agreement, (ii) any part of this ICS Manual and/or (iii) the User Documents issued by the ICS Operator.

The Payment Systems Regulator

The legal framework relevant to the operation of the ICS also includes provisions under Part 5 of the 2013 Act. In particular, Part 5 gives certain powers to the Payment Systems Regulator (the **PSR**) which it may exercise, upon its own initiative or upon application of an ICS participant, prospective ICS participant or other interested party, to advance one or more of the PSR's statutory objectives (i.e. its competition objective, its innovation objective and its service-user objective).

The PSR's exercise of these statutory powers may require:

- changes to be made to the ICS Participant Agreement and/or the ICS Manual (e.g. in exercise of the PSR's powers under section 55 or 57 of the 2013 Act);
- the ICS Operator to give direct access to a business to relevant functions, facilities and services provided by the ICS (e.g. in exercise of the PSR's powers in section 56(2) of the 2013 Act); and/or
- an ICS participant (as a Direct Participant) to give indirect access to a business (as an Indirect Participant) to relevant functions, facilities and services provided in the ICS (e.g. in exercise of the PSR's powers in section 56(3) of the 2013 Act).

As such, while the ICS Manual (and the ICS Participant Agreement) form a core part of the legal basis for the ICS Operator's operation of the ICS, it is important for readers to bear in mind the statutory context in which the ICS is operated. These statutory provisions supplement the provisions of this ICS Manual.

This may give ICS participants, prospective ICS participants and/or other interested parties additional rights, and impose additional obligations on the ICS Operator, to those set out or referred to in this ICS Manual. For example, while ICS participants and prospective ICS participants may use the Appeals Process set out in the ICS Procedures, and the PSR has indicated that it would expect an ICS participant or prospective ICS participant to use such Appeals Process in appropriate cases, an ICS participant or prospective ICS participant who is unsatisfied with the result achieved through that procedure will continue to have a right to apply to the PSR to require the ICS Operator to give it relevant access to the ICS in exercise of the powers set out in section 56 of the 2013 Act.

The ICS Operator will take reasonable care to ensure, as far as it is practicable to do so, that the provisions of this ICS Manual at all times accurately reflect any direction or requirement of the PSR and/or the ICS Operator's other obligations under the 2013 Act. However, if there is any inconsistency between any provision of this ICS Manual and any direction or requirement of the PSR or the ICS Operator's other obligations under the 2013 Act, such direction, requirement or other obligation will prevail. In such a case, the ICS Operator can be expected to act in accordance with such direction, requirement or other obligation and will take steps to effect appropriate changes to the affected part of this ICS Manual to ensure its continuing consistency with the ICS Operator's obligations under or pursuant to the 2013 Act.

Other Documentation

Other documentation (the ***User Documents***) are not made available to the public, as they contain information which is either confidential or is not considered sufficiently material to merit disclosure in the interests of fostering wider public confidence in the ICS.

The ***User Documents*** refer collectively to the ***ICS User Documents*** and the ***Third Party User Documents*** in this ICS Manual.

While the ICS Manual is the primary reference document for the ICS, ICS participants must comply with and observe the User Documents.

ICS User Documents

The ***ICS User Documents*** are issued by the ICS Operator (whether by itself or with other payment system operators), but do not form part of this ICS Manual. The complete list of documents can be found in Appendix B of the Appendices of this ICS Manual.

Third Party User Documents

The ***Third Party User Documents*** refer to manuals, guides, handbooks, descriptions, specifications, codes and other documents issued by bodies other than the ICS Operator (and which do not form part of this ICS Manual).

The Third Party User Documents comprise:

- issued by the Bank of England (as relevant to settlement participants):
 - the RTGS Reference Manual;
 - the RTGS Enquiry Link Browse Getting Started Guide; and
 - Pre-Funding Training Pack for Schemes;
- issued by SWIFT (as relevant to settlement participants):
 - the Alliance Lite2 Service Description; and
 - Secure Channel User Guide;
- issued by the operator of the Bacs payment system (now Pay.UK):

- Clearing Codes Rules and Clearing Codes Procedures;
- issued by the Supplier:
 - Logical Message Specification;
 - ICS Report Catalogue;
 - ICS Validation Rules Catalogue;
 - Message Implementation Guide;
 - XML Schema; and
 - ICS Connectivity Specification.

This reflects the fact that the Bank of England and SWIFT provide or control key parts of the infrastructure. The ICS Operator is not responsible for:

- the systems, services, networks or equipment provided, operated or used by such infrastructure providers in connection with the ICS; or
- the Third Party User Documents issued by such infrastructure providers in relation to the systems, services, networks or equipment they provide, operate or use in connection with the ICS (or any other Third Party User Documents).

The services provided by the Bank of England and SWIFT are provided as principals under contract with relevant ICS participants. They are not provided as agents or delegates of the ICS Operator.

Further this reflects that the processing of images and messages through the ICS relies upon standards and documentation set or provided by other third parties.

Other sources of legal obligations (settlement participants only)

Settlement participants are also required to enter into and remain a party to the ICS Settlement Framework Agreement, the ICS Interbank Settlement Agreement and the contracts and other instruments referred to in those agreements.

Guidance Documents

The ICS Operator may issue from time to time documents that contain guidance, support and other information relevant to an ICS participant's participation. These guidance documents are not intended to impose legal obligations. They are designed to facilitate a broader understanding of the operation of the ICS as applicable to that participation.

TRANSPARENCY

The transparency of the ICS and its related operations is supported by ensuring that relevant information is made available in this ICS Manual to ICS participants, prospective ICS participants, businesses with indirect access to the ICS, relevant supervisory authorities and the public. This aims to inform sound decision-making and foster wide market confidence in the system. Specifically, information contained in this ICS Manual

is designed to enable ICS participants and other interested parties to have a clear understanding of the risks and controls on risks associated with participation in the ICS.

This ICS Manual is published on the ICS Operator's website. Proposed changes are published on the ICS Operator's website and are subject to consultation with existing ICS participants and wider stakeholders.

APPLICATION OF THE MANUAL

Unless otherwise specifically indicated in this ICS Manual, its provisions apply to govern the relationship between the ICS Operator and all ICS participants.

RESPONSIBILITY OF THE ICS OPERATOR IN RELATION TO THIS ICS MANUAL

Without affecting:

- any right that an interested party may have under the 2013 Act (e.g. to apply to the PSR for an order granting it access to relevant functions, facilities and services provided by the ICS);
- any obligation of the ICS Operator under the regulatory or supervisory system applicable to it as operator of a regulated payment system (under Part 5 of the 2013 Act) or a designated system (under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999); or
- the operation of the Appeals Process for the benefit of certain applicants to participation in the ICS,

this ICS Manual only creates rights and obligations between the ICS Operator and those businesses which have entered into an ICS Participant Agreement with it (as ICS participants).

Under the ICS Participant Agreement, the ICS Operator undertakes certain defined obligations for the provision and performance of its services; the maintenance of a secure and reliable system for the processing and/or presentment and settlement of Eligible Paper, and related services; and the performance of its regulatory functions. No description in this ICS Manual which refers to the ICS Operator, the services provided by it or the ICS or the performance or non-performance of any act or thing shall be interpreted as imposing on the ICS Operator any greater obligation than that assumed by it under the relevant contract with the ICS participants.

ICS REGULATORY FUNCTIONS

Certain functions performed by the ICS Operator derive from statutory obligations or other public law provisions, or otherwise require the ICS Operator to have regard to (and balance) wider public interest considerations.

Such matters include, for example, the ICS Operator's powers to admit a business to participation as an ICS participant; to suspend or terminate any such participation; to monitor the continuing efficiency and effectiveness of the Fraud Disputes Process operated and managed by PSPs; to publish information relating to any material or persistent failure by an ICS participant to comply with the ICS Specifications; to conduct (and respond to) any consultation exercise contemplated by Part H and Part I of Chapter VI of this ICS Manual; and to give directions under Part B of Chapter VI.

These functions are referred to as the ICS Operator's **ICS Regulatory Functions**. Under the ICS Participant Agreement, the ICS Operator accepts an obligation to each ICS participant to exercise its ICS Regulatory Functions in good faith. In this context, this requires the ICS Operator in exercising any discretion reserved to it in discharging any or all of its ICS Regulatory Functions:

- (a) to act rationally, fairly and proportionately;
- (b) to have regard to relevant considerations; and
- (c) to disregard irrelevant considerations.

Further, in certain cases, ICS participants and prospective ICS participants may have a right to initiate the Appeals Process described in Part F of Chapter VI if they are unhappy with the ICS Operator's exercise of its ICS Regulatory Functions.

These rights are in addition to any statutory right that an ICS participant, prospective ICS participant or other interested party may have to apply to the PSR to exercise its powers under Part 5 of the 2013 Act, including for example the PSR's power under section 56(2) by order to require the ICS Operator to grant access to relevant functions, services and facilities provided by the ICS.

RELEVANT PUBLIC INTEREST CONSIDERATIONS

The ICS Operator's decision-making and other governance arrangements aim to support relevant public interest considerations and the objectives of relevant stakeholders. Such public interest considerations and objectives include, for example, the need to ensure that the ICS is operated and developed in a way that takes account of, and promotes, the interests of service-users.

The ICS Operator seeks to satisfy this requirement through:

- its appointment of independent directors who have the collective ability to block any proposal put to the Board which one of them considers to be a "public interest" matter (as defined in the ICS Operator's articles);
- its commitment (as evidenced by its development and publication of this ICS Manual) to ensure that relevant information is provided to interested parties so that they have a clear understanding of the risks (and controls on risks) associated with the ICS, as well as the fees and other material costs incurred by participation in the ICS; and

- its development and implementation of such other procedures that ensure appropriate representation of the interests of service-users in the governance of the ICS Operator and the approach adopted by the ICS Operator to consultation with relevant stakeholders as set out in Part H and Part I of Chapter VI of this ICS Manual.

GOVERNING LAW

This ICS Manual and the rights and obligations arising under it (including all non-contractual obligations) shall be governed by and construed in accordance with the laws of England and Wales; and any such construction shall take into account banking practices current in England and Wales at the time of construction.

SUBMISSION TO JURISDICTION

Each ICS participant for the benefit of the other ICS participants and the ICS Operator agrees that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes not resolved by the Appeals Process in connection with this ICS Manual and/or any non-contractual obligation arising in connection with this ICS Manual and submits to the exclusive jurisdiction of the courts of England and Wales in connection with this ICS Manual and/or any such non-contractual obligation.

The submission to the jurisdiction of the courts referred to above shall not (and shall not be construed so as to) limit:

- the right of the ICS Operator to take proceedings against an ICS participant in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings by the ICS Operator against an ICS participant in any other jurisdiction, whether concurrently or not; or
- the right of any ICS participant to take proceedings against any other ICS participant which is not incorporated in the United Kingdom (i) in the courts of any other Relevant Jurisdiction or (ii) concurrently in the courts of England and Wales and/or one or more Relevant Jurisdictions.

For this purpose, **Relevant Jurisdiction** means the country or territory where such other ICS participant is incorporated or any other country or territory where the court has jurisdiction over such other ICS participant.

CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Except to the extent otherwise expressly provided for in the ICS Participant Agreement between the ICS Operator and the ICS participants, no person other than an ICS participant or the ICS Operator shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term (express or implied) or other provision of this ICS

Manual but this is without prejudice to any right or remedy of the third party which may exist or be available apart from that Act.

MULTILATERAL ICS SPECIFICATIONS

In accordance with the ICS Participant Agreement, certain ICS Specifications are intended to have effect not only as between the ICS Operator and an ICS participant, but also so as to give rights to and be enforceable by the other ICS participants for whose benefit those ICS Specifications are expressed to apply as against the ICS participant subject to those ICS Specifications.

Such ICS Specifications are referred to as ***Multilateral ICS Specifications***. Where a provision of this ICS Manual is a Multilateral ICS Specification, it will be identified by the notation: *"This provision is a Multilateral ICS Specification"* or similar wording.

Such Multilateral ICS Specifications may be varied or rescinded by the ICS Operator (subject to the consultation procedures set out in Chapter VI of this ICS Manual) without the consent of any ICS participant for whose benefit such Multilateral ICS Specifications are expressed to apply.

The Governing Law and Submission to Jurisdiction provisions set out above, and to the extent relevant Chapter II of this ICS Manual, are Multilateral ICS Specifications applying for the benefit of all ICS participants for this purpose.

ASSIGNMENT OF RIGHTS

No ICS participant may transfer or assign any of its rights under this ICS Manual without the prior written approval of the ICS Operator's Board.

Chapter II

ICS Glossary

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INTERPRETATION AND APPLICATION OF THIS ICS MANUAL

The provisions of this ICS Manual should be read, and are intended to be interpreted, with due regard to their underlying purpose as well as to the letter of the drafting. In the event of any material ambiguity, this ICS Manual shall be interpreted in the manner most conducive to the establishment, promotion and maintenance of:

- the ICS as an orderly payment system; and
- high standards of integrity and fair dealing in accordance with best practice.

Consistent with this purposive approach and with due regard to the interests of transparency, there are provisions of the ICS Service Description and other parts of this ICS Manual that refer to ICS messages being provided, sent, routed or otherwise made available to or by a PSP or other person. For example, in describing the functionality relating to a Payee Payment Notification, we refer to that notification being sent to the "payee's PSP". Evidently, in operational and legal terms, functions of the ICS (e.g. access to notification messages or the ICS Switch) are only provided to PSPs and other persons that are themselves ICS participants with direct access to those functions. In such cases, where the relevant PSP or other person does not have direct access to the functions concerned, the relevant provision of this ICS Manual should be read as referring to the ICS participant that does have direct access to those functions (as a Direct Participant) on behalf of the PSP or other person concerned (as an Indirect Participant).

Further, the ICS Service Description and other parts of this ICS Manual refer to certain services, functions and facilities that are provided or otherwise made available to the Initiating PSP in respect of an item. Where that Initiating PSP uses an Agent to effect or collect payment under an item, the ICS will in fact provide or make available those services, functions and facilities to the Agent (or the ICS participant acting on behalf of the Agent to access those services, functions and facilities). In such cases, the relevant provision of the ICS Manual that refers to the Initiating PSP should be read as referring to its Agent (or the relevant ICS participant acting on behalf of the Agent).

The ICS Operator reserves the right to modify or disapply (in whole or in part) the application of any particular provision of this ICS Manual where the provision is inappropriate to the circumstances. Without prejudice to the generality of the foregoing or the categorisation of an ICS participant, the ICS Operator may for example waive or modify (in whole or in part) the application of any section, part or provision of this ICS Manual where it is satisfied (acting in good faith) that the application or enforcement of that part or provision to an ICS participant would be inconsistent with, or otherwise fail to promote, the Governance Objectives.

In this ICS Manual, any reference to:

- (a) **this ICS Manual** (or to any part of this ICS Manual) or to any other agreement or document (including, without limitation, any of the User Documents) is a reference to this ICS Manual (or such part of this ICS Manual) or such other agreement or document as the same may from time to time be amended, varied, supplemented, novated or replaced;

- (b) an **instruction** or **message** includes any instruction, request, election, permission, decision, acceptance, authority, consent, enquiry or any other message of any kind;
- (c) a **month** shall mean a calendar month;
- (d) a **day** shall mean a working day;
- (e) **participation** is a reference to participation in the ICS as an ICS participant under one or more participant categories;
- (f) the **deposit** of an item with a PSP (as the Initiating PSP in respect of the item) is a reference to the moment at which the item (or a relevant image of the item) is:
 - (I) received by the PSP (or its Agent); or
 - (II) (if the PSP's customer sends a relevant image of the item to the ICS Switch in its capacity as a switch participant) received at the ICS Switch.

For the purpose of paragraph (I) above:

 - i. if the item (or a relevant image of the item) is received by the PSP (or its Agent) on a day which is not a Local Banking Day, the item is deemed to have been received on the first Local Banking Day thereafter; and
 - ii. the PSP may set a time towards the end of a Local Banking Day after which any item (or a relevant image of any item) received by it (or its Agent) will be deemed to have been received on the following Local Banking Day;
- (g) **any statute or statutory provision** (which includes any legislative provision or regulatory instrument of the European Union) shall (save as the context otherwise requires) be interpreted as a reference to such statute or statutory provision (including all instruments, orders or regulations made thereunder or deriving validity therefrom as are in force at the date of this version of the ICS Manual) as the same may be subsequently amended, re-enacted or consolidated;
- (h) the **Bank of England** is, unless otherwise indicated, a reference to the Bank of England when acting in its capacity as either or both the operator of the RTGS System and as the SSP;
- (i) a **person** is a reference to any individual, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (j) a **business** is a reference to a person when carrying on a business, profession or trade; and

- (k) an ICS participant **associated with** a user is a reference to the ICS participant whose Participant ID is associated with user's User ID in the ICS Portal in accordance with the ICS Service Description.

In this ICS Manual, an ICS participant shall not be considered to be **acting for** another person (as **an Indirect Participant**) in respect of any service, function and/or facility to which that other person has access otherwise than under or by virtue of a contractual arrangement with the ICS participant, even if the ICS participant (as a Direct Participant) is acting for that other person (as its Indirect Participant) in respect of another service, function and/or facility.

For the purposes of this ICS Manual, an electronic image or electronic instruction received by or through the ICS Central System or the ICS services is treated as being **sent** by the ICS participant whose Participant ID is specified (or is treated as being specified in accordance with the ICS Service Description) as the sender of the image or instruction; and as being **received** by the ICS Participant whose Participant ID is specified (or is treated as being specified in the ICS Service Description) as the recipient or addressee of the image or instruction.

Any capitalised or defined terms referred to in any of the Third Party User Documents which are used in this ICS Manual, but not defined under "Definitions" below, shall (save as the context otherwise requires) have the meanings respectively given to them in the relevant Third Party User Documents.

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 headings to provisions in this ICS Manual are for ease of reference only and shall not affect their interpretation.

If there is a conflict between any provisions of this ICS Manual and any provision of any ICS User Documents, then the relevant provision of this ICS Manual shall apply.

DEFINITIONS

2009 Act

The Banking Act 2009.

2013 Act

The Financial Services (Banking Reform) Act 2013.

Addressee PSP

For any debit item, the PSP on whom that item is drawn or to whom it is otherwise addressed or to be presented for payment.

Agent

Either or both of a Collecting Agent and a Paying Agent.

Appeal Panel

The three individuals nominated and appointed in accordance with the Appeals Process.

Appeals Process

The procedure for establishing an Appeal Panel and conducting appeals against Relevant Determinations set out in Part F of Chapter VI of this ICS Manual.

Appellant

An ICS participant or prospective ICS participant which invokes the Appeals Process.

Appointer

The Pay.UK Senior Independent Non-Executive Director.

Appropriation Procedures

Those procedures that are described in Part A, Section 1 of Chapter VI of this ICS Manual, which are used to identify those Eligible Payment Messages sent to the ICS Central System for settlement during a Dedicated Liquidity Cycle Period, which:

- (a) are not covered (or are to be treated as not being covered) for settlement by the sending settlement participant's Relevant Available Amount; and, therefore,
- (b) are to be removed or otherwise excluded from the Netting Account for the sending settlement participant and for the receiving settlement participant for that Dedicated Liquidity Cycle Period prior to the completion of that Netting Account.

Associate

In relation to the ICS Operator, each of its subsidiary undertakings and parent undertakings and any other subsidiary undertaking of such parent undertakings from time to time and **subsidiary undertaking** and **parent undertaking** shall have the meanings given to them by section 1161 and 1162 of the Companies Act 2006.

In relation to any person (the **first person**) other than the ICS Operator, a person at any time:

- (a) who exercises, or is able to exercise or is entitled to acquire, direct or indirect control over the affairs of the first person;
- (b) whose affairs are or are capable of being controlled directly or indirectly by the first person; or
- (c) whose affairs are or are capable of being controlled directly or indirectly by the same person who exercises, or is able to exercise or is entitled to acquire, direct or indirect control over the affairs of the first person.

Back Office Modules

Those services, functions and facilities including the dashboard, reporting and administration functions provided as part of the Back Office Suite, which are described in the ICS Service Description as being accessible by an ICS participant through the ICS Portal and comprise:

- Alerts
- Broadcast
- Dashboard
- Notifications
- Payment Decision
- Reporting
- Security Administration
- Upload/Download
- Retrieval of data and images through THIR for 5 days.

Back Office Suite

Those services, functions and facilities that form part of the ICS services which are described in the ICS Service Description as being provided or otherwise made available to an ICS participant under the "Back Office Suite" service group.

Bank of England

The Governor & Company of the Bank of England of Threadneedle Street, London EC2R 8AH.

Board

Board means the board of directors of the ICS Operator who may act through a committee, individual, body, forum or working group to which the Board may delegate its decision making power or authority from time to time.

C + 1

The meaning given to it in ICS Rule 6.1.1.

CASS

The Current Account Switch Service owned and operated by Pay.UK designed to facilitate customers switching their payment accounts.

Collecting Agent

A PSP which acts on behalf of the Initiating PSP in effecting collection of a debit item deposited by the customer of the Initiating PSP.

Correction Procedures

The provisions of, and procedures contemplated by clause 6 of the ICS Interbank Settlement Agreement, described in Part A, Section 2 of Chapter VI, (under which the ICS Operator is authorised to take certain action to remove debit or credit entries in respect of Ineligible Payment Messages from the Netting Account in respect of a Dedicated Liquidity Cycle Period).

Credit item

A Bank Giro Credit or other Eligible Paper which is deposited by a payer with an Initiating PSP with a view to transferring funds from the payer to the payee indicated by that item (or such payee's PSP) and which does not require a payment decision from a Relevant Decision-Maker.

D + 1

The meaning given to it in ICS Rule 6.1.3.

Debit item

A cheque or other Eligible Paper which is deposited by a payee or a payer with an Initiating PSP with a view to collecting or transferring funds from the payer indicated by that item (or such payer's PSP) and which requires a payment decision from the Relevant Decision-Maker under that cheque or other Eligible Paper.

Dedicated Liquidity Cycle Period

In respect of each ICS Operating Day, a period beginning at the time at which the Bank of England sends or otherwise makes available to the ICS Operator a Liquidity Earmark Notification (prior to the start of that ICS Operating Day) and ending on the completion by the Bank of England of the debits and credits to the Relevant Accounts of the settlement participants in accordance with the ICS Settlement Notification sent by the ICS Operator to and accepted by the Bank of England for settlement at or towards the end of that period.

Default arrangements

Those arrangements that are put in place by the ICS Operator to limit systemic and other types of risk which arise in the event of a settlement participant appearing to be unable, or likely to become unable, to meet its obligations in respect of a Payment Message and which are specified in the ICS Rules, Section 7, as constituting the default arrangements for the ICS.

Direct Participant

In relation to a business (acting as an Indirect Participant), an ICS participant which has a contractual relationship with that other business governing the ICS participant's provision of indirect access to the ICS for or on behalf of that other business.

Drawdown Procedures

The procedures put in place by the ICS Operator under which sums may be withdrawn by a settlement participant from its ICS RCA during a Dedicated Liquidity Cycle Period and which are:

- (a) based on standard functionality provided by the SSP to:
 - a. settlement participants on and subject to the terms of:
 - i. the ICS Mandate Agreement; and
 - ii. the Third Party User Documents issued by the SSP; and
 - b. the ICS Operator through the SSP Link; and
- (b) described in the ICS Service Description.

DTS

The Data Transmission Services that operate in the ICS Central System which:

- (a) hold and receive electronic images, instructions or other information from a switch participant for onward transmission to the ICS Switch; and,
- (b) hold and receive electronic images, instructions or other information from the ICS Switch for onward transmission to a switch participant,

in each case as described in the ICS Service Description.

EISCD (Extended Industry Sort Code Directory)

An industry database produced, maintained and distributed by VocaLink Limited containing payments-related information for offices and branches of PSPs that participate in UK clearing systems.

Eligible Paper

Any type or kind of instrument or other document which is described in the ICS Service Description as being eligible for the time being for processing and settlement through the ICS.

Eligible Payment Messages

Payment Messages that have effect in accordance with the ICS Rules.

Excluded Participant

An ICS participant whose participation has been terminated for cause (whether generally or in relation to any particular function or participant category) in accordance with clause 10 of the ICS Participant Terms and Conditions (incorporated by reference into the ICS Participant Agreement).

Excluded Payment Message

Eligible Payment Messages which are to be removed or otherwise excluded from the Netting Account to be completed for a Dedicated Liquidity Cycle Period in accordance with the Appropriation Procedures.

Exclusion Event

Any of the events described in the Annex to this ICS Glossary.

Exempt Information

Has the meaning specified in section 84 of the Freedom of Information Act 2000 or in section 73 of the Freedom of Information (Scotland) Act 2002, as appropriate.

Financial Crime

Any kind of criminal conduct relating to money or to payment services or payment systems, including any offence involving:

- a) fraud or dishonesty;
- b) handling the proceeds of crime;
- c) the financing of terrorism;
- d) bribery or corruption; or
- e) the evasion of tax (including the failure to prevent facilitation of tax evasion offences); or
- f) The breach of any financial sanction.

FOIA

The Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, as appropriate.

Force Majeure Event

Each of the following events in relation to an ICS participant:

- (a) any material disruption in any Network or other communication system used by the ICS participant to communicate with the ICS Central System, the ICS services or the ICS Operator;

- (b) any shut down, failure, malfunction or impairment of the systems and equipment used by the ICS participant to access or otherwise use the ICS Central System or the ICS services (or any part of the ICS Central System or the ICS services);
- (c) any organised action or non-action by labour forces or employers, whether lawful or unlawful, that the ICS Operator reasonably believes is likely to have a significant impact on the ICS participant's ability to comply with the ICS Specifications applicable to it;
- (d) any substantial disruption in the ICS participant's operations, resulting from a shortage of staff, technical failures (including failures affecting computer facilities or resulting from a cyber-attack) or a similar cause, that the ICS Operator reasonably believes is likely to have a significant impact on the ICS participant's ability to comply with the ICS Specifications applicable to it; or
- (e) any other event of force majeure affecting the ICS participant arising from causes beyond the control of the ICS participant, such as power outages, sabotage, terrorist acts, natural disasters, war and insurrection.

Fraud Disputes Process

The procedures operated and managed by PSPs, and notified as such to the ICS Operator, for the mediation of any dispute in connection with any alleged fraud or other unlawful activity affecting items processed and settled through the ICS.

Governance Objectives

Those objectives defined in clause 3.6 of the ICS Participant Terms and Conditions (incorporated by reference into the ICS Participant Agreement), namely:

- (a) to promote the safety, efficiency and effectiveness of the ICS;
- (b) to support the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders; and
- (c) to permit fair and open access to the ICS.

Group

In relation to a company, that company, any subsidiary undertaking or any parent undertaking from time to time of that company and any subsidiary undertaking from time to time of a parent undertaking of that company.

ICS or Image Clearing System

Those services, functions and facilities operated, provided and performed by the ICS Operator as described in the ICS Manual.

ICS Business Day

Any day on which the ICS Central System is operational.

ICS Central System

The ICS Central System consists of:

- (a) the Data Transmission Services (DTS);
- (b) the ICS Switch;
- (c) the Settlement Module and Interface;
- (d) the SWIFT Bureau;
- (e) the THIR; and
- (f) the Portal.

ICS Core Services

The ICS Central System and those ICS services that are collectively described as the "ICS Core Services" in the ICS Service Description.

ICS Information

Any information which comes into the ICS Operator's possession or control or is learned as a result of its operation of the ICS (to the extent such information does not contain or constitute personal data (whether by virtue of aggregation, anonymisation or otherwise)).

ICS Interbank Settlement Agreement

The multipartite contract which is entitled, the "ICS Interbank Settlement Agreement" and is entered into between (1) the ICS Operator; and (2) each settlement participant for the time being to govern their respective rights, obligations and powers in relation to the settlement of Payment Messages sent to the ICS Central System for settlement during a Dedicated Liquidity Cycle Period.

ICS Mandate Agreement

The mandate agreement entered into between the Bank of England and each settlement participant governing the Bank of England's operation and maintenance of the ICS RTGS Account and the ICS RCA for the account of the settlement participant.

ICS Manual

This document (entitled the "ICS Manual") issued by the ICS Operator.

ICS message

An electronic instruction that:

- (a) relates to an electronic image of a Relevant Credit Item or a Relevant Debit Item and is required for the electronic processing and/or presentment and settlement of that item through the ICS; or
- (b) is otherwise sent and received through the ICS,

in either case in accordance with and as described in the ICS Service Description.

ICS Non-Core Services

Those ICS services that are collectively described as the "ICS Non-Core Services" in the ICS Service Description.

ICS Operating Day

Those hours of an ICS Business Day during which the ICS Central System is operational as described in the ICS Operational Timetable.

ICS Operational Timetable

The daily timetable for processing events in the ICS as set out in the ICS Service Description.

ICS Operator

The ICS Operator is Pay.UK.

ICS participant

A person who is admitted by the ICS Operator to participation in the ICS under one or more participant categories.

ICS Participant Agreement

The agreement between a person and the ICS Operator relating, inter alia, to that person's participation in the ICS and which incorporates by reference the ICS Participant Terms and Conditions.

ICS Participant Database

The database maintained by or for the ICS Operator under the ICS services in accordance with the ICS Service Description which:

- (a) contains the details of the name and Participant ID of the ICS participant;
- (b) specifies the participant category or participant categories for which that ICS participant is enabled for the time being under that Participant ID; and
- (c) contains such other supplemental and incidental information in relation to that ICS participant as is specified from time to time in the ICS Service Description.

ICS Participant Terms and Conditions

Those terms and conditions issued from time to time by the ICS Operator as the "ICS Participant Terms and Conditions" and which are incorporated by reference into the ICS Participant Agreement.

ICS Portal

The functionality that operates under the ICS Central System which provides ICS participants with access to the Back Office Modules and the ICS Switch in the manner described in the ICS Service Description.

ICS Procedures

The procedures relating to the operation of the ICS, as set out in Chapter VI of this ICS Manual.

ICS RCA

An account denominated in sterling and maintained by the Bank of England in the name of a settlement participant on and subject to the terms of the ICS Reserves Collateralisation Account (RCA) Arrangements:

- (a) in which funds are credited and irrevocably appropriated for the purposes of the settlement of Relevant Payment Messages by that settlement participant in the ICS; and
- (b) which is linked in the ICS Central System to a specified Participant ID of that settlement participant in accordance with the ICS Service Description.

ICS RCA Arrangements

The contractual arrangements entered into between the Bank of England and each settlement participant governing (a) the Bank of England's operation and maintenance of the ICS RCA for the account of the settlement participant; (b) the means by which funds credited to such ICS RCA are irrevocably appropriated for the purposes of the settlement of Relevant Payment Messages by that settlement participant; and (c) the terms on which the Bank of England is appointed as security trustee under the arrangements described in (b).

ICS Regulatory Functions

Any or all of the following functions which are exercisable by the ICS Operator in relation to the ICS and ICS participants (and, in relation to (a), (g) and (i) below, prospective ICS participants):

- (a) its powers in relation to the admission of any person as an ICS participant or under any participant category;
- (b) its powers in relation to the suspension or termination for cause of the participation of any person (whether generally or under any function or particular participant category);
- (c) its powers in relation to the publication of information relating to any material or persistent failure by an ICS participant to comply with any of the ICS Specifications applicable to it;
- (d) its obligations and powers of consultation in relation to any changes that it proposes to make to the ICS Participant Agreement, the ICS Manual or the ICS User Documents;
- (e) its power to give directions to ICS participants in accordance with Part B of Chapter VI of this ICS Manual;

- (f) its obligations and powers in relation to the monitoring and enforcement of an ICS participant's compliance with the ICS Specifications applicable to it;
- (g) its obligations and powers in relation to the establishment, initiation and conduct of the out-of-court Appeals Process (against determinations made by the ICS Operator in performance of certain of its ICS Regulatory Functions) as described in Part F of Chapter VI of this ICS Manual;
- (h) its monitoring of the continuing efficiency and effectiveness of the Fraud Disputes Process to identify, manage and mitigate operational and other risks arising from alleged fraud or other unlawful activities affecting items processed and settled through the ICS, and otherwise to promote the interests of service-users; and
- (i) those other functions to be performed by the ICS Operator so far as relating to, or to matters arising out of, the obligations to which it is subject as operator of the ICS:
 - (i) as a designated system under or by virtue of the SFRs; and
 - (ii) as a regulated payment system under or by virtue of Part 5 of the 2013 Act, to the extent such functions are not performed as part of the ICS Central System or ICS services.

ICS Requirements

The obligations, conditions and operating procedures as in force from time to time and are applicable to ICS participants, as set out in Chapter V of this ICS Manual.

ICS RTGS Account

An account denominated in sterling and maintained by the Bank of England in the name of a settlement participant on and subject to the terms of the ICS Mandate Agreement, which:

- (a) the Bank of England has agreed may be used for the purpose of debiting or, as the case may be, crediting the amount due from or to that settlement participant in respect of a Dedicated Liquidity Cycle Period; and
- (b) is linked in the ICS Central System to a specified Participant ID of that settlement participant in accordance with the ICS Service Description.

ICS Rules

The rules made by the ICS Operator as in force from time to time and are applicable to settlement participants. The ICS Rules are set out in Chapter IV of this ICS Manual.

ICS Service Description

The service description for the ICS set out in Chapter III of this ICS Manual.

ICS services

The services provided by the ICS Operator which are referred to in the ICS Service Description but which do not form part of the ICS Central System.

ICS Settlement Arrangements

The agreements and arrangements described in clause 2.1 of the ICS Settlement Framework Agreement (which set out the terms and conditions and operating procedures on which the Bank of England and the ICS Operator have agreed that settlement participants may provide or perform settlement-related services, functions and facilities in relation to the ICS).

ICS Settlement Framework Agreement

The multipartite contract which is entitled, the "ICS Settlement Framework Agreement" and is entered into between (1) the Bank of England; (2) the ICS Operator; and (3) each settlement participant for the time being to set out the contractual framework which governs the provision or performance of settlement-related services, functions and facilities under and in relation to the ICS, as well as certain other supplementary and incidental matters.

ICS Settlement Notification

The notification which is required to be sent by the ICS Operator to the Bank of England as described in the ICS Service Description, which contains, in relation to each settlement participant (and each of its Participant IDs) in respect of any Dedicated Liquidity Cycle Period and Relevant Payment Messages sent by and/or received by such settlement participant during that Dedicated Liquidity Cycle Period:

- (a) the amount (if any) which is payable by such settlement participant and which is to be debited from its Relevant Account; or
- (b) the amount (if any) which is payable to such settlement participant and which is to be credited to its ICS RTGS Account.

ICS Specifications

All requirements of the ICS Operator for the time being applicable to an ICS participant and includes, without limiting the generality of the foregoing, all the obligations, conditions and operating procedures for the time being applicable to the ICS participant under or by virtue of:

- (a) (to the extent the ICS participant is a settlement participant):
 - (i) the ICS Settlement Framework Agreement;
 - (ii) the ICS Interbank Settlement Agreement;
 - (iii) the ICS Rules; and
- (b) (to the extent the ICS participant is a settlement participant, in addition to those ICS Specifications listed in paragraph (a) above or to the extent the ICS participant is a switch participant):

- (i) the ICS Participant Agreement;
- (ii) the ICS Manual (excluding the ICS Rules);
- (iii) the User Documents; and
- (iv) any directions for the time being in force given by or for the ICS Operator in accordance with Part B of Chapter VI of this ICS Manual.

ICS Switch

The functionality that operates in the ICS Central System:

- (a) to receive and process electronic images, instructions and other information sent to it by a switch participant or, as the case may be, a settlement participant through the DTS or the ICS Portal;
 - (b) to route and send electronic images, instructions and other information processed by it to a switch participant or, as the case may be, a settlement participant through the DTS or the ICS Portal; and
 - (c) to perform supplementary and incidental operations,
- in each case in accordance with the ICS Service Description.

ICS User Document

Any User Document issued by the ICS Operator (whether by itself or with other payment system operators) from time to time.

Indirect Addressee PSP

In relation to a settlement participant, a PSP that uses that settlement participant to access the settlement-related services, functions and facilities made available to that settlement participant in the ICS in respect of any debit item for which the PSP acts as the Relevant Decision-Maker (or for which another person acts as the Relevant Decision-Maker on behalf of the PSP).

Indirect Initiating PSP

In relation to a settlement participant, a PSP that uses that settlement participant to access the settlement-related services, functions and facilities made available to that settlement participant in the ICS in respect of any item for which the PSP acts as the Initiating PSP.

Indirect Participant

A person who under a contractual arrangement with an ICS participant (acting through the Participant ID used by the ICS participant for such purpose) is given access to certain services, functions and facilities that are provided or otherwise made available by the ICS Central System and/or the ICS services, but who is not itself admitted as an ICS participant under contract with the ICS Operator in respect of those services, functions and facilities. A person may be an Indirect Participant in respect of certain services, functions and facilities, but be admitted as an ICS participant under contract with the ICS Operator in respect of other services, functions and facilities provided or otherwise made available by the ICS Central System and/or the ICS services.

Ineligible Payment Message

A Payment Message which, in accordance with the ICS Rules, is void and of no effect.

Initiating PSP

A PSP that accepts contractual or other legal responsibility to its customer:

- (a) to transfer funds under a credit item or a debit item in respect of which the customer is the payer; or
- (b) to collect funds under a debit item in respect of which the customer is the payee.

Institution

Any of the following:

- (a) a credit institution as defined in Article 4.1(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
- (b) an electronic money institution within the meaning of Article 2(1) of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC;
- (c) an investment firm as defined in Article 4.1.1 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, other than a person to whom Article 2 applies;
- (d) a public authority or publicly guaranteed undertaking;
- (e) any undertaking whose head office is outside the European Union and whose functions correspond to those of a credit institution or investment firm as defined in (a) and (c) above; and
- (f) any other undertaking which, were it to be a participant in the ICS, would be an "institution" within the meaning of regulation 2(1) of the SFRs.

Item

Any or all of:

- (a) a credit item;
- (b) a debit item; and
- (c) any other paper item which, in accordance with the ICS Service Description, may be submitted for processing through the ICS.

Liabilities

Any liability, damage, loss, cost, claim or expense of any kind or nature, whether direct, indirect, special, consequential or otherwise.

Liability Cap

Shall be £2,000,000 (two million pounds).

Liquidity Cap

The functionality that operates in the ICS Central System which is designed to prevent the entry of an Eligible Payment Message as a debit in the Netting Account for the sending settlement participant (acting under the relevant Participant ID) if the resulting negative balance on such Netting Account (expressed as an absolute value) would exceed that settlement participant's Liquidity Cap Amount as at that time.

Liquidity Cap Amount

At any time in relation to a settlement participant: (a) that settlement participant's Liquidity Earmarked Amount as at that time, or (b) such amount (being less than the Liquidity Earmarked Amount) as may be specified as at that time by the settlement participant (acting under the relevant Participant ID) as its Liquidity Cap Amount in accordance with the ICS Service Description.

Liquidity Earmarked Amount

The balance (if any) standing to the credit of a settlement participant's ICS RCA at any time during a Dedicated Liquidity Cycle Period which is irrevocably appropriated for the purposes of the settlement of Relevant Payment Messages by that settlement participant in the ICS, as notified from time to time by the Bank of England or otherwise made available to the ICS Operator in accordance with the ICS Service Description.

Liquidity Earmark Notification

A notification which is required to be sent or otherwise made available by the Bank of England to the ICS Operator in the manner described in the ICS Service Description, which specifies in relation to each settlement participant the Liquidity Earmarked Amount for that settlement participant at the beginning of the Dedicated Liquidity Cycle Period to which it relates.

Local Banking Day

- (a) in respect of an Initiating PSP, a day on which PSPs in the location of the Initiating PSP are, in accordance with the ICS Service Description, treated as being open to process a Relevant Credit Item or a Relevant Debit Item deposited with them; and
- (b) in respect of a Relevant Decision-Maker, a day on which businesses in the location of the Relevant Decision-Maker are, in accordance with the ICS Service Description, treated as being open to make a payment decision in relation to a debit item presented to them for payment through the ICS.

Local Controlling Financial Crime (CFC) Standards

Where a PSP acts through a branch or other establishment to provide payment services in relation to an item processed (or to be processed) through the ICS, the laws and regulations to which that establishment is subject with a view to mitigating the risk that it might be used for a purpose connected with Financial Crime.

Local ICS Operating Day

In respect of a Relevant Decision-Maker for a debit item, means those hours of an ICS Business Day during which the ICS Central System is operational as described in the ICS Operational Timetable and which fall on a Local Banking Day for the Relevant Decision-Maker.

Multilateral ICS Specifications

Those ICS Specifications that are described as being "Multilateral ICS Specifications" in that part of the ICS Manual or ICS User Documents in which they appear and which, in accordance with the ICS Participant Agreement, operate for the benefit of each other ICS participant for whose benefit the relevant ICS Specification is expressed to apply and are enforceable by each such other ICS participant accordingly.

Netting Account

The accounting procedure comprising of a multilateral running-account for each settlement participant that operates in the ICS Central System during a Dedicated Liquidity Cycle Period in accordance with the ICS Service Description and which is completed at or towards the end of the Dedicated Liquidity Cycle Period in the manner described in the ICS Service Description. Where a settlement participant has two or more Participant IDs, a separate multilateral running-account operates for each such Participant ID under the Netting Account.

Network

Any network and associated equipment and services which enable electronic images, instructions and other information to be sent to and received from the ICS Central System or the ICS services in the manner described in the ICS Service Description.

Network Services

The supply of a Network.

Notice of Change

A notice given by the ICS Operator to ICS participants in accordance with Part H and Part I of Chapter VI of the ICS Manual through which the ICS Operator brings into effect a change or changes to the provisions of the ICS Manual, the ICS User Documents or the ICS Participant Terms and Conditions.

Participant category

A categorisation used by the ICS Operator that denotes the set of services, functions and facilities that is provided or is otherwise made available to an ICS participant where enabled for participation in the ICS under such participant category and as described in the ICS Service Description. An ICS participant may be enabled for participation, subject to satisfying the relevant admission criteria as specified in Chapters IV and V of the ICS Manual, under any one or more of the following participant categories:

- (a) settlement participant; and
- (b) switch participant.

Participant ID

The identification code used in the ICS for a particular ICS participant and associated with a particular ICS Participant Agreement.

Participant Information

Any information about an ICS participant, its activities as a participant in the ICS and the ICS participant's customers which comes into the ICS Operator's possession or control or is learned as a result of its operation of the ICS where such information is:

- (a) by its nature confidential; or
- (b) which the ICS Operator knows or should reasonably know is confidential.

Pay.UK

Pay.UK means Pay.UK Limited, a company limited by guarantee, incorporated in England, Company Number 10872449. Pay.UK is the operator of the BACS, Faster Payments and ICS payment systems.

Payee

A person who is the intended recipient of funds as indicated in any Eligible Paper.

Paying Agent

A PSP which acts on behalf of the Initiating PSP in transferring funds as instructed by a credit item or a debit item deposited by the customer of the Initiating PSP.

Payer

- (a) a person who holds an account with a PSP from which funds are to be debited in accordance with an instruction contained in any Eligible Paper;

- (b) a PSP which has written a banker's draft, travellers' cheque or other payment instrument as Eligible Paper; or
- (c) where a person places cash with a PSP with a view to transferring funds to a payee in accordance with an instruction contained in any Eligible Paper which is a credit item, the person that places that cash (or on whose behalf that cash is placed).

Payment Account PSP

A bank or other PSP that provides payment account services to customers.

Payment decision

In respect of a Relevant Debit Item, the "Pay/Not Paid" decision which is made by the Relevant Decision-Maker (or is treated as being made by the Relevant Decision-Maker) for that item and is sent to the ICS Switch in accordance with the ICS Service Description.

Payment Finality Procedures

The provisions of, and the procedures contemplated by, clauses 3 and 4 of the ICS Interbank Settlement Agreement (under which the Netting Account is completed to determine the Single Amount payable to or, as the case may be, payable by each settlement participant in respect of the Relevant Payment Messages sent for settlement during a Dedicated Liquidity Cycle Period and which sets out the arrangements for the settlement of Excluded Payment Messages sent for settlement during that Dedicated Liquidity Cycle Period).

Payment Message

A message which enters the ICS Central System and under which, in accordance with the ICS Service Description, the sending settlement participant instructs payment (or is treated by the ICS Operator as instructing payment) of an amount of money to a receiving settlement participant by means of a book entry across accounts at the Bank of England (and subject to the processing and settlement arrangements for any such Payment Message which form part of the default arrangements).

Pounds, £ or sterling

The lawful currency of the United Kingdom.

PPS (Provider of Participant Services)

Any person who is appointed by an ICS participant to supply equipment, systems and/or services (for use in connection with that ICS participant's participation in the ICS) which must comply with the requirements specified from time to time by the ICS Operator in the ICS Manual and/or the User Documents in relation, amongst other things, to their functionality, security and performance.

PSP (Payment Service Provider)

A bank or other entity that provides payment account, money transmission and/or payment instrument issuance services as a regular occupation or business activity.

PSR (Payment Systems Regulator)

The Payment Systems Regulator (or any body that supersedes or replaces it).

Public Authority Participant

An ICS participant which is a Public Authority under the Freedom of Information Act 2000 or a Scottish Public Authority under the Freedom of Information (Scotland) Act 2002, as appropriate.

Regulations or SFRs

The Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

Regulatory Authority

Any governmental, regulatory, supervisory or oversight authority body or agency that has responsibility for regulating, supervising or overseeing (whether formally or informally) all or any part of the ICS or the ICS Operator or an ICS participant's activities in or in relation to the ICS, including without limitation:

- (a) the Bank of England (including whether acting as an overseer of payment systems, a designating authority under the SFRs or through its Prudential Regulation Committee or otherwise);
- (b) the Competition and Markets Authority;
- (c) the Financial Conduct Authority;
- (d) HM Treasury;
- (e) the PSR;
- (f) the Prudential Regulation Authority,

or such body or bodies that supersede or replace any of the foregoing.

Relevant Account

Either or both of the ICS RTGS Account and the ICS RCA held in the name of a particular settlement participant and linked in the ICS Central System to a specified Participant ID of that settlement participant in accordance with the ICS Service Description.

Relevant Available Amount

The funds that are available in the Relevant Account of a settlement participant to meet any debit entries to be made to the Relevant Account in accordance with an ICS Settlement Notification and so as not to result in any negative balance on the Relevant Account after the application of such debit entries.

Relevant Credit Item

A credit item that is deposited with an Initiating PSP for processing through the ICS.

Relevant Debit Item

A debit item that is deposited with an Initiating PSP for processing through the ICS.

Relevant Decision-Maker

The Addressee PSP under a debit item or such other person who is authorised to pay or refuse payment of that item on behalf of the Addressee PSP.

Relevant Determination

A determination by the Board relating to:

- (a) the eligibility of a business to become and/or remain an ICS participant; or
- (b) the eligibility of a business to become and/or remain admitted as an ICS participant under a particular participant category; or
- (c) the suspension or termination of the participation of an ICS participant (whether generally or under any function or particular participant category) for cause.

Relevant image

An image of any Eligible Paper that satisfies the requirements, conditions and operating procedures for the time being specified by the ICS Manual and User Documents as applicable to any such image sent or to be sent through the ICS (including any such requirements, conditions and operating procedures for any related information or ICS message that must accompany such image to enable or facilitate its electronic processing and/or presentment and settlement through the ICS).

Relevant Payment Messages

Eligible Payment Messages which are included under the Netting Account for a Dedicated Liquidity Cycle Period upon completion of the Netting Account in accordance with the ICS Service Description.

Relevant Territory

Any or all of:

- (a) any part of the United Kingdom;
- (b) the Isle of Man;
- (c) the Channel Islands; and
- (d) Gibraltar.

RTGS System

The real-time gross settlement system for sterling which is operated by the Bank of England and is described in the User Document entitled, the "RTGS Reference Manual" issued by the Bank of England.

Settlement Finality Directive

Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998.

SFRs

See "[Regulations](#)".

Settlement Module and Interface

Those services, functions and facilities operating as part of the ICS Central System:

- (a) to receive Eligible Payment Messages sent (or treated as being sent) by a settlement participant to the ICS Central System and queue them against the Netting Account for the sending settlement participant;
- (b) to make debit and credit entries under the Netting Account in respect of Relevant Payment Messages sent to the ICS Central System for settlement during a Dedicated Liquidity Cycle Period;
- (c) to maintain and complete the Netting Account in respect of each Dedicated Liquidity Cycle Period; and
- (d) that comprise the Liquidity Cap and associated processes,

in each case in the manner described in the ICS Service Description.

Settlement Obligation

In relation to a settlement participant and in respect of any Dedicated Liquidity Cycle Period, is the Single Amount payable by it.

Settlement participant

An institution or other business which is admitted by the ICS Operator to participation in the ICS under participant category "settlement participant" (as determined by the ICS Participant Database) and to whom are provided or otherwise made available those services, functions and facilities that in accordance with the ICS Service Description are provided or otherwise made available to an ICS participant admitted under participant category "settlement participant".

Single Amount

Has the meaning set out in clause 3.1 of the ICS Interbank Settlement Agreement (being an amount payable either to or from a settlement participant as calculated by the ICS Operator under and upon completion of a Netting Account in accordance with the ICS Service Description).

SSP (Settlement Service Provider)

The Bank of England in its capacity as the provider of settlement services in relation to the ICS under separate contract with the ICS Operator.

SSP Link

The network and associated equipment and services which are used by the SSP:

- (a) to send or otherwise make available Liquidity Earmark Notifications to the ICS Central System;
- (b) to receive ICS Settlement Notifications from the ICS Central System; and
- (c) to send and receive between the RTGS System and the ICS Central System information relating to payments made under the [Drawdown Procedures](#) and the [Top-up Procedures](#).

SSP Services

Those services, functions and facilities that are described in the ICS Service Description as being operated or provided by the SSP.

Supplier

VocaLink Limited, a company incorporated in England with registered number 06119048 and having its registered office at 1 Angel Lane, London, EC4R 3AB and/or any other substitute or additional supplier that enters into arrangements with the ICS Operator to enable or facilitate the operation of the ICS Central System and/or the ICS services. For the avoidance of doubt, a Supplier does not include the operator of another payment system or an infrastructure provider contemplated by clause 5.1.2 of the ICS Participant Terms and Conditions.

Suspended Participant

An ICS participant whose participation is suspended (whether generally or in relation to any particular function or participant category) in accordance with clause 10 of the ICS Participant Terms and Conditions (incorporated by reference into the ICS Participant Agreement).

SWIFT

Society for Worldwide Interbank Financial Telecommunication, a company incorporated under the laws of Belgium and the provider of Network Services.

SWIFT Bureau

The functionality operating in the ICS Central System that:

- (a) receives from the Settlement Module and Interface the product of the Netting Account completed in respect of each Dedicated Liquidity Cycle Period;
- (b) prepares an ICS Settlement Notification on the basis of the product so provided;
- (c) sends the ICS Settlement Notification to the SSP Link; and
- (d) sends and receives settlement-related information through the SSP Link;

in each case in accordance with the ICS Service Description.

Switch participant

A business which is admitted by the ICS Operator to participation in the ICS under participant category "switch participant" (as determined by the ICS Participant Database) and to whom are provided or otherwise made available those services, functions and facilities that in accordance with the ICS Service Description are provided or otherwise made available to an ICS participant admitted under participant category "switch participant".

Third Party User Document

Any User Document issued by the Bank of England, SWIFT or any other person (other than the ICS Operator) from time to time.

Top-Up Procedures

The procedures put in place by the ICS Operator under which sums may be deposited by a settlement participant into its ICS RCA during a Dedicated Liquidity Cycle Period and which are:

- (a) based on standard functionality provided by the SSP to:
 - a. settlement participants on and subject to the terms of:
 - i. the ICS Mandate Agreement; and
 - ii. the Third Party User Documents issued by the SSP; and
 - b. the ICS Operator through the SSP Link; and
- (b) described in the ICS Service Description.

Transaction History and Image Repository (THIR)

The functionality that operates in the ICS Central System for the storage and retrieval by ICS participants of electronic images and other information processed by the ICS Switch, in each case in accordance with the ICS Service Description.

Transport Layer Security (TLS)

The cryptographic protocols that provide communications security over a network. The data traversing over the network is protected by means of encryption, which for the purposes of the ICS, utilises public trust digital certificates.

User Document

Any manual, guide, handbook, specification, description, code or other document:

- relating to an ICS participant's participation in the ICS;
- which is specified as a "User Document" in the ICS Manual (but which does not itself form part of the ICS Manual); and
- which may be issued by the ICS Operator (whether by itself or with other payment system operators) or a third party.

User ID

The identification code used in the ICS for each individual operator which is authorised, in accordance with the ICS Service Description, to access the ICS Portal and those services within the ICS Portal made available to the ICS participant associated with the user.

Annex – Exclusion Events

Any of the following events is an Exclusion Event in respect of a person (**P**):

- (a) P (being a company or a limited liability partnership) is dissolved (otherwise than as a step in a solvent consolidation, reorganisation or merger); and/or
- (b) P suspends or ceases, or threatens to suspend or cease, carrying on all or a substantial part of P's business; and/or
- (c) P suspends, or threatens to suspend, payment of P's debts or is unable to pay its debts as they fall due or admits inability to pay its debts,

OR

- (d) P (being a company or a limited liability partnership) is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986,

OR

- (e) P (being an individual) is deemed either unable to pay his or her debts or as having no reasonable prospect of so doing, in either case, within the meaning of section 268 of the Insolvency Act 1986; and/or
- (f) P commences negotiations with all or any class of P's creditors with a view to rescheduling any of its debts, or makes a proposal for or enters into any compromise or arrangement with any of its creditors other than (where P is a company or limited liability partnership) for the sole purpose of a scheme for a solvent amalgamation of P with one or more other companies or the solvent reconstruction of P; and/or
- (g) (where P is a company or limited liability partnership) P's directors, shareholders, members or other officers request the appointment of a liquidator, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer or give notice of their intention to appoint any of the foregoing; and/or
- (h) (where P is a company or limited liability partnership) the holder of a qualifying floating charge over P's assets has become entitled to appoint or has appointed an administrative receiver; and/or
- (i) P (being an individual) requests the appointment of a trustee in bankruptcy or similar officer or gives notice of his or her intention to appoint any of the foregoing; and/or

- (j) P (being an individual) dies or, by reason of illness or incapacity (whether mental or physical), is incapable of managing his or her own affairs or becomes a patient under any mental health legislation; and/or
- (k) P institutes or has instituted against it a non-frivolous proceeding seeking a judgment of insolvency or bankruptcy, or a petition or application is presented for its administration, winding-up or liquidation or any person gives notice to the court of his intention to appoint an administrator; and/or
- (l) P seeks or becomes subject to the appointment or purported appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer for it or for all or substantially all its assets, or presents or has presented in respect of it, a non-frivolous petition or other proceeding for the appointment of any of the foregoing; and/or
- (m) P has a secured party take possession of all or substantially all its assets, or becomes subject to an execution, attachment, sequestration or other legal order on all or substantially all its assets and such secured party maintains possession, or any such order is not lifted, stayed or restrained; and/or
- (n) P has:
 - (i) exercised in respect of it one or more of the stabilisation powers;
 - (ii) a resolution administrator appointed in relation to it pursuant to section 62B of the 2009 Act;
 - (iii) a temporary manager appointed in relation to it pursuant to section 71C of the Financial Services and Markets Act 2000;
 - (iv) instituted against it a bank insolvency proceeding pursuant to Part 2 of the 2009 Act or a bank administration proceeding pursuant to Part 3 of the 2009 Act; or
 - (v) instituted against it an FMI administration proceeding pursuant to Part 6 of the 2013 Act; or
 - (vi) instituted against it an investment bank special administration proceeding pursuant to the Investment Bank Special Administration Regulations 2011; or
 - (vii) instituted against it a building society special administration proceeding pursuant to the Building Societies (Insolvency and Special Administration) Order 2009; and/or
- (o) P causes or suffers any event which has an analogous effect to any of the events specified in (a) to (l) above; and/or
- (p) P takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; and/or

- (q) P commits a compliance failure as defined in section 71 of the Financial Services (Banking Reform) Act 2013 in its capacity as a participant in any regulated payment system in respect of which Pay.UK is the operator, including without limitation the ICS; and/or
- (r) P receives written notice from a Regulatory Authority that the Regulatory Authority has imposed or proposes to impose an asset requirement (within the meaning of section 55P(4) of the Financial Services and Markets Act 2000) on it in respect of any of its assets, or any assets which it holds or which are held to its order; and/or
- (s) any authorisation required by P in order to carry on a business that is enabled or facilitated by its access to or use of the ICS Central System and/or the ICS services in accordance with the ICS Specifications is terminated, withdrawn or suspended for any reason; and/or
- (t) in relation to an ICS participant which is a settlement participant, the Bank of England notifies the ICS Operator in writing that it is no longer prepared to provide either or both of an ICS RTGS Account and an ICS RCA to that ICS participant.

For the purpose of this Annex, references to:

assets include present and future properties, revenue and rights of every description;

an **authorisation** includes a consent, approval, resolution, licence, exemption, filing, permission or registration;

liquidator or **administrator** includes:

- i. a bank liquidator, a provisional bank liquidator, a bank administrator or a resolution administrator (as each of those terms is defined or used in the 2009 Act);
- ii. a building society special administrator or a provisional building society special administrator (as each of those terms is defined or used in the Building Societies (Insolvency and Special Administration) Order 2009);
- iii. an administrator or a provisional liquidator (as each of those terms is defined or used in the Investment Bank Special Administration Regulations 2011);
- iv. an FMI administrator (as that term is defined or used in the Financial Services (Banking Reform) Act 2013); and/or
- v. any analogous office-holder appointed or purportedly appointed under the laws of any applicable jurisdiction; and

a **stabilisation power** shall be references to any or all of the powers specified in section 1(4) of the 2009 Act.

For the avoidance of doubt, an Exclusion Event shall not occur as a result of the following events:

- the exercise of a stabilisation power;

- the appointment of a resolution administrator (under section 62B of the 2009 Act);
- the taking of any other crisis management measure (as that term is defined in section 48Z(1) of the 2009 Act);
- the taking of any crisis prevention measure (as that term is defined in section 48Z(1) of the 2009 Act); or
- the taking of any recognised third-country resolution action (as that term is defined in section 48Z(1) of the 2009 Act);

in each such case in respect of P (as an ICS participant) or any Associate of P; or

- the occurrence of any event directly linked to the exercise of such a power, the making of such an appointment or the application of such a measure or action,

unless in any such case (a) P is also failing to perform its substantive obligations as an ICS participant or (b) the relevant instrument or order implementing such power, appointment, measure or action provides (or the effect of such instrument or order is to provide) that the relevant event specified above may be taken into account by the ICS Operator in determining whether to suspend or terminate the participation of P (as an ICS participant) under clause 10 of the ICS Participant Terms and Conditions.

Chapter III

ICS Service Description

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ABOUT THE IMAGE CLEARING SYSTEM (ICS)

The ICS enables the electronic processing and/or presentment and settlement of Eligible Paper within one ICS Business Day after its deposit³, and provides certain related services.

The ICS Operator has put in place a robust contractual and related risk-management framework that is designed to support the settlement of Eligible Paper, as between settlement participants, on the ICS Business Day after the deposit of the relevant item (subject to local bank or public holidays). Accordingly, this ICS Service Description, in particular when describing the ICS clearing and processing cycles, has been prepared on the basis that settlement between settlement participants will occur within this timescale.

There may be exceptional circumstances, however, where settlement does not occur within this timeframe in respect of a particular item or items. In such cases, the time at which funds are credited and made available to the payee under the relevant item may be delayed beyond the clearing and processing cycles described in this ICS Service Description.

What is the ICS?

The ICS comprises the ICS Central System and the ICS services.

Businesses can interact either directly with the ICS (as an ICS participant under its own contract with the ICS Operator) or indirectly (as an Indirect Participant under contract with a Direct Participant). Further information on this is contained in the section entitled '[Participation](#)' below.

ICS Central System

The ICS Central System is a network infrastructure that supports the processing and exchange of electronic images of Eligible Paper, their related electronic clearing and settlement messages and the management of the ICS Back Office Suite workflows. The ICS Central System consists of:

- the **DTS** (Data Transmission Service) - a high capacity 'always on' connection between switch participants (see section entitled '[Participation](#)' below) and the ICS Central System enabling the automatic, secure managed file transfer (MFT) of electronic images, instructions and other information via a MPLS private Network;
- the **ICS Switch** – the functionality that operates to receive, process, route and send electronic images, instructions and other information sent to it by switch participants and settlement participants via the DTS or via the ICS Portal (see below);
- the **Settlement Module and Interface** – the functionality which:

³ This clearing cycle may be extended if a local bank holiday or public holiday occurs in the location of a relevant party as explained later in this Chapter.

- receives Eligible Payment Messages sent by (or deemed to be sent by) the sending settlement participant to the ICS Central System and queues them against the Netting Account for the sending settlement participant;
- makes debit and credit entries under the Netting Account in respect of Relevant Payment Messages sent by (or deemed to be sent by) the sending settlement participant to the ICS Central System for settlement during a Dedicated Liquidity Cycle Period;
- maintains and completes the Netting Account in respect of each Dedicated Liquidity Cycle Period; and
- comprises the Liquidity Cap and associated processes.
- the **SWIFT Bureau** – the functionality operating in the ICS Central System that:
 - receives from the Settlement Module and Interface the product of the Netting Account completed in respect of each Dedicated Liquidity Cycle Period;
 - prepares an ICS Settlement Notification on the basis of the product so provided;
 - sends the ICS Settlement Notification to the SSP Link; and
 - sends and receives settlement-related information through the SSP Link.
- the **Transaction History and Image Repository (THIR)** – the functionality for the storage and retrieval of electronic images and transaction information processed by the ICS Switch. The repository is designed to support the admissibility of images in legal proceedings; and
- the **ICS Portal** – provides a browser based user interface for ICS participants to interact with the ICS Central System. ICS participants connect to the ICS Portal through the internet using the HTTPS protocol. The data traffic between an ICS participant and the ICS Portal is protected by transport layer encryption.

ICS services

The ICS services are those services provided by the ICS Operator which do not form part of the ICS Central System and which are comprised of the **Back Office Suite**, which itself consists of the **Back Office Modules**, all of which are accessible via the **ICS Portal**, as follows:

- **Alerts** – is the ICS service which provides a configurable message system for ICS participants that allows recipients to view and acknowledge alerts generated within the ICS Switch, ICS Back Office or elsewhere in the ICS, regarding such scenarios as a new report being available for download, a service level code not being met or an impending breach of that ICS participant's Liquidity Cap Amount;
- **Broadcast** – is the ICS service that allows the ICS Operator to send important information to a configurable group of ICS participants. The three most recent

broadcast messages appear on the Dashboard (see below) and are deleted after the completion of each Dedicated Liquidity Cycle Period;

- **Dashboard** – is the ICS service that enables the ICS Operator, switch participants and settlement participants to monitor the status of the ICS processing cycle and provides a mechanism for early detection of any processing issues or delays so that any impact can be proactively managed;
- **Notifications** – is the ICS service that allows notification messages to be viewed and managed through the ICS Portal and, optionally, received through the DTS or the Upload / Download service (see below). This service provides a view of all notification messages such as Notification of Bank Holiday, Settlement Prevented RtP/ItP Notification or Default Behaviour RtP Notification (see the section entitled '[ICS message descriptions](#)' below);
- **Payment Decision** – is the ICS service that enables the Relevant-Decision-Maker (using its switch participant) to make "Pay/Not Paid" decisions in response to electronic images of debit items and the related RtP Payment Request message (see also '[Submissions](#)', '[Transaction sets and their makeup](#)' and 'Payment decisions' in the section '[Key Concepts](#)' later in this Chapter);
- **Reporting** – is the ICS service which allows ICS participants to select and download standard, scheduled reports and to request and download ad hoc reports. The reporting service also enables ICS participants to view an audit trail of events and their own activity by individual User ID for up to seven years;
- **Security Administration** – is the ICS service within the ICS Portal for management of operator accounts and security on the ICS Portal. The functionality enables the ICS Operator and ICS participants to manage who can use the ICS Portal on their behalf and which of the ICS services are accessible by them;
- **Upload / Download** – is the ICS service enabling switch participants to securely upload transaction files for processing by the ICS Switch, and download transaction files from the ICS Switch, on an ad hoc, unscheduled basis via the ICS Portal. This is a lower capacity, alternative method to the DTS for submitting or receiving transaction files to and from the ICS Switch via the internet; and
- **Retrieval of data and images from the THIR** - switch participants and settlement participants can access up to five days of data residing in the THIR as part of their ICS Core Services.

ICS Portal

The ICS Portal is the ICS participant interface that provides access to the Back Office Suite comprising the Back Office Modules described above and the ICS Switch, as well as the ICS reference and configuration data stores. Access to the ICS Portal itself is browser-based via the public internet and secured with whitelisting of IP addresses. Secure participant user login to the ICS Portal includes multi-factor authentication technology.

ICS Core Services

ICS Core Services are those services, functions and facilities that the ICS Operator makes available to settlement participants and switch participants (see section entitled '[Participation](#)' below). The ICS Core Services consist of the ICS Central System as set out above, plus the following ICS services:

- Alerts;
- Broadcast;
- Dashboard;
- Reporting;
- Security Administration; and
- retrieval of data and images through the THIR for up to five days.

ICS Non-Core Services

ICS Non-Core Services are those services, functions and facilities that the ICS Operator makes available to ICS participants only on an optional or subscription basis. The ICS Non-Core Services are those ICS services that ICS participants may elect to purchase, depending on the participant category under which they participate in the ICS, as follows:

- Notifications;
- Payment Decision; and
- Upload / Download.

The ICS Central System and ICS services; and the ICS Core Services and ICS Non-Core Services are shown in [Figure 1](#) below.

Other ICS services

The ICS Operator also performs certain other ICS services that are not readily classified as either ICS Core Services or ICS Non-Core Services; they do not comprise a service, function or facility to which an ICS participant is given electronic access. Such other ICS services include:

- the Appropriation Procedures which are described in further detail in Chapter VI (*ICS Procedures*) of this ICS Manual;
- the Correction Procedures which are described in further detail in Chapter VI (*ICS Procedures*) of this ICS Manual;
- the contingency processing procedures which are described in this Chapter as being operated by the ICS Operator in the event of any major operational disruption affecting the ICS Central System or the ICS services;
- the procedures operated by the ICS Operator in relation to the preparation and maintenance of the name, business address and other relevant details relating to Providers of Participant Services (PPSs) as contemplated by clause 6.4 of the ICS

Participant Terms and Conditions and Part G of Chapter VI (*ICS Procedures*) of this ICS Manual; and

- the provision and maintenance of the ICS Participant Database.

Networks

The ICS Central System allows two types of network connections for ICS participants to access ICS services.

An MPLS private network

This type of data communications network is required to carry the DTS network traffic. It can be provided by VocaLink Limited. This Network is required to provide a private and permanent connection between the processing sites of the switch participant and the ICS Central System (including the secondary processing sites for resilience and contingency purposes).

In addition to the network connections, the Network Services include the installation and management of network routers at the switch participant's processing sites to establish a communication channel with the network routers residing at the ICS Central System processing sites.

DTS data transmitted over the Network is encrypted at the transport layer. Mutual TLS authentication (with public trust digital certificates) is used to establish the transport layer channel, which is provided within the DTS.

Public Internet Network

This type of Network is provided for the ICS Central System to allow ICS participants to access the ICS Portal. This Network is made available over the public internet. It is the responsibility of the ICS participant to procure internet access at their locations from their internet service providers.

ICS Portal data transmitted over the internet is encrypted at the transport layer. TLS authentication (with public trust digital certificate) is used to establish the transport layer channel.

ICS internet access is provided at both the ICS processing sites for resilience and contingency purposes.

Responsibility for Network Services and related equipment

The ICS Operator does not monitor the provision of Network Services by VocaLink Limited or any other network provider. Each network provider, and not the ICS Operator, is responsible for the functionality, security and performance of the Network Services they provide.

In relation to the Network Services that enable switch participants to communicate with the DTS, the ICS Operator has published ICS User Documents relating to the functionality and security of those Network Services. ICS participants must determine whether the Network Services provided to them by VocaLink Limited comply with such ICS Specifications.

Network providers supply Network Services as principal and not as agent or delegate for the ICS Operator. The basis on which a network provider supplies Network Services to an ICS participant is a matter for agreement between the ICS participant and the network provider.

Each ICS participant is responsible for:

- the operation of any equipment used by it to prepare, send and receive images and/or other messages to the ICS Central System and the ICS services;
- the maintenance and security of such equipment; and
- taking steps to prevent tampering with any software or hardware used in such equipment.

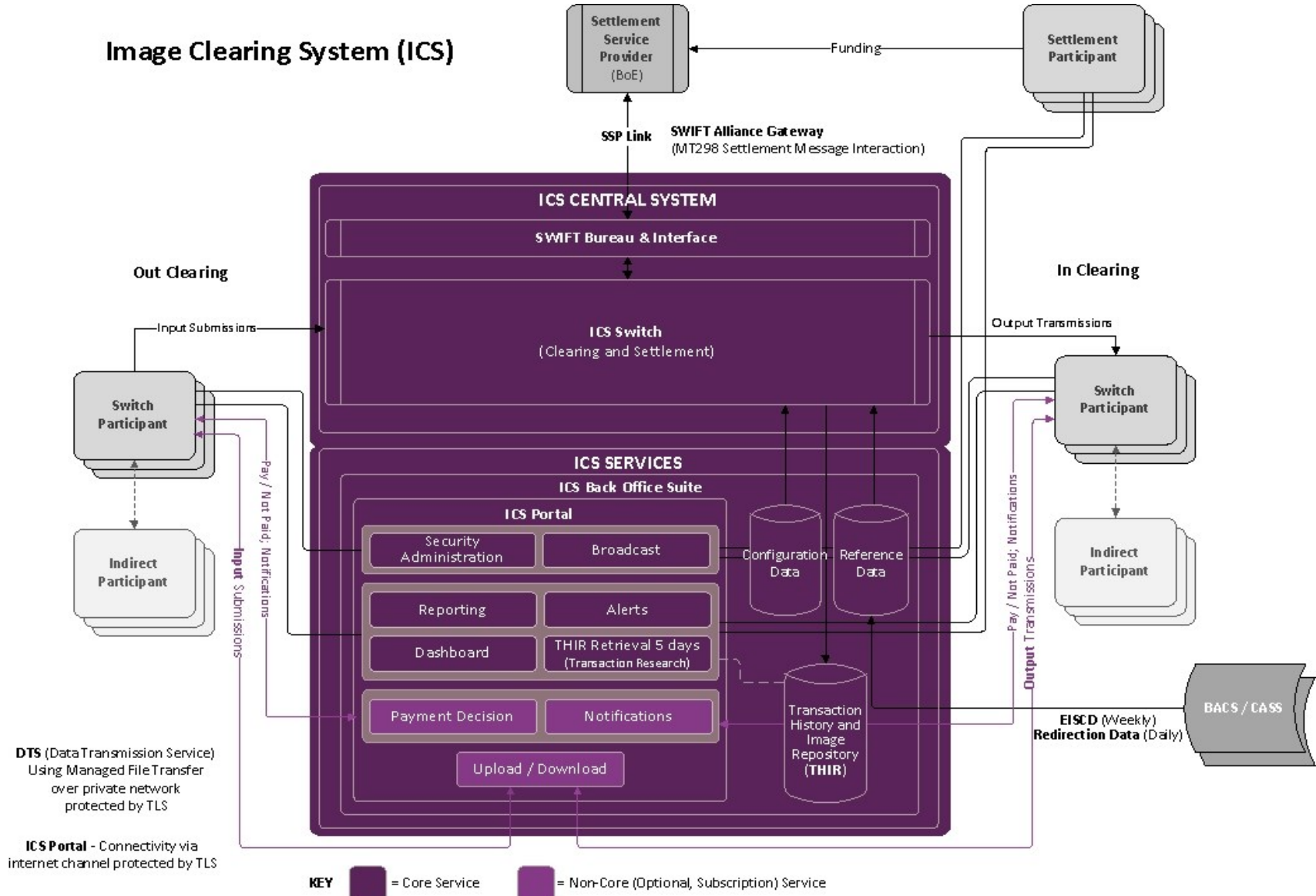


Figure 1 – ICS Central System and ICS services

Eligible Paper

The instruments and documents that are eligible for processing and settlement through the ICS comprise both:

- Value Items – Legislative; and
- Value Items – Non-legislative.

These items are referred to collectively as ***Eligible Paper***.

Eligible Paper is drawn, made, issued or otherwise written in paper form with a view to the execution of a payment transaction based on the instruction contained in the document.

Value Items – Legislative

Value Items - Legislative refers to those instruments for which statutory or other common law provisions in a Relevant Territory apply to support their electronic presentment. The Value Items - Legislative comprise:

- cheques drawn on a PSP located in a Relevant Territory; and
- any other bill of exchange or any promissory note or other instrument:
 - payment of which requires the instrument to be presented for payment to a Relevant Decision-Maker located in a Relevant Territory; and
 - which appears to be intended by its issuer, maker or writer to enable its payee to obtain payment from the Payment Account PSP indicated in it.

The following is a non-exhaustive list of Value Items - Legislative that can be electronically presented (where drawn on a PSP, or where the Relevant Decision-Maker is, located in a Relevant Territory):

- cheques;
- bankers' drafts;
- warrants (i.e. dividend/interest warrants and warrants issued by National Savings & Investments);
- travellers' cheques;
- dividend cheques;
- premium bonds;
- government payable orders; and
- postal orders.

Value Items – Non-legislative

Value Items - Non-legislative refers to:

- Bank Giro Credits backed by cash; and

- cheques or (with the consent of the ICS Operator) other paper-based instruments for which no payment decision and no electronic presentment is required to effect a transfer of funds to a payee (or the payee's PSP).

PSP-PSP own account electronic payments

In connection with the electronic presentment and/or other processing of Eligible Paper through the ICS, certain reconciliation and adjustment payments may be made between settlement participants by means of the system (i.e. query messages in relation to previously settled items in the ICS Central System). These electronic payments are carried out through the ICS between settlement participants for their own account (and not for the account of any underlying customer).

Permitted payment transactions

The ICS is a system which is designed to be used for the electronic processing and/or presentment and settlement of Eligible Paper. As such, it is a payment system for the execution of payment transactions based on documents other than ***Ineligible Paper*** (as that term is explained below).

Save for payment transactions carried out between settlement participants in the system for their own account (as described under '*PSP-PSP own account electronic payments*' above), no payment transaction other than a permitted payment transaction is permitted to be executed through the ICS; and ICS participants shall not, and shall not attempt to, execute any payment transaction through the ICS which is not a permitted payment transaction.

Payment transactions which are neither permitted payment transactions nor such own account payment transactions are prohibited payment transactions for the purposes of ICS Rule 3.9.

Non-Value Entries

Non-Value Entries are not Eligible Paper because they are not issued with a view to the execution of a payment transaction through the ICS. Non-Value Entries can be submitted in an ICS message to support the matching and validation process in the ICS Central System.

Ineligible Paper

Ineligible Paper refers to those instruments and other documents that are not eligible for electronic presentment and/or other processing through the ICS. This may be because they fall outside the scope of Eligible Paper as described above, or because they are instruments or other documents that are expressly excluded from the scope of those statutory provisions that support the electronic presentment of paper instruments or other documents.

Ineligible Paper includes, for example:

- any instrument which requires presentment for payment to a Relevant Decision-Maker located outside a Relevant Territory;
- any instrument drawn on a PSP located in a Relevant Territory, but which is intended to enable a payee to obtain payment of non-sterling funds;

- any banknote (within the meaning given in section 208 of the 2009 Act); and
- any instrument or other document which HM Treasury has prescribed may not be presented electronically by way of regulations made by it under section 89A(2) of the Bills of Exchange Act 1882⁴.

ICS processing types

The electronic processing and/or presentment and settlement of Eligible Paper through the ICS are effected in reliance on electronic images of Eligible Paper and associated electronic **ICS messages** that contain instructions and other information relevant to the processing (and the status of the processing) of the Eligible Paper.

The table below shows the different types of debit and credit items/entries and the ICS processes that support them when they are entered into the ICS.

Debit item / entry Credit item / entry	ICS processing type	Settlement	Description
Credit entry	Information only Credit (IoC)	This process is a Non-Value Entry and does not result in settlement. It is only used where the Initiating PSP and the payee's PSP in relation to an item are the same.	A credit entry provided for information purposes only and is only used in conjunction with Information only Debits in a transaction set (see ' Transaction sets and their makeup ' in ' Key Concepts ' later in this Chapter). IoC processing is required where the payment of the relevant item, as between the payer and the payee, occurs across the books of the PSP (as the payer and payee are both customers of that PSP).
Debit item	Request to Pay (RtP)	This process relates to a Value Item and results in settlement of the item.	The Value Item is a debit item for which the Relevant Decision-Maker is required to make a payment decision. This may be a cheque or other debit item deposited by a payee for collection; or it may be a cheque or other debit item deposited by a payer for the transfer of funds to a payee where a payment decision is required.

⁴ No such regulations are currently in force.

Debit item / entry Credit item / entry	ICS processing type	Settlement	Description
Credit item	Instruction to Pay (ItP)	This process relates to a Value Item and results in settlement of the item.	The Value Item is a credit item for which no payment decision is required. This may be a Bank Giro Credit to the extent it instructs a transfer of cash to the payee; or it may be a cheque or other Eligible Paper deposited by a payer for credit to a payee and which the payer's PSP agrees to pay before its submission into the ICS.
Debit entry	Information only Debit (IoD)	This process is a Non-Value Entry and does not result in settlement. It is only used where the Initiating PSP and the payer's PSP in relation to an item, are the same.	A debit entry provided for information purposes only and is only required where the payment of the relevant item, as between the payer and the payee, occurs across the books of the PSP (as the payer and payee are both customers of that PSP).

ICS messages may also be sent and received between ICS participants in connection with other services, functions and facilities provided or otherwise made available by the ICS as described further in this ICS Service Description.

ICS message mapping

The following table details the correlation between message names as they appear in this ICS Manual and the Message Implementation Guide (MIG which is a Third Party User Document)).

Message	ICS Manual	MIG
MSG01	Transaction Set Submission	Transaction-set Submission
MSG02	Transaction Set Submission ACK / NAK	Transaction-set Submission ACK/NAK
MSG03	Transaction Set Rejection	Transaction-set Rejection

MSG04	Notification of Bank Holiday	Local Bank Holiday Notification
MSG05	Transaction Set Early Payee's PSP Notification	Beneficiary Transaction-set Fraud Notification
MSG06	RtP Payment Request	Request To Pay
MSG07	RtP Payment Response Submission	Request To Pay Response
MSG08	Pay Decision Submission ACK / NAK	Request To Pay Response ACK/NAK
MSG09	Pay Decision Message Rejection	Request To Pay Response Item Rejection
MSG11 ⁵	Settlement Prevented RtP Notification Settlement Prevented ItP Notification	Settlement Prevented Notification
MSG12	Default Behaviour RtP Notification	Default Payment Response Notification
MSG13 ⁵	Payee Payment Notification Cleared RtP Notification Cleared ItP Notification Default Behaviour RtP Notification Settlement Prevented RtP Notification Settlement Prevented ItP Notification	Beneficiary Payment Notification
MSG15	Transaction Set Summary Report	Transaction-set Submission Report
MSG16	No Pay Fraud Notification	Collecting Fraud Notification
MSS01	Stopped Debit Item Submission	Request Cheque Stop Submission
MSS02	Stopped Debit Item Submission ACK / NAK	Request Cheque Stop Submission ACK/NAK
MSS03	Stopped Debit Item Rejection	Request Cheque Stop Data Rejection

⁵ Note: MSG11, MSG13 and MSQ03 have message sub-types.

MSP01	Previously Paid Debit Item Submission	Previously Paid Debit Item Submission
MSP02	Previously Paid Debit Item Submission ACK / NAK	Previously Paid Debit Item Submission ACK/NAK
MSP03	Previously Paid Debit Item Rejection	Previously Paid Debit Item Rejection
MSQ01	Query Submission	CICS Query
MSQ02	Query Submission ACK / NAK	CICS Query ACK/NAK
MSQ03 ⁵	Query Message Rejection Settlement Prevented Query Message Rejection	CICS Query Rejection
MSQ04	Query Receive	CICS Query Notification
MSF01	Fraud Item Submission	Fraud Item Update Submission
MSF02	Fraud Item Submission ACK / NAK	Fraud Item Update Submission ACK/NAK
MSF03	Fraud Item Message Rejection	Fraud Item Update Rejection
MSF04	Fraud Item Notification	Fraud Item Update Notification

In connection with the electronic processing, presentment and settlement of Relevant Debit Items and Relevant Credit Items, electronic images and their related ICS messages are sent and received through the ICS in sequence between the ICS participants. The flow of such ICS messages is shown in Figure 2 below:

TYPICAL ICS MESSAGE FLOWS BETWEEN PARTICIPANTS (IGNORING ANY OUTSOURCERS)

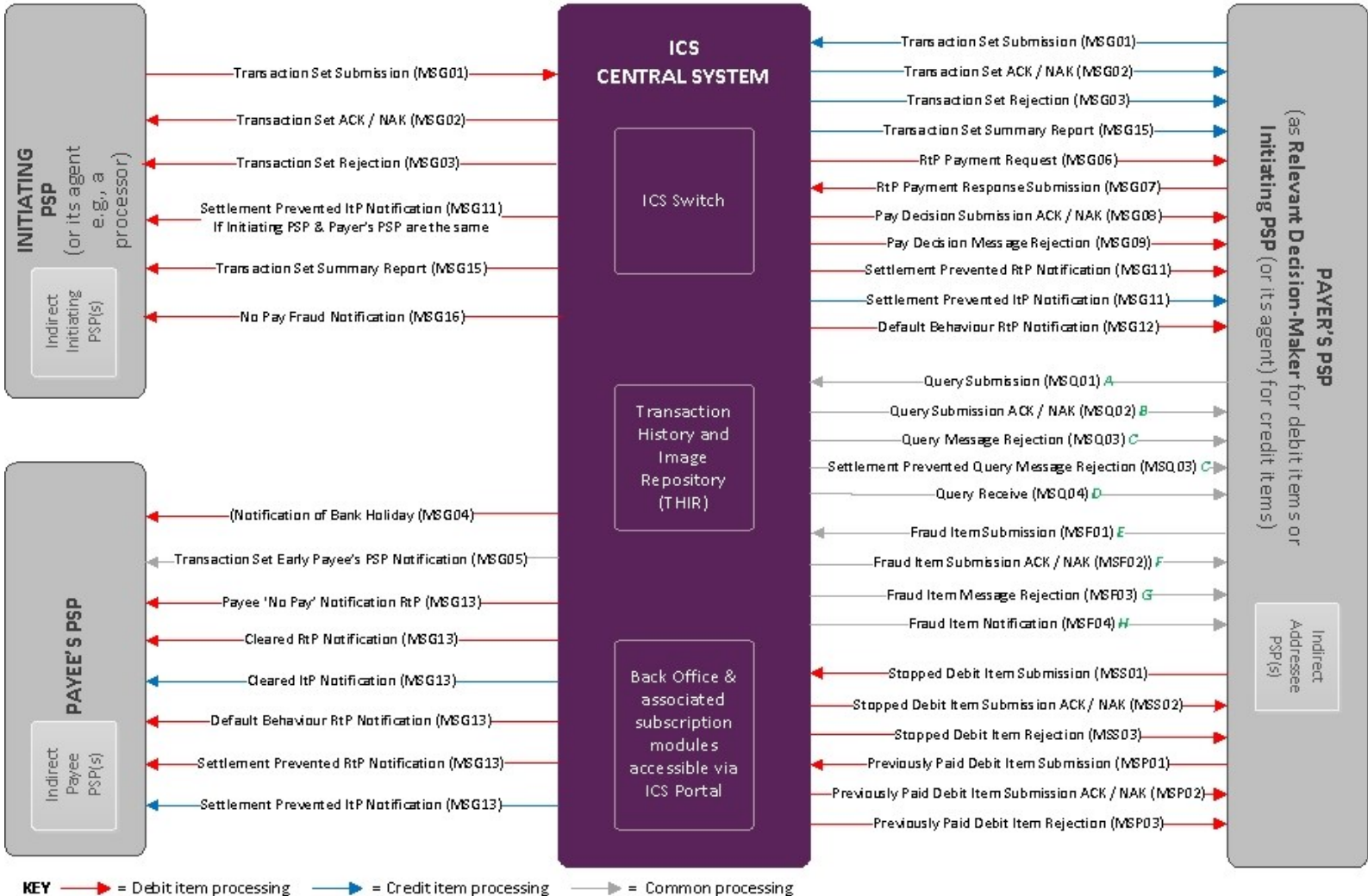


Figure 2 – ICS Message Flow

ICS message descriptions

Each ICS message, as numbered in the sequence in which it occurs in Figure 2 above, is described below. Refer to the [ICS message mapping](#) table for the message name in the MIG.

- **Transaction Set Submission.** An ICS message (MSG01) from an Initiating PSP containing one or more transaction sets to the ICS Central System. (See also '[Submissions](#)' and '[Transaction sets and their makeup](#)' in the section '[Key Concepts](#)' later in this Chapter);
- **Transaction Set Submission ACK / NAK.** An ICS message response (MSG02) to a Transaction Set Submission message (MSG01) generated by the ICS Central System and routed to the Initiating PSP on completion of technical checks of the submission, acknowledging valid receipt or rejection;
- **Transaction Set Rejection.** An ICS message (MSG03) generated by the ICS Central System and routed to the Initiating PSP in the event of a transaction set or any item contained within a submitted transaction set, failing a validation check, along with the reason for rejection;
- **Notification of Bank Holiday.** An ICS message (MSG04) generated by the ICS Central System and routed to a payee's PSP advising that the payment decision for a Relevant Debit Item will be delayed because the expected payment day is not a Local Banking Day for the Relevant Decision-Maker, along with the new payment day date;
- **Transaction Set Early Payee's PSP Notification.** An ICS message (MSG05) generated by the ICS Central System and routed to a payee's PSP that has subscribed to receive early notification that the transaction set has been validated and is being processed so that the payee's PSP can now perform their fraud checks;
- **RtP Payment Request.** An ICS message (MSG06) generated by the ICS Central System and routed to the Relevant Decision-Maker containing individual payment requests for one or more debit items for which a payment decision is required;
- **RtP Payment Response Submission.** An ICS message (MSG07) sent (on behalf of the Relevant Decision-Maker under a debit item) to the ICS Central System to indicate the payment decision that has been made for the debit item(s) presented to them in a RtP Payment Request message (MSG06);
- **Pay Decision Submission ACK / NAK.** An ICS message (MSG08) generated by the ICS Central System in response to a RtP Payment Response Submission (MSG07) to the Relevant Decision-Maker on completion of technical validation checks of the response, acknowledging valid receipt or rejection;

- **Pay Decision Message Rejection.** An ICS message (MSG09) generated by the ICS Central System and routed to the Relevant Decision-Maker advising that a debit item in a RtP Payment Response Submission (MSG07) has failed a validation check;
- **Settlement Prevented RtP Notification.** An ICS message (MSG11) generated by the ICS Central System and routed to the payer's PSP advising that the ICS Central System is unable to settle a Payment Message for a debit item. (See [‘Settlement overview’](#) in the section [‘Key Concepts’](#) later in this Chapter);
- **Settlement Prevented ItP Notification.** An ICS message (MSG11) generated by the ICS Central System and routed to the payer's PSP (and, if different, the Initiating PSP) advising that the ICS Central System is unable to settle a Payment Message for a credit item subject to Instruction to Pay (ItP) processing;
- **Default Behaviour RtP Notification.** An ICS message (MSG12) generated by the ICS Central System and routed to the Relevant Decision-Maker that a default “Pay” response has been generated by the ICS Central System, following the non-receipt of a valid RtP Payment Response Submission (MSG07) before the end of the response window;
- **Payee Payment Notification.** An ICS message (MSG13) generated by the ICS Central System and routed to the payee's PSP to notify them of the payment decision that has been made for the debit item(s) presented by or for them in a RtP Payment Request message (MSG06). This occurs once a RtP Payment Response Submission (MSG07) has been sent on behalf of the Relevant Decision-Maker or a default “Pay” response is generated by the ICS Central System for the Relevant Decision-Maker and, in the case where the decision is “Pay”, a Payment Message is created for the item and queued and (unless a Settlement Prevented Notification) applied against the Netting Account of the settlement participant acting as or for the payer's PSP. In the case where the decision is “Not Paid”, a Payment Message is not created for the item, but this notification message (MSG13) is still routed to the payee's PSP;

A Payee Payment Notification shall be one of the following five types of Notification:

- **Cleared RtP Notification.** An ICS message (MSG13) generated by the ICS Central System and routed to the payee's PSP to notify them that a Payment Message has been created and applied to the Netting Account for a debit item presented by or for them in a RtP Payment Request message (MSG06);
- **Cleared ItP Notification.** An ICS message (MSG13) generated by the ICS Central System and applied to the Netting Account and routed to the payee's PSP to notify them that a Payment Message has been created for a credit item subject to Instruction to Pay (ItP) processing;

- **Default Behaviour RtP Notification.** An ICS message (MSG13) generated by the ICS Central System and routed to the payee's PSP that a default "Pay" response has been generated by the ICS Central System and the related Payment Message applied to the Netting Account, following the non-receipt of a valid RtP Payment Response Submission (MSG07) before the end of the response window;
- **Settlement Prevented RtP Notification.** An ICS message (MSG13) generated by the ICS Central System and routed to the payee's PSP advising that the ICS Central System is unable to settle a Payment Message for a debit item;
- **Settlement Prevented ItP Notification.** An ICS message (MSG13) generated by the ICS Central System and routed to the payee's PSP advising that the ICS Central System is unable to settle a Payment Message for a credit item subject to Instruction to Pay (ItP) processing;
- **Transaction Set Summary Report.** An ICS message (MSG15) generated by the ICS Central System and routed to the Initiating PSP containing a summary of submitted transaction sets (including those that have been rejected or failed validation). This message is generated once all transaction sets in a submission have been validated;
- **No Pay Fraud Notification.** An ICS message (MSG16) generated by the ICS Central System and routed to the Initiating PSP. This message is generated when a RtP Payment Response Submission message contains a "Not Paid" decision and the following conditions are both true:
 - the Initiating PSP is not the same as the payer's PSP or the payee's PSP; and
 - the reason for the "Not Paid" decision is fraud;
- **Query Submission.** An ICS message (MSQ01) from an ICS participant to the ICS Central System initiating a query. The query process enables inter-participant query resolution - for instance, where queries arise as to the precise content of a debit item;
- **Query Submission ACK / NAK.** An ICS message (MSQ02) response to a Query Submission message (MSQ01) generated by the ICS Central System and routed to the submitting participant, on completion of technical validation checks of the submission, acknowledging valid receipt or rejection;
- **Query Message Rejection.** An ICS message (MSQ03) generated by the ICS Central System and routed to the submitting ICS participant on completion of all validation checks, if the query has failed any validation check. The message contains the details of each dialogue, attachment and error for the dialogue that failed validation;

- **Settlement Prevented Query Message Rejection.** An ICS message (MSQ03) generated by the ICS Central System and routed to the ICS participant that submitted a settlement query (i.e. where the outcome of a query dialogue results in a settlement within the ICS Central System), advising that the ICS Central System is not able to settle a Payment Message for the Settlement Query;
- **Query Receive.** An ICS message (MSQ04) generated by the ICS Central System and routed to the addressee ICS participant when all validation checks have been completed, and, when applicable, a Payment Message has been created;
- **Fraud Item Submission.** An ICS message (MSF01) from an ICS participant to the ICS Central System initiating a fraud item query. The query process facilitates notification of changes in the fraud status of an item to counterparty participants post clearing and settlement of that item;
- **Fraud Item Submission ACK / NAK.** An ICS message (MSF02) response to a Fraud Item Submission message (MSF01) generated by the ICS Central System and routed to the submitting ICS participant, on completion of technical validation checks of the submission, acknowledging valid receipt or rejection;
- **Fraud Item Message Rejection.** An ICS message (MSF03) generated by the ICS Central System and routed to the submitting ICS participant on completion of all validation checks, if the query has failed any validation check. The message contains details of the data that failed validation;
- **Fraud Item Notification.** An ICS message (MSF04) generated by the ICS Central System and routed to the relevant ICS participant parties providing notification of changes in the fraud status of an item post clearing and settlement of that item;
- **Stopped Debit Item Submission.** An ICS message (MSS01) to the ICS Central System allowing a Payment Account PSP (whose customer has switched their payment account to a new PSP) to submit stopped debit (e.g. cheque) requests from their former customer. The ICS Central System uses these stopped debit records to match a subsequent debit item submitted into the ICS Central System. If a match is identified, the ICS Central System provides this information to the 'new' Relevant Decision-Maker in the RtP Payment Request;
- **Stopped Debit Item Submission ACK / NAK.** An ICS message (MSS02) response generated by the ICS Central System and routed to the payer's PSP that submitted the original Stopped Debit Item Submission (MSS01) on completion of submission technical validation checks, acknowledging valid receipt or rejection. The message contains the details of each submission error if the Stopped Debit Item Submission has failed any validation;

- **Stopped Debit Item Rejection.** An ICS message (MSS03) generated by the ICS Central System and routed to the payer's PSP that submitted the original Stopped Debit Item Submission (MSS01) on completion of all validation checks on a single instruction in a submission, if any validation check has failed. The message contains the details of the stop data that failed validation;
- **Previously Paid Debit Item Submission.** An ICS message (MSP01) from the former Payment Account PSP in a CASS Full Switch to the ICS Central System, providing RtPs that were handled internally by the PSP without being uploaded, or processed through the ICS. This process supports duplicate checking performed by the ICS Central System for paid debit items that would otherwise be unknown to ICS;
- **Previously Paid Debit Item Submission ACK / NAK.** An ICS message (MSP02) generated by the ICS Central System and routed to the submitting ICS participant on completion of technical validation checks. The message contains the details of each submission error, if the Previously Paid Debit Item Submission (MSP01) has failed any validation; and
- **Previously Paid Debit Item Rejection.** An ICS message (MSP03) generated by the ICS and routed to the submitting ICS participant on completion of all validation checks if a Previously Paid Debit Item submission has failed any validation check. The message contains the details of the Previously Paid Debit Item submission that failed validation.

PARTICIPATION

The ICS participation model defines the participant categories under which ICS participants may be admitted to the ICS and sets out which services, functions and facilities are made available to each different participant category.

An ICS participant may be enabled for participation, subject to satisfying the relevant admission criteria for the participant category (see Chapters IV and V for these details), under any one or more of the following participant categories:

- settlement participant; and
- switch participant.

ICS participant categories

Each of these ICS participant categories is defined below. We provide a description of the operations each performs, along with the relevant ICS services, functions and facilities made available to that category of ICS participant:

Settlement participant

A settlement participant is an institution or other business which holds an ICS RTGS Account and ICS RCA at the SSP.

Settlement participants are responsible for the settlement of all Payment Messages that are created for their account in the Settlement Module and Interface. Such Payment Messages may relate to:

- payments made by or to a settlement participant's own customers;
- payments made by or to a settlement participant for its own account;
- payments made by or to the customers of another PSP (as an Indirect Participant) for whom the settlement participant performs settlement-related services as a Direct Participant; and/or
- payments made by or to another PSP (as an Indirect Participant) for that other PSP's own account and for whom the settlement participant performs settlement-related services as a Direct Participant.

Settlement participants have access to the ICS Core Services (as set out in the section entitled '[About the Image Clearing System \(ICS\)](#)' above).

In order for the settlement participant to also submit and receive images (of Eligible Paper) and the related ICS messages it must also be enabled for participation as (or otherwise appoint) a switch participant.

Switch participant

A switch participant is a business that submits and receives images (of Eligible Paper) and related ICS messages (including payment decisions) directly to and from the ICS Switch.

Switch participants:

- submit and receive data and images of Eligible Paper and associated ICS messages directly to and from the ICS Switch;
- must ensure that each item they submit has a settlement participant to accept settlement;
- are responsible for all quality, security, and timing requirements for items they send to and receive from the ICS Switch; and
- are responsible for the performance of its Indirect Participant PSPs, as applicable.

Switch participants have access to the ICS Core Services and may in addition elect to subscribe to the following ICS Non-Core Services:

- Payment Decision;

- Notifications; and/or
- Upload / Download.

In order for a switch participant to also undertake settlement of Payment Messages it must also be enabled for participation as (or otherwise appoint) a settlement participant.

ICS Participant ID and User ID

Before a business can begin using services from the ICS Central System or the ICS services, the ICS Operator will add its ICS participant configuration data to the ICS Central System. This defines the ICS Core Services and the ICS Non-Core Services to be made available to the ICS participant and also the configuration parameters to define the behaviour of those services. The business key that links services and configuration parameters is the Participant ID.

In the case of a settlement participant, the details maintained by the SSP in relation to the ICS RTGS Account and ICS RCA of the settlement participant are linked to its relevant Participant ID. This enables the ICS Operator and the SSP to identify in all relevant communications (including any Liquidity Earmark Notification or ICS Settlement Notification) the correct Relevant Account relating to a settlement participant when acting through the linked Participant ID. For example, if a settlement participant has two Participant IDs, the Single Amount payable by or to it under the completed Netting Account will be determined at the level of each Participant ID. The ICS Settlement Notification sent by the ICS Operator at the end of the Dedicated Liquidity Cycle Period will, therefore, identify for each Participant ID the linked Relevant Account that must be debited or credited with the relevant Single Amount payable by or to the settlement participant under that Participant ID. Therefore each settlement participant's Participant ID has its own settlement obligation.

The Participant ID is an important data element to identify the sender and addressee of ICS messages. For example, a switch participant includes its Participant ID in the Transaction Set Submission (MSG01) message to allow the ICS Switch to identify the sender of the message.

The ICS Switch uses cryptographic techniques to verify that the content of the ICS message originates from the switch participant. The ICS relies on cryptographic keys associated with the Participant ID in this verification process.

As part of the set-up process to access the ICS Portal, the ICS Operator creates administrative User IDs for the ICS participant's personnel to carry out administrative functions on the ICS Portal on behalf of the ICS participant. The ICS Portal creates an association between the User ID and their Participant ID. The administrator User IDs have privileges to create new User IDs and assign roles (group of privileges) to their User IDs. However, the new User IDs inherit the same Participant ID of the administrator User ID. The Participant ID is used by the ICS Portal to control data access to records and other information held in the ICS Central System.

ICS Participant Database

The ICS Operator maintains the ICS Participant Database to act as a register of all ICS participants enabled in the system. The ICS Participant Database contains the name of the ICS participant, the participant categories for which it is enabled and its associated Participant ID. It holds an historical record of the ICS Non-Core Services that an ICS participant has subscribed to. The ICS Participant Database also holds a history of supplemental information, including relevant ICS contractual agreements relating to the ICS participant; and a mapping between a settlement participant's Participant ID and details of their ICS RTGS/ICS RCA Accounts maintained by it at the SSP.

After a new ICS participant is established in the ICS Participant Database, the ICS Central System is updated with the relevant participant information through an operational process used by the ICS Operator. The ICS Central System uses this ICS participant information when processing items and other ICS messages.

Information about an ICS participant in the ICS Participant Database is made available to the ICS participant by the ICS Operator. ICS participants need to submit a request to view the information to the ICS Operator who extracts the information and sends it to the ICS participant.

The names of the current switch and settlement participants in the ICS Central System, as recorded in the ICS Participant Database, are displayed on the ICS Operator's website.

KEY CONCEPTS

In relation to the workings and operation of the ICS, there are several key concepts that are important to describe, in order for ICS participants and prospective ICS participants to have a clear understanding of the ICS functionality. They are as follows.

Submissions

Items and related ICS messages are sent to the ICS by switch participants in submissions. A submission may contain only a single message type (e.g. MSG01). There are three types of submission that result in settlement:

- submissions sent by a switch participant acting as or acting on behalf of an Initiating PSP. These consist of one or more transaction sets (see following section);
- submissions sent by a switch participant acting as or acting on behalf of a Relevant Decision-Maker consisting of one or more payment decisions; and
- ICS messages relating to the resolution of post-settlement adjustments and queries and their settlement. These ICS messages can be sent by any switch participant.

Transaction sets and their makeup

A **transaction set** is a collection of relevant images of items and their associated processing data. These can consist of one or more debit items, one or more credit items, or a combination of debit items and credit items.

The ICS Central System implements procedures to verify that the value of the Payment Message that is generated in respect of any item corresponds to the value of that item. It does not validate the value against the image of the original item.

The transaction set contains all relevant data required for the presentment and/or processing of items and Non-Value Entries by the customers of the Initiating PSP. This could be a mix of different credit and debit entries as documented in the ICS processing section above.

The ICS Central System permits an Initiating PSP to submit transaction sets that do not require settlement. This occurs where the PSP acting for the payer and the payee is the same entity; and the relevant funds have already been transferred to the payment account of the payee. In such cases, the debit entries are identified under IoD processing. Under IoC processing, a data entry is generated in the ICS message to counter balance the amount in the debit entry to protect the integrity of the processing.

Entries generated under IoD and IoC processing are stored in the THIR and the ICS Switch. They provide a source of historical data in the ICS Central System to support subsequent processing and functionality such as:

- matching for duplicate items that would otherwise be unknown to the ICS Switch;
- allowing ICS participants to research queries from their customers; and
- allowing ICS participants to investigate fraud cases or reconciliation issues.

The window for submissions containing transaction sets is 00:00:00–23:59:59 (effectively midnight to midnight) on an ICS Business Day. The ICS Business Day on which a transaction set is submitted for processing to the ICS Switch is 'Day 1' for the purpose of defining the processing cycle for the relevant images and associated processing data. The following ICS Business Day is 'Day 2'.

An Initiating PSP may send in a flagged submission for storage in the THIR. These submissions are not processed through the ICS Switch.

Payment decisions

Payment decisions are responses to debit items and their associated RtP Payment Request message:

- Relevant Decision-Maker responses are either “Pay” or “Not Paid”. A “Not Paid” response is accompanied by a reason for non-payment from a standard set of reason codes and the ICS Central System returns the image of the associated debit item to the payee's PSP;
- the window for submissions containing a RtP Payment Response Submission (payment decisions) in a two day processing cycle is 00:00:00-15:29:59 on the Local Banking Day in which the Relevant Decision-Maker is located following the day of the submission of the relevant transaction set to the ICS Switch;
- any RtP Payment Request message for which a response is not received by the ICS Switch by 15:30:00 on the Local Banking Day of the Relevant Decision-Maker following the day of the submission of the relevant transaction set is regarded as “Pay” by default and the payee's PSP is advised as such, via a Default Behaviour RtP Notification (MSG13).

Where the ICS Business Day following the day of the submission of the relevant transaction set is not a Local Banking Day according to the calendar for the sort code of the Relevant Decision-Maker specified in the RtP Payment Request Message, the ICS advises the payee's PSP via a Notification of Bank Holiday (MSG04) on Day 1 of the resulting delay to the expected receipt of the payment decision; and the payment decision must be sent by the Relevant Decision-Maker (or will be treated as being sent in default of receipt by the ICS Switch) on the next Local Banking Day for the Relevant Decision-Maker following Day 1.

Where the payee's PSP is not an ICS participant, it is the responsibility of the switch participant acting for it to notify the payee's PSP of any relevant notification message received through the ICS Switch.

A payment decision is not required in respect of a credit item. In respect of a credit item, a transaction set will only be submitted to the ICS Switch once the Initiating PSP has made the decision to approve the transfer of funds instructed by the relevant item.

Local Banking Days

The ICS Central System maintains two processing calendars. These are:

- Great Britain (GB); and
- Northern Ireland.

The Great Britain calendar adheres to the UK Government bank and public holidays for England and Wales as provided on the www.gov.uk website. The Northern Ireland calendar adheres to the Northern Ireland bank and public holidays which can also be found on the www.gov.uk website.

The ICS Central System maintains a mapping of sort code to a calendar, which is derived from the EISCD. This allows the relevant Payment Account PSP to choose the appropriate calendar for each of their sort codes by setting the 'GB' or 'NI' indicator in the EISCD.

The dates of bank holidays and public holidays for Great Britain and Northern Ireland differ from each other at certain times during the year. At those times, the usual timetable for the ICS processing cycle (in respect of a Relevant Debit Item for which the Relevant Decision-Maker's sort code is set to Northern Ireland) is altered to take account of the relevant bank or public holiday for the payer's PSP. In practice, this means that the date a Relevant Decision-Maker with a sort code set to Northern Ireland makes the payment decision is deferred to the next Local Banking Day after the local bank or public holiday. This process takes into consideration Payment Accounts switched under CASS.

Where a Relevant Decision-Maker with a sort code set as GB makes a "Pay" decision and the payee PSP's sort code is set as Northern Ireland, the date when funds are credited and made available to a payee shall be in accordance with the GB calendar.

Payment Messages

A Payment Message is an instruction deemed to be generated by the sending settlement participant (based on their Participant ID) which instructs the ICS Central System to make a payment of an amount of money to the settlement participant (based on their Participant ID) of the payee's PSP in the processing of an item. The payment is made through applying a book entry to the Netting Accounts of the two settlement participants involved in the processing of the item. This in turn will lead to multilateral net settlement at the SSP for each of the respective settlement participants.

When processing a debit item through the ICS Central System, the Payment Message is initiated when either: a "Pay" decision sent by the Relevant Decision-Maker via a RtP Payment Response Submission (MSG07) is accepted by the ICS Central System; or a "Pay" decision is generated in default of the receipt of an MSG07 message prior to the close of the relevant submission window.

Excluded Payments are Eligible Payment Messages which are to be removed or otherwise excluded from the Netting Account for a Dedicated Liquidity Cycle Period in accordance with the Appropriation Procedures. Please refer to 'Appropriation Procedures' as described in Chapter VI of this ICS Manual.

A payment decision is not required by the ICS Central System when processing credit items. The Payment Message for a credit item is automatically initiated at the start of Day 2 processing for any credit item that has successfully completed Day 1 processing.

Settlement overview

The ICS is a pre-funded, multilateral, deferred net settlement system. Settlement takes place on each ICS Business Day at 16:30:00 based upon the position of each settlement participant (under each of its Participant IDs) as advised to the SSP at 16:15:00 on Day 2 of a two-day processing cycle.

Each settlement participant has an ICS RTGS Account with the SSP - currently the Bank of England - that is backed by pre-funding put in place as part of each settlement participant's ICS RCA Arrangements at the start of each Dedicated Liquidity Cycle Period. An exposure limit is entered into the ICS Central System by the ICS Operator upon the instruction of each settlement participant in reliance on an ICS Liquidity Earmark Notification sent or made available by the SSP to the ICS prior to the start of each ICS Operating Day. This exposure limit (the Liquidity Cap Amount) may be increased or decreased during the course of a Dedicated Liquidity Cycle Period under the Top-Up Procedures or Drawdown Procedures respectively (for further details see ['Top-Up Procedures'](#) and ['Drawdown Procedures'](#) under the section entitled ['Settlement Execution'](#) later in this Chapter).

The agreed exposure limit so held in the ICS Central System for each settlement participant at any time is known as the settlement participant's "Liquidity Cap Amount" which operates as part of the Liquidity Cap functionality.

As a Relevant Decision-Maker's payment decisions in respect of debit items are submitted, the ICS Central System converts the "Pay" decisions into Payment Messages attributable to a settlement participant. The settlement participant may be the Relevant Decision-Maker itself; or it may be an institution or other business which acts as a Direct Participant for the Relevant Decision-Maker (or the payer's PSP) as an Indirect Participant for the settlement-related services, functions and facilities provided by the ICS.

The Payment Message which is generated from a "Pay" payment decision, or which is automatically generated on Day 2 in respect of a credit item (see under ['Payment Messages'](#) above), is queued against the Netting Account operated in the ICS Central System for the relevant settlement participant and assessed against that settlement participant's Liquidity Cap Amount. If the debit entry of that Payment Message to the settlement participant's Netting Account would not cause the Liquidity Cap Amount to be breached, then the Payment Message is entered as a debit entry in the settlement participant's Netting Account. This reduces the "headroom" available for the settlement of further Payment Messages attributable to that settlement participant in the amount of the debit entry made to its Netting Account.

Payment Messages are queued against the relevant settlement participant's Netting Account (and assessed for settlement against its Liquidity Cap Amount) in the order in which those Payment Messages are generated and sent to the ICS Central System for settlement.

If a Payment Message so queued and assessed would cause the Liquidity Cap Amount to be breached, it will not be entered as a debit entry in that settlement participant's Netting Account at that time. The ICS Central System will continue to assess that Payment Message against the Liquidity Cap Amount during the Dedicated Liquidity Cycle Period. Once there is sufficient headroom available to the settlement participant (for example, as a result of the settlement of Payment Messages addressed to that settlement participant), the queued Payment Message will be assessed against the Liquidity Cap Amount and permitted to proceed to settlement through its debit entry in the settlement participant's Netting Account.

At 16:00:00 on each ICS Business Day, the Netting Account is completed and the (net) debit or (net) credit position for each settlement participant on its account is struck. The position for each settlement participant (under each of its Participant IDs) is advised to the SSP at 16:15:00 through an ICS Settlement Notification sent by the ICS through the SSP Link. This passes the required entries to achieve final settlement as between the settlement participants at 16:30:00 on the ICS Business Day and completes the Dedicated Liquidity Period for that day.

For more details on the Liquidity Cap and related settlement procedures, see the sections entitled ['Process towards the end of Dedicated Liquidity Cycle Period \('wash up'\)'](#) and ['Settlement Execution'](#) later in this Chapter.

As described in this ICS Manual, a settlement participant may have multiple Participant IDs, with each Participant ID having separate settlement obligations. In accordance with this feature, each Participant ID has its own ICS RCA and ICS RTGS Account in relation to which Liquidity Earmark Notifications are sent (or made available) to the ICS Operator by the SSP. Each Participant ID also has its own Liquidity Cap Amount and a separate multilateral running-account operates for each such Participant ID under the Netting Account, during each Dedicated Liquidity Cycle Period. To achieve final settlement, the ICS Operator sends the SSP ICS Settlement Notifications in respect of each Participant ID.

Mapping an item to ICS participants

The ICS Central System maintains a mapping association between a sort code and an ICS participant. The mapping is derived from the EISCD and is used in the validation process to identify all ICS participants (whether as a settlement participant or switch participant) associated with the items included in a transaction set.

Items and their associated processing data submitted into the ICS Central System include the sort code of the payment accounts for the payer and payee respectively. The ICS Central System uses the sort codes to identify the relevant settlement participants acting for the payer's PSP and the payee's PSP respectively. They will also be used to identify other ICS participants who are to have access to the services, functions and facilities provided by the ICS in relation to the item, for example the switch participant acting for the Relevant Decision-Maker under a debit item.

Once the ICS Central System identifies a settlement participant it is also able to identify the related ICS RTGS Account and ICS RCA for that settlement participant for inclusion in settlement execution processing with the SSP.

Where a prospective ICS participant requires a sort code in the EISCD, the ICS Operator can facilitate allocation of such a sort code using the Clearing Codes and Procedures. The ICS Operator provides this facilitation service to all prospective participants, including those that are not themselves PSPs. Termination of the use of the sort code shall be carried out in accordance with the Clearing Rules and Procedures (which are Third Party User Documents).

Current Account Switch Service (CASS)

The ICS utilises daily downloads which include CASS and bulk redirection data to ensure that an item and its related ICS message are delivered to the correct ICS participant where the item in a transaction set is subject to a live redirection, as follows:

- the item and its related ICS message is routed to the ICS participant that is (or is acting for) the new Relevant Decision-Maker with a flag to indicate that it has been switched;
- (where the item is a debit item) a check is undertaken against a database which has been populated by or on behalf of the former Relevant Decision-Maker for the item to identify if it matches a recorded stop;
- if a stop or possible stop is detected as a result of this check, the item is flagged and the stop information added to its related ICS message;
- a credit item is routed to the ICS participant that is (or is acting for) the payee's new PSP with a flag to indicate that it has been switched; and
- the details of the new account are appended to the original data submitted to the ICS for the redirected credit item.

ICS Switch processing capability

The ICS Switch is designed to operate within defined processing parameters to process in sufficient volume and speed all images and related ICS messages submitted by switch participants. In order to support the efficient and effective processing of images and related ICS messages by the ICS Switch, switch participants must adhere to an agreed profile for their submissions into the ICS Switch of their Transaction Set Submissions (MSG01) and RtP Payment Response Submissions (MSG07).

These submission profiles are based on one or more of the following criteria:

- a percentage of the daily total transaction volume submitted within a predefined time in the ICS Operating Day; and

- a percentage of the daily total transaction value submitted within a predefined time in the ICS Operating Day.

These parameters are configured in the ICS Central System and are agreed with each switch participant before they begin submitting images and messages into the ICS Central System. The ICS Switch does not prevent a switch participant from breaching their submission profile, but the ICS Operator will monitor the submission profile history. The ICS Operator will consider exercising its suspension/termination powers under clause 10 of the ICS Participant Terms and Conditions if a switch participant is in material or persistent breach of their submission profiles. Such action may be necessary to protect the safe and efficient operation of the ICS in the wider interests of other switch participants.

The ICS Switch also places processing constraints on ICS submission messages, such as maximum file sizes and maximum transactions limits within a transaction set, to mitigate a switch participant placing an undue load on the capacity of the ICS.

Contingency processing

The ICS Central System is designed to operate from either its primary or secondary processing sites. In normal circumstances, the ICS Central System operates from the primary site. On a regular basis, the ICS Operator will schedule to operate the ICS Central System from the secondary site to test business continuity capabilities. To avoid disruption to the ICS, the switch from one site to the other will occur on a day which is not an ICS Business Day.

In the rare situation of contingency procedures being required during an ICS Operating Day, the ICS Operator may invoke the process to switch the operation of the ICS Central System from the primary processing site to the secondary processing site. This process will result in a short disruption to the ICS Central System and the ICS services; and may delay the time within which images or messages can be processed through the ICS. The ICS Operator will prioritise the resumption of those components of the ICS Central System that allow switch participants to make Transaction Set Submissions (MSG01).

Settlement execution relies on (among other factors) the SSP to complete. In the rare event of system failures occurring at the SSP or in the SSP Link, the ICS Operator has put in place procedures with the SSP to minimise the impact and duration of any such interruption. The initiation of these procedures in collaboration with the SSP may result in a short disruption to settlement-related processes in the ICS Central System; and may delay the time within which images or messages can be processed through the ICS.

The ICS Operator also supports contingency procedures to manually complete settlement closing activity in the ICS Central System.

Suspension of the ICS

The ICS is designed with a number of safeguard features to minimise the disruption of processing of items and messages through the ICS Central System and ICS services. These include, but are not limited to, system resilience built into the ICS and a business continuity plan with provision for a failover (disaster recovery) site.

There may, however, be extreme circumstances where the ICS Operator would deem the integrity or safety of the whole or parts of the ICS has been compromised. Under such circumstances, the ICS Operator may suspend the operation of all or any part of the ICS Central System and the ICS services.

This may be, for example, as a result of a malicious cyber attack on the ICS Central System (e.g. distributed denial of service attack) or as a result of a deficiency identified in the ICS Central System which renders its function untenable.

Other possible reasons to suspend the operation of all or any part of the ICS include:

- catastrophic failure in both the primary and secondary processing sites;
- where suspension is required to support the efficient and effective operation of contingency processing (as described above),

a direction or a request to do so is received from a Regulatory Authority with appropriate jurisdiction over the ICS, or any part of the ICS and/or the ICS Operator.

ICS Non-Core Services capacity

The ICS Non-Core Services have been developed to accommodate the predicted volume of transactions for ICS participants that have formally expressed an interest to take up these services from the ICS Operator. This estimation includes a tolerance to cater for a reasonable margin of error and growth factor.

The ICS Operator carries out regular monitoring of the system capacity.

Before a new or existing ICS participant can subscribe or use ICS Non-Core Services, the ICS Operator needs to make an assessment of the system capacity. As a result of the assessment, the ICS Operator may defer the use of these ICS services for the ICS participant to protect the efficient and effective access to these ICS services for ICS participants who have opted-in to them. In this event, the ICS Operator will seek to minimise the duration of any period during which an ICS participant is unable to access the requested ICS Non-Core Services. The ICS Operator will keep affected ICS participants informed as to the timetable for any implementation of service changes to accommodate the required increased capacity of the relevant ICS Non-Core Services.

THE CLEARING CYCLE

Clearing cycle overview

Debit items

Cheques and other debit items submitted for payment by the Initiating PSP under the RtP process are items that require a “Pay/Not Paid” payment decision to be made via the ICS Central System. Each stage in the clearing cycle for such debit items is summarised below:

Day 1

1. customers' method of depositing such debit items may include (subject to the services contractually agreed to be provided by the Initiating PSP to its customers):
 - smartphone;
 - corporate scanner;
 - ATM;
 - bank counter;
 - post office counter;
 - post; or
 - lock box.
2. Debit items (or their data and images) are processed by the Initiating PSP. The Initiating PSP must perform, in accordance with the systems and controls which it has put in place for compliance with Local CFC Standards, checks against these debit items before submitting them into the ICS Central System;
3. the data and images are submitted to the ICS Central System by 23:59:59 (MSG 01) and recorded via the Initiating PSP's own archive and the THIR;
4. the ICS Central System identifies the Addressee PSP on which the debit items are drawn, taking account of switched payment accounts, and sends the data and image accordingly (but only if the payer's PSP has opted to receive these debit items on Day 1; if the payer's PSP has opted to receive these on Day 2, steps 5-8 are performed on Day 2);
5. the Relevant Decision-Maker undertakes fraud detection activity via its own fraud system;
6. as part of their payment decision process, the Relevant Decision-Maker may perform the following verifications against the debit item:
 - checking against their customer mandate;

- checking for the existence of 'stops';
 - checks in accordance with its systems and controls in place for compliance with Local CFC Standards;
 - checking that the date is within the allowed date range;
 - checking that the item amount in words matches the item amount in numbers; and
 - any further verification that the Relevant Decision-Maker deems necessary.
7. the Relevant Decision-Maker determines if the payer has sufficient funds or credit to allow the debit item to be paid;

Day 2

8. if the Relevant Decision-Maker is satisfied with its fraud and validation checks, and that the payer has sufficient funds, it must send a "Pay" payment decision (MSG07) to the ICS Central System by 15:29:59 at the latest;
9. a Payment Message is generated on behalf of the settlement participant associated with the payer's PSP and received by the settlement participant associated with the payee's PSP. The ICS Central System seeks to apply this Payment Message to the Netting Account of the settlement participant associated with the payer's PSP. The Netting Account will be assessed against the sending settlement participant's Liquidity Cap Amount to see if there is sufficient headroom to allow the Payment Message to be so applied. If adequate headroom is available, the Payment Message is applied to the Netting Account for both the sending settlement participant (as a debit entry) and the receiving settlement participant (as a credit entry);
10. the ICS Central System identifies the payee's PSP and forwards the payment decision or Cleared RtP Notification (MSG 13) to the payee's PSP;
11. the payee's PSP makes the funds available to its customer by 23:59:59; and
12. the ICS Central System identifies the net pay in / pay out per settlement participant for multilateral net settlement across the Relevant Accounts at the SSP.

Credit Items

Transfer of funds initiated by credit items submitted for payment by the Initiating PSP under the ItP process are items that do not require a payment decision to be sent to the ICS Switch prior to settlement. In relation to such credit items, the payer's PSP has determined to make payment in respect of the item before the item's submission to the ICS Switch. Examples include a cheque where the Initiating PSP is also the payer's PSP or a Bank Giro Credit that is accompanied by a cash payment.

The clearing cycle for such credit items is summarised below:

Day 1

1. customers' method of depositing such credit items may include (subject to the services contractually agreed to be provided by the Initiating PSP to its customers):
 - ATM; or
 - bank counter.
2. the images and data associated with credit items are processed by the Initiating PSP. The Initiating PSP must perform, in accordance with the systems and controls which it has put in place for compliance with Local CFC Standards, checks against these credit items before submitting them into the ICS Central System;
3. the data and images are submitted to the ICS Central System by 23:59:59 (MSG 01) and recorded via the Initiating PSP's own archive and the THIR; and
4. the ICS Central System identifies the payee's PSP for the credit items, taking account of switched payment accounts;

Day 2

5. a Payment Message is generated on behalf of the settlement participant associated with the payer's PSP and received by the settlement participant associated with the payee's PSP. The ICS Central System seeks to apply this Payment Message to the Netting Account of the settlement participant associated with the payer's PSP. The Netting Account will be assessed against the sending settlement participant's Liquidity Cap Amount to see if there is sufficient headroom to allow the Payment Message to be so applied. If adequate headroom is available, the Payment Message is applied to the Netting Account for both the sending settlement participant (as a debit entry) and the receiving settlement participant (as a credit entry);
6. the ICS Central System forwards the Cleared ItP Notification (MSG 13) to the payee's PSP;
7. the payee's PSP makes the funds available to its customer by 23:59.59; and
8. the ICS Central System identifies the net pay in / pay out per settlement participant for multilateral net settlement across the Relevant Account at the SSP.

Detailed process explanation

The clearing cycle stages summarised above are expanded upon below, with details of the processes, outcomes and other relevant information.

Day 1

1. Transaction set submission

- 1.1 The clearing of Eligible Paper by the ICS Central System commences when the switch participant associated with the Initiating PSP submits transaction sets containing relevant images of credit items and/or debit items into the ICS Switch using a Transaction Set Submission (MSG01) (see also [‘Submissions’](#) and [‘Transaction sets and their makeup’](#) in the section [‘Key Concepts’](#) earlier in this Chapter)
- 1.2 The switch participant can submit the Transaction Set Submission (MSG01) to the ICS Switch using one of two secure methods (see section entitled [‘About the Image Clearing System \(ICS\)’](#) earlier in this Chapter):
 - the DTS; or
 - the File Upload / Download functionality of the ICS Portal.
- 1.3 When registering with the ICS Central System, the switch participant can choose to exchange ICS messages with the ICS Switch using either one or both of these two methods.
- 1.4 Each Transaction Set Submission (MSG01) contains one or more transaction sets and must be digitally signed using a certificate by the switch participant.
- 1.5 A digital signature is a mathematical method for demonstrating the authenticity of a message. A valid digital signature gives the recipient of the message (in this case the ICS Switch) confidence:
 - that the message was sent from the switch participant;
 - to execute instructions as sending participants cannot deny having sent the message (non-repudiation); and
 - as to the integrity of the message, as it can be proved that the message content was not altered in transit.
- 1.6 Switch participants can submit items into the ICS Switch at any time within the submission window (see section entitled [‘ICS Operational Timetable’](#) later in this Chapter for timings) and can perform multiple submissions within this period. Any submissions received after this submission window cut-off are processed during the next ICS Operating Day.

- 1.7 The ICS Central System and ICS services follow a principle of “straight through processing” of images and instructions submitted for processing. This means that there is no system process under which an ICS participant can amend or withdraw an image or instruction while it is undergoing processing within the ICS Central System or the ICS services.

2. Submission-level validation

- 2.1 The ICS Switch validates the structural integrity of the Transaction Set Submission (MSG01) and the submission specific data before any further processing of the items contained within the ICS message. If validation fails at this point, then the ICS Switch stops processing the submission and does not perform any further validation of the transaction set.

Submission-Level Validation

- 2.2 This validation set is common for all ICS submission message types. The validation specifications ensure that:
- the file size complies with the specified submission maximum size (in bytes);
 - the file content data structure conforms to the relevant published schema specified for this type of submission file;
 - the digital signature is valid;
 - the Test Indicator flag matches the active operating mode;
 - the Message Identifier flag has not been previously used in another message;
 - the number of transaction sets in the file matches the number declared in the message header and is greater than zero;
 - the sender identifier is valid; and
 - the switch participant sending the submission is not suspended or excluded.
- 2.3 At the end of this validation the ICS Switch generates a Transaction Set Submission ACK / NAK (MSG02) which is sent to the Initiating PSP's switch participant. This message contains a submission status of 'Accepted' or 'Rejected'. The response includes a reason code to describe the rejected reason.

3. Transaction set and item level validation processing

- 3.1 The next level of validation is performed on the transaction set and the items contained within the submission ICS message.

Transaction set validation

- 3.2 This validation process applies a series of business specifications on the data attributes of the transaction set to ensure they adhere to the ICS Specifications. The validation specifications include:
- ensuring that the actual number of items in the transaction set matches the declared number and is greater than zero and does not exceed the permitted maximum number of items in a transaction set;
 - unique transaction set identifiers;
 - a valid combination of relevant images of credit items and debit items along with the associated processing data; and
 - ensuring that any re-presented debit items are within the allowed elapse time from the original presented debit items.

Item-level data validation

- 3.3 After validating the transaction set the ICS Switch validates the individual items contained within the transaction sets. If a validation fails, items can be rejected once lower level checks are completed;
- 3.4 The associated data attributes of the Eligible Paper included in the transaction set are validated. The validation includes but is not limited to:
- all relevant mandatory data attributes are present for the item type;
 - a valid settlement participant from the EISCD is associated with the sort code;
 - the item Identifier flag is unique unless the item is being re-presented;
 - the code line data including the sort code, account number and serial number associated with the item are valid;
 - the item type flag matches the item; and
 - an image of the front and back of the item is present and conforms to the maximum image size requirements.
- 3.5 If a transaction set or any item included in it fails one or more of the validations above, the transaction set is rejected. The ICS Switch generates a Transaction Set Rejection (MSG03) containing all the transaction sets from the submission that failed the validation together with the reason for rejection. This ICS message is sent to the Initiating PSP's switch participant who may correct the issues with the transaction set or item and re-submit the transaction set with a new transaction set version number.

- 3.6 The ICS Central System maintains a mapping association between the sort code for an item and (a) a settlement participant and (b) a switch participant. The mapping is derived from the EISCD. The mapping is used in this validation process to enable the ICS Switch to identify a valid settlement participant and switch participant associated with the items included in the transaction set.

4. Transaction set summary report

- 4.1 After validating the Transaction Set Submission (MSG01) and the items contained within it, the ICS Switch generates a Transaction Set Summary Report (MSG15) containing details of the total number of transaction sets processed, the total number of transaction sets rejected and the total number of transaction sets accepted from the original submission. This ICS Switch sends this ICS message to the Initiating PSP's switch participant.
- 4.2 At this point, items included in the transaction set which are not rejected are eligible for further clearing processing by the ICS Switch.

5. Additional-validation processing

- 5.1 The ICS Switch applies additional validation processing to provide further information to the Relevant Decision-Maker to support their payment decision in respect of a debit item.

CASS redirection

- 5.2 As explained in the section entitled 'Current Account Switching Service' under '[Key Concepts](#)' earlier in this Chapter, the ICS Central System maintains a record of accounts that have switched from one PSP to another PSP using a daily download from CASS.
- 5.3 The ICS Switch checks whether (a) the payee account to be credited under an item, and (b) the payer's account to be debited under a debit item are 'old accounts' involved in a Full Switch managed using CASS.
- 5.4 Where the payee under an item is identified as being associated with an 'old account' involved in a CASS switch, the payer's account details (sort code and account number) for the credit item are appended and used to ensure the credit side of the transaction is redirected to the new account involved in the switch. The original sort code and account number are still retained in the ICS Switch with the item.

- 5.5 Where the payer under a debit item is identified as being associated with an 'old account' involved in a CASS switch, the payer's account details (sort code and account number) for the debit item are appended and used to ensure the debit side of the transaction is redirected to the new account involved in the switch. The original sort code and account number are still retained in the ICS Switch with the debit item.

CASS stopped debit item verification

- 5.6 As a debit item drawn on the 'old account' may be the subject of a stop instruction, the ICS Central System compares the original data for a debit item with CASS stopped data recorded in the ICS CASS stopped items data store. The data elements that are compared are:

- debit serial number;
- debit sort code;
- debit account number; and
- debit amount.

- 5.7 Where a match is identified, the ICS Central System marks the debit item with a stop status as follows:

- 'FULL' – all stop parameters including amount are matched;
- 'PARS' – only sort code, account number and serial number are matched; or
- 'PARA' – only sort code, account number and debit amount are matched.

- 5.8 Where a match is identified, the ICS Central System updates the debit item data with the following attributes taken from the ICS CASS stopped items data store to be included in the Rtp Payment Request (MSG06) to the Relevant Decision-Maker:

- stop date;
- stop amount;
- stop payee name;
- stop item serial number start of range; and
- stop item serial number end of range.

- 5.9 The relevant debit item continues processing in the ICS Switch.

Image Quality Analysis

5.10 The image of a debit item undergoes an Image Quality Analysis (IQA) by the ICS Switch. This process makes an assessment of the image against the quality attributes defined in ICS Standard 51. The outcome of the analysis is a simple two-state indicator that is included in the RtP Payment Request (MSG06).

Code line duplicate check

5.11 The code line of a debit item refers to the following attributes:

- serial number;
- sort code;
- account number; and
- amount.

5.12 The ICS Switch performs a match of these code line attributes for each debit item against the history of all Relevant Debit Items that have been processed and/or uploaded to the ICS Switch in MSP01 messages. The outcome is reported to the Relevant Decision-Maker in the RtP Payment Request (MSG06) sent to it.

5.13 The debit item is flagged in one of three ways:

- 'FULL' where all attributes match;
- 'PART' where serial number, sort code and account number match but amount differs; or
- 'NONE'.

5.14 The following information is recorded for inclusion in the RtP Payment Request (MSG06) for the Relevant Decision-Maker:

- the Item Identifier flag of the original Relevant Debit Item;
- the date first seen of the original (i.e. the date first seen by ICS);
- the Initiating PSP identifier of the original Relevant Debit Item;
- the capture date of the original Relevant Debit Item; and
- the source of the original Relevant Debit Item.

Populate the Transaction History and Image Repository (THIR)

5.15 Once the ICS Switch has completed the clearing processing any Transaction Set that has not been rejected is saved into the THIR.

6. Clearing output processingApply routing specifications

- 6.1 The ICS Switch needs to identify the appropriate destination for Value Items by using the sort code provided for each Value Item from the Transaction Set Submission (MSG01). In the case of CASS switched accounts, the redirected sort code is used.
- 6.2 The ICS Switch uses the EISCD to maintain an association between (a) the relevant payer's PSP/payee's PSP and (b) its switch and settlement participants for each sort code used in the ICS Central System. This association is used to identify the relevant settlement participant and switch participant acting for the Relevant Decision-Maker in respect of a debit item. If this association is subsequently updated as a result of changes in the EISCD or CASS process, the original sort code association (identified on Day 1) is retained for the purposes of processing these transactions.

Determine payment decision date

- 6.3 The ICS Central System maintains a calendar that defines the non-working days (i.e. weekends and local bank or public holidays) for all Relevant Decision-Makers. The ICS Switch selects the next Local Banking Day for the Relevant Decision-Maker under the debit item. The date is included in the RtP Payment Request message (MSG06) along with a start and end time of the RtP Payment Response Submission window.

RtP Payment Request message generation

- 6.4 All debit items that have completed Day 1 clearing processing successfully (not rejected) are eligible for inclusion in the RtP Payment Request (MSG06) message generation routed to the Relevant Decision-Maker.
- 6.5 The Relevant Decision-Maker may elect to receive their RtP Payment Request (MSG06) on Day 1 or Day 2 of the processing cycle. This preference is maintained in the ICS Central System. If Day 1 is selected, then the ICS Switch begins to generate the RtP Payment Requests for the Relevant Decision-Maker as soon as the relevant debit items are available for output processing on Day 1.

- 6.6 If Day 2 is selected, then the ICS Switch delivers the RtP Payment Requests to the Relevant Decision-Maker by 00:30 before the start of the next processing day for the Relevant Decision-Maker (i.e. taking into account local bank or public holidays).
- 6.7 In either case, the Relevant Decision-Maker can only submit their RtP Payment Response (MSG07) within the RtP Payment Response Submission window provided in the RtP Payment Request.

RtP Payment Request message content

- 6.8 Each RtP Payment Request message includes:
- an image of each debit item and associated processing information from the original Transaction Set Submission (MSG01);
 - IQA results indicator for each debit item (see '[Image quality analysis](#)' above);
 - duplicate and stopped item attributes;
 - details of both the old and the new account for switched accounts;
 - start and end time for the payment decision window; and
 - the Item Identifier flag and related details for any Relevant Debit Item that was processed and/or uploaded to the ICS Switch previously in MSP01 messages and identified as a potential duplicate item.

7. Notification of Bank Holiday message

- 7.1 The ICS Switch maintains a calendar that defines the non-working days (i.e., weekends and local bank or public holidays) for all PSPs/Relevant Decision-Makers. If the payment decision date of a debit item falls on a day that is not a Local Banking Day for the Relevant Decision-Maker, then a Notification of Bank Holiday (MSG04) is generated and delivered to the payee's PSP.
- 7.2 The Notification of Bank Holiday (MSG04) informs the payee's PSP of the new payment decision date as a result of a local non-working day for the Relevant Decision-Maker.

8. ICS output processing service

- 8.1 The ICS Switch allows a switch participant to choose the size and frequency of valid ICS output message types they receive from the ICS Switch. The valid ICS output message types are MSG04, MSG05, MSG06, MSG11, MSG12, and MSG13.

- 8.2 The following configuration is specified by switch participants to control the interval of generation of output files. A separate configuration is supported for each valid output file type. The ICS Operator maintains these parameters in the ICS Central System on behalf of switch participants.

Parameter	Description
Message Type	Must be a valid output message type (excluding Submission level response messages).
Time Interval	The interval in minutes that controls when an output file is generated. May be absent. At least one interval control must be present.
Volume Interval	The volume in items that controls when an output file is generated. May be absent. At least one interval control must be present.

- 8.3 Output files are generated when at least one interval condition is satisfied (or, in all cases, at the end of a submission window). If no more eligible records are available, then an empty file is generated at the end of the submission window.

9. Output delivery

- 9.1 All ICS output message files generated by the ICS Switch are digitally signed using the electronic digital signing certificate issued to the ICS Switch.
- 9.2 A digital signature is a mathematical method for demonstrating the authenticity of a message. A valid digital signature gives the recipient of the message the confidence:
- that the message was sent from the ICS Central System;
 - to execute instructions, as the ICS Operator will not deny having sent the message (non-repudiation); and
 - in the integrity of the message as it can be proved that the message content was not altered in transit.
- 9.3 All ICS output messages are delivered to the relevant switch participant. It is the responsibility of the switch participant to route the message to the Relevant Decision-Maker under the debit item. The ICS Central System maintains the mapping association between Relevant Decision-Makers and their switch participants. The switch participant can elect to receive ICS output message files via the DTS or the ICS Portal Upload / Download facility.

- 9.4 If the switch participant elects to receive ICS output messages via the DTS, they can also choose to 'pull' the files from the file transfer component within the DTS or for the file transfer component within the DTS to 'push' the files to the switch participant.
- 9.5 If the switch participant elects to receive ICS output messages via the ICS Portal then their files are placed in an area of the ICS Portal to enable the files to be downloaded manually.

Day 2

10. Items submitted under Instruction to Pay (ItP) processing

- 10.1 At the start of Day 2, credit items cleared on Day 1 are the first items to be processed through the ICS Switch. When a credit item is submitted under 'Instruction to Pay' (ItP) processing, then the "Pay" decision is implicitly given by the payer's PSP through the Transaction Set Submission (MSG01).
- 10.2 The credit items are eligible for settlement processing (as described in ['Apply Payment Message to Netting Account'](#) in the section entitled ['Settlement processing'](#) below) provided that the process date for the item is the same as the current ICS processing date.
- 10.3 The next section applicable to ItP messages is Section 12.

11. Items submitted under Request to Pay (RtP) processing

- 11.1 The Relevant Decision-Maker makes a payment decision in response to and on the basis of the image of the debit item and the supporting data provided in the RtP Payment Request (MSG06). Their payment decision is submitted into the ICS Switch in the RtP Pay Response Submission (MSG07).
- 11.2 The RtP Payment Response Submission (MSG07) contains details relevant for processing including:
- debit item;
 - "Pay/Not Paid" status; and
 - "Not Paid" reason code for debit items that have a "Not Paid" status.
- 11.3 The ICS Switch validates the structural integrity of the RtP Payment Response Submission (MSG07), and the non-item related data within it before any further processing of the items contained within the ICS message. The submission-level validation performed by the ICS Switch is described earlier under the processing steps for Day 1.

- 11.4 At the end of this validation, the ICS Switch generates a Pay Decision Submission ACK/NAK (MSG08) which is sent to the Relevant Decision-Maker. This message contains a submission status of 'Accepted' or 'Rejected'. The response includes a reason code to describe the rejected reason.
- 11.5 If any of the payer sort code, payer account number or cheque serial number have been updated (repaired) by the Paying Participant, then these values (along with the original) are updated in the THIR and used in subsequent processing. Note that the amount field cannot be updated. In this context subsequent processing means:
- Any repaired codeline must replace the original codeline in the duplicate codeline data store.
 - Any repaired Sort Code must be handled (as per the ISCD) by the Paying Charging Participant.
 - Settlement, MSG13 (or out-clearing message) will use any repaired sort code and account number, and any re-presentation of such an RTP will be validated against the repaired codeline.

Validate RtP Payment Response Submission

- 11.6 The next stage in the processing is to validate each response the ICS Switch has received from the Relevant Decision-Maker. ICS Switch validation includes:
- correlating the RtP Payment Response Submission with the original debit item and associated transaction set;
 - verifying that the RtP Payment Response Submission is not a duplicate of an RtP Payment Response Submission; and
 - verifying that the RtP Payment Response Submission falls within the start and end time specified for the response window for the relevant debit item.
- 11.7 If a debit item is valid, it is marked as 'accepted' otherwise it is marked as 'rejected'. This is then saved to the Transaction and Image Archive Repository (THIR) to record the status of the response with associated reasons.
- 11.8 Where the RtP Payment Response Submission (MSG07) is rejected by the ICS Switch, a Pay Decision Message Rejection (MSG09) is generated and sent to the Relevant Decision-Maker. No further processing takes place through the ICS Switch for these rejected RtP Payment Response Submissions.

Processing of valid RtP Payment Response Submissions

- 11.9 Where the RtP Payment Response Submission (MSG07) contains the payment decision of “Not Paid”, the ICS Switch will generate a “Not Paid” Notification (MSG13) to the payee’s PSP.
- 11.10 Where the RtP Payment Response Submission (MSG07) contains the payment decision of “Not Paid”, and:
- the Initiating PSP is not the payee’s PSP or the payer’s PSP; and
 - the “Not Paid” decision was due to fraud;
- the ICS Switch will generate a “Not Paid” Fraud Notification (MSG16) and send this to the Initiating PSP.
- 11.11 If the RtP Payment Response Submission (MSG07) contains the payment decision of “Pay”, the following steps are taken:
- the ICS Switch verifies whether the item has been repaired (i.e. modified sort code, account number or item serial number) by the Addressee PSP; and
 - if so, the Addressee PSP sort code, Addressee PSP account number or item serial number (along with the original values for these fields) are updated in the THIR. The amount field cannot be updated.
- 11.12 The validated debit items are now eligible for settlement processing as described in the next section entitled [‘Apply Payment Message to Netting Account’](#).
- 11.13 Where the ICS Switch does not receive a payment decision from the Relevant Decision-Maker before the end of the stipulated response window, the ICS Switch will mark the item as “Pay” by default and eligible for settlement processing (see [‘Process towards the end of Dedicated Liquidity Cycle Period \(‘wash up’\)’](#) in the section below).

Settlement processing**12. Apply Payment Message to Netting Account**

- 12.1 This section applies to settlement under both ItP processing and RtP processing.
- 12.2 Every item that requires a value payment to be settled through the ICS consists of two logical components: a credit entry which is applied to the settlement participant for the payee’s PSP and an associated debit entry applied to the settlement participant of the payer’s PSP.

- 12.3 Items which require settlement can be one of two types from a PSP approval perspective:
- where the payer's PSP has agreed to pay the item before its submission to the ICS so that no payment decision is required (credit items entered for ItP processing); and/or
 - where the payer's PSP is required to make payment decision through the ICS before settlement of the item (debit items entered for RtP processing).
- 12.4 In the normal course, settlement under both ItP processing and RtP processing is final and complete upon relevant entries being made across the ICS RTGS Accounts of the relevant settlement participants (see, for example, ICS Rule 4.5). However in exceptional cases, a settlement participant (from whom a Single Amount is payable upon completion of the Netting Account) may not have sufficient funds to complete settlement from its ICS RTGS Account. In this event, recourse may be had to the settlement participant's ICS RCA to complete settlement in respect of a particular Dedicated Liquidity Cycle Period.

Netting Account and Liquidity Cap Amount

- 12.5 The ICS Central System maintains a Netting Account for each settlement participant to which the credit and debit entries associated with the items to be settled are applied.
- 12.6 Each settlement participant has an irrevocably appropriated pre-funded amount held by the settlement participant with the SSP in an ICS RCA. It is an amount which is earmarked for the processing of payments in respect of items submitted for payment through the ICS Switch. This is called the settlement participant's Liquidity Earmarked Amount.
- 12.7 In the normal course, a settlement participant is likely to set a value for its ICS settlement activity which is less than its Liquidity Earmarked Amount. To do this, the settlement participant must notify the ICS Operator of the lesser amount (referred to as its 'minimum balance' in the RTGS System) that it wishes to apply to its ICS RCA. The ICS Operator will update the minimum balance for the settlement participant in the RTGS System through the SSP Link. A settlement participant cannot change its minimum balance held in the RTGS System other than through the ICS Operator. Where this lesser amount is held in the RTGS System, the Liquidity Cap Amount for that settlement participant held in the ICS Central System will equal the lesser amount (i.e. the 'minimum balance').

- 12.8 If the settlement participant fails to specify a lower amount to the ICS Operator in accordance with the above procedure, the Liquidity Cap Amount that is held in the ICS Central System will equal the Liquidity Earmarked Amount (i.e. the total credit balance held at the relevant time in the settlement participant's ICS RCA). If a settlement participant does not wish the total credit balance on its ICS RCA to be used as its Liquidity Cap Amount, it must therefore ensure that the ICS Operator is given sufficient time to set up the desired 'minimum balance' for the settlement participant's ICS RCA in the RTGS System.
- 12.9 At the start of each Dedicated Liquidity Cycle Period, the ICS Operator pulls down for each settlement participant through the SSP Link:
- its Liquidity Earmarked Amount; and
 - (if a 'minimum balance' is held for the settlement participant's ICS RCA - see above), the amount of that minimum balance.
- 12.10 The Liquidity Earmarked Amount and, where specified, the 'minimum balance', are made available to the ICS Operator through the SSP Link at or about 18:00:00 on each ICS Operating Day. This is after the close of settlement (at or about 16:30:00) on that ICS Operating Day: the figures are made available in preparation for the start of ICS processing settlement (commencing at 00:30:00) on the next ICS Operating Day. This collective information is contained in a Liquidity Earmark Notification for the Dedicated Liquidity Cycle Period relating to the next ICS Operating Day. The ICS Operator considers that the Liquidity Earmark Notification in relation to the next ICS Operating Day is made available to it at the time at which no further funds can be withdrawn from or added to the settlement participants' ICS RCAs for the start of that ICS Operating Day (being the end of the RTGS operating day at 18:00:00).
- 12.11 Where a minimum balance is so specified by the settlement participant, the ICS Operator will populate the Liquidity Cap Amount held in the ICS Central System with the lower minimum balance for the relevant Dedicated Liquidity Cycle Period. If no such lower minimum balance is so specified, the ICS Operator will populate the Liquidity Cap Amount held in the ICS Central System with the Liquidity Earmarked Amount. This Liquidity Cap Amount will be used in the ICS Central System for settlement purposes at the start of the ICS Operating Day to which the Dedicated Liquidity Cycle Period relates. The minimum balance held in the RTGS System will continue to be applied (and, therefore, populated as a settlement participant's Liquidity Cap Amount in the ICS Central System for each Dedicated Liquidity Cycle Period), unless and until such time as the minimum balance is changed by the ICS Operator (on the instruction and on behalf of the settlement participant) in accordance with the [Drawdown Procedures](#) or [Top-Up Procedures](#), as applicable, or as otherwise described in this ICS Service Description.

- 12.12 The Liquidity Cap Amount for each settlement participant is the maximum net debit position that the settlement participant can incur on the Netting Account during the Dedicated Liquidity Cycle Period.
- 12.13 The ICS Operator can verify the Liquidity Earmarked Amount and, if different, the lesser amount specified by a settlement participant as its Liquidity Cap Amount through the SSP Link.
- 12.14 A settlement participant can adjust their Liquidity Cap Amount during a Dedicated Liquidity Cycle Period by making a request to the ICS Operator who, subject to validation (as described in '[Drawdown Procedures](#)' and '[Top-up Procedures](#)' under '[Settlement Execution](#)' below), will initiate an operational process to update the Liquidity Cap Amount within the ICS Central System.
- 12.15 At any point during a Dedicated Liquidity Cycle Period the net difference between the value of the Netting Account balance for a settlement participant and its Liquidity Cap Amount is referred to as the 'headroom' for that settlement participant.
- 12.16 Each time the ICS Central System adds a debit entry associated with an item to the Netting Account, the headroom is reduced by the value of the debit entry. Similarly, each time a credit entry associated with an item is applied to the Netting Account, the headroom is increased by the credit amount. Both the credit and debit entries associated with an item must be applied successfully to the Netting Account of both settlement participants.
- 12.17 The debit and credit entries are applied to the Netting Account in response to a set of system processes which together create (or are treated as creating) a Payment Message in the ICS Central System from the settlement participant acting as or for the payer's PSP under the relevant item (the sending settlement participant).
- 12.18 A Payment Message is treated by the ICS Operator as being sent by the sending settlement participant under its Participant ID which, as determined in accordance with mapping association maintained in the ICS Central System, is linked to the payer's PSP. The mapping association used during the Day 1 processing is retained here even if there are changes in the EISCD or as a result of the CASS process. A debit entry is applied to the Netting Account of the sending settlement participant in the amount of the relevant item.

- 12.19 Each such Payment Message is treated as being received by the settlement participant acting as or for the payee's PSP under the relevant item (the receiving settlement participant). The Payment Message is treated by the ICS Operator as being received by the receiving settlement participant under its Participant ID which, as determined in accordance with mapping association maintained in the ICS Central System, is linked to the payee's PSP. The mapping association used during the Day 1 processing is retained here even if there are changes in the EISCD or as a result of the CASS process. A credit entry is applied to the Netting Account of the receiving settlement participant in the amount of the relevant item.
- 12.20 At the start of Day 2 of the processing cycle, the ICS Switch automatically triggers the generation of Payment Messages for credit items which entered (and were validated by) the ICS Switch on Day 1. Payment Messages in respect of such credit items are queued for application against the Netting Account of the sending settlement participant and the receiving settlement participant.
- 12.21 Debit items require a "Pay" payment decision before they may proceed to settlement. Where a "Pay" payment decision is received by the ICS Central System in respect of a debit item, this initiates the creation of a related Payment Message for that item. During Day 2 of the processing cycle, this Payment Message is queued for application against the Netting Account of the sending settlement participant and the receiving settlement participant.
- 12.22 A Payment Message which is queued for application against the Netting Account will not be applied unless there is sufficient headroom for the sending settlement participant and the other conditions described below (under 'Parked Payment Message process') are satisfied.
- 12.23 Payment Messages are processed throughout the ICS Operating Day as and when the related "Pay" RtP Payment Response Submission (MSG07) is received from the Relevant Decision-Maker.
- 12.24 If the Relevant Decision-Maker responds with a payment decision of "Not Paid", no Payment Message is created and no settlement occurs for this item. The ICS Switch generates a "Not Paid" Payee Payment Notification (MSG13) for the payee's PSP informing them of the Relevant Decision-Maker's payment decision to refuse payment on the debit item.

Parked Payment Message process

12.25 Payment Messages to be applied to the Netting Accounts are always queued and attempted in the order of presentation to the Netting Account. The debit and credit entries for a queued Payment Message are applied to the appropriate Netting Accounts immediately. The following conditions, however, will prevent a Payment Message from being applied to the Netting Accounts:

- by applying the debit entry to the Netting Account of the sending settlement participant, the headroom for that sending settlement participant would be taken below zero;
- the switch or settlement participant associated with the payer's PSP is suspended or excluded; and/or
- the switch or settlement participant associated with the payee's PSP is suspended or excluded.

12.26 If any of the scenarios above are realised, the relevant Payment Message is parked until such time as the affected switch or settlement participant is re-enabled or sufficient headroom becomes available to cover the debit entry for the item. In the meantime, other items presented after the parked item, having a lower value, may proceed ahead of the parked item if sufficient headroom exists for them to be processed.

12.27 A settlement participant's headroom can be increased in one of two ways:

- the settlement participant performs a top-up (see the section entitled '[Top-up Procedures](#)' below) to increase its Liquidity Cap Amount thus providing extra headroom; or
- credit entries are applied to the settlement participant's Netting Account from other items where the settlement participant is the receiving settlement participant.

Threshold alerts

12.28 Each settlement participant has two settlement thresholds defined with the ICS Central System; an amber threshold and a red threshold. In the event that the debit balance for the Netting Account for a settlement participant exceeds these threshold values, an alert is generated on the ICS Portal Dashboard for the settlement participant and the ICS Operator.

Re-queuing Payment Messages

- 12.29 The ICS Central System re-queues a parked Payment Message whenever the headroom of the sending settlement participant is increased (e.g. as a result of a credit entry being applied to the Netting Account). At that time, it takes each parked Payment Message in the time order that they were originally presented and attempts to apply the debit entry to the Netting Account of the sending settlement participant. If the headroom for that sending settlement participant would be taken below zero the parked Payment Message is parked again in its originally presented order. This maintains the 'first-in-first-out' principle for processing. Periodically the ICS Central System will check if the relevant ICS participant has been re-enabled.
- 12.30 If the Payment Message is not applied successfully to the Netting Account, then it is parked and subsequently re-queued. This process is repeated until the 'wash-up' processing described in ['Process towards the end of Dedicated Liquidity Cycle Period \('wash-up'\)'](#) below.
- 12.31 If a Payment Message in the queue is successfully processed, the related item is cleared and settled. The ICS Switch generates a Cleared RtP Notification (MSG13) or a Cleared ItP Notification (MSG13) (depending on the item type) upon the application of the related Payment Message to the Netting Account. The relevant Notification is sent to the payee's PSP notifying them of the cleared item. The payee's PSP is free to apply the funds to the payee's account at this point.
- 12.32 The Cleared Item Notification (MSG13) includes (but is not limited to) the following information:
- the code line details of a debit item;
 - an image of the item; and
 - the amount paid.

13. Process towards the end of Dedicated Liquidity Cycle Period ('wash up')

- 13.1 At the end of the Dedicated Liquidity Cycle Period any debit item which has not had a payment decision receives a default decision of "Pay". A Default Behaviour RtP Notification (MSG12) is generated and sent to the Relevant Decision-Maker; and a Default Behaviour RtP Notification (MSG13) is generated and sent to the payee's PSP. A related Payment Message is then created and queued for application against the Netting Account of the sending settlement participant / receiving settlement participant.
- 13.2 Any items where a payment is required now found to be related to a suspended or excluded settlement participant are marked 'settlement prevented' with the reason code added accordingly.

- 13.3 For any items where settlement is required, the ICS Central System attempts to process the associated Payment Message. Where there is sufficient headroom, the debit and credit entries are applied to the Netting Accounts of the appropriate settlement participants.
- 13.4 Under normal circumstances, at this point the queue should become empty. However, there is a possibility that Payment Messages may still be queued if their debit value is more than the sending settlement participant's available headroom. This may occur where there is more than one settlement participant (in the transaction in question) operating close to their Liquidity Cap Amount. This gives rise to the possibility of a deadlock between two or more settlement participants, where they each rely on the other for liquidity in order to allow sufficient headroom for their debit entry Payment Messages to proceed in the process.
- 13.5 If this scenario cannot be remedied by the relevant settlement participants adjusting their Liquidity Cap Amounts to allow these Payment Messages through the process, the ICS Central System will attempt to settle all outstanding Payment Messages on a multilateral net basis. If this is done then the Payment Messages are applied to the Netting Account, otherwise the related items are all marked as 'settlement prevented' with the reason code added accordingly.
- 13.6 Where any items have been marked as 'settlement prevented', the ICS Switch sends out a Settlement Prevented RtP Notification (MSG11) for a debit item or a Settlement Prevented ItP Notification (MSG11) for a credit item to the payer's PSP. The payee's PSP is also notified of the prevented settlement through a Settlement Prevented RtP Notification (MSG13) for a debit item and a Settlement Prevented ItP Notification (MSG13) for a credit item.
- 13.7 At this stage, the Netting Account queue should be clear of all Payment Messages. The '[Wash up](#)' stage is complete and settlement execution can proceed (see below under '[Settlement Execution](#)'). If any Payment Messages remain unapplied against the Netting Account at this point, then the Appropriation Procedures will be initiated in accordance with Chapter VI (*ICS Procedures*) of this ICS Manual.

14. Settlement execution

- 14.1 A PSP may or may not itself be a settlement participant in the ICS. A settlement participant holds an ICS RTGS Account and an ICS RCA with the SSP. If a PSP is not admitted as a settlement participant, in order to provide payment services to its customers in relation to Relevant Debit Items/Relevant Credit Items, it will need to maintain (as an Indirect Participant) a relationship with a settlement participant (as a Direct Participant) to give the PSP indirect access to the settlement-related

services, functions and facilities that the ICS and the SSP provide to settlement participants.

14.2 Amongst others, the SSP performs the following functions in relation to the ICS:

- the provision of settlement accounts and settlement-related services (including enquiry facilities through a SWIFT network) to settlement participants;
- enabling settlement participants to settle amounts and make payments due across their settlement accounts;
- the provision of ICS RCAs to settlement participants;
- sending or otherwise making available Liquidity Earmark Notifications to the ICS Operator;
- receiving ICS Settlement Notifications from the ICS Operator;
- the performance of certain standardised functions under the [Drawdown Procedures](#) and [Top-up Procedures](#);
- the maintenance of the SSP Link; and
- the performance of certain functions to support the operation of the ICS in contingency situations.

14.3 These functions are performed by the SSP under contract with the settlement participants and the ICS Operator. The SSP does not accept responsibility for their performance to any ICS participant or person other than a settlement participant or the ICS Operator on and subject to the terms of the relevant contract with them;

14.4 The following steps describe the tasks involved in settlement at or towards the end of a Dedicated Liquidity Cycle Period.

Identification of Netting Account balances

- (i) the ICS Central System verifies that the completion tasks have been executed and all Payment Messages have completed processing under the '[Wash up](#)' stage and, if applicable, under the Appropriation Procedures (see under Chapter VI (ICS Procedures));
- (ii) the ICS Central System identifies the Netting Account balance for each settlement participant to reflect its net balance upon completion of the Netting Account. The Netting Account balance for a settlement participant equals:

- the total value of all Relevant Payment Messages sent to it (for itself and for any PSPs (as Indirect Participants) for whom it (as Direct Participant) has agreed to settle) during the Dedicated Liquidity Cycle Period; minus
 - the total value of all Relevant Payment Messages sent by it (for itself and for any PSPs (as Indirect Participants) for whom it (as Direct Participant) has agreed to settle) during the Dedicated Liquidity Cycle Period, which in each case are to be settled across the settlement participant's Relevant Account at the SSP;
- (iii) the ICS Central System verifies that the sum of the Netting Account balances for all settlement participants net to zero and records them as the Netting Account balances to be settled for each settlement participant;
- (iv) the ICS Central System updates the ICS Portal Dashboard for each settlement participant to indicate that an automated settlement event has started, and displays the Netting Account balance to be settled by the settlement participant; and
- (v) if the sum of the Netting Account balances for all settlement participants does not equal zero, the ICS Central System alerts the ICS Operator and suspends scheduled automatic settlement.

Output ICS Settlement Notification to SSP

- (vi) the ICS Central System sends an 'ICS Settlement Notification' to the SSP Link (for transmission to the SSP) with all the Netting Account balances that are to be settled for each settlement participant;
- (vii) the ICS Central System updates the status recorded for the Dedicated Liquidity Cycle Period to show that the ICS Settlement Notification has been sent;
- (viii) on receipt of the ICS Settlement Notification, the SSP acknowledges receipt and waits a configurable period defined by the ICS Specifications;
- (ix) each settlement participant is informed by the RTGS System of the value of their Settlement Obligation and the settlement participants must ensure that they have sufficient funding to meet these obligations. These processes take place outside of the ICS Central System;
- (x) all debits and credits to the settlement participants' Relevant Accounts (which are associated with the settlement participant's ID)

are completed simultaneously and at this point settlement of all Relevant Payment Messages is complete;

- (xi) the SSP sends a settlement completion message to the ICS Central System, which then re-sets the Netting Account balances for each settlement participant (under each of its Participant IDs) to zero in preparation for the next Dedicated Liquidity Cycle Period; and
- (xii) when settlement is completed, the SSP informs the settlement participants (this process is outside of the ICS Central System). Each settlement participant is also notified of settlement completion through the Dashboard.

Update Dedicated Liquidity Cycle Period

- (xiii) the ICS Central System marks the ending Dedicated Liquidity Cycle Period as 'cut-off';
- (xiv) the ICS Central System updates the current Dedicated Liquidity Cycle Period;
- (xv) any funds that are held by a settlement participant in its RCA at the end of the Dedicated Liquidity Cycle Period will remain so held for the next Dedicated Liquidity Cycle Period, unless the settlement participant instructs the SSP to withdraw all or any part of those funds from the RCA prior to the start of the next Dedicated Liquidity Cycle Period (i.e. there is no automatic sweep of funds from a settlement participant's ICS RCA into its ICS RTGS Account or otherwise); and
- (xvi) if the settlement participant wishes to make any such withdrawal in an amount that would cause the resulting balance on its ICS RCA to fall below the 'minimum balance' then specified and held at the SSP for that ICS RCA, the settlement participant must in sufficient time instruct the ICS Operator to change that minimum balance through the SSP Link to allow for such withdrawal to be made (see the procedure described under 'Netting Account and Liquidity Cap Amount' in the section headed ['Apply Payment Message to Netting Account'](#) above).

Next Dedicated Liquidity Cycle Period

- (xvii) the next Dedicated Liquidity Cycle Period commences when the SSP sends or makes available a new Liquidity Earmark Notification to the ICS Operator (which is expected to occur at or about 18:00:00 on each ICS Operating Day); and

(xviii) the balance on the Netting Account for each settlement participant is re-set to reflect the Liquidity Cap Amount for each settlement participant (under each of its Participant IDs) (in accordance with the procedure described under 'Netting Account and Liquidity Cap Amount' in the section headed '[Apply Payment Messages to Netting Account](#)' above). The lower amount specified by the settlement participant (acting under its Participant ID associated with its RCA) is inputted by the ICS Operator for and on behalf of, and upon the instruction of, that settlement participant.

15. Drawdown Procedures

15.1 Drawdown Procedures allow settlement participants to decrease their Liquidity Cap Amount during a Dedicated Liquidity Cycle Period through the manual process described below. The Drawdown Procedures operate between 08:00:00 and 16:00:00 on each ICS Operating Day. They are as follows:

- the settlement participant must notify the ICS Operator by telephone of the request to decrease their Liquidity Cap Amount. This must be followed up by an email addressed to CSOperations@wearepay.uk. The ICS Operator validates the request;
- the ICS Operator verifies:
 - the Liquidity Cap Amount then held within the ICS Central System; and
 - the related amount (i.e. the Liquidity Earmarked Amount or, if so held in the RTGS System, the 'minimum balance') on the settlement participant's RCA at the SSP using the SSP Link;
- if the verification checks are not successful, then the ICS Operator rejects the request and informs the settlement participant accordingly;
- if the validation checks are successful, then the ICS Operator checks to see if the requested Liquidity Cap Amount would exceed the current negative balance on the settlement participant's Netting Account (expressed as an absolute value);
- if the requested Liquidity Cap Amount would exceed the current negative balance, the ICS Operator adjusts the Liquidity Cap Amount to the new amount within the ICS Central System;
- if the requested Liquidity Cap Amount is less than the current negative balance, the ICS Operator rejects the request;

- if there is sufficient headroom (from step above) the ICS Operator uses the SSP Link to amend the 'minimum balance' held in the RTGS System for that ICS RCA to equal the new Liquidity Cap Amount in the ICS Central System;
 - the ICS Operator emails the settlement participant to confirm that its Liquidity Cap Amount has been reduced; and
 - the settlement participant is then able to remove surplus funds from their ICS RCA.
- 15.2 A settlement participant can at any time during a Dedicated Liquidity Cycle Period freely withdraw any amount from its ICS RCA (and without reference to the above procedure) provided that:
- the resulting balance does not fall below the 'minimum balance' if so then held in the RTGS System for that ICS RCA; and
 - the withdrawal does not require any change to the Liquidity Cap Amount held for that settlement participant in the ICS Central System.
- 15.3 Equally, in the period between the end of a Dedicated Liquidity Cycle Period and the start of the next Dedicated Liquidity Cycle Period (typically this would be between 16:30:00 and 18:00:00 on any ICS Operating Day), a settlement participant can freely withdraw any amount from its ICS RCA provided that the resulting balance does not fall below any 'minimum balance' then held in the RTGS System for that ICS RCA. If, in this interim period, a settlement participant wishes to withdraw funds from its ICS RCA below the minimum balance then held for its ICS RCA, it must instruct the ICS Operator to change the minimum balance to a lower amount through the SSP Link. Once the ICS Operator has effected this adjustment on behalf of the settlement participant, the settlement participant will be able to withdraw funds in excess of the new minimum balance until the RTGS System closes (i.e. at or about 18:00:00 when the Liquidity Earmark Notification for the next Dedicated Liquidity Cycle Period is made available to the ICS Operator through the SSP Link).
- 15.4 Once a Dedicated Liquidity Cycle Period starts (at or about 18:00:00 on an ICS Operating Day), a settlement participant will no longer be able to withdraw funds from its ICS RCA until (1) 06:00:00 on the next ICS Operating Day (at the opening of the RTGS System and where there is no impact on the Liquidity Cap Amount then held in the ICS Central System) or (2) the Drawdown Procedures become available at or about 08:00:00 on the next ICS Operating Day (where there is an impact on the Liquidity Cap Amount then held in the ICS Central System).

16. Top-Up Procedures

16.1 The Top-Up Procedures entail the injection of extra funds by the settlement participant into its ICS RCA during a Dedicated Liquidity Cycle Period, so as to provide increased headroom. This is achieved through the manual process described below. The Top-Up Procedures operate between 08:00:00 and 16:00:00 on each ICS Operating Day. They are as follows:

- the settlement participant must notify the ICS Operator by telephone of the request to increase their Liquidity Cap Amount. This must be followed up by an email addressed to ICSOperations@wearepay.uk. The ICS Operator validates the request;
- the ICS Operator verifies:
 - the Liquidity Cap Amount then held within the ICS Central System; and
 - the related amount (i.e. the Liquidity Earmarked Amount or, if so held in the RTGS System, the 'minimum balance') on the settlement participant's RCA at the SSP using the SSP Link.
- if the verification checks are not successful, then the ICS Operator rejects the request and informs the settlement participant accordingly;
- if the validation checks from above are successful, then the ICS Operator compares the related amount held at the SSP with the requested Liquidity Cap Amount using the SSP Link;
- if the related amount held at the SSP is equal to the requested Liquidity Cap Amount, the ICS Operator adjusts the Liquidity Cap Amount to the new requested amount in the ICS Central System;
- if the related amount held at the SSP is less than the requested Liquidity Cap Amount, the ICS Operator rejects the request and informs the settlement participant accordingly; and
- the ICS Operator emails the settlement participant to confirm that its Liquidity Cap Amount has been increased.

16.2 The settlement participant can freely add funds to their RCA without reference to the above procedure where there is no impact upon its Liquidity Cap Amount.

17. Manual scheduling

- 17.1 Settlement is scheduled to execute automatically at the same time on each ICS Operating Day.
- 17.2 If a technical issue prevents the successful completion of automated settlement, emergency manual settlement is invoked. Possible failure scenarios include:
- the SSP sends a settlement response to the ICS Central System with a status of 'Failed' due to a technical failure;
 - there is a transmission failure between the ICS Central System and the RTGS System; or
 - the RTGS System is unavailable.
- 17.3 In the event of technical or other operational issues being encountered, the timing of the settlement of Relevant Payment Messages which have entered the ICS Central System during a Dedicated Liquidity Cycle Period may be affected as follows:
- the scheduled time may be amended for the execution of settlement for the current Dedicated Liquidity Cycle Period to delay its execution time; and
 - the timing of the settlement execution for subsequent Dedicated Liquidity Cycle Periods reverts to the regular scheduled time.

18. Participant Suspension

- 18.1 One of the ICS Operator's Regulatory Functions is to admit a business to participation as an ICS participant; and to suspend or terminate any such participation. An ICS participant may be suspended or terminated as a Switch participant Settlement participant or both.
- 18.2 It is important that whenever possible suspension and/or termination are planned to minimise disruption to the central infrastructure and other surviving participants.
- 18.3 When a participant wishes to terminate their participation this may be planned so that at the time of termination there are no transactions being processed on Day 1 or Day 2 and all reports and messages have been received.
- 18.4 A situation may occur where such a planned termination or suspension is not possible. At such a time it is still preferable for suspension and or termination to take place at either:
- between the end of operating Day 1 and the start of operating Day2 (00:00:00 and 00:30:00); or

- at the end of the response window (normally 15:29:59).

18.5 Where it is necessary to suspend or terminate during processing:

- Switch Participant
 - No further messages of any type are sent to the switch participant via the ICS Portal or DTS;
 - All messages sent via the ICS Portal or DTS by the switch participant are rejected; and
 - No further reports of any type are sent to the switch participant via the ICS Portal, DTS or by Pay.uk;
- Settlement Participant
 - No further reports of any type are sent to the settlement participant via the ICS Portal, DTS or by Pay.uk;
 - No further Top-Up Procedures or Drawdown Procedures may be initiated;
 - No further credits are made to their Netting Account; and
 - The netting account continues to be debited for paid RTPs and ITPs whilst there is sufficient headroom. These may have been received post suspension or termination from other switch participants which are settled by the suspended or terminated settlement participant. The Cleared RTP and ITP Notification (MSG13) are sent to the beneficiary's switch participant.

18.6 At the end of the Dedicated Liquidity Cycle Period any debit item for which a payment decision is still awaited because of its Switch participant's inability to send messages receives a default decision of "Pay".

18.7 If the suspended or terminated settlement participant has sufficient headroom their netting account will be debited in the normal manner. The Default Behaviour RTP Notification (MSG13) are sent to the beneficiary's switch participant.

18.8 If it has insufficient headroom the payment is marked 'settlement prevented' with the reason code added accordingly. The RTP and ITP Settlement Prevented Notification (MSG13) are sent to the beneficiary's switch participant.

- 18.9 All messages and reports that would normally be sent to the suspended or terminated participant will be held by the ICS operator and may be made available upon request to an insolvency practitioner or Regulatory Authority.

OTHER PROCESSING SERVICES

Previously Paid Debit Item processing

The Previously Paid Debit Item process allows the PSP associated with the 'old account' in a CASS Full Switch to upload data for previously paid 'on us' debit items to the ICS Central System. This supports duplicate checking performed by the ICS Central System for paid debit items that would be otherwise unknown to the ICS Central System.

Previously Paid Debit Item Submission (MSP01)

This message includes but is not limited to the following:

- the details of the previously paid debit item;
- the date and time of when the debit item was first presented;
- Initiating PSP identifier of the previously paid debit item; and
- payee PSP account and identifier details.

This message is rejected if any of the ICS participants submitting the message are suspended or excluded.

Previously Paid Debit Item Submission ACK / NAK (MSP02)

This message is generated by the ICS Switch and routed to the PSP making the Previously Paid Debit Item Submission (MSP01) on completion of technical validation checks. The message contains the details of each submission error, if the Previously Paid Debit Item Submission (MSP01) has failed any validation.

Previously Paid Debit Item Rejection (MSP03)

This message is generated by the ICS Switch and routed to the PSP who made the Previously Paid Debit Item Submission on completion of all validation checks if a previously paid debit item has failed any validation checks. The message contains the details of the previously paid debit item that failed validation and the previously paid error details.

Stopped Debit Item processing

This process enables the 'old PSP' in a CASS Full Switch to upload data for stopped debit item requests by customers whose accounts have been switched by CASS. This enables such 'stop requests' to be reported to the 'new account' Relevant Decision-Maker on the RtP Payment Request (MSG06).

Stopped Debit Item Submission (MSS01)

This message is sent to the ICS Switch from a Payer's PSP initiating the Switched Debit Item Stop Process.

The message will contain, but is not limited to, the following information:

- the identifier for the payer's PSP initiating the Switched Cheque Stop Process;
- stopped debit item status code; and
- stop instruction date and time.

This message is rejected if any of the ICS participants submitting the message are suspended or excluded.

Stopped Debit Item Submission ACK / NAK (MSS02)

This message is generated by the ICS Switch in response to the Stopped Debit Item Submission (MSS01). The ICS Switch validates the Stopped Debit Item Submission (MSS01) received from the payer's PSP and outputs an acknowledgement or rejection message (Stopped Debit Item Submission ACK / NAK ICS message MSS02) to the payer's PSP initiating the Switched Debit Item Stop Process.

The message contains the details of each submission error, if the Stopped Debit Item Submission (MSS01) has failed any validation.

Stopped Debit Item Rejection (MSS03)

This message is generated by the ICS Switch and routed to the payer's PSP that submitted the original Stopped Debit Item Submission (MSS01) on completion of all validation checks on a single instruction in a submission, if any validation check has failed. The message contains the details of the stop data that failed validation.

Query Message Processing

The Query Message process enables a dialogue between ICS participants to resolve a monetary difference or enquiry for an item that has been cleared and settled through the ICS Switch.

Query Submission (MSQ01)

A Query Submission (MSQ01) is sent from an ICS participant to the ICS Switch initiating a query.

The message may contain the following information (although the exact data set differs depending on the type of case being queried by the initiating ICS participant):

- initiating participant details (the ICS Participant Database must show that the ICS participant is enabled to allow processing);

- details of the debit or credit item e.g. sort code and account number in relation to which the query is being raised;
- the query type – this must be one of the following:
 - 'INIT' – message to initiate new query;
 - 'INCL' – message to initiate new query and close;
 - 'RESP' – response to a query;
 - 'CLOS' – message to close a query;
 - 'STCL' – message to settle and close a query; or
 - 'SLC' - details of the response window for when the query needs to be responded by;
- any relevant attachments relating to the query; and
- free format narrative.

Where the query type is 'STCL' and relates to a debit item, the message must be received before the RtP Payment Response window cut-off in order to give certainty to affected ICS participants as to its inclusion in the settlement processing, (see '[Apply Payment Message to Netting Account](#)' in the section entitled '[Settlement processing](#)' above).

Also, where the query type is 'STCL' or 'CLOS', then the ICS Switch will reject any further query messages against the same dialogue.

Query Submission ACK / NAK (MSQ02)

The Query Submission ACK/NAK (MSQ02) is a response to a Query Submission message (MSQ01) and is generated by the ICS Switch and routed to the submitting ICS participant, on completion of technical validation checks of the submission, acknowledging valid receipt or rejection.

Query Message Rejection (MSQ03)

This message is generated by the ICS Switch and routed to the submitting ICS participant on completion of all validation checks, if the query has failed any validation check. The message contains the details of each dialogue, attachment and item for the dialogue that failed validation.

Settlement Prevented Query Message Rejection (MSQ03)

After the 'wash-up' process, if a Payment Message cannot be applied to the Netting Account of a settlement participant, the ICS Switch generates a Settlement Prevented Query Message Rejection (MSQ03) and routes this to the ICS participant that submitted the original 'STCL' message.

Query Receive (MSQ04)

This message is generated by the ICS Switch and routed to the addressee ICS participant when all validation checks have been completed, and, when applicable, a Payment Message has been created.

Create Payment Message for Settle and Close (STCL) Query Type

If the query requires a settlement between the relevant ICS participants, i.e., the query type is 'STCL' then the ICS Switch creates a Payment Message to apply to the Netting Accounts of the relevant settlement participants, (see '[Apply Payment Message to Netting Account](#)' in the section entitled '[Settlement processing](#)' above).

Once a Payment Message has been applied successfully to the Netting Account for the paying settlement participant / payee settlement participant, the ICS Switch sends out a Query Receive (MSQ04) to the participant to whom the original 'STCL' message was addressed.

Fraud update notification services

The purpose of the Fraud Item Submission (MSF01) is to aid the exchange of fraud information relating to items that have previously been processed through the ICS Switch. The fraud information is shared between the PSPs that were originally involved in the clearing and settlement of the item. This enables PSPs to update their fraud processes and profiles to reduce the risk of further fraud occurring.

These ICS messages also enable the ICS Central System and ICS participants to collate missed information in order to provide an accurate representation of attempted, prevented and missed fraud volumes and values across the industry.

Fraud Item Submission (MSF01)

The process is triggered when the Initiating PSP, the payer's PSP or the payee's PSP associated with an item presents a Fraud Item Submission (MSF01) into the ICS Switch. This initiates a fraud Eligible Paper query.

Fraud Item Submission ACK / NAK (MSF02)

This ICS message is created by the ICS Switch after the Fraud Item Submission (MSF01) has been validated for structural integrity. It is routed to the PSP who made the submission and provides positive or negative acknowledgement of a structurally valid submission.

Fraud Item Message Rejection (MSF03)

This ICS message is generated by the ICS Switch when the Fraud Item Submission (MSF01) fails the validation checks. It is routed to the PSP who made the submission. The message contains details of the item that failed validation.

Fraud Item Notification (MSF04)

The Fraud Item Notification (MSF04) is generated by the ICS Switch and is routed to the relevant PSPs associated with the item. It provides notification of changes in the fraud status of an item after the clearing and settlement process.

OPTIONAL PROCESSING SERVICES

Transaction Set Early Payee's PSP Notification

This message (MSG05) is an optional feature of the ICS Switch. The purpose of this message is to provide details of the debit item to the payee's PSP so they can perform fraud analysis on the transaction set. The process to generate and output this message is triggered once the ICS Switch has successfully completed the transaction set validation and additional validation processing, (see '[Clearing output processing](#)' under Day 1 of the 'Detailed process explanation' section earlier in this Chapter).

The message is only delivered to the payee's PSP if the following conditions are met:

- when the payee's PSP is not suspended or excluded;
- if the payee's PSP has opted-in to receive such messages; and
- where the payee's PSP is not the same as the payer's PSP.

If the payee's PSP is re-enabled (after being suspended) any held messages are sent to it.

Transaction Set Early Payee's PSP Notification message content

The content of the message includes, but is not limited to, the following information:

- images for the item and its associated processing information from the original Transaction Set Submission message; and
- details of the new account for switched accounts.

In addition to the above there are two indicators for the following:

- Re-presented item; and
- 'on us' item.

The message will be sent by the ICS Switch to the payee's PSP via one of the following methods:

- the DTS; or
- File Upload / Download function via the ICS Portal.

File Upload / Download

The File Upload / Download ICS service is an opt-in ICS Non-Core Service contained within the Back Office Suite. This ICS service is available to switch participants only.

This ICS service allows switch participants to upload and download ICS messages to and from the ICS Switch, via the ICS Portal. Operators with the appropriate privilege can perform the upload or download function.

The File Upload / Download ICS service can be used at any stage in the clearing cycle.

All File Upload or Download activity is subject to an audit trail which records details such as the file name, size, date and time and status of the upload and download process.

File Upload

A switch participant may upload a submission for processing through the ICS Switch. The submission may include any of the following ICS message types:

- Transaction Set Submission (MSG01);
- RtP Payment Response (MSG07);
- Stopped Debit Item Submission (MSS01);
- Previously Paid Debit Item Submission (MSP01);
- Fraud Item Submission (MSF01); or
- Query Submission (MSQ01).

File Upload Validation

The following validation checks are carried out by the ICS Portal at the time the submission is uploaded:

- the file must be less than the maximum allowed file size of 15 MB;
- the file must have a .xml file extension;
- the file name must comply with the file naming specifications;
- the message type in the file name must match the message types allowed for file upload;

- the file name must not be a duplicate; and
- the Participant ID in the file name must match the ICS participant of the operators who uploaded it.

While the file is being uploaded, operators are able to monitor the status of this and other file uploads for the switch participant on the File Upload Status screen. This screen shows all files uploaded for the switch participant in the current processing cycle displaying the start time, the percentage completed and an identifier for the operator who uploaded the file.

Any errors that occur during the File Upload process are displayed on screen and the uploaded file is not stored or processed.

If the file passes the validation checks, it is stored in a database ready for processing by the ICS Switch.

File Download

A switch participant may download a file which has been generated by the ICS Switch through the ICS Portal, provided that they have elected to use the ICS File Download Service and have the relevant operator has the File Download privilege.

The files available for download may contain any of the ICS output messages.

File Download Validation

Files meeting the following criteria are made available for downloading:

- the file must be present in the download folder and the file must be designated as an output file with a prefix of 'O';
- the Participant ID of the file name must match the ICS participant of the operators doing the download; and
- the date and time must relate to the current or previous processing cycles.

Switch participants may download a file more than once. All attempts at downloading a file are logged in an audit log.

Operators who have the File Upload / Download privilege can navigate to the File Download screen on the ICS Portal. Here, they are presented with a screen listing all of the files available for downloading in the current processing cycle. Once the file download is complete, operators can save the file on their local network drive for onward processing.

Notifications

The Notifications ICS service is an opt-in ICS Non-Core Service that allows a switch participant, who is subscribed to this service, to receive notifications via the ICS Portal. The service puts notifications in a queue and allows their viewing (based on role access) and allows acknowledgement of them. Details of the transaction set associated with the Notification can also be viewed. The switch participant can select which Notifications they want to receive from the following:

Notification of Bank Holiday (MSG04)

This is received for the payee's PSP associated with the switch participant.

Transaction Set Early Payee's PSP Notification (MSG05)

This is received for the payee's PSP associated with the switch participant.

Default Behaviour RtP Notification (MSG12)

This is received for the Relevant Decision-Maker associated with the switch participant.

Default Behaviour RtP Notification (MSG13)

This is received for the payee's PSP associated with the switch participant.

Cleared ItP Notification (MSG13) / Cleared RtP Notification (MSG13)

This is received for the payee's PSP associated with the switch participant.

Settlement Prevented RtP Notification (MSG11)

This is received for the payer's PSP associated with the switch participant.

Settlement Prevented ItP Notification (MSG11)

This is received for the payer's PSP and (if different) the Initiating PSP associated with their respective switch participants.

Settlement Prevented ItP Notification (MSG13) / Settlement Prevented RtP Notification (MSG13)

This is received for the payee's PSP associated with the switch participant.

Transaction Set Summary Report (MSG15)

This is received for the Initiating PSP associated with the switch participant.

Payment Decision

The Payment Decision ICS service is an opt-in ICS Non-Core Service available for switch participants only.

Once a switch participant has opted-in for this ICS service, the ICS Switch delivers any RtP Payment Request (MSG06) whose Relevant Decision-Maker is associated with the switch participant to the Payment Decision ICS service.

The Payment Decision ICS service provides a user interface portal for authorised personnel from the Relevant Decision-Maker to manually process debit items sent in the RtP Payment Request (MSG06). The Payment Decision ICS service allows operators of the associated switch participant to enter the payment decision to either “Pay” or “Not Paid” on behalf of the Relevant Decision-Maker. The service allows the operators to select from a list of eligible reason codes to be recorded for the chosen payment decision.

The Payment Decision ICS service provides an option for operators of a switch participant to alter the following attributes of the debit item:

- sort code;
- account number; and
- serial number.

However, such an action requires authorised personnel from the Relevant Decision-Maker to approve the action.

After obtaining approval for the recording of the payment decision, the Payment Decision ICS service generates the RtP Payment Response Submission (MSG07) to the ICS Switch for settlement processing.

All Payment Decision ICS service activity is logged with an audit trail.

ICS OPERATIONAL TIMETABLE

General ICS Operational Timetable for submissions

The general ICS Operational Timetable for submissions defines the period when submissions of any type can be received by the ICS Switch via any supported channel. Typically, the ICS Operating Day runs from 00:30:00 to 23:59:59 on any ICS Business Day. However, the opening time for an ICS Operating Day (00:30:00) is subject to completion of the end of the ICS Business Day ‘Rollover’ process (refer to [‘Closing the ICS Operational Timetable for submissions’](#) below for details of the ‘Rollover’) from the previous ICS Operating Day. The 23:59:59 deadline is subject to operational deferral by the ICS Operator.

Any submission received outside of this ICS Operational Timetable, for example, during Rollover, or on a non-ICS Business Day, is processed at the start of the next ICS Operating Day.

In a fixed 2 day processing cycle, on any ICS Business Day, both Day 1 clearing activity and Day 2 clearing activity are executed every ICS Business Day.

The processing of each submission type, from a schedule perspective is specified below:

Transaction Set Submission (MSG01)

The ICS Operating Day for this ICS message operates between 00:30:00 to 23:59:59 on any ICS Business Day.

RtP Payment Response Submission (MSG07) cut-off

This ICS message may also be received during the general ICS Operating Day, but is subject to an additional constraint. It must be received during the response window as specified inside the corresponding RtP Payment Request (MSG06). If an RtP Payment Response Submission (MSG07) is received outside of this window, then the submission is rejected. The response deadline of 15:29:59 may be extended or deferred if requested by the ICS Operator, in which case the valid window for the RtP Payment Response Submission (MSG07) is similarly extended.

Payment Messages sent by settlement participants in respect of debit items are applied to the relevant Netting Accounts on an on-going basis (subject to available headroom for the sending settlement participant and satisfaction of the other relevant conditions described in 'Parked Payment Message process' under the [Apply Payment Message to Netting Account](#) section above).

Apply Payment Messages for credit items to the Netting Accounts

All Payment Messages created in respect of credit items received by the ICS Switch under the ItP process on Day 1 of the processing cycle are queued for application to the sending settlement participant's/receiving settlement participant's Netting Account at the start of the next ICS Operating Day (Day 2). They will be applied at that time (subject to available headroom for the sending settlement participant and satisfaction of the other relevant conditions described in 'Parked Payment Message process' under the [Apply Payment Message to Netting Account](#) section above).

Generate Start of ICS Operating Day Reports

Any reports scheduled for production at the start of an ICS Operating Day are generated at this time.

Closing the ICS Operational Timetable for submissions

The closure of the general ICS Operational Timetable for submissions involves two stages of activity:

- the 'Rundown' period enables the processing of any submissions received up to the cut-off; and

- the 'Rollover' process enables any activity required to prepare for the next ICS Operating Day to be executed.

The 'Rundown period' is subject to the following dependencies:

- the cut-off time is reached;
- the ICS Operator has authorised closure of the General Submission Window. This mechanism allows for 'last minute' window extensions where required; and
- the input channels are 'closed'. New files may be accepted for processing on the next ICS Operating Day, but will not be made available for ICS processing.

The 'Rollover' process is subject to the following dependencies:

- all in-flight traffic is complete. Under normal processing conditions this should be before 00:30:00 on any ICS Business Day, though it could be as early as 00:00:00 (where no last-minute submissions were received just before the cut-off time);
- the ICS Operator has authorised 'Rollover'. This mechanism allows the next ICS Operating Day to be 'paused', for example, at the end of a Friday to wait until the following Monday; and
- the ICS Central System data is reconciled.

Sending of RtP Payment Requests - Day 2

This process initiates in parallel with the 'Rundown' process and should complete before 00:30:00.

Settlement wash-up and settlement execution

The settlement 'wash-up' process is subject to the following dependencies:

- the RtP Payment Response Submissions (MSG07) cut-off time is reached;
- all RtP Payment Response Submissions (MSG07) prior to cut-off have been processed;
- the paying flow is reconciled by the system; and
- the ICS Operator has authorised the process. This mechanism allows for 'last minute' window extensions where required.

Settlement execution can take place only after settlement 'wash-up' is complete. Settlement execution under which the final (net) settlement positions are provided to the SSP and the Dedicated Liquidity Cycle Period is closed. The key events are as follows:

- generate MT298 message (the ICS Settlement Notification) and transmit to the SSP at 16:15:00;

- settlement at SSP completes by 16:30:00; and
- SSP sends confirmation notification shortly after.

End of ICS Operating Day Reports

Any reports scheduled for production at the end of the ICS Operating Day are generated at this time.

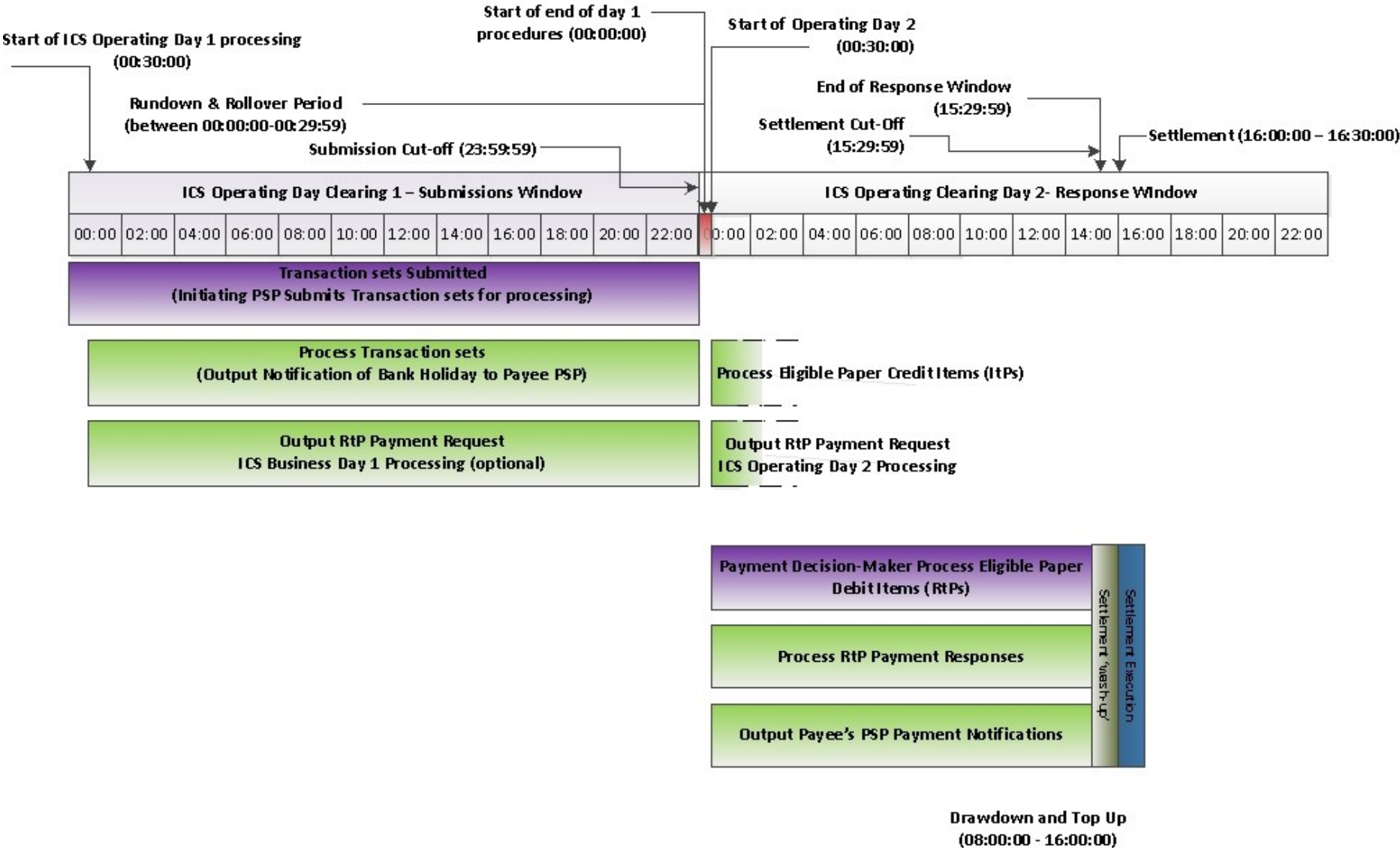


Figure 3 – ICS Operational Timetable

Chapter IV

ICS Rules

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1. THE ICS RULES

- 1.1 These ICS Rules form part of this ICS Manual issued by the ICS Operator.
- 1.2 The ICS Rules apply to participants that are “responsible” for payment transfer orders (i.e. Payment Messages) that enter the ICS, namely settlement participants. References to the **Participant** in these ICS Rules are to an ICS participant acting in the capacity of a settlement participant which is bound by these ICS Rules in accordance with the ICS Participant Agreement to which it is a party.
- 1.3 The ICS Rules should be read together with the Overview of this ICS Manual which contains important information on:
 - 1.3.1 the ICS Operator and the ICS operated by it;
 - 1.3.2 the law which governs these ICS Rules;
 - 1.3.3 the jurisdiction of the courts to settle disputes in connection with these ICS Rules and/or any non-contractual obligation arising in connection with them; and
 - 1.3.4 the definition of terms used in, and the interpretation of, these ICS Rules.
- 1.4 Other ICS Specifications, in addition to these ICS Rules, have specific application to settlement participants, including the operational settlement requirements set out in the ICS Operating Manual.
- 1.5 These ICS Rules may be changed in the manner described, and subject to the applicable prior consultation procedures set out, in Chapter VI of this ICS Manual.

2. SETTLEMENT PARTICIPATION AND ACCESS CRITERIA

- 2.1 In addition to and without prejudice to the other ICS Specifications which apply to the ongoing participation of the Participant, to be eligible to become and remain a settlement participant, an institution or other business must:
- 2.1.1 hold an ICS RTGS Account and an ICS RCA;
 - 2.1.2 be an institution or other business which falls within the definition of 'participant' in the Regulations;
 - 2.1.3 have the ability to comply on a continuous basis with the technical and operational requirements of the ICS applicable to settlement participants as set out in this ICS Manual and the User Documents from time to time;
 - 2.1.4 pay the costs associated with participation in the ICS as a settlement participant; and
 - 2.1.5 if required to do so by the ICS Operator, provide and update as the ICS Operator requires, a legal opinion issued by an independent legal adviser and in terms acceptable to the ICS Operator regarding, amongst other things, the Participant's capacity to execute and be bound by the ICS Specifications applicable to settlement participants.
- 2.2 The Participant (as a Direct Participant) shall not allocate a sorting code to any of its Indirect Participants for use in the ICS (or maintain such allocation), unless that relevant Indirect Participant adheres to the eligibility criteria specified for the ICS in the Clearing Codes Rules and Clearing Codes Procedures (which form part of the [Third Party User Documents](#)).
- 2.3 ICS Rule 2.2 is a Multilateral ICS Specification applying for the benefit of all other settlement participants.

3. RIGHTS AND DUTIES OF SETTLEMENT PARTICIPANTS

- 3.1 The Participant agrees and acknowledges that it accepts responsibilities and liabilities as a settlement participant as principal and not as agent for any other person.
- 3.2 The Participant shall be technically, operationally and financially responsible for Payment Messages sent by it or received by it.
- 3.3 The Participant must for the purposes of settling Payment Messages through the ICS comply with these ICS Rules and the User Documents. The Participant shall operate in accordance with the rules, procedures, standards and timetables of the ICS when settling Payment Messages. This includes, but is not limited to, abiding by decisions and/or directions made by, or on behalf of, the ICS Operator, and adhering to any applicable service level codes.
- 3.4 The Participant agrees and acknowledges that, for the purposes of the Regulations, the ICS Operator may from time to time co-operate (by the sharing of information or otherwise with):
 - 3.4.1 any or all of the Financial Conduct Authority, the Prudential Regulation Authority and/or the Payment Systems Regulator (or such body or bodies which supersede or replace any or all of them);
 - 3.4.2 the Bank of England (including as designating authority under the Regulations or as financial stability overseer of the ICS or otherwise);
 - 3.4.3 any relevant office-holder (as defined in the Regulations); and
 - 3.4.4 any authority, body or person having responsibility for any matter arising out of, or connected with, the default of the Participant or any other settlement participant.
- 3.5 The Participant agrees and acknowledges that, for the purposes of the Regulations, it must (except if such request is frivolous or vexatious) provide to any interested person who requests it within 14 days of such request and upon payment by such person of a reasonable charge:
 - 3.5.1 details of the system or systems which is/are designated for the purposes of the Settlement Finality Directive in which the Participant participates; and
 - 3.5.2 information about the main rules governing the functioning of such a system.
- 3.6 The Participant agrees and acknowledges that, for the purposes of the Regulations, it must upon:
 - 3.6.1 the passing of a creditors' voluntary winding up resolution (or analogous procedure in the jurisdiction of incorporation of the Participant); or

- 3.6.2 a trust deed granted by it becoming a protected trust deed,
notify forthwith both the ICS Operator and the Bank of England that such a resolution has been passed or, as the case may be, that such a trust deed has become a protected trust deed.
- 3.7 The Participant agrees to contribute, in the manner and proportions determined by the Board from time to time to be equitable as between the settlement participants, to the costs, liabilities and expenses incurred by the ICS Operator including the operation of the ICS.
- 3.8 The Participant:
- 3.8.1 (where it is the Relevant Decision-Maker for any debit item) shall:
- (a) accept as effective the presentment for payment to it of a relevant image of that item through the ICS in accordance with the ICS Service Description; and
 - (b) (provided the Initiating PSP in respect of the item has complied with the timescale for presentment referred to in ICS Rule 6.1.3(a)) send (or procure the sending of) its payment decision to the ICS Switch (and so that such payment decision is accepted by the ICS Switch) no later than during the Local ICS Operating Day falling on D+1 for that item (as determined in accordance with ICS Rule 6.1.3);
- 3.8.2 (where its Indirect Addressee PSP is the Relevant Decision-Maker for any debit item) shall ensure that its Indirect Addressee PSP:
- (a) accepts as effective the presentment for payment to it of a relevant image of that item through the ICS in accordance with the ICS Service Description; and
 - (b) (provided the Initiating PSP in respect of the item has complied with the timescale for presentment referred to in ICS Rule 6.1.3(a)) sends (or procures the sending of) its payment decision to the ICS Switch (and so that such payment decision is accepted by the ICS Switch) no later than during the Local ICS Operating Day falling on D+1 for that item (as determined in accordance with ICS Rule 6.1.3);
- 3.8.3 (where another person acts as the Relevant Decision-Maker for any debit item on behalf of the Participant or its Indirect Addressee PSP) shall ensure that such other person:
- (a) accepts as effective the presentment for payment to it of a relevant image of that item through the ICS in accordance with the ICS Service Description; and

(b) (provided the Initiating PSP in respect of the item has complied with the timescale for presentment referred to in ICS Rule 6.1.3(a)) sends (or procures the sending of) its payment decision to the ICS Switch (and so that such payment decision is accepted by the ICS Switch) no later than during the Local ICS Operating Day falling on D+1 for that item (as determined in accordance with ICS Rule 6.1.3).

For the avoidance of doubt, nothing in this ICS Rule 3.8 shall require a Relevant Decision-Maker to accept (or require the Participant to ensure that a Relevant Decision-Maker accepts) as effective the presentment of a debit item after the latest time for its presentment under the terms of the item.

- 3.9 The Participant shall not settle, or permit any PSP for which it is acting as a Direct Participant (in respect of settlement-related services) to settle, through the ICS any payment transaction of a type which the ICS Service Description prohibits from execution through the ICS.
- 3.10 ICS Rules 3.1 to 3.3 (inclusive) and 3.6 to 3.9 (inclusive) are Multilateral ICS Specifications applying for the benefit of all other settlement participants.

4. SETTLEMENT OF PAYMENT MESSAGES

Eligible Payment Messages

- 4.1 In order for a Payment Message to be eligible for settlement through the ICS it must:
 - 4.1.1 comply with the specification of a Payment Message as outlined in this ICS Manual and the User Documents;
 - 4.1.2 not be conditional;
 - 4.1.3 be directed between settlement participants in the ICS; and
 - 4.1.4 not be initiated by a settlement participant that has been excluded or suspended.

Ineligible Payment Messages

- 4.2 A purported Payment Message that:
 - 4.2.1 fails to satisfy any of the requirements of ICS Rule 4.1; and/or
 - 4.2.2 is sent by a Suspended Participant or an Excluded Participant at the time that that Payment Message would otherwise take effect as having entered the ICS in accordance with ICS Rule 5.1; and/or
 - 4.2.3 is sent by a settlement participant (that is not itself a Suspended Participant or an Excluded Participant), but is received by a settlement participant that is a Suspended Participant or an Excluded Participant at the time that that Payment Message would otherwise take effect as having entered the ICS in accordance with ICS Rule 5.1; and/or
 - 4.2.4 is not accepted by the ICS Central System,shall in any of the above cases be void and of no effect.
- 4.3 Upon suspending or excluding a settlement participant, the ICS Operator shall notify the Participant (if it is not the Suspended Participant or Excluded Participant), and from the moment such notice is given:
 - 4.3.1 the Suspended Participant or Excluded Participant shall use its best endeavours to cease sending Payment Messages to the ICS Central System; and
 - 4.3.2 the Participant (if it is not the Suspended Participant or Excluded Participant) shall use its best endeavours to cease sending Payment Messages addressed to the Suspended Participant or Excluded Participant.

- 4.4 Upon ending the suspension of a settlement participant (otherwise than by making the settlement participant an Excluded Participant), the ICS Operator shall notify the Participant (if it is not the formerly Suspended Participant) and, for the avoidance of doubt, at and from the moment such notice is given ICS Rule 4.3.2 shall no longer apply to the Participant in relation to its sending of Payment Messages to the formerly Suspended Participant.

Maintenance of funds

- 4.5 The Participant shall:
- immediately before the end of each Dedicated Liquidity Cycle Period; and
 - in respect of Relevant Payment Messages sent and received by the Participant during that Dedicated Liquidity Cycle Period,
- maintain in its ICS RTGS Account (and make available) funds that are sufficient to complete the settlement of those Relevant Payment Messages:
- 4.5.1 by way of book-entry across the ICS RTGS Accounts held at the SSP in accordance with the ICS Service Description; and
- 4.5.2 without the need to have recourse to any funds then held in the Participant's ICS RCA.
- 4.6 ICS Rules 4.1 to 4.5 (inclusive) are Multilateral ICS Specifications applying for the benefit of all other settlement participants.

5. ENTRY OF PAYMENT MESSAGES INTO THE ICS AND IRREVOCABILITY

- 5.1 For the purposes of the Regulations, an eligible Payment Message takes effect as having been entered into the ICS at the moment that the item level security and validation checks described in the ICS Service Description are complete or treated as complete in respect of that Payment Message.

Note: The time at which the relevant security and validation checks are complete (or are treated as complete) in respect of an Eligible Payment Message is dependent upon the particular ICS process by which the relevant Payment Message comes to be generated in the ICS Central System.

Debit items

The moment of entry of an Eligible Payment Message generated in respect of a debit item is:

1. *(where the Payment Message is generated in response to a “Pay” RtP Payment Response Submission (MSG07) attributable to the Relevant Decision-Maker), the point at which the security and validation checks for that MSG07 ICS message are complete; or*
2. *(where the Payment Message is generated otherwise than in response to a “Pay” RtP Payment Response Submission (MSG07) attributable to the Relevant Decision-Maker), the point at which the ICS Central System generates a Default Behaviour RtP Notification (MSG12) in respect of the debit item.*

Credit items

The moment of entry of an Eligible Payment Message generated in respect of a credit item is the point at which the security and validation checks for the Transaction Set Submission (MSG01), which contains the credit item, are complete.

- 5.2 An Eligible Payment Message is irrevocable at the moment at which it is first queued for settlement against the Netting Account for the sending settlement participant.
- 5.3 The Participant or any third party (including without limitation any liquidator or other insolvency office-holder of a Participant or a receiver) shall not revoke, or purport or attempt to revoke, any Eligible Payment Message from the time at which it becomes irrevocable (as determined in accordance with ICS Rule 5.2 above).
- 5.4 ICS Rules 5.1 to 5.3 (inclusive) are Multilateral ICS Specifications applying for the benefit of all other settlement participants.

6. CLEARING CYCLES

6.1 The Participant shall ensure that:

6.1.1 (in respect of a Relevant Credit Item deposited with it as the Initiating PSP or with its Indirect Initiating PSP) the amount of that item is settled with the payee's Payment Account PSP (or its Direct Participant for settlement-related services) no later than during the ICS Operating Day following the deposit of that item with it as the Initiating PSP (or with its Indirect Initiating PSP) (the ICS Business Day on which such ICS Operating Day falls in respect of that item, being C + 1 for that item);

6.1.2 (in respect of the Relevant Credit Item settled or to be settled with it as the payee's Payment Account PSP, or as the Direct Participant for settlement-related services for the payee's Payment Account PSP, in accordance with ICS Rule 6.1.1 above) upon the generation of the related Cleared ItP Notification during the ICS Operating Day on C + 1, the amount of that item is credited to the payee's account and is made available to the payee no later than by the end of C + 1 for that item;

6.1.3 in respect of a Relevant Debit Item deposited with it as the Initiating PSP or with its Indirect Initiating PSP:

(a) a relevant image of that item is sent to the ICS Switch so as to allow sufficient time for its presentment for payment to the Relevant Decision-Maker for the item and for the sending of a related payment decision from that Relevant Decision-Maker, in each such case no later than during the Local ICS Operating Day following the item's deposit with the Participant (as the Initiating PSP) or with its Indirect Initiating PSP (the ICS Business Day on which such Local ICS Operating Day falls in respect of that item, being D + 1 for that item); and

(b) upon the generation of a Cleared RtP Notification or Default Behaviour RtP Notification (MSG13) in respect of the Relevant Debit Item during the Local ICS Operating Day on D + 1, the amount of that item is credited to the payee's account and is made available to the payee no later than by the end of D + 1 for that item.

6.2 In respect of a Relevant Debit Item deposited with it as the Initiating PSP or with its Indirect Initiating PSP, the Participant shall ensure that:

6.2.1 the arrangements between it (or its Indirect Initiating PSP) and the relevant customer permit the customer to deposit the Relevant Debit Item with it (or its Indirect Initiating PSP) as a physical instrument and do not require the customer to deposit an electronic image of that instrument; and

- 6.2.2 the Relevant Debit Item itself remains in existence as a physical instrument until at least the time at which both of the following conditions are satisfied:
- (a) the item is due for payment; and
 - (b) a payment decision in respect of the item has been sent to and accepted by the ICS Switch by or on behalf of the Relevant Decision-Maker for the item.
- 6.3 ICS Rules 6.1 and 6.2 are Multilateral ICS Specifications applying for the benefit of all other settlement participants.

7. DEFAULT ARRANGEMENTS

- 7.1 The default arrangements of the ICS for the purposes of the Regulations shall comprise:
- 7.1.1 those rights and powers reserved to the ICS Operator:
- (a) in the ICS Participant Agreement with each settlement participant which enable the ICS Operator to suspend or terminate the participation of that settlement participant upon the occurrence of certain specified events; and
 - (b) in the ICS Requirements under which the ICS Operator may require a settlement participant to provide such co-operation, take such steps or do such other things for the orderly suspension or exclusion of the settlement participant and/or to comply with any direction, decision or requirement of any Regulatory Authority in connection with such suspension or exclusion.
- 7.1.2 the other arrangements which are in place with a view to limiting systemic and other types of risk which might arise in the event of a settlement participant appearing to be unable, or likely to become unable, to meet its obligations in respect of Payment Messages sent by it comprising:
- (a) the ICS RCA Arrangements under which the balance (if any) standing to the credit of each settlement participant's ICS RCA in respect of a Dedicated Liquidity Cycle Period is irrevocably appropriated for the purpose of settling Relevant Payment Messages sent by it to the ICS Central System for settlement during that Dedicated Liquidity Cycle Period;
 - (b) the irrevocable authority from each settlement participant to make debit and credit entries to its Relevant Account in accordance with the ICS Settlement Arrangements;

- (c) the arrangements under which the SSP sends or otherwise makes available to the ICS Operator a Liquidity Earmark Notification at the commencement of each Dedicated Liquidity Cycle Period in accordance with the ICS Settlement Arrangements;
 - (d) the arrangements under which, and upon completion of the Netting Account for a Dedicated Liquidity Cycle Period in respect of Relevant Payment Messages sent to the ICS Central System for settlement during the Dedicated Liquidity Cycle Period, the ICS Operator sends to the SSP an ICS Settlement Notification before the end of that Dedicated Liquidity Cycle Period in accordance with the ICS Settlement Arrangements;
 - (e) the arrangements under which a settlement participant “tops-up” or “draws-down” a sterling amount in its ICS RCA during a Dedicated Liquidity Cycle Period;
 - (f) the arrangements in respect of the operation of the Liquidity Caps;
 - (g) the Payment Finality Procedures; and
 - (h) the Correction Procedures.
- 7.1.3 those other obligations, procedures and arrangements set out in the ICS Specifications that support the orderly withdrawal, suspension or exclusion of a settlement participant with a view to minimizing any disruption to:
- (a) other ICS participants;
 - (b) the operation of the ICS;
 - (c) the ICS Operator's provision of the ICS Central System and/or ICS services to other ICS participants;
 - (d) the Bank of England's provision of services, functions and/or facilities in its capacity as SSP; and
 - (e) any business for which a settlement participant acts or acted as a Direct Participant.
- 7.1.4 such other arrangements as may be designated by the ICS Operator from time to time as ‘default arrangements’ for the purposes of the Regulations,
- in each case to the extent that they are applicable if a settlement participant appears to be unable, or is (apparently) likely to become unable, to meet its obligations in respect of any Payment Message.

- 7.2 ICS Rule 7.1 is a Multilateral ICS Specification applying for the benefit of all other settlement participants.

Chapter V

ICS Requirements

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INTRODUCTION TO CHAPTER V

This Chapter V sets out those obligations applicable to ICS participants which are not in the nature of an ICS Rule (see Chapter IV – ‘ICS Rules’).

Context

These ICS Requirements form part of the ICS Manual issued by the ICS Operator. They should be read together with Chapter I – ‘Overview’ and Chapter II – ‘ICS Glossary’ of this ICS Manual. Chapters I and II of this ICS Manual contain important information on:

- the ICS Operator and the ICS operated by it;
- the law which governs these ICS Requirements;
- the jurisdiction of the courts to settle disputes in connection with these ICS Requirements and/or any non-contractual obligation arising in connection with them; and
- the definition of terms used in, and the interpretation of, these ICS Requirements.

Other provisions of this ICS Manual are also relevant to these ICS Requirements, including the processes by which changes may be made to these ICS Requirements or other parts of the ICS Manual, as described in Chapter VI of this ICS Manual.

Settlement participants are, in addition to the ICS Requirements that are expressed to be applicable to them in this Chapter V, required to comply with the ICS Rules set out in Chapter IV of this ICS Manual.

For each ICS Requirement set out below, the column under "Participant category" indicates by a "✓" those participant categories to which that ICS Requirement applies. If no "✓" is specified against a particular participant category, then that ICS Requirement does not apply to the participant category.

A. Structure

The table below is a guide to this Chapter showing which requirement applies to a particular participant category.

Participant category	Relevant sections	Relevant requirements
Settlement	Section 1A	2;
	Section 1C	1;
	Section 1D	1; 2; 3; 4;
	Section 1E	1.1; 1.2; 2; 3.1; 3.2; 3.3;
	Section 2A	1;
	Section 2B	1; 1.1; 1.2; 1.3; 1.4; 2;
	Section 2C	1; 1.1; 1.2; 1.3; 1.4; 1.5;
	Section 2D	1;
	Section 2E	1;
	Section 2F	1; 2;
	Section 2G	1; 2;
	Section 2H	1;
	Section 3	1; 2; 2.1; 2.2; 3; 4; 5;
	Section 4A	2; 3; 3.1; 3.2; 3.3;
	Section 4B	1; 2; 3; 4; 5;
	Section 4C	1;
	Section 4D	1; 1.1; 1.2; 1.3; 1.4;
	Section 4E	1;
	Section 4F	1; 2; 2.1; 2.2; 2.3;
	Section 4G	1.1; 1.2; 1.3; 2;
	Section 4H	1; 2; 2.1; 2.2;
	Section 4I	1;
	Section 5	1; 2; 3;
	Section 6	1;
	Section 7	1; 2; 3;
	Section 8	1; 1.1; 1.2;
	Section 9	1; 2; 3;
	Section 10	1; 2;
	Section 11	1.1; 1.2; 2;
	Section 12	1; 2; 2.1; 2.2;
	Section 13	1; 2;
	Section 14	1;
Section 15	1.1; 1.2; 1.3; 1.4; 2;	
Section 16B	1.1; 1.2; 1.3; 1.4; 2;	

Participant category	Relevant sections	Relevant requirements
Switch	Section 1A	1.1; 1.2; 1.3; 1.4; 2; 3;
	Section 1B	1; 2; 3;
	Section 1C	1;
	Section 1D	1; 2; 3; 4;
	Section 1E	1.1; 1.2; 2; 3.1; 3.2; 3.3;
	Section 2A	1;
	Section 2B	1; 1.1; 1.2; 1.3; 1.4; 2;
	Section 2C	1; 1.1; 1.2; 1.3; 1.4; 1.5;
	Section 2E	1;
	Section 2F	1; 2;
	Section 2G	1; 2;
	Section 2H	1;
	Section 3	1; 2; 2.1; 2.2; 3; 4; 5;
	Section 4A	1; 2; 3; 3.1; 3.2; 3.3;
	Section 4B	1; 2; 3; 4; 5
	Section 4C	1;
	Section 4D	1; 1.1; 1.2; 1.3; 1.4;
	Section 4E	1;
	Section 4F	1; 2; 2.1; 2.2; 2.3;
	Section 4G	1.1; 1.2; 1.3; 2;
	Section 4H	1; 2; 2.1; 2.2;
	Section 4I	1;
	Section 5	1; 2; 3;
	Section 6	1;
	Section 7	1; 2; 3;
	Section 8	1; 1.1; 1.2;
	Section 9	1; 2; 3;
	Section 10	1; 2;
	Section 11	1.1; 1.2; 2;
	Section 12	1; 2; 2.1; 2.2;
	Section 13	1; 2;
	Section 14	1;
Section 15	1.1; 1.2; 1.3; 1.4; 2;	
Section 16B	1.1; 1.2; 1.3; 1.4; 2;	

SECTION 1: GENERAL REQUIREMENTS**A. Participation and access criteria**

Requirement	Participant category	
	Settlement	Switch
1 To be eligible to become and remain an ICS participant under a relevant participant category, a business must:		
1.1 carry out business and operate an office within the EEA;		✓
1.2 be any of: <ul style="list-style-type: none"> • a company; • a limited partnership; • a limited liability partnership; • a partnership; or • a sole trader. For the avoidance of doubt, individuals will not be eligible to be an ICS participant otherwise than for purposes which are wholly in the course of that individual's trade, business, craft or profession;		✓
1.3 have the ability to comply on a continuous basis with the technical and operational requirements of the ICS that apply to the participant category as set out in the User Documents from time to time;		✓
1.4 if required by the ICS Operator, provide (and update as the ICS Operator requires) a legal opinion issued by an independent legal adviser and in terms acceptable to the ICS Operator, regarding, amongst other things, the participant's capacity to execute and be bound by the ICS Specifications applicable to the participant category.		✓
2 ICS participants shall only input Eligible Paper for settlement through the ICS. This paragraph 2 is a Multilateral ICS Specification applying for the benefit of all other ICS participants.	✓	✓

Requirement	Participant category	
	Settlement	Switch
3 ICS participants shall not allocate a sorting code to any of their Indirect Participants for use in the ICS (or maintain such allocation), unless that relevant Indirect Participant adheres to the eligibility criteria specified for the ICS in Section 3.2 of the Clearing Codes Rules (which form part of the User Documents). This paragraph 3 is a Multilateral ICS Specification applying for the benefit of all switch participants.		✓

B. Requirements relating to the transaction set submission and payment decisions

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall ensure that when they submit to the ICS Central System an ICS message between 00:30:00 and 23:59:59 on any ICS Operating Day, if they do not receive an acknowledgement within 60 minutes from the time of such submission, they resend that ICS message to the ICS Central System.		✓
2 ICS participants shall ensure that when they submit to the ICS Central System an ICS message after 23:59:59 and before 00:30:00, if they do not receive an acknowledgement by 01:00:00, they resend that ICS message to the ICS Central System.		✓
3 ICS participants using the ICS Portal shall download the file of transactions, upon which the Relevant Decision-Maker (for which they are acting) is required to make "Pay/Not Paid" payment decisions, before the end of the windows for the related RtP Payment Response Submission.		✓

C. Throughput Criteria

Requirement	Participant category	
	Settlement	Switch
1 The ICS Operator has set throughput criteria which are designed to minimise liquidity, operational and other risks for ICS participants and the ICS Central System. ICS participants that use the ICS Central System must ensure that they comply with the throughput service level codes set out in the ICS Operating Manual (which is an ICS User Document).	✓	✓
This Section 1.C is a Multilateral ICS Specification applying for the benefit of all other ICS participants.	✓	✓

D. Freedom of Information

Requirement	Participant category	
	Settlement	Switch
1 A public authority who is admitted as a participant in the ICS (Public Authority Participant) shall use all reasonable endeavours to seek the views of the ICS Operator, regarding whether information is Exempt Information, where information is requested from the Public Authority Participant under the FOIA.	✓	✓
2 The ICS Operator shall use reasonable endeavours to consult with any affected ICS participant(s) and respond to any such consultation within the time specified by the Public Authority Participant. The ICS Operator's response shall not affect the right of any affected ICS participant to make its own representations to the Public Authority Participant.	✓	✓

Requirement	Participant category	
	Settlement	Switch
3 The Public Authority Participant shall give proper consideration to whether the information is Exempt Information.	✓	✓
This Section 1.D is a Multilateral ICS Specification applying for the benefit of all other ICS participants.	✓	✓

E. Obligation of ICS participants to co-operate on withdrawal etc.

Requirement	Participant category	
	Settlement	Switch
1 Each ICS participant shall (at its own cost) before, upon and after any withdrawal, suspension or exclusion from participation (whether generally or under a particular participant category) provide such assistance and take such steps as the ICS Operator may reasonably require:		
1.1 for the orderly withdrawal, suspension or exclusion of that ICS participant with a view to minimising any disruption to:	✓	✓
1.1.1 other ICS participants;		
1.1.2 the operation of the ICS;		
1.1.3 the ICS Operator's provision of its services to other ICS participants;		
1.1.4 the Bank of England's provision of its services to the ICS Operator or other ICS participants; or		
1.1.5 any Indirect Participant in relation to which the ICS participant acts (or has acted) as a Direct Participant;		

Requirement	Participant category	
	Settlement	Switch
1.2 in order to comply with any direction, decision or requirement of any Regulatory Authority.	✓	✓
2 A withdrawing ICS participant shall be responsible for paying any costs, fees and expenses that were incurred by it under the ICS Specifications prior to the effective date of its withdrawal from the ICS or from a particular participant category.	✓	✓
3 An Excluded Participant shall be responsible for paying any costs, fees and expenses:		
3.3 that were incurred by it under the ICS Specifications prior to the termination of its participation (whether generally or under a particular participant category);	✓	✓
3.4 that were directly incurred by the ICS Operator arising from such termination; and/or	✓	✓
3.5 payable by the Excluded Participant as may be determined by the Appeal Panel pursuant to the Appeals Process.	✓	✓
This Section 1.E is a Multilateral ICS Specification applying for the benefit of all other ICS participants.	✓	✓

SECTION 2: OPERATIONAL CONTINUITY AND CONTINGENCY**A. Planning**

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall identify, monitor and document the operational requirements that their processes, procedures and systems must be able to meet to perform the functions associated with their participant category.	✓	✓

B. Service flexibility

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall design and maintain the systems supporting their ICS-related processes, services and activities so as to be capable of handling various potential and foreseeable further operational changes, including but not limited to:	✓	✓
1.1 the admission of new ICS participants to the ICS under one or more participant categories;	✓	✓
1.2 changes to the legal or operational structure of ICS participants (mergers, splits etc.);	✓	✓
1.3 withdrawal or exclusion of ICS participants from the ICS (whether generally or under a particular participant category); and	✓	✓
1.4 suspension of ICS participants.	✓	✓
2 ICS participants shall maintain and keep secure the equipment and other processing systems used by them in connection with the ICS.	✓	✓

C. Business continuity and disaster recovery

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall have a business continuity plan and disaster recovery plan in place which shall include, but shall not be limited to, the following:	✓	✓
1.1 annual testing to determine that they can transition to the alternative processing facilities within a timeframe that enables completion of normal processing in accordance with the ICS Operational Timetable and any other timescales set out in the ICS User Documents;	✓	✓
1.2 identification, monitoring, and documentation of risks to ICS-related processes;	✓	✓
1.3 controls and policies for continuity risks to ensure compliance with the ICS Specifications applicable to their participant category;	✓	✓
1.4 the maintenance of alternative processing facilities and connections to the ICS Central System and ICS services - the alternative processing facilities must have a different risk profile to the primary facilities, so that an event that leads to the primary facilities being unavailable is unlikely to also lead to the loss of use of the alternative facilities; and	✓	✓
1.5 the maintenance and operation of, at a minimum, an on-site primary and an off-site alternative facility.	✓	✓

D. Technical maintenance and updates

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall operate their Bank of England applications and system components in accordance with the most recent operating instructions and guidelines issued by the Bank of England.	✓	

E. Operational and personal controls

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall establish, use and maintain appropriate application software and operating system software controls to ensure the safety and integrity of the ICS.	✓	✓

F. Ongoing self-certification

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall conduct periodic audits of themselves and their PPSs (if any) to ensure compliance with the technical and operational requirements as detailed in the ICS Specifications and shall provide such annual self-certification assurances as may be otherwise required by the ICS Operator from time to time.	✓	✓
Requirement	Participant category	

		Settlement	Switch
2	ICS participants shall co-operate with any audit, financial or operational review of business operations (applicable to their participation in the ICS) by the ICS Operator or by an independent third party appointed by it.	✓	✓

G. People risks

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall identify, monitor and document the people risks associated with their ICS-related processes, services and activities.	✓	✓
2 ICS participants shall establish and operate appropriate policies, procedures and training, to meet the identified people risks and thereby ensure that staff are able to meet the requirements and obligations applicable to that ICS participant in both normal and stressed operating conditions as set out in the Security Code of Conduct (which is an ICS User Document).	✓	✓

H. Hardware

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall have and operate appropriate system resilience plans for the hardware used to undertake their ICS-related processes, services and activities as set out in the Incident Management process and ICS Contingency Requirements described in the ICS Operating Manual. Such plans must be underpinned by effective support and maintenance agreements.	✓	✓

SECTION 3: PPS

Requirement	Participant category	
	Settlement	Switch
1 If ICS participants appoint third parties to supply equipment, systems and/or services (for use in connection with that ICS participants' participation in the ICS), they shall ensure that such equipment, systems and/or services comply with the ICS Specifications set out in the PPS Requirements Specification. The PPS Requirements Specification specifies the requirements, amongst other things, in relation to PPSs' functionality, security and performance.	✓	✓
2 ICS participants shall not appoint or use (or continue to use) a PPS whose ownership or performance of any process, service or activity for the ICS participant either causes or risks causing damage to the:	✓	✓
2.1 safety, integrity or efficiency of the ICS; or	✓	✓
2.2 the reputation of the ICS or the ICS Operator.	✓	✓
3 ICS participants using a PPS shall establish and operate such controls, policies and arrangements as are appropriate to ensure that they can continue to operate and provide their ICS-related processes, services and activities in compliance with the ICS Specifications. Specifically, this is in the event that any PPS is unable to continue to perform or provide the relevant process, service or activity to meet the relevant ICS requirements in full or in part.	✓	✓
4 ICS participants shall, with such frequency as they consider (acting reasonably) is appropriate, validate and obtain assurance that the controls, policies and arrangements they have put in place with or in relation to their PPSs are effective and that they continue to be effective.	✓	✓

Requirement	Participant category	
	Settlement	Switch
5 Before an ICS participant uses any PPS, it shall take appropriate steps to determine the standing and ownership of the PPS so as to be satisfied (acting reasonably) that the PPS has the ability, capacity and any authorisation required by applicable law to perform the relevant process, service or activity reliably, efficiently and effectively in compliance with applicable laws and regulations.	✓	✓

SECTION 4: DAY TO DAY OPERATIONS**A. ICS Operating Day**

Requirement	Participant category	
	Settlement	Switch
Hours of operation		
All times below are references to UK time.		
1 ICS participants shall use the ICS to submit data from 00:30:00 until 23:59:59 in accordance with Service Level Codes in the ICS Operating Manual.		✓
Operational access		
2 ICS participants shall identify, monitor and document the operational access risks relevant to their provision of ICS-related processes, services and activities and shall establish and operate such controls, policies and arrangements as are appropriate to ensure that they can continue to conduct and provide services in compliance with the ICS Specifications in the event that the identified operational access risks occur.	✓	✓
Abnormal issues, risks or threats		
3 An ICS participant shall immediately notify the ICS Operator of any issue, imminent risk, or credible threat to payment confidentiality, integrity or availability that leads the ICS participant to believe that:	✓	✓
3.1 the ICS should not open as normal at the start of the ICS Operating Day;	✓	✓
3.2 the ICS may be at risk of abnormal operation at any time during the ICS Operating Day; or	✓	✓
3.3 ICS operations or systems of any other ICS participant(s) may be at risk of abnormal operation at any time during the ICS Operating Day.	✓	✓

B. Static data and routing

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall procure and maintain access to the EISCD.	✓	✓
2 ICS participants shall have sufficient systems, processes and procedures to ensure that their internal sort code reference data is always consistent with the data held in the EISCD.	✓	✓
3 ICS participants shall use, adhere to and maintain support for the technical and message standards that are used to send and receive images and ICS messages as set out in the Message Implementation Guide.	✓	✓
4 Each ICS participant that is making a name change on the EISCD shall inform the ICS Operator in advance. If pre-notification is not possible, then any such changes must be advised within 5 (five) days of the change taking place.	✓	✓
5 ICS participants shall check that the new name on the EISCD is the name registered with the appropriate supervisory body or bodies, as applicable.	✓	✓

C. Performance monitoring

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall establish and validate such systems, processes or procedures as may be required to enable them to measure, monitor and control the provision of their ICS-related services as against the requirements of the ICS service levels set out in the ICS User Documents.	✓	✓

D. Incident management

Requirement	Participant category	
	Settlement	Switch
1 There is a defined incident management process that supports the ICS. The aim of incident management is to restore normal service operations in a timely manner. ICS participants shall comply with the ICS incident management process. This process is set out in the ICS Operating Manual (which forms part of the ICS User Documents). The process includes, but is not limited to, the following:	✓	✓
1.1 each ICS participant shall design and operate its ICS incident management processes so as to ensure that incidents are notified, reported and addressed with the necessary urgency in accordance with the ICS Operating Manual;	✓	✓
1.2 an ICS participant shall take immediate steps (within 30 minutes) to assess the risks arising from an incident which is affecting either it (in relation to its participation in the ICS), the ICS or the ICS Operator;	✓	✓
1.3 an ICS participant shall regularly update the ICS Operator about the status of each incident affecting it and the ICS participant's progress in resolving it;	✓	✓
1.4 each ICS participant must provide a root cause analysis report to the ICS Operator within 5 (five) working days, following the resolution of an ICS participant owned incident.	✓	✓

E. Operational communications and risk assessments

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall ensure that there are effective means of operational communication and escalation internally to ensure effective communication with the ICS Operator.	✓	✓

F. Change management

Requirement	Participant category	
	Settlement	Switch
1 There is a defined change management process that supports the ICS. Change management is the process that plans, controls, schedules and implements change(s) that may be requested either by an ICS participant, the ICS Operator or the Supplier in relation to the ICS.	✓	✓
2 ICS participants shall adhere to the ICS change management process. This process is set out in the ICS Operating Manual (which forms part of the ICS User Documents). The process includes, but is not limited to:	✓	✓
2.1 designing and operating a change management process to ensure that ICS-related changes are requested and implemented with due consideration to risk, impact and timescales;	✓	✓
2.2 regularly updating the ICS Operator about the status of each change that is being implemented; and	✓	✓

Requirement	Participant category	
	Settlement	Switch
2.3 informing the ICS Operator of any changes that ICS participants are seeking to make to their own ICS-related system infrastructure, including planned maintenance activities.	✓	✓

G. Application software

Requirement	Participant category	
	Settlement	Switch
1 Each ICS participant shall ensure that any changes to systems, applications or processes that are used by it to operate or provide its ICS-related processes, services and activities do not:		
1.1 adversely affect the safe and efficient operation of the ICS;	✓	✓
1.2 adversely affect the stability or resilience of the ICS; or	✓	✓
1.3 adversely affect the integrity of the ICS.	✓	✓
2 Each ICS participant shall conduct appropriate risk assessments of material changes to systems, applications or processes that it uses to operate or provide its ICS-related processes, services and activities, as required by the ICS Operator.	✓	✓

H. Testing Assurance in a Go-Live Environment

Requirement	Participant category	
	Settlement	Switch
1 Each ICS participant shall conduct, at least annually, vulnerability testing against their ICS-related processes, services and activities or after any major system upgrade using either external parties or parties independent of their ICS-related business areas.	✓	✓
2 Each ICS participant shall share the key results of its stress, scenario and vulnerability testing with the ICS Operator:	✓	✓
2.1 when requested; or	✓	✓
2.2 by exception, where major risks or concerns are identified.	✓	✓

I. Routine testing

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall test and support testing as required and specified in the ICS Operating Manual (which forms part of the ICS User Documents).	✓	✓

SECTION 5: NETWORK CONNECTIVITY

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall have appropriate connectivity, that is sustainable, secure and of sufficient capacity, to ensure they comply with the ICS Connectivity Specifications (which is a Third Party User Document).	✓	✓
2 ICS participants shall make arrangements with their network service provider to provide the network and shall estimate their network data requirements in order for the network service provider to size the network bandwidth accordingly.	✓	✓
3 ICS participants shall identify, monitor and document the network risks that they incur in operating or providing ICS-related processes, services and activities and which they must manage including, but not limited to, availability, performance and capacity.	✓	✓

SECTION 6: SECURITY

Requirement	Participant category	
	Settlement	Switch
1 Information security is an essential part of the business of the ICS Operator and its ICS participants. The ICS Operator and the ICS participants rely upon keeping ICS-related information confidential whilst also ensuring strong data and image integrity, and timely access to the system. ICS participants must comply with the requirements applicable to their participant status set out in the ICS Security Code of Conduct (which forms part of the ICS User Documents). This Section 6 is a Multilateral ICS Specification applying for the benefit of all other ICS participants.	✓	✓

SECTION 7: RESILIENCE AND CONTINGENCY

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall identify, monitor and document the conditions in respect to their technical systems and operating components (abnormal operating conditions) against which they must mitigate in relation to their provision or operation of ICS-related processes, services and activities.	✓	✓
2 ICS participants shall establish and operate such controls, policies and arrangements as are appropriate to ensure that they can continue to operate and provide their ICS-related processes, services and activities in compliance with the ICS Specifications in the event that identified abnormal operating conditions occur.	✓	✓
3 An ICS participant shall review such controls, policies and arrangements at least annually.	✓	✓

SECTION 8: ON-BOARDING OBLIGATIONS

Requirement	Participant category	
	Settlement	Switch
1 A prospective participant must satisfy all technical and operational requirements for on-boarding (including those relating to testing and trialling) as may be established by the ICS Operator from time to time which shall include, but is not limited to:	✓	✓
1.1 executing a Non-Disclosure Agreement (in form and substance satisfactory to the ICS Operator); and	✓	✓
1.2 executing a Letter of Intent (in form and substance satisfactory to the ICS Operator) confirming their chosen participant category or categories and the intended start date for participation.	✓	✓
2 ICS participants shall provide reasonable support for existing or on-boarding ICS participants including testing support. Each ICS participant shall not unreasonably withhold its consent to provide such support services to another ICS participant (or new or prospective participant) as and when requested to do so by the ICS Operator.	✓	✓

SECTION 9: PARTICIPATION COSTS

Requirement	Participant category	
	Settlement	Switch
1 ICS participants must pay the fees and charges applicable to their participant category and as specified from time to time in Appendix A: Participation costs .	✓	✓
2 Any such fees and charges due to or otherwise collectable by the ICS Operator shall be payable at such times, within such periods and by using such payment methods as may be specified by the ICS Operator from time to time.	✓	✓
3 ICS participants shall provide such information and other assistance as the ICS Operator may reasonably require from time to time to ensure the efficient payment or collection of any fees and charges that are payable to or otherwise collectable by the ICS Operator.	✓	✓

SECTION 10: FRAUD DISPUTE PROCESS REPORTING

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall provide the ICS Operator with any information in their possession or control, and such other assistance, as the ICS Operator may require to enable it to discharge its ICS Regulatory Functions in relation to monitoring the continuing efficiency and effectiveness of the Fraud Disputes Process.	✓	✓
2 ICS participants shall report to the ICS Operator the outcome of any dispute that they have submitted to the Fraud Disputes Process.	✓	✓

SECTION 11: RECORDS

Requirement	Participant category	
	Settlement	Switch
1 Each ICS participant shall (where it maintains records, in electronic form or otherwise, of images sent by it to or received by it from the ICS Switch or of instructions sent by it to or received by it from the ICS Central System or the ICS services):		
1.1 permit the ICS Operator (on being given reasonable notice) to have access to such records at any time or times; and	✓	✓
1.2 provide the ICS Operator with copies of all or any of such records (in such form as the ICS Operator may reasonably require), subject to the ICS Operator paying the reasonable costs of the provision of such copies.	✓	✓
2 ICS participants shall maintain back-ups of client data on items submitted into the ICS Central System and/or ICS services in accordance with good industry practice, for the period whilst those items are being processed through the ICS Central System and/or ICS services.	✓	✓

SECTION 12: OBLIGATIONS RELATING TO ANTI-MONEY LAUNDERING

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall (both prior to their admission and at all times thereafter) provide the ICS Operator with such information, confirmations, access to and copies of records (which are in their possession or otherwise under their control, in compliance with Local CFC Standards) as the ICS Operator may reasonably require in connection with the prevention of money laundering or other Financial Crime or otherwise in connection with compliance by the ICS Operator with any requirement or direction imposed on it by the Bank of England, Payment Systems Regulator or any other Regulatory Authority or by a court order or under compulsion of law.	✓	✓
2 ICS participants shall notify the ICS Operator to the extent permitted by law:	✓	✓
2.1 where they and/or their customer (including their respective Associates) and/or any of their respective personnel have been convicted for any offence relating to money laundering or terrorist financing; or	✓	✓
2.2 of the entering of any judgment or the making of any order against them and/or their customer (including their respective Associates) and/or any of their respective personnel in any civil action or matter relating to money laundering or terrorist financing,	✓	✓
insofar as the relevant ICS participant reasonably determines that any such notification would enable or facilitate the ICS Operator to perform its functions as operator of the ICS.		

SECTION 13: OBLIGATIONS RELATING TO THE PROVISION OF ALTERNATIVE SERVICES

Requirement	Participant category	
	Settlement	Switch
1 To the extent an ICS participant or any of its Associates provides on its own account or in conjunction with others:		
1.1 any service to third party customers equivalent to or substitutable for all or part of the ICS Central System or the ICS services (Alternative Services); or		
1.2 any service to third party customers that relies on a service carried out in whole or in part by a third party supplier and where such third party supplier service is equivalent to or substitutable for all or part of the ICS Central System or the ICS services (Alternative Downstream Services),		
then in relevant communications to such third party customers, the ICS participant shall and shall ensure that any relevant Associate shall: (a) make clear in writing that the Alternative Services and Alternative Downstream Services are unconnected to the ICS Operator and are provided without any reliance on the ICS Operator or the ICS Central System and ICS services and (b) not use any of the ICS Operator's brands, branding, logos, trade marks or trade or corporate names.	✓	✓
2 Any such ICS participant shall consult with the ICS Operator as to the specific wording of such aspects of the relevant customer communications and shall in good faith consider all reasonable suggestions for amendments to such wording made by the ICS Operator.	✓	✓

SECTION 14: SPONSORS' REQUIREMENTS

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall ensure that they make available, upon request, standard published ISO 20022 formats to any Indirect Participant in accordance with the Message Implementation Guide issued by VocaLink Limited (which forms part of the Third Party User Documents).	✓	✓

SECTION 15: OBLIGATIONS RELATING TO ADMISSIBILITY OF IMAGES OF CHEQUES IN LEGAL PROCEEDINGS

Requirement	Participant category	
	Settlement	Switch
1 ICS participants shall:		
1.1 at all times maintain (or procure the maintenance of) a repository for images of items and/or other messages sent by them to the ICS Switch (Relevant Information) which ensures (a) the secure storage, and (b) the efficient and effective reproduction of the Relevant Information upon request by the ICS Operator or any other person contemplated by paragraph 1.3 below (the ICS Operator or such other person being a Requesting Party);	✓	✓
1.2 ensure that all Relevant Information is retained in such repository for such period as may be required under the ICS participant's own record-keeping procedures maintained by it in accordance with applicable law;	✓	✓
1.3 provide all necessary assistance, in a prompt and timely manner, as regards certification and/or authentication as may be reasonably required by a Requesting Party to meet evidential standards in court proceedings (whether civil or criminal) in any Relevant Territory and so as to ensure the admissibility in evidence in such court proceedings of any Relevant Information, any information contained in or derived from Relevant Information, or any matter relating to the presentment, settlement or other processing of the Relevant Information; and	✓	✓

Requirement	Participant category	
	Settlement	Switch
1.4 in relation to any assistance provided to a Requesting Party under paragraph 1.3 above, and subject to any other amount as may be ordered by a court in its discretion, not charge the Requesting Party any amount that (a) is not agreed with the Requesting Party, or (b) exceeds an amount that reasonably corresponds to the ICS participant's actual costs in providing such assistance to the Requesting Party.	✓	✓
2 Nothing in this Section 15 shall require an ICS participant to act upon the request of, or provide any other assistance to, a Requesting Party (other than the ICS Operator) if any such action or other assistance (a) is prohibited by any law applicable to the ICS participant, (b) would be in breach of any court order to which the ICS participant is subject, (c) would be contrary to any regulatory requirement to which the ICS participant is subject or (d) would be in breach of any contractual or other requirement to keep information confidential to which the ICS participant is subject.	✓	✓

SECTION 16: REQUIREMENTS FOR THE TRANSFER OF PERSONAL DATA BETWEEN ICS PARTICIPANTS OUTSIDE THE EEA (THE STANDARD CONTRACTUAL CLAUSES)

A. *Background*

ICS participants may send or authorise the submitting of personal data appearing on Eligible Paper and otherwise relating to individual account holders to another ICS participant during the course of using the ICS Central System and/or the ICS services (a **Transfer**, for the purposes of this Section 16). The ICS participant receiving (or being granted or permitted access to) such personal data via the ICS Central System and/or the ICS services is, in this Section 16 referred to as **Receiving** personal data.

Each ICS participant acknowledges that certain personal data which it Transfers to or Receives from another ICS participant may be subject to English and/or European Data Protection Legislation and that it is possible that such data will transfer out of: (a) the European Economic Area (as it is constituted from time to time) or (b) in the event that the United Kingdom is no longer a part of the European Economic Area, the United Kingdom; to third countries via the ICS Central System and/or the ICS services and, therefore, such data will be transferred subject to and in accordance with the ICS Requirements set out in this Section 16.

Definitions

In this Section 16, save for where such terms are referenced in the Addendums to this Section 16 (where such terms shall have the meanings given in the relevant Addendum), the following words and expressions shall have the following meanings:

Authorised Country means (a) the countries within the EEA, as it is constituted and defined from time to time; (b) in the event that the United Kingdom is no longer a part of the EEA, the United Kingdom, and (c) the countries deemed by the European Commission to provide an adequate level of protection to personal data, from time to time;

means the Controller Model Terms and the Processor Model Terms;

Contractual Clauses

Controller Model Terms means the terms and conditions which are set out in Addendum 1 (below) to this Section 16;

data controller has the meaning given to it in the Data Protection Legislation ;

Data Protection Legislation means any law relating to the processing of personal data and/or privacy applicable in any jurisdiction to which the Transferring ICS Participant has been, is or will be subject, as in force at the date of this Agreement or as re-enacted, applied, amended, superseded, repealed or consolidated, including without limitation, the GDPR, the Data Protection Act 1998, and the Privacy and Electronic

	Communications (EC Directive) Regulations 2003 (in each case including any legally binding regulations, direction, and orders issued from time to time under or in connection with any such law);
EEA	means the European Economic Area (as it is constituted from time to time);
GDPR	means the General Data Protection Regulation (EU Regulation 2016/679);
personal data	has the meaning given to it in the Data Protection Legislation;
processing	has the meaning given to it in the Data Protection Legislation (and related term "process" shall be read accordingly);
Processor Model Terms	means the terms and conditions which are set out in Addendum 2 (below) to this Section 16; and
Third Country	means any country that is not an Authorised Country.

In the event that the Contractual Clauses are amended or replaced by the European Commission, the Contractual Clauses at the Addendums to this Section 16, shall be deemed to be replaced accordingly.

Application of this Part

This Section 16 shall only apply where:

- the data importer is located in a Third Country (or operates part of its business or functionality in a Third Country); and
- the data exporter is located within (a) the EEA, as it is constituted and defined from time to time; or (b) in the event that the United Kingdom is no longer a part of the EEA, the United Kingdom.

B. Requirements

Requirement	Participant category	
	Settlement	Switch
1 In order to enable the lawful Transfer of personal data between ICS participants, each ICS participant agrees that:		
1.1 where it Transfers personal data to another ICS participant in circumstances such that the other ICS participant is a controller, it shall, in respect of that personal data, at all	✓	✓

	time comply with the Controller Model Terms as a data exporter (as defined in the Controller Model Terms);		
1.2	where it Receives personal data from another ICS participant in circumstances such that it is a controller, it shall, in respect of that personal data, at all times comply with the Controller Model Terms as a data importer (as defined in the Controller Model Terms);	✓	✓
1.3	where it Transfers personal data to another ICS participant in circumstances that involve the Receiving ICS participant acting as a data processor on behalf of the ICS participant making the transfer, the ICS participant making the Transfer shall, in respect of that personal data, at all times comply with the Processor Model Terms as a data exporter (as defined in the Processor Model Terms); and	✓	✓
		Participant category	
Requirement		Settlement	Switch
1.4	where it Receives personal data from another ICS participant in circumstances that involve the Receiving ICS participant acting as a data processor on behalf of the ICS participant making the Transfer the ICS participant shall, in respect of that personal data, at all times comply with the Processor Model Terms as a data importer (as defined in the Processor Model Terms).	✓	✓
2	The ICS Requirements set out in this Section 16.B, Addendum 1 and Addendum 2 are Multilateral ICS Specifications applying for the benefit of each ICS participant that Transfers or, as the case may be, Receives personal data from another ICS participant.	✓	✓

ADDENDUM 1: STANDARD CONTRACTUAL CLAUSES (CONTROLLER TO CONTROLLER)

1 Standard contractual clauses for the transfer of personal data from the Community to third countries (controller to controller transfers) (for the purposes of this Addendum 1 - "the clauses" or "these clauses")

For the purposes of the clauses:

- 1.1 “personal data”, “special categories of data/sensitive data”, “process/processing”, “controller”, “processor”, “data subject” and “supervisory authority/authority” shall have the same meaning as in Directive 95/46/EC of 24 October 1995 (as it may have been, or may from time to time be, amended, modified or re-enacted) (whereby “the authority” shall mean the competent data protection authority in the territory in which the data exporter is established);
- 1.2 “the data exporter” shall mean the controller who transfers the personal data;
- 1.3 “the data importer” shall mean the controller who agrees to receive from the data exporter personal data for further processing in accordance with the terms of these clauses and who is not subject to a third country’s system ensuring adequate protection; and
- 1.4 “clauses” shall mean these contractual clauses, which are a free-standing document that does not incorporate commercial business terms established by the parties under separate commercial arrangements.
- 1.5 The details of the transfer (as well as the personal data covered) are specified in Annex B, which forms an integral part of the clauses.

2 Obligations of the data exporter

The data exporter warrants and undertakes that:

- 2.1 The personal data have been collected, processed and transferred in accordance with the laws applicable to the data exporter.
- 2.2 It has used reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses.
- 2.3 It will provide the data importer, when so requested, with copies of relevant data protection laws or references to them (where relevant, and not including legal advice) of the country in which the data exporter is established.
- 2.4 It will respond to enquiries from data subjects and the authority concerning processing of the personal data by the data importer, unless the parties

have agreed that the data importer will so respond, in which case the data exporter will still respond to the extent reasonably possible and with the information reasonably available to it if the data importer is unwilling or unable to respond. Responses will be made within a reasonable time.

- 2.5 It will make available, upon request, a copy of the clauses to data subjects who are third party beneficiaries under clause III, unless the clauses contain confidential information, in which case it may remove such information. Where information is removed, the data exporter shall inform data subjects in writing of the reason for removal and of their right to draw the removal to the attention of the authority. However, the data exporter shall abide by a decision of the authority regarding access to the full text of the clauses by data subjects, as long as data subjects have agreed to respect the confidentiality of the confidential information removed. The data exporter shall also provide a copy of the clauses to the authority where required.

3 Obligations of the data importer

The data importer warrants and undertakes that:

- 3.1 It will have in place appropriate technical and organisational measures to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected.
- 3.2 It will have in place procedures so that any third party it authorises to have access to the personal data, including processors, will respect and maintain the confidentiality and security of the personal data. Any person acting under the authority of the data importer, including a data processor, shall be obligated to process the personal data only on instructions from the data importer. This provision does not apply to persons authorised or required by law or regulation to have access to the personal data.
- 3.3 It has no reason to believe, at the time of entering into these clauses, in the existence of any local laws that would have a substantial adverse effect on the guarantees provided for under these clauses, and it will inform the data exporter (which will pass such notification on to the authority where required) if it becomes aware of any such laws.
- 3.4 It will process the personal data for purposes described in Annex B, and has the legal authority to give the warranties and fulfil the undertakings set out in these clauses.
- 3.5 It will identify to the data exporter a contact point within its organisation authorised to respond to enquiries concerning processing of the personal data, and will cooperate in good faith with the data exporter, the data subject and the authority concerning all such enquiries within a reasonable time. In

case of legal dissolution of the data exporter, or if the parties have so agreed, the data importer will assume responsibility for compliance with the provisions of clause 2.5.

- 3.6 At the request of the data exporter, it will provide the data exporter with evidence of financial resources sufficient to fulfil its responsibilities under clause 4 (which may include insurance coverage).
- 3.7 Upon reasonable request of the data exporter, it will submit its data processing facilities, data files and documentation needed for processing to reviewing, auditing and/or certifying by the data exporter (or any independent or impartial inspection agents or auditors, selected by the data exporter and not reasonably objected to by the data importer) to ascertain compliance with the warranties and undertakings in these clauses, with reasonable notice and during regular business hours. The request will be subject to any necessary consent or approval from a regulatory or supervisory authority within the country of the data importer, which consent or approval the data importer will attempt to obtain in a timely fashion.
- 3.8 It will process the personal data, at its option, in accordance with:
 - 3.8.1 the data protection laws of the country in which the data exporter is established, or
 - 3.8.2 the relevant provisions of any Commission decision pursuant to Article 25(6) of Directive 95/46/EC, where the data importer complies with the relevant provisions of such an authorisation or decision and is based in a country to which such an authorisation or decision pertains, but is not covered by such authorisation or decision for the purposes of the transfer(s) of the personal data; or
 - 3.8.3 the data processing principles set forth in Annex A.

Data importer to indicate which option it selects: the option set out in clause 3.8.3

Initials of data importer:.....

The data importer shall be deemed to have inserted its initials here.

- 3.9 It will not disclose or transfer the personal data to a third party data controller located outside the European Economic Area (EEA) unless it notifies the data exporter about the transfer and:
 - 3.9.1 the third party data controller processes the personal data in accordance with a Commission decision finding that a third country provides adequate protection; or

- 3.9.2 the third party data controller becomes a signatory to these clauses or another data transfer agreement approved by a competent authority in the EU; or
 - 3.9.3 data subjects have been given the opportunity to object, after having been informed of the purposes of the transfer, the categories of recipients and the fact that the countries to which data is exported may have different data protection standards; or
 - 3.9.4 with regard to onward transfers of sensitive data, data subjects have given their unambiguous consent to the onward transfer.
- 3.10 Each party shall be liable to the other parties for damages it causes by any breach of these clauses. Liability as between the parties is limited to actual damage suffered. Punitive damages (i.e. damages intended to punish a party for its outrageous conduct) are specifically excluded. Each party shall be liable to data subjects for damages it causes by any breach of third party rights under these clauses. This does not affect the liability of the data exporter under its data protection law.
- 3.11 The parties agree that a data subject shall have the right to enforce as a third party beneficiary this clause and clauses 2.2, 2.4, 3.1, 3.3, 3.4, 3.5, 3.8, 3.9, 4.1, 6, 7.4 and 8 against the data importer or the data exporter, for their respective breach of their contractual obligations, with regard to his personal data, and accept jurisdiction for this purpose in the data exporter's country of establishment. In cases involving allegations of breach by the data importer, the data subject must first request the data exporter to take appropriate action to enforce his rights against the data importer; if the data exporter does not take such action within a reasonable period (which under normal circumstances would be one month), the data subject may then enforce his rights against the data importer directly. A data subject is entitled to proceed directly against a data exporter that has failed to use reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses (the data exporter shall have the burden to prove that it took reasonable efforts).

4 Law applicable to the clauses

- 4.1 These clauses shall be governed by the law of the country in which the relevant data exporter is established, with the exception of the laws and regulations relating to processing of the personal data by the data importer under clause 3.8, which shall apply only if so selected by the data importer under that clause.

5 Resolution of disputes with data subjects or the authority

- 5.1 In the event of a dispute or claim brought by a data subject or the authority concerning the processing of the personal data against either or both of the

parties, the parties will inform each other about any such disputes or claims, and will cooperate with a view to settling them amicably in a timely fashion.

- 5.2 In the event of a dispute or claim brought by a data subject or the authority concerning the processing of the personal data against either or both of the parties, the parties will inform each other about any such disputes or claims, and will cooperate with a view to settling them amicably in a timely fashion.
- 5.3 The parties agree to respond to any generally available non-binding mediation procedure initiated by a data subject or by the authority. If they do participate in the proceedings, the parties may elect to do so remotely (such as by telephone or other electronic means). The parties also agree to consider participating in any other arbitration, mediation or other dispute resolution proceedings developed for data protection disputes.
- 5.4 Each party shall abide by a decision of a competent court of the data exporter's country of establishment or of the authority which is final and against which no further appeal is possible.

6 Termination

- 6.1 In the event that the data importer is in breach of its obligations under these clauses, then the data exporter may temporarily suspend the transfer of personal data to the data importer until the breach is repaired or the contract is terminated.
- 6.2 In the event that:
- 6.2.1 the transfer of personal data to the data importer has been temporarily suspended by the data exporter for longer than one month pursuant to clause 7.1;
 - 6.2.2 compliance by the data importer with these clauses would put it in breach of its legal or regulatory obligations in the country of import;
 - 6.2.3 the data importer is in substantial or persistent breach of any warranties or undertakings given by it under these clauses;
 - 6.2.4 a final decision against which no further appeal is possible of a competent court of the data exporter's country of establishment or of the authority rules that there has been a breach of the clauses by the data importer or the data exporter; or
 - 6.2.5 a petition is presented for the administration or winding up of the data importer, whether in its personal or business capacity, which petition is not dismissed within the applicable period for such dismissal under applicable law; a winding up order is made; a receiver is appointed over any of its assets; a trustee in bankruptcy is appointed, if the data importer is an individual; a company

voluntary arrangement is commenced by it; or any equivalent event in any jurisdiction occurs.

then the data exporter, without prejudice to any other rights which it may have against the data importer, shall be entitled to terminate these clauses, in which case the authority shall be informed where required. In cases covered by 7.2.1, 7.2.2 and 7.2.4 above the data importer may also terminate these clauses.

- 6.3 Either party may terminate these clauses if (i) any Commission positive adequacy decision under Article 25(6) of Directive 95/46/EC (or any superseding text) is issued in relation to the country (or a sector thereof) to which the data is transferred and processed by the data importer, or (ii) Directive 95/46/EC (or any superseding text) becomes directly applicable in such country.
- 6.4 The parties agree that the termination of these clauses at any time, in any circumstances and for whatever reason (except for termination under clause 7.3) does not exempt them from the obligations and/or conditions under the clauses as regards the processing of the personal data transferred.

7 Variation of these clauses

- 7.1 The parties may not modify these clauses except to update any information in Annex B, in which case they will inform the authority where required. This does not preclude the parties from adding additional commercial clauses where required.

8 Description of the Transfer

- 8.1 The details of the transfer and of the personal data are specified in Annex B. The parties agree that Annex B may contain confidential business information which they will not disclose to third parties, except as required by law or in response to a competent regulatory or government agency, or as required under clause 2.5. The parties may execute additional annexes to cover additional transfers, which will be submitted to the authority where required. Annex B may, in the alternative, be drafted to cover multiple transfers.

ADDENDUM 1: ANNEX A***Data processing principles***

- 1 Purpose limitation: Personal data may be processed and subsequently used or further communicated only for purposes described in Addendum 1: Annex B or subsequently authorised by the data subject.
- 2 Data quality and proportionality: Personal data must be accurate and, where necessary, kept up to date. The personal data must be adequate, relevant and not excessive in relation to the purposes for which they are transferred and further processed.
- 3 Transparency: Data subjects must be provided with information necessary to ensure fair processing (such as information about the purposes of processing and about the transfer), unless such information has already been given by the data exporter.
- 4 Security and confidentiality: Technical and organisational security measures must be taken by the data controller that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, presented by the processing. Any person acting under the authority of the data controller, including a processor, must not process the data except on instructions from the data controller.
- 5 Rights of access, rectification, deletion and objection: As provided in Article 12 of Directive 95/46/EC, data subjects must, whether directly or via a third party, be provided with the personal information about them that an organisation holds, except for requests which are manifestly abusive, based on unreasonable intervals or their number or repetitive or systematic nature, or for which access need not be granted under the law of the country of the data exporter. Provided that the authority has given its prior approval, access need also not be granted when doing so would be likely to seriously harm the interests of the data importer or other organisations dealing with the data importer and such interests are not overridden by the interests for fundamental rights and freedoms of the data subject. The sources of the personal data need not be identified when this is not possible by reasonable efforts, or where the rights of persons other than the individual would be violated. Data subjects must be able to have the personal information about them rectified, amended, or deleted where it is inaccurate or processed against these principles. If there are compelling grounds to doubt the legitimacy of the request, the organisation may require further justifications before proceeding to rectification, amendment or deletion. Notification of any rectification, amendment or deletion to third parties to whom the data have been disclosed need not be made when this involves a disproportionate effort. A data subject must also be able to object to the processing of the personal data relating to him if there are compelling legitimate grounds relating to his particular situation. The burden of proof for any refusal rests

on the data importer, and the data subject may always challenge a refusal before the authority.

- 6 Sensitive data: The data importer shall take such additional measures (e.g. relating to security) as are necessary to protect such sensitive data in accordance with its obligations under clause 3.
- 7 Data used for marketing purposes: Where data are processed for the purposes of direct marketing, effective procedures should exist allowing the data subject at any time to “opt-out” from having his data used for such purposes.
- 8 Automated decisions: For purposes hereof “automated decision” shall mean a decision by the data exporter or the data importer which produces legal effects concerning a data subject or significantly affects a data subject and which is based solely on automated processing of personal data intended to evaluate certain personal aspects relating to him, such as his performance at work, creditworthiness, reliability, conduct, etc. The data importer shall not make any automated decisions concerning data subjects, except when:

8.1

- 8.1.1 such decisions are made by the data importer in entering into or performing a contract with the data subject, and
- 8.1.2 the data subject is given an opportunity to discuss the results of a relevant automated decision with a representative of the parties making such decision or otherwise to make representations to that parties.

or

- 8.2 where otherwise provided by the law of the data exporter.

ADDENDUM 1: ANNEX B

Description of the transfer

Data subjects

The personal data transferred concern the following categories of data subjects:

- People whose data is displayed on Eligible Paper which is entered into the ICS Central System or the ICS services as well as any other living individuals who are the subject of personal data held by any of the ICS participants from time to time.

Purposes of the transfer(s)

The transfer is made for the following purposes:

- The operations and activities of the ICS participants.

Categories of data

The personal data transferred concern the following categories of data:

- Name, contact information, dates of birth, birth place, bank account and banking details, data and information relating to Eligible Paper, telephone and other contact numbers, addresses and email addresses, marital status, citizenship information, national and governmental identification information; drivers' licence information; passport information, other forms of identification information, gender, job or position information, employment and employer information, salary and compensation information, and details relating to fraud or fraud analysis.

Recipients

The personal data transferred may be disclosed only to the following recipients or categories of recipients:

- Employees, directors, consultants, officers, advisers, suppliers, distributors and agents of each of the ICS participants and the ICS Operator and its Supplier and its Supplier's sub-contractors.

Sensitive data (if appropriate)

The personal data transferred concern the following categories of sensitive data:

- In relation to the data subjects noted above: personal data relating to their racial or ethnic origins, political opinions, religious beliefs, trade union membership, physical or mental health (including disabilities), the commission or alleged commission of offences by them and criminal proceedings relating to them.

Data protection registration information of data exporter (where applicable)

In relation to each data exporter (as defined above), this information should be viewed on the Information Commissioner's online register.

Additional useful information (storage limits and other relevant information)

The personal data transferred may be stored for no more than is reasonably necessary for business reasons or otherwise required by applicable law, regulation or guidance.

Data Exporter

In signing the ICS Participant Agreement, each ICS participant shall be deemed to have executed and agreed to be bound by these clauses.

Data Importer

In signing the ICS Participant Agreement, each ICS participant shall be deemed to have executed and agreed to be bound by these clauses.

ADDENDUM 2: STANDARD CONTRACTUAL CLAUSES (CONTROLLER TO PROCESSOR)

Commission Decision C(2010)593

For the purposes of Article 26(2) of Directive 95/46/EC for the transfer of personal data to processors established in third countries which do not ensure an adequate level of data protection.

The parties have agreed on the following Contractual Clauses (the Clauses) in order to adduce adequate safeguards with respect to the protection of privacy and fundamental rights and freedoms of individuals for the transfer by the data exporter to the data importer of the personal data specified in Appendix 1.

ADDENDUM 2 continued**Clause 1: Definitions**

For the purposes of the Clauses:

- (a) 'personal data', 'special categories of data', 'process/processing', 'controller', 'processor', 'data subject' and 'supervisory authority' shall have the same meaning as in Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data;
- (b) 'the data exporter' means the controller who transfers the personal data;
- (c) 'the data importer' means the processor who agrees to receive from the data exporter personal data intended for processing on his behalf after the transfer in accordance with his instructions and the terms of the Clauses and who is not subject to a third country's system ensuring adequate protection within the meaning of Article 25(1) of Directive 95/46/EC;
- (d) 'the subprocessor' means any processor engaged by the data importer or by any other subprocessor of the data importer who agrees to receive from the data importer or from any other subprocessor of the data importer personal data exclusively intended for processing activities to be carried out on behalf of the data exporter after the transfer in accordance with his instructions, the terms of the Clauses and the terms of the written subcontract;
- (e) 'the applicable data protection law' means the legislation protecting the fundamental rights and freedoms of individuals and, in particular, their right to privacy with respect to the processing of personal data applicable to a data controller in the Member State in which the data exporter is established; and
- (f) 'technical and organisational security measures' means those measures aimed at protecting personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing.

Clause 2: Details of the transfer

The details of the transfer and in particular the special categories of personal data where applicable are specified in Appendix 1 which forms an integral part of the Clauses.

Clause 3: Third-party beneficiary clause

- 1 The data subject can enforce against the data exporter this Clause, Clause 4(b) to (i), Clause 5(a) to (e), and (g) to (j), Clause 6(1) and (2), Clause 7, Clause 8(2), and Clauses 9 to 12 as third-party beneficiary.
- 2 The data subject can enforce against the data importer this Clause, Clause 5(a) to (e) and (g), Clause 6, Clause 7, Clause 8(2), and Clauses 9 to 12, in cases where the data exporter has factually disappeared or has ceased to exist in law unless any successor entity has assumed the entire legal obligations of the data exporter by contract or by operation of law, as a result of which it takes on the rights and obligations of the data exporter, in which case the data subject can enforce them against such entity.
- 3 The data subject can enforce against the subprocessor this Clause, Clause 5(a) to (e) and (g), Clause 6, Clause 7, Clause 8(2), and Clauses 9 to 12, in cases where both the data exporter and the data importer have factually disappeared or ceased to exist in law or have become insolvent, unless any successor entity has assumed the entire legal obligations of the data exporter by contract or by operation of law as a result of which it takes on the rights and obligations of the data exporter, in which case the data subject can enforce them against such entity. Such third-party liability of the subprocessor shall be limited to its own processing operations under the Clauses.
- 4 The parties do not object to a data subject being represented by an association or other body if the data subject so expressly wishes and if permitted by national law.

Clause 4: Obligations of the data exporter

The data exporter agrees and warrants:

- (a) that the processing, including the transfer itself, of the personal data has been and will continue to be carried out in accordance with the relevant provisions of the applicable data protection law (and, where applicable, has been notified to the relevant authorities of the Member State where the data exporter is established) and does not violate the relevant provisions of that State;
- (b) that it has instructed and throughout the duration of the personal data processing services will instruct the data importer to process the personal data transferred only on the data exporter's behalf and in accordance with the applicable data protection law and the Clauses;
- (c) that the data importer will provide sufficient guarantees in respect of the technical and organisational security measures specified in Appendix 2 to this contract;

- (d) that after assessment of the requirements of the applicable data protection law, the security measures are appropriate to protect personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing, and that these measures ensure a level of security appropriate to the risks presented by the processing and the nature of the data to be protected having regard to the state of the art and the cost of their implementation;
- (e) that it will ensure compliance with the security measures;
- (f) that, if the transfer involves special categories of data, the data subject has been informed or will be informed before, or as soon as possible after, the transfer that its data could be transmitted to a third country not providing adequate protection within the meaning of Directive 95/46/EC;
- (g) to forward any notification received from the data importer or any subprocessor pursuant to Clause 5(b) and Clause 8(3) to the data protection supervisory authority if the data exporter decides to continue the transfer or to lift the suspension;
- (h) to make available to the data subjects upon request a copy of the Clauses, with the exception of Appendix 2, and a summary description of the security measures, as well as a copy of any contract for subprocessing services which has to be made in accordance with the Clauses, unless the Clauses or the contract contain commercial information, in which case it may remove such commercial information;
- (i) that, in the event of subprocessing, the processing activity is carried out in accordance with Clause 11 by a subprocessor providing at least the same level of protection for the personal data and the rights of data subject as the data importer under the Clauses; and
- (j) that it will ensure compliance with Clause 4(a) to (i).

Clause 5: Obligations of the data importer

The data importer agrees and warrants:

- (a) to process the personal data only on behalf of the data exporter and in compliance with its instructions and the Clauses; if it cannot provide such compliance for whatever reasons, it agrees to inform promptly the data exporter of its inability to comply, in which case the data exporter is entitled to suspend the transfer of data and/or terminate the contract;

- (b) that it has no reason to believe that the legislation applicable to it prevents it from fulfilling the instructions received from the data exporter and its obligations under the contract and that in the event of a change in this legislation which is likely to have a substantial adverse effect on the warranties and obligations provided by the Clauses, it will promptly notify the change to the data exporter as soon as it is aware, in which case the data exporter is entitled to suspend the transfer of data and/or terminate the contract;
- (c) that it has implemented the technical and organisational security measures specified in Appendix 2 before processing the personal data transferred;
- (d) that it will promptly notify the data exporter about:
 - (i) any legally binding request for disclosure of the personal data by a law enforcement authority unless otherwise prohibited, such as a prohibition under criminal law to preserve the confidentiality of a law enforcement investigation,
 - (ii) any accidental or unauthorised access, and
 - (iii) any request received directly from the data subjects without responding to that request, unless it has been otherwise authorised to do so;
- (e) to deal promptly and properly with all inquiries from the data exporter relating to its processing of the personal data subject to the transfer and to abide by the advice of the supervisory authority with regard to the processing of the data transferred;
- (f) at the request of the data exporter to submit its data processing facilities for audit of the processing activities covered by the Clauses which shall be carried out by the data exporter or an inspection body composed of independent members and in possession of the required professional qualifications bound by a duty of confidentiality, selected by the data exporter, where applicable, in agreement with the supervisory authority;
- (g) to make available to the data subject upon request a copy of the Clauses, or any existing contract for subprocessing, unless the Clauses or contract contain commercial information, in which case it may remove such commercial information, with the exception of Appendix 2 which shall be replaced by a summary description of the security measures in those cases where the data subject is unable to obtain a copy from the data exporter;
- (h) that, in the event of subprocessing, it has previously informed the data exporter and obtained its prior written consent;
- (i) that the processing services by the subprocessor will be carried out in accordance with Clause 11; and

- (j) to send promptly a copy of any subprocessor agreement it concludes under the Clauses to the data exporter.

Clause 6: Liability

- 1 The parties agree that any data subject, who has suffered damage as a result of any breach of the obligations referred to in Clause 3 or in Clause 11 by any party or subprocessor is entitled to receive compensation from the data exporter for the damage suffered.
- 2 If a data subject is not able to bring a claim for compensation in accordance with paragraph 1 against the data exporter, arising out of a breach by the data importer or his subprocessor of any of their obligations referred to in Clause 3 or in Clause 11, because the data exporter has factually disappeared or ceased to exist in law or has become insolvent, the data importer agrees that the data subject may issue a claim against the data importer as if it were the data exporter, unless any successor entity has assumed the entire legal obligations of the data exporter by contract or by operation of law, in which case the data subject can enforce its rights against such entity.

The data importer may not rely on a breach by a subprocessor of its obligations in order to avoid its own liabilities.

- 3 If a data subject is not able to bring a claim against the data exporter or the data importer referred to in paragraphs 1 and 2, arising out of a breach by the subprocessor of any of their obligations referred to in Clause 3 or in Clause 11 because both the data exporter and the data importer have factually disappeared or ceased to exist in law or have become insolvent, the subprocessor agrees that the data subject may issue a claim against the data subprocessor with regard to its own processing operations under the Clauses as if it were the data exporter or the data importer, unless any successor entity has assumed the entire legal obligations of the data exporter or data importer by contract or by operation of law, in which case the data subject can enforce its rights against such entity. The liability of the subprocessor shall be limited to its own processing operations under the Clauses.

Clause 7: Mediation and jurisdiction

- 1 The data importer agrees that if the data subject invokes against it third-party beneficiary rights and/or claims compensation for damages under the Clauses, the data importer will accept the decision of the data subject:
 - (a) to refer the dispute to mediation, by an independent person or, where applicable, by the supervisory authority; or

- (b) to refer the dispute to the courts in the Member State in which the data exporter is established.
- 2 The parties agree that the choice made by the data subject will not prejudice its substantive or procedural rights to seek remedies in accordance with other provisions of national or international law.

Clause 8: Cooperation with supervisory authorities

- 1 The data exporter agrees to deposit a copy of this contract with the supervisory authority if it so requests or if such deposit is required under the applicable data protection law.
- 2 The parties agree that the supervisory authority has the right to conduct an audit of the data importer, and of any subprocessor, which has the same scope and is subject to the same conditions as would apply to an audit of the data exporter under the applicable data protection law.
- 3 The data importer shall promptly inform the data exporter about the existence of legislation applicable to it or any subprocessor preventing the conduct of an audit of the data importer, or any subprocessor, pursuant to paragraph 2. In such a case the data exporter shall be entitled to take the measures foreseen in Clause 5 (b).

Clause 9: Governing Law

The Clauses shall be governed by the law of the Member State in which the relevant data exporter is established.

Clause 10: Variation of the contract

The parties undertake not to vary or modify the Clauses. This does not preclude the parties from adding clauses on business related issues where required as long as they do not contradict the Clause.

Clause 11: Subprocessing

- 1 The data importer shall not subcontract any of its processing operations performed on behalf of the data exporter under the Clauses without the prior written consent of the data exporter. Where the data importer subcontracts its obligations under the Clauses, with the consent of the data exporter, it shall do so only by way of a written agreement with the subprocessor which imposes the same obligations on the subprocessor as are imposed on the data importer under

the Clauses. Where the subprocessor fails to fulfil its data protection obligations under such written agreement the data importer shall remain fully liable to the data exporter for the performance of the subprocessor's obligations under such agreement.

- 2 The prior written contract between the data importer and the subprocessor shall also provide for a third-party beneficiary clause as laid down in Clause 3 for cases where the data subject is not able to bring the claim for compensation referred to in paragraph 1 of Clause 6 against the data exporter or the data importer because they have factually disappeared or have ceased to exist in law or have become insolvent and no successor entity has assumed the entire legal obligations of the data exporter or data importer by contract or by operation of law. Such third-party liability of the subprocessor shall be limited to its own processing operations under the Clauses.
- 3 The provisions relating to data protection aspects for subprocessing of the contract referred to in paragraph 1 shall be governed by the law of the Member State in which the relevant data exporter is established.
- 4 The data exporter shall keep a list of subprocessing agreements concluded under the Clauses and notified by the data importer pursuant to Clause 5 (j), which shall be updated at least once a year. The list shall be available to the data exporter's data protection supervisory authority.

Clause 12: Obligation after the termination of personal data processing services

- 1 The parties agree that on the termination of the provision of data processing services, the data importer and the subprocessor shall, at the choice of the data exporter, return all the personal data transferred and the copies thereof to the data exporter or shall destroy all the personal data and certify to the data exporter that it has done so, unless legislation imposed upon the data importer prevents it from returning or destroying all or part of the personal data transferred. In that case, the data importer warrants that it will guarantee the confidentiality of the personal data transferred and will not actively process the personal data transferred anymore.
- 2 The data importer and the subprocessor warrant that upon request of the data exporter and/or of the supervisory authority, it will submit its data processing facilities for an audit of the measures referred to in paragraph 1.

ADDENDUM 2: APPENDIX 1 TO THE STANDARD CONTRACTUAL CLAUSES

This Appendix forms part of the Clauses and must be completed and signed by the parties.

The Member States may complete or specify, according to their national procedures, any additional necessary information to be contained in this Appendix.

Data exporter

The data exporter is (briefly specify your activities relevant to the transfer):

- See sub-section B (Requirements) of this Section 16.

Data importer

The data importer is (briefly specify activities relevant to the transfer):

- See sub-section B (Requirements) of this Section 16.

Data subjects

The personal data transferred concern the following categories of data subjects (specify):

- People whose data is displayed on Eligible Paper which is entered into the ICS Central System or the ICS services as well as any other living individuals who are the subject of personal data held by the ICS Operator or any of the ICS participants from time to time.

Categories of data

The personal data transferred concern the following categories of data (specify):

- Name, contact information, dates of birth, birth place, bank account and banking details, data and information relating to Eligible Paper, telephone and other contact numbers, addresses and email addresses, marital status, citizenship information, national and governmental identification information; drivers' licence information; passport information, other forms of identification information, gender, job or position information, employment and employer information, salary and compensation information, and details relating to fraud or fraud analysis.

Special categories of data (if appropriate)

The personal data transferred concern the following special categories of data (specify):

- In relation to the data subjects noted above: personal data relating to their racial or ethnic origins, political opinions, religious beliefs, trade union membership, physical or mental health (including disabilities), the commission or alleged commission of offences by them and criminal proceedings relating to them.

Processing operations

The personal data transferred will be subject to the following basic processing activities (specify):

- The carrying on of the ICS participant's business and activities (this includes storage, review and analysis of the personal data), participation in the ICS Central System, receipt of the ICS services and regulatory and legal compliance.

ADDENDUM 2: APPENDIX 2 TO THE STANDARD CONTRACTUAL CLAUSES

This Appendix forms part of the Clauses and must be completed and signed by the parties.

Description of the technical and organisational security measures implemented by the data importer in accordance with Clauses 4(c) and 5(c) (or document/legislation attached):

Each of the ICS participants implements technical and organisational security measures which are appropriate and suitable for the banking sector.

Data Exporter

In signing the ICS Participant Agreement, each ICS participant shall be deemed to have executed and agreed to be bound by these clauses.

Data Importer

In signing the ICS Participant Agreement, each ICS participant shall be deemed to have executed and agreed to be bound by these clauses.

Chapter VI

ICS Procedures

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INTRODUCTION TO CHAPTER VI

Context

These ICS Procedures form part of the ICS Manual issued by the ICS Operator. They should be read together with Chapter I – ‘Overview’ and Chapter II – ‘ICS Glossary’ of this ICS Manual. Chapters I and II of this ICS Manual contain important information on:

- the ICS Operator and the ICS operated by it;
- the law which governs these ICS Procedures;
- the jurisdiction of the courts to settle disputes in connection with these ICS Procedures and/or any non-contractual obligation arising in connection with them; and
- defined terms used in, and the interpretation of, these ICS Procedures.

Structure

- **Part A** – sets out key operational procedures to mitigate operational risks, including descriptions of the Appropriation procedures and Correction Procedures used by the ICS Operator in relation to settlement-related activities;
- **Part B** – describes the ICS Operator’s power of direction;
- **Part C** – sets out the procedures for an ICS participant’s change to its participant status;
- **Part D** – explains the circumstances in which the ICS Operator may disclose participant information to certain third parties;
- **Part E** – explains how an ICS participant can terminate its participation;
- **Part F** - sets out the Appeals Process available to an ICS participant aggrieved by a determination made by the ICS Operator in the exercise of certain of its ICS Regulatory Functions;
- **Part G** – sets out the process by which a Provider of Participant Services (PPS) or prospective PPS may seek the publication by the ICS Operator of certain information relating to the PPS and the equipment, systems and/or services it provides, or wishes to provide, to ICS participants;
- **Part H** – sets out the consultation and other procedures that are used by the ICS Operator in relation to changes to the ICS Participant Terms and Conditions;
- **Part I** – sets out the consultation and other procedures used by the ICS Operator in relation to changes to this ICS Manual and the ICS User Documents;

- **Part J** – explains the procedures used by the ICS Operator in relation to the temporary suspension of the ICS and temporary changes to the ICS Operational Timetable; and
- **Part K** – sets out the procedures to be used by the ICS participants when making emergency notifications to the ICS Operator.
- **Schedule 1** – sets out the form of the PPS Compliance Warranty as contemplated by **Part G**.
- **Schedule 2** – sets out the list and related details of PPSs who have provided a PPS Compliance Warranty to the ICS Operator.

PART A. KEY OPERATIONAL PROCEDURES FOR MITIGATION OF OPERATIONAL RISK

Section 1. Appropriation Procedures

1. Upon or after completion of the 'Wash up' process for a Dedicated Liquidity Cycle Period (see section wash up of Chapter III of this ICS Manual), it is possible that:
 - 1.1 Payment Messages that have been queued against a sending settlement participant's Netting Account will not be applied against that Netting Account because of the operation of the Liquidity Cap and the failure of that settlement participant (for any reason) to create additional headroom for such Payment Messages before the end of the Dedicated Liquidity Cycle Period; and/or
 - 1.2 the ICS Operator may determine or otherwise become aware that the net (net) amount which would otherwise be due from a (short) settlement participant would exceed the amount of funds in that settlement participant's Relevant Account (after any top-up of funds made by or on behalf of that settlement participant to its Relevant Account before the Dedicated Liquidity Cycle Period ends).
2. In either such case, the ICS Operator will initiate the Appropriation Procedures. The Appropriation Procedures aim to identify those Payment Messages sent by the affected settlement participant which are to be Excluded Payment Messages. Excluded Payment Messages have passed the point of irrevocability and receive protection under the default arrangements of the ICS in accordance with ICS Rule 7 (Default Arrangements). Excluded Payment Messages are not net settled across the Relevant Accounts of the relevant settlement participant in response to an ICS Settlement Notification; rather, they are settled bilaterally between the affected settlement participants and not under the netting procedure in accordance with clauses 3.2 and 3.5 of the ICS Interbank Settlement Agreement.

Excluded Payment Messages: operation of the Liquidity Cap

3. Under the Appropriation Procedures, the ICS Operator will identify each Eligible Payment Message that, at the end of the '[Wash up](#)' process, remains unapplied against the sending settlement participant's Netting Account because of the operation of the Liquidity Cap (each such Eligible Payment Message (EPM) being a **Cap-Related EPM**). Upon the ICS Operator identifying each Cap-Related EPM, and the sending settlement participant and receiving settlement participant under each such Cap-Related EPM, the Appropriation Procedures and the Netting Account in respect of the related Dedicated Liquidity Cycle Period shall be complete (subject to what is said below under 'Appropriation Procedures: combined event').
4. Upon such completion, the ICS Operator will (subject to what is said below under 'Appropriation Procedures: combined event') inform each pair of settlement participants that are a party to any Cap-Related EPM:
 - 4.1 that the Cap-Related EPM has not or will not be settled by way of net settlement across their Relevant Accounts; and
 - 4.2 that the Cap-Related EPM has passed the point of irrevocability and receive protection under the default arrangements of the ICS in accordance with ICS Rule 7 (Default Arrangements);
 - 4.3 that the Cap-Related EPM will require to be settled bilaterally between the settlement participants; and
 - 4.4 of the identity of the settlement participant from which or (as the case may be) to which the Cap-Related EPM is due.

Excluded Payment Messages: operational error

5. A shortfall in a sending settlement participant's Relevant Available Amount to cover the net amount that would otherwise be payable by it at the end of a Dedicated Liquidity Cycle Period will only arise if there is an operational error affecting (a) the ICS Central System, (b) the RTGS System, (c) the SSP Link and/or (d) the Liquidity Cap.
6. In the event of such a shortfall, the ICS Operator will identify under the Appropriation Procedures each Eligible Payment Message that is to be removed from the Netting Account before it is completed (each such Eligible Payment Message (EPM) being an **Error-Related EPM**). After the removal of each such Error-Related EPM, the related ICS Settlement Notification for the relevant Dedicated Liquidity Cycle Period will instruct a net amount for debit from the Relevant Account of the (short) settlement participant that does not exceed its Relevant Available Amount. Any Error-Related EPMs will not be settled by way of net settlement across Relevant Accounts. They are settled on a bilateral basis between the (short) settlement participant (as sending settlement participant) and the relevant receiving settlement participant and not under the netting procedure.

7. The methodology adopted by the ICS Operator to identify Error-Related EPMS for a particular Dedicated Liquidity Cycle Period will be determined by the ICS Operator (acting in good faith). This will be done with due regard to the efficient and effective resolution of the event which has caused the deficit of funds in that settlement participant's Relevant Account to arise. The ICS Operator's approach will comprise either or both of the following:
 - 7.1 a 'last in, first out' approach (under which the debit entry Payment Messages which were last applied against the short settlement participant's Netting Account in the Dedicated Liquidity Cycle Period are removed); and
 - 7.2 a 'minimum disruption' approach (under which those debit entry Payment Messages with the highest value or value closest to the amount of the deficit, and so as to minimise the number of Error-Related EPMS required to resolve the deficit, are removed).
8. When the Error-Related EPMS have been selected, the ICS Operator will adjust the Netting Account for the affected settlement participants in respect of the Error-Related EPMS.
9. Upon completion of this adjustment, the ICS Operator will inform each pair of settlement participants that are a party to any Error-Related EPM:
 - 9.1 that the Error-Related EPM has not or will not be settled by way of net settlement across their Relevant Accounts;
 - 9.2 that the Error-Related EPM has passed the point of irrevocability and receive protection under the default arrangements of the ICS in accordance with ICS Rule 7 (Default Arrangements);
 - 9.3 that the Error-Related EPM will require to be settled bilaterally between the settlement participants; and
 - 9.4 of the identity of the settlement participant from which or (as the case may be) to which the Error-Related EPM is due.
10. Once all Error-Related EPMS are removed from the Netting Account under the Appropriation Procedures, the Appropriation Procedures and the Netting Account in respect of the relevant Dedicated Liquidity Cycle Period are complete. The ICS Central System will then send the related ICS Settlement Notification (instructing the entry of the adjusted net amount to the Relevant Accounts of the affected settlement participants) for settlement.

Appropriation Procedures: combined event

11. If in respect of any Dedicated Liquidity Cycle Period the ICS Operator identifies both one or more Cap-Related EPMs and one or more Error-Related EPMs, then the Appropriation Procedures (and the Netting Account) in respect of that Dedicated Liquidity Cycle Period shall not be complete until the ICS Operator has removed all relevant Error-Related EPMs from the Netting Account. The ICS Central System will then send the related ICS Settlement Notification (instructing the entry of the adjusted net amount to the Relevant Accounts of the affected settlement participants) for settlement.
12. Further, the ICS Operator will inform each pair of settlement participants that are a party to each such Excluded Payment Message:
 - 12.1 that the Excluded Payment Message has not or will not be settled by way of net settlement across their Relevant Accounts;
 - 12.2 that the Error-Related EPM has passed the point of irrevocability receive protection under the default arrangements of the ICS in accordance with ICS Rule 7 (Default Arrangements);
 - 12.3 that the Error-Related EPM will require to be settled bilaterally between the settlement participants; and
 - 12.4 of the identity of the settlement participant from which or (as the case may be) to which the Excluded Payment Message is due.

Section 2. Correction Procedures**Overview**

1. The Correction Procedures are undertaken by the ICS Operator to delete or otherwise remove from the Netting Account for a Dedicated Liquidity Cycle Period, any credit entry or debit entry which has been included in respect of an Ineligible Payment Message. Ineligible Payment Messages are, in accordance with ICS Rule 4.2 in Chapter IV, void and of no effect.
2. Ineligible Payment Messages may arise, for example, in the case of:
 - 2.1 entries that, due to a technical or other operational failure, have been made to the Netting Account otherwise than in response to a validated Payment Message sent or received by the relevant settlement participants; or
 - 2.2 purported Payment Messages sent by a settlement participant that has been excluded or suspended at the time that that Payment Message enters the ICS Central System.
3. In such cases, the ICS Operator may, on behalf of the affected settlement participants, enter an equal and opposite debit entry and credit entry into their Netting Account to reverse out the void entries. Where such action is taken by the ICS Operator, it shall be carried out before the ICS Operator sends the related ICS Settlement Notification to the SSP for settlement.

4. For the avoidance of doubt, nothing in this Section 2 shall require the ICS Operator to initiate or take any other action under the Correction Procedures. In determining whether to initiate or take other action under the Correction Procedures, the ICS Operator will consider whether such action can in all the circumstances be taken safely and efficiently in the interests of all the ICS and the affected settlement participants.
5. The implementation of any Correction Procedure will be categorised as a live incident of high priority.

PART B. POWER OF DIRECTION

1. The ICS Operator may from time to time need to give directions to ICS participants requiring particular action to be taken (or not taken). Such directions may be given either generally or to particular ICS participants or groups of them.
2. As a general matter, the ICS Operator will only give such a direction to ensure the efficient and effective operation of the ICS, to deal with particular issues relating to the operation or use of the ICS that have arisen and to remedy or avoid a breach of the ICS Specifications.

PART C. CHANGES TO ICS PARTICIPANT STATUS

1. An ICS participant must give no less than 30 (thirty) days' written notice to the ICS Operator of (a) the proposed termination of its participation under a particular participant category, or (b) the proposed addition of a particular participant category as part of its participation in the ICS.
2. Any such notice must be given by the ICS participant in accordance with clause 18 (Notices) of the ICS Participant Terms and Conditions. The ICS Operator will acknowledge receipt of such notice within 2 (two) ICS Business Days.
3. In relation to the proposed termination of a particular participant category, the ICS Operator will update the ICS Participant Database to remove that participant category for the ICS participant on the expiry of 30 (thirty) days from the date on which such notice is received by the ICS Operator (or on such later date as may be specified in the notice).
4. If, upon the proposed termination of a particular participant category, there would be no other participant category for the ICS participant specified as enabled in the ICS Participant Database, then the procedure for termination of participation described in Part E of this Chapter VI must be used by the ICS Participant (and not the procedure set out in this Part C).
5. In relation to the proposed addition of a particular participant category, the ICS Operator will only update the ICS Participant Database to add that new participant category once it is satisfied that all eligibility criteria for admission to that participant category are satisfied in relation to the ICS participant.
6. An ICS participant may only withdraw any notice given under this Part C with the prior written consent of the ICS Operator (such consent not to be unreasonably withheld).

PART D. ICS OPERATOR'S USE OF PARTICIPANT INFORMATION

1. The ICS Operator may use any ICS Information in relation to an ICS participant (including, but not limited to, Participant Information) for the purpose of analysing trends, assessing the adequacy and efficiency of the ICS Central System and ICS services and generally reviewing behaviours within the payments industry.
2. The ICS Operator may also disclose any ICS Information in relation to an ICS participant (including, but not limited to, Participant Information) to a Pay.UK Group company via any secure method of electronic communication, for the purpose of receiving services relating to information management, risk, compliance, operational facilities and other related services from the Pay.UK Group company. The ICS Operator will ensure that such disclosure is made contractually subject to the following terms:
 - 2.1 the Pay.UK Group company will be required to only use the information that it receives for the purpose specified by the ICS Operator;
 - 2.2 to the extent that any information constitutes Participant Information, the Pay.UK Group company will be required to comply with equivalent provisions as to confidentiality as are set out in clause 3 of the ICS Participant Terms and Conditions; and
 - 2.3 the Pay.UK Group company will be required to keep the information secure and to securely and permanently destroy it when the purpose that is specified in accordance with paragraph 2.1 of this Part D has been fulfilled.

PART E. ICS PARTICIPANT'S VOLUNTARY TERMINATION

1. In accordance with clause 10 of the ICS Participant Terms and Conditions, an ICS participant may terminate its participation in the ICS by giving not less than 30 (thirty) days' notice to the ICS Operator (Voluntary Withdrawal Notice).
2. Any such notice must be given by the ICS participant in accordance with clause 18 (Notices) of the ICS Participant Terms and Conditions.
3. On receiving the Voluntary Withdrawal Notice, the ICS Operator will acknowledge receipt to the withdrawing ICS participant within 2 (two) ICS Business Days. In relation to the proposed withdrawal of a particular switch or settlement participant category, the ICS Operator will make available information regarding the fact of that proposal and the corresponding proposed date of the withdrawal to all other switch participants and settlement participants. This will be communicated to them via the broadcast service.
4. Once the ICS Operator has received the Voluntary Withdrawal Notice, the withdrawing ICS participant shall only be entitled to withdraw the notice with the prior written consent of the ICS Operator (such consent not to be unreasonably withheld).
5. The participation of the ICS participant shall terminate on the expiry of 30 (thirty) days from the date on which the Voluntary Withdrawal Notice is received by the ICS Operator (or on such later date as may be specified in the notice), unless prior to such time the Voluntary Withdrawal Notice has been withdrawn by the ICS participant with the prior written consent of the ICS Operator.

PART F. APPEALS PROCESS

Section 1. Introduction

1. Certain decisions made by the ICS Operator in the performance of its ICS Regulatory Functions, known as Relevant Determinations, may be the subject of an appeal by an affected ICS participant or prospective ICS participant under the Appeals Process described in this Part F.

Section 2. Appeals Process

1. Each ICS participant or prospective ICS participant shall be entitled to invoke the Appeals Process in respect of a Relevant Determination.
2. The Board shall provide within 14 (fourteen) days of the date of the Relevant Determination to the ICS participant or prospective ICS participant concerned, written reasons for a Relevant Determination. The Board shall give those reasons to the Appeal Panel should the ICS participant or prospective ICS participant invoke the Appeals Process in respect of such Relevant Determination and otherwise co-operate in timely fashion with the Appeal Panel in relation to such Relevant Determination.
3. Within 30 (thirty) days after the Board has provided the ICS participant or prospective ICS participant with written reasons for the Relevant Determination, the ICS participant or prospective ICS participant may give written notice to the Board of its wish to appeal against the Relevant Determination.
4. Within 7 (seven) working days following the receipt of the notice referred to in paragraph 3 above, the Board shall by written notice to the Appointer request the Appointer to nominate the Appeal Panel to hear and determine the appeal.
5. The Appeal Panel shall be constituted by the Appointer to hear a specific Appeal. It will be composed of a minimum of three individuals. It may comprise:
 - 5.1 Board directors other than those who sat on any Board meeting whose decision is the subject of the Appeal;
 - 5.2 any members of the Pay.UK senior management team or General Counsel team, provided that they have not been directly involved in the decision which is the subject of the Appeal; and
 - 5.3 to the extent required, any independent person designated by the Appointer who is considered acceptable by the Appellant.
6. The Appeals Committee shall exclude directors appointed by the Appellant and directors appointed by any Participant in the same Group as the Appellant as well as their alternatives.
7. Within 14 (fourteen) days following their nomination and confirmation of their willingness to serve, the members of the Appeal Panel shall appoint one of their number to preside over the appeal.

8. The appeal shall be a re-hearing of the original determination of the Board and shall be conducted in accordance with such process as the person appointed under paragraph 6 above shall consider appropriate to fulfil the requirements of natural justice and (so far if at all as he/she is advised that the same applies to the appeal) of the Human Rights Act 1998.
9. The Appeal Panel shall arrive at its decision by a majority vote. The Appeal Panel's decision shall (subject to paragraph 10 below) be final and binding on the Appellant and the ICS Operator and may include a ruling as to how the costs of the appeal (including the remuneration of members of the Appeal Panel) shall be borne as between the Appellant and the ICS Operator.
10. Without prejudice to Part I (changes to this ICS Manual), the ICS Operator may from time to time revise the Appeals Process upon giving the ICS participants not less than 28 (twenty eight) days' prior notice of such revisions. Such revisions shall have no effect on any appeals proceedings which have already been commenced at the time such revisions are published, unless the parties involved in the proceedings otherwise agree. Subject to any such agreement, any such procedures shall continue to be conducted pursuant to the Appeals Process in force at the time those proceedings were commenced.

Section 3. Payment Systems Regulator

1. Nothing in this Part F shall affect any right of an ICS participant or a prospective ICS participant to apply to the Payment Systems Regulator to require the ICS Operator to give it access to the ICS pursuant to the PSR's powers under section 56 of the Financial Services (Banking Reform) Act 2013. However, the PSR has indicated that before making an application to it to exercise this power, it will expect an applicant to have sought to resolve the issue through any available alternative dispute resolution process (such as this Appeals Process).

PART G. PPS COMPLIANCE

Section 1. PPS Compliance Warranty

1. Clause 6 of the ICS Participant Terms and Conditions contemplates a procedure under which the ICS Operator may maintain and publish:
 - 1.1 the name and business address of certain PPSs; and
 - 1.2 a description of the equipment, systems and/or services (as provided to the ICS Operator by the PPS concerned) in respect of which the PPS concerned has provided a PPS compliance warranty and related undertaking (together, the **PPS Compliance Warranty**).
2. The form of the PPS Compliance Warranty which is required by the ICS Operator is set out in Schedule 1 to this Chapter VI.
3. If a PPS wishes to participate in this procedure, it must provide:
 - 3.1 its name and business address to the ICS Operator; and
 - 3.2 a written description of the equipment, systems and/or services that will be the subject of the PPS Compliance Warranty.
4. Upon receipt of this information, the ICS Operator will assess whether it has sufficient information to issue and send a letter in the form set out in Schedule 1 to the PPS concerned.
5. If it is not so satisfied, the ICS Operator will consult with the PPS concerned to seek any additional information that it may require before issuing and sending the letter.
6. Once the ICS Operator is satisfied that it has sufficient information in relation to those matters outlined in paragraph 3 above, it will issue and send the letter for counter-signature by the PPS concerned.

Section 2. List of PPSs

1. Upon receipt from the PPS concerned of a counter-signed and dated letter containing the relevant PPS Compliance Warranty, the ICS Operator shall include the relevant details for the PPS in Schedule 2 to this Chapter VI and/or in the relevant ICS User Document and/or on the ICS Operator's website.
2. The ICS Operator shall maintain the relevant details for the PPS concerned in accordance with its obligations to relevant ICS participants under clauses 6.4 and 6.5 of the ICS Participant Terms and Conditions.

**PART H. CHANGES TO ICS PARTICIPANT TERMS AND CONDITIONS;
CONSULTATION PROCEDURES**

1. In accordance with and subject to clause 14 of the ICS Participant Terms and Conditions, the ICS Operator may change the provisions of the ICS Participant Terms and Conditions. Clause 14.1 provides that this ICS Manual shall set out a consultation procedure that the ICS Operator will follow in connection with such changes.
2. Clause 14.2 of the ICS Participant Terms and Conditions provides that changes to the ICS Participant Terms and Conditions which (a) restrict or exclude liability on the part of the ICS Operator, or (b) impose additional obligations or liabilities on the part of an ICS participant (other than changes which only relate to new services or new optional functionality) will be subject to prior consultation.
3. Changes to the ICS Participant Terms and Conditions will be made by the ICS Operator (subject to clause 14.3 of the ICS Participant Terms and Conditions), either: (a) by giving written notice of the changes to ICS participants; or (b) on the date on which, in the case of new services or new optional functionality, the ICS participant first uses the new or enhanced functionality or additional service.
4. In determining the choice of timing for any particular change, the ICS Operator will, in all cases, aim to allow an appropriate period for implementation where the change will require ICS participants to modify their own systems or services or amend their own existing contractual or other legal arrangements with their customers or their third party suppliers.
5. Changes which are the subject of consultation will be consulted on by the issue of a consultation document sent to each of the ICS participants. The contents of the consultation document and the related consultation procedure will be determined by the ICS Operator (acting in good faith) with a view to ensuring that each ICS participant (a) has a clear understanding of what is being proposed and the business rationale for the proposed change, (b) can properly assess the impact of the proposed change on its business, its customers and its third party suppliers, and (c) has a fair and reasonable opportunity (including adequate time and information) to express its views on what is being put forward.
6. The ICS Operator will provide a summary of its responses to the principal submissions made by ICS participants to the proposed changes as part of the consultation procedure. The ICS Operator will make that summary available on its website.

PART I. CHANGES TO THIS ICS MANUAL AND ICS USER DOCUMENTS; CONSULTATION PROCEDURES

1. This ICS Manual is available on the ICS Operator's website.
2. The principal purpose of this ICS Manual is to describe the functions, facilities and services that the ICS Operator causes to operate as part of the ICS provided to ICS participants.
3. In accordance with clause 14 of the ICS Participant Terms and Conditions, the ICS Operator may change the provisions of this ICS Manual and the ICS User Documents from time to time. Clause 14 provides that this ICS Manual shall set out a consultation procedure that the ICS Operator will follow in connection with such changes.
4. Such changes are formally made when a member of the ICS Operator's legal team authorises the changes in writing and take effect on the date of authorisation, or such later date as is stated in the authorisation.
5. The ICS Operator will not normally consult on or separately notify ICS participants of changes to this ICS Manual or any ICS User Document which it determines (acting in good faith) are of a clarificatory or minor nature or which correct any inaccuracy. Such changes will be made from time to time by updating the version of this ICS Manual available on the ICS Operator's website; or by notifying affected ICS participants that a revised version of the relevant ICS User Document is available upon request.
6. There are two types of change (other than clarificatory, minor or correcting changes) which the ICS Operator may make to this ICS Manual/an ICS User Document only after prior consultation.
 - 6.1 The first type of change reflects a change to any part of the functions, facilities and services that operate or are provided as part of the ICS as described in Chapter III (ICS Service Description) or the relevant ICS User Document. Consultation on this type of change will be on the substance of the change to the ICS, rather than on the literal text of the ICS Manual or the relevant ICS User Document.
 - 6.2 The second type of change reflects a change to those provisions of Chapter IV (ICS Rules), Chapter V (ICS Requirements) or this Chapter VI (ICS Procedures) other than this Part I. Consultation on this type of change will be on the proposed textual amendments to the relevant chapter (and any consequential changes to Chapters I (Overview) and II (ICS Glossary)).

7. The consultation procedure used by the ICS Operator will be the procedure which it determines (acting in good faith) is the most effective, efficient and transparent with a view to ensuring that ICS participants (a) have a clear understanding of what is being proposed and the business rationale for the proposed change, (b) can properly assess the impact of the proposed change on their business, their customers and third party suppliers, and (c) have a fair and reasonable opportunity (including adequate time and information) to express their views on what is being put forward.
8. Such procedure may involve one or more of the following:
 - 8.1 undertaking any change, request fulfilment and release management procedures agreed between the ICS Operator and the ICS participant concerned in any ICS User Documents put in place or otherwise agreed between them;
 - 8.2 consultation by means of the ICS Operator's website and email notification to the affected ICS participants;
 - 8.3 consultation by means of the publication of a consultation paper sent to the affected ICS participants; and
 - 8.4 consultation through the establishment of a working party or other liaison group involving affected ICS participants.
9. In determining the choice of timing for any particular change, the ICS Operator will, in all cases, aim to allow an appropriate period for implementation where the change will require ICS participants to change their own systems or services or amend their own existing contractual or other legal arrangements with their customers or third party suppliers.
10. The ICS Operator will notify each affected ICS participant of the changes to this ICS Manual or an ICS User Document through email or other notification given to the affected ICS participant in accordance with clause 18 of the ICS Participant Terms and Conditions and (in relation to this ICS Manual) on the ICS website.
11. This notification will provide details of the key elements of the changes made and a summary of the ICS Operator's responses to the principal submissions made by the ICS participants to the proposed changes as part of the consultation procedure.
12. The ICS Operator will update the version of this ICS Manual on the ICS Operator's website to show the full text on the effective date of the changes. The ICS Operator will notify affected ICS participants that the revised version of the relevant ICS User Document is available upon request.

PART J. TEMPORARY SUSPENSION OF THE ICS AND CHANGES TO THE ICS OPERATIONAL TIMETABLE

1. The ICS Operator generally seeks to operate the ICS in accordance with the ICS Operational Timetable variation (see section [‘ICS Operational Timetable’](#) of Chapter III of this ICS Manual).
2. However, there may be circumstances when the ICS Operator needs to alter the ICS Operational Timetable or suspend a particular function, facility or service, without any prior notice where, in its opinion, the circumstances make it appropriate to do so. Some of the circumstances where this may be necessary are set out in section [‘ICS Operational Timetable’](#) of Chapter III of this ICS Manual.
3. Such changes will generally only have effect for short periods of time, but in some circumstances may need to apply for longer periods.
4. The ICS Operator will notify affected ICS participants through such means that the ICS Operator determines is most effective, in the relevant circumstances, to enable the ICS participants concerned to mitigate the resulting disruption to their businesses and their customers. Such means may include any or all of the following:
 - 4.1 use of the broadcast and/or notifications functionality made available to ICS participants as part of the ICS services;
 - 4.2 sending emails to relevant contacts in accordance with clause 18 of the ICS Participant Terms and Conditions; and
 - 4.3 conference calls with affected ICS participants.

PART K. EMERGENCY NOTIFICATIONS

1. Clause 18.1 of the ICS Participant Terms and Conditions requires an ICS participant to give immediate or similar notice of certain matters to the ICS Operator (a relevant notice). A relevant notice must be given by an ICS participant in accordance with the notice procedures set out below in paragraphs 2 to 4 of this Part K.
2. A relevant notice from an ICS participant shall be given by notifying the ICS Operator by calling on 0203 217 8700.
3. The ICS participant shall confirm the information given by telephone immediately thereafter by email to governance@wearepay.uk for the attention of Chief Operating Officer.
4. The ICS participant shall confirm the information given by telephone and email in writing, together with all relevant information that the ICS participant has relating to the matter, signed on behalf of the ICS participant by any of the individuals authorised by the ICS participant to take any actions relating to its participation. This should be sent to:

Pay.UK Limited
2 Thomas More Square
London
E1W 1YN,

marked for the attention of the Chief Operating Officer .

SCHEDULE 1 – PPS COMPLIANCE WARRANTY

[Example]

Pay.UK Limited
2 Thomas More Square
London
E1W 1YN

[Counterparty Name and Address]

FAO: [●]

[Date]

Dear Sirs

PPS Compliance Warranty and Related Provisions

A. Background

1. As you are aware, we may from time to time admit banks and other businesses (each a "**Participant**") to participation in a payment system under which sterling cheques and other relevant instruments (as well as sterling credits) may be cleared via the electronic submission and processing of images (the "**ICS**"). We understand that you have been, or that you wish to be, appointed by one or more Participants to supply equipment, systems and/or services for use in connection with the Participants' participation in the ICS (such that you are, or will become, a "**PPS**", as defined in paragraph 4 below, for the purposes of this letter).
2. It is understood that:
 - a. as a PPS, or prospective PPS, you may elect to provide a particular warranty and undertaking directly to us in respect of the equipment, systems and/or services which you provide, or wish to provide, to a Participant in connection with the ICS; and
 - b. in return for your provision of such warranty and undertaking, we will include in the ICS Manual and/or the User Documents and/or on our website: (i) your name and business address and (ii) details of the equipment, systems and/or services in respect of which the warranty and undertaking is provided to us.
3. Accordingly, this letter establishes the terms and conditions pursuant to which you provide the warranty and undertaking referred to in paragraph 2a of this letter and pursuant to which we will publicise the information referred to in paragraph 2b of this letter.

B. Definitions

4. In this letter, the following expressions shall have the following meanings:

"ICS"	the meaning given to it in paragraph 1 of this letter;
"ICS Glossary"	that part of the ICS Manual which is entitled the "ICS Glossary";
"ICS Manual"	the document entitled the "ICS Manual" issued by us (as amended by us from time to time) and which is made available on our website;
"party"	you or us (as the context requires) and "parties" shall be construed accordingly;
"PPS"	any person who is appointed by a Participant to supply equipment, systems and/or services (for use in connection with the Participant's participation in the ICS) which must comply with the requirements specified from time to time by us in the ICS Manual and/or the User Documents in relation, amongst other things, to their functionality, security and performance;
"PPS Compliance Warranty"	the meaning given to it in paragraph 5a of this letter; and
"User Document(s)"	the meaning given to it in the ICS Glossary.

C. Rights and Obligations of the Parties

5. In consideration of the undertaking provided to you under paragraph 6 of this letter, you hereby:

- a. represent and warrant to us that any equipment, systems and/or services which you supply to a Participant in connection with the ICS comply, and will at all material times comply, with the relevant requirements specified by us from time to time in the ICS Manual and/or the User Documents (the **"PPS Compliance Warranty"**);
- b. undertake to us that you have provided (or, promptly following the date on which you are appointed by a Participant, will provide) a representation and warranty, on materially identical terms to the PPS Compliance Warranty, to any Participant to or for whom you supply equipment, systems and/or services in connection with the ICS;

- c. agree and acknowledge that the PPS Compliance Warranty shall be deemed to be true and correct on: (i) the date of this letter and (ii) each day following the date of this letter during which your equipment, systems and/or services are used or received by a Participant in connection with the ICS; and
 - d. undertake, promptly following your receipt of a written request from us (such request to be made no more than once in any successive 18 month period, the first such period to begin on the date of this letter), to confirm to us in writing that the PPS Compliance Warranty either remains true and correct or no longer remains true and correct.
- 6. In consideration of your provision to us of the PPS Compliance Warranty (and the other undertakings and acknowledgements set out in paragraph 5 of this letter), we hereby undertake, subject to paragraphs 7 and 8 of this letter and our receipt from you of a countersigned and dated copy of this letter, to include in the ICS Manual and/or the User Documents and/or on our website:
 - a. your name and business address (in each case as you notify to us from time to time and, in the absence of any such notification, as are set out on the first page of this letter); and
 - b. a description of the equipment, systems and/or services in respect of which the PPS Compliance Warranty is provided to us (provided that you have given full and accurate details of such equipment, systems and/or services in a form which is, in our sole discretion, satisfactory to us and appropriate for inclusion in the ICS Manual and/or the User Documents and/or on our website).
- 7. You acknowledge that we are permitted (with or without providing further notice to you) to remove the information referred to in paragraphs 6a and/or 6b of this letter from the ICS Manual, the User Documents and/or our website if:
 - a. at any time following the date of this letter, we consider (acting reasonably) that any information which you give to us pursuant to paragraphs 6a and/or 6b of this letter are in any way inaccurate, false or misleading;
 - b. following a request by us under paragraph 5d of this letter, you fail to confirm, within a timeframe specified by us (or, if no timeframe has been specified by us, within a reasonable period) that the PPS Compliance Warranty remains true and correct or else you notify us that the PPS Compliance Warranty no longer remains true and correct;
 - c. you fail to provide to any Participant to or for whom you supply equipment, systems and/or services in connection with the ICS, a representation and warranty pursuant to, and in accordance with, the undertaking contemplated by paragraph 5b of this letter;

- d. we reasonably believe that you have materially or persistently breached the PPS Compliance Warranty and/or the corresponding representation and warranty provided by you to a Participant pursuant to the undertaking contemplated by paragraph 5b of this letter. For the purposes of this paragraph 7d, you shall be considered to be in material or persistent breach of the PPS Compliance Warranty (or to have failed to comply with the corresponding representation and warranty provided to a Participant as contemplated by paragraph 5b of this letter) only if we determine (acting in good faith) that the breach or (as the case may be) the failure is of sufficient seriousness or has been (or is likely to be) repeated sufficiently often so as to have or be likely to have a material impact upon the security, integrity, efficiency, effectiveness or reputation of the ICS;
 - e. we receive written notice from a Participant (in respect of which you are a PPS) that you are unable, unwilling or have refused for any reason to perform, pay or otherwise discharge your obligations in full under or in relation to the representation and warranty provided by you to such Participant pursuant to the undertaking contemplated by paragraph 5b of this letter; or
 - f. you cease to supply to any Participant the equipment, systems and/or services in respect of which we have included a description in the ICS Manual and/or the User Documents and/or on our website and you no longer wish to be appointed by any Participant to supply such equipment, systems and/or services (and you agree to notify us in writing of the date of such cessation as soon as reasonably practicable after you become aware of it).
8. We agree to remove the information referred to in paragraphs 6a and/or 6b of this letter from the ICS Manual, the User Documents and/or our website promptly following our receipt from you of a written request requiring us to do so.

D. General

9. No failure or delay by either party or time or indulgence given by either party in or before exercising any remedy or right under or in relation to this letter shall operate as a waiver or variation of the same nor shall any single or partial exercise of any remedy or right preclude any further exercise of the same or the exercise of any other right or remedy and no act or course of conduct on the part of either party shall preclude that party from exercising any such right or constitute a suspension or variation of any such right.
10. No waiver by either party of any requirement of this letter or of any right or remedy under this letter shall have effect unless given by notice in writing signed by such party. No waiver of any particular breach of the provisions of this letter shall operate as a waiver of any repetition of such breach.

11. If any provision (or part of any provision) of this letter is found by any court or other authority of competent jurisdiction to be invalid, illegal or unenforceable in any respect, that provision or part-provision shall, to the extent required, be deemed not to form part of this letter, and the validity and enforceability of the other provisions of this letter shall not be affected. The parties shall endeavour in good faith promptly to adopt an amendment to this letter to replace the invalid, illegal or unenforceable provision or part-provision with a valid, legal and enforceable provision or part-provision having, to the extent legally possible, the same economic and legal effect as the invalid, illegal or unenforceable provision or part-provision.
12. Your rights under this letter are not assignable, either at law or in equity, nor are they capable of having any security interest or trust created over them. You may not assign or otherwise transfer any of your rights, benefits or obligations under or pursuant to this letter. This letter shall be binding on, and shall enure for the benefit of, any successor in title to each of the parties.
13. All warranties, conditions or representations implied by statute or law are (save where specifically contained in this letter and the documents referred to in it) excluded to the fullest extent permitted by law.
14. Each of the parties acknowledges that, in agreeing to the terms of this letter, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this letter) made by or on behalf of the other party before the date of this letter. This letter contains the whole agreement between the parties relating to its subject matter. Each of the parties waives all rights and remedies which, but for this paragraph 14, might otherwise be available to it in respect of any representation, warranty, collateral contract or other assurance (provided that nothing in this paragraph will exclude any liability of either party for fraud).
15. The parties agree that the courts of England and Wales shall have exclusive jurisdiction to settle any disputes arising out of or in connection with this letter (including, without limitation, any non-contractual obligations) and the parties accordingly submit to the exclusive jurisdiction of the English and Welsh courts. The parties: (i) waive objection to the English and Welsh courts on grounds of inconvenient forum or otherwise as regards proceedings arising out of or in connection with this letter (including, without limitation, any non-contractual obligations) and (ii) agree that a judgment or order of an English or Welsh court in connection with this letter (including, without limitation, any non-contractual obligations) is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.
16. This letter and all rights and obligations (including, without limitation, any non-contractual obligations) arising under or in connection with this letter shall be governed by the laws of England and Wales.

Please countersign this letter and return it to us (at the address set out on its first page) to signify your understanding of, and agreement to, its terms.

Yours faithfully

.....

for and on behalf of

Pay.UK Limited

We hereby acknowledge and confirm our receipt and understanding of this letter and our agreement to its terms.

.....

for and on behalf of

Date:

SCHEDULE 2 – COMPLIANT PPS

Hague Software Solutions Limited

Business address:

Thomas House Don Pedro Avenue
Normanton Industrial Estate
Normanton
WF6 1TD

The Solchar Transaction Journal (TJ) system from Hague Software Solutions delivers functionality for Initiating, Payer and Payee PSPs in ICS and offers capture, workflow, anti-fraud and search capabilities. An add-on to the Solchar TJ System, the ICS Connector, manages the message exchange with the ICS and supports all message flows.

Appendices

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APPENDIX A – PARTICIPATION COSTS

ICS costs

Prospective participation costs

Prospective ICS participants must pay the costs and charges (if any) that the ICS Operator may incur in connection with obtaining any legal opinion pursuant to ICS Rule 2.1.5 (in relation to settlement participants) and ICS Requirement 1.4 in Section 1.A (in relation to other participant categories).

ICS participation costs

ICS participants shall pay the following transaction costs and charges (if any) in connection with their participation in the ICS:

Settlement participant

There is no transaction cost or charge payable to the ICS Operator by settlement participants. However, see below details of the third party charges that will be payable by settlement participants.

Switch participant

A charge is payable by a switch participant in respect of each item processed through the ICS in accordance with the table set out below.

The charge specified in the body of the table is payable by the switch participant which:

- acts for the relevant PSP specified in the row at the top of the table;
- in respect of the item under the ICS process specified in the column on the left hand side of the table.

For example, a charge is payable by the switch participant which:

- acts for the payer's PSP;
- under a debit item which is processed under RtP processing.

If a switch participant acts for both the payer's PSP and the payee's PSP under an item, then the switch participant must pay the total amount payable for the payer's PSP and payee's PSP (where they are different PSPs) as specified in the table below. Each PSP is identified by reference to the unique bank code contained within the EISCD.

The sum specified below is payable irrespective of whether the relevant item proceeds to settlement through the ICS (e.g. even if, under a debit item subject to RtP processing, a "Not Paid" payment decision is sent by the Relevant Decision-Maker for the item).

No charge is payable by a switch participant in respect of any item which is processed under IoD or IoC processing.

Switch participant Acting for Item process	Payer's PSP	Payee's PSP	Initiating PSP (if different from the payer's PSP or payee's PSP)
Debit item under RtP processing	13.5p	13.5P	No charge
Credit item under ItP processing	13.5P	13.5P	No charge
Debit item or credit item under IoD or IoC processing	No charge	No charge	No charge

Third party costs and fees

Bank of England

The Bank of England currently charges a tariff of £3,250 per annum to each settlement participant in connection with the Bank's provision of the standardised net settlement service to that settlement participant (which may be amended from time to time).

Payment Systems Regulator (PSR)

The PSR allocates, calculates and collects from time to time annual regulatory fees. These are payable by participants in regulated payment systems under the 2013 Act in accordance with an approved methodology published from time to time by the PSR. The ICS Operator may act as collection agent for such fees payable by settlement participants under the approved methodology.

VocaLink Limited

VocaLink charges for changes to status in the EISCD dependent upon the complexity of the sort code reference data associated with the change.

Network service providers

Network service providers charge switch participants for the provision of their Network Services. The actual costs are subject to negotiation between each switch participant and the relevant network service provider.

Enquiry Link

An enquiry link workstation is required if a new settlement participant does not have existing SWIFT infrastructure. The actual costs of the workstation and other enquiry link services are subject to negotiation between the new settlement participant and SWIFT.

APPENDIX B – ICS USER DOCUMENTS

Live Operations

- Standard 3.1
- Standard 3.2
- Standard 3.3
- Standard 3.4
- Standard 3.5
- Standard 25
- Standard 51
- Standard 55
- Standard 56
- ICS Operating Manual
- ICS Fraud Manual
- Security Code of Conduct