

SPECIAL TERMS AND CONDITIONS FOR ANCILLARY SYSTEMS (AS) USING REAL-TIME GROSS SETTLEMENT ANCILLARY SYSTEM (RTGS AS) SETTLEMENT PROCEDURES

Article 1

Opening and Management of AS technical accounts and use of RTGS AS settlement procedures

- (1) Eesti Pank may on the request of an AS open and operate one or more RTGS AS technical accounts to support RTGS AS settlement procedures.
- (2) There shall be no debit balance on an RTGS AS technical account.
- (3) RTGS AS technical accounts shall not be published in the RTGS directory.
- (4) The AS shall select at least one of the following settlement procedures for the purposes of processing AS transfer orders:
 - a) RTGS AS settlement procedure A;
 - b) RTGS AS settlement procedure B;
 - c) RTGS AS settlement procedure C;
 - d) RTGS AS settlement procedure D;
 - e) RTGS AS settlement procedure E.
- (5) The rules set out in Articles 3, 4, 5, 6 and 7 shall apply to RTGS AS settlement procedures A, B, C, D and E, respectively.
- (6) The RTGS AS settlement procedures shall be operational during the times set out in Appendix V of Annex 1.
- (7) The AS shall request Eesti Pank to create a settlement bank account group.
- (8) The AS shall only send AS transfer orders to accounts included in the settlement bank account group referred to in paragraph 7.

Article 2

Priority of AS transfer orders

All AS transfer orders shall automatically be assigned the priority 'urgent'.

Article 3

RTGS AS settlement procedure A

- (1) The AS shall request a dedicated RTGS AS technical account to support the processing of AS transfer orders using settlement procedure A. The balance on such account shall be zero at the end of the day.
- (2) The AS may request the opening of an AS guarantee fund account to support settlement in connection with the 'settlement period' service. The balances on the AS guarantee fund account shall be used to settle AS transfer orders in the event that there is insufficient available liquidity on a settlement bank's RTGS DCA. The AS guarantee fund

account may be held by Eesti Pank, the AS or an eligible participant. The AS guarantee fund account shall not be published in the RTGS directory.

- (3) The AS shall submit AS transfer orders as a batch in a single file in which the sum of debits must balance the sum of credits.
- (4) Eesti Pank shall first attempt to settle AS transfer orders that debit the RTGS DCAs of settlement banks and crediting the AS's RTGS AS technical account. Only upon settlement of all such AS transfer orders (including possible funding of the RTGS AS technical account from the AS guarantee fund account) shall Eesti Pank attempt to settle AS transfer orders that debit the RTGS AS technical account and that credit the RTGS DCAs of settlement banks.
- (5) If an AS transfer order to debit a settlement bank's RTGS DCA is queued, Eesti Pank shall inform the settlement bank by means of a broadcast message.
- (6) If an AS guarantee fund account has been opened and a settlement bank has insufficient funds on its RTGS DCA, the AS may instruct Eesti Pank to activate the guarantee fund mechanism by means of a request to debit the AS guarantee fund account and to credit the RTGS AS technical account. If the AS guarantee fund account does not have sufficient funds to complete settlement, the settlement process shall fail.
- (7) If the settlement process fails for any reason, including as referred to in paragraph 6, Eesti Pank shall reject all unsettled AS transfer orders in the single file referred to in paragraph 3 and shall reverse any AS transfer orders that have already been settled.
- (8) The AS shall be notified on completion or failure of the settlement.
- (9) The AS may opt for the following services:
 - a) the 'information period' service, as referred to in Article 8(1);
 - b) the 'settlement period' service, as referred to in Article 8(3).

Article 4

RTGS AS settlement procedure B

- (1) The AS shall request a dedicated RTGS AS technical account to support the processing of AS transfer orders using settlement procedure B. The balance on such account shall be zero at the end of the day.
- (2) The AS may request the opening of an AS guarantee fund account to support settlement in connection with the 'settlement period' service. The balances on the AS guarantee fund account shall be used to settle AS transfer orders in the event that there is insufficient available liquidity on a settlement bank's RTGS DCA. The AS guarantee fund account may be held by Eesti Pank, the AS or an eligible participant. The AS guarantee fund account shall not be published in the RTGS directory.
- (3) The AS shall submit AS transfer orders as a batch in a single file in which the sum of debits must balance the sum of credits.
- (4) Settlement procedure B operates on an 'all-or-nothing' basis. Eesti Pank shall attempt to simultaneously settle all AS transfer orders that debit the RTGS DCAs of settlement banks and credit the AS's RTGS AS technical account, and all AS transfer orders that debit the RTGS AS technical account and credit the RTGS DCAs of settlement banks. If one or more of the AS transfer orders cannot be settled, all AS transfer orders shall be queued and an optimisation algorithm shall be applied, and the settlement banks shall be informed.
- (5) If an AS guarantee fund account has been opened and a settlement bank has insufficient funds on its RTGS DCA, the AS may instruct Eesti Pank to activate the guarantee fund mechanism by means of a request to debit the AS guarantee fund account and to credit the RTGS AS technical account. If the AS guarantee fund account does not have sufficient funds to complete settlement, the settlement process shall fail.

(6) If the settlement process fails for any reason, including as referred to in paragraph 5, Eesti Pank shall reject all unsettled AS transfer orders in the single file referred to in paragraph 3.

(7) The AS shall be notified on completion or failure of the settlement.

(8) The AS may opt for the following services:

a) the 'information period' service, as referred to in Article 8(1);

b) the 'settlement period' service, as referred to in Article 8(3).

Article 5

RTGS AS settlement procedure C

(1) Settlement procedure C supports settlement using dedicated liquidity on sub-accounts. The AS shall request a dedicated RTGS AS technical account to support the processing of AS transfer orders using settlement procedure C. The balance on such account shall be zero at the end of the day. This RTGS AS technical account may also be used to support the processing of AS transfer orders using settlement procedure E.

(2) The AS shall ensure that each settlement bank opens at least one sub-account that is only to be used by the AS for the purposes of this settlement procedure.

(3) Eesti Pank shall start a mandatory settlement procedure C automatically on each TARGET business day according to the schedule set out in Appendix V of Annex 1, that shall trigger the settlement of those standing liquidity transfer orders set up for mandatory settlement procedure C by debiting the RTGS DCAs of the settlement banks and crediting the sub-account referred to in paragraph 2.

(4) Settlement procedure C shall close by means of an end-of-procedure message, which may be sent by the AS at any time prior to the cut-off time for interbank payments as set out in Appendix V of Annex 1. If the AS does not send the end-of-procedure message by that cut-off time, Eesti Pank shall close the procedure at that cut-off time.

(5) The closure of the mandatory settlement procedure C leads to an automatic transfer of liquidity from the sub-account referred to in paragraph 2 to the RTGS DCA.

(6) If the mandatory settlement procedure C is closed, the AS may start an optional procedure at any time before the cut-off time for interbank payments as set out in Appendix V of Annex 1, that shall trigger the settlement of those standing liquidity transfer orders set up for optional settlement procedure C by debiting the settlement bank's RTGS DCA and crediting its RTGS sub-account. The AS may start and close one or several successive optional procedures before the cut-off time for interbank payments. The closure of an optional settlement procedure C leads to an automatic transfer of liquidity from the sub-account referred to in paragraph 2 to the RTGS DCA.

(7) The mandatory settlement procedure C and any subsequent optional settlement procedure C may consist of one or several cycles.

(8) The AS may, at any time after the start of a mandatory or optional settlement procedure C, start a cycle by means of a 'start-of-cycle' message. After the start of the cycle, liquidity transfers from the sub-account referred to in paragraph 2 may not be made until an 'end-of-cycle' message is sent by the AS. The balance can be changed during the cycle as a result of cross-system settlement payments or if a settlement bank transfers liquidity to its sub-account. Eesti Pank shall notify the AS of the reduction or increase of liquidity on the sub-account as a result of cross-system settlement payments. If the AS so requests, Eesti Pank shall also notify it of the increased liquidity on the sub-account as a result of liquidity transfer orders by the settlement bank.

(9) The AS may submit AS transfer orders as a batch in one or several files while the cycle is open. The cash transfer orders may be for any of the following transactions:

- a) the debit of the sub-accounts of settlement banks and credit of the RTGS AS technical account;
- b) the debit of the RTGS AS technical account and credit of the sub-accounts of settlement banks;
- c) the debit of the RTGS AS technical account and credit of the RTGS DCAs of settlement banks.

(10) Eesti Pank shall immediately settle those AS transfer orders that can be settled. AS transfer orders that cannot be settled immediately shall be queued and an optimisation algorithm shall be applied. Any AS transfer orders which remain unsettled at the time the cycle is closed shall be rejected.

(11) The AS shall be notified at the latest by the end of the cycle of the status of the individual AS transfer orders.

Article 6

RTGS AS settlement procedure D

(1) RTGS AS Settlement procedure D supports settlement with the use of pre-funding. The AS shall request a dedicated RTGS AS technical account to support the processing of AS transfer orders using settlement procedure D.

(2) The RTGS AS technical accounts shall only have a zero balance or a positive balance. Liquidity may remain on the RTGS AS technical account overnight whereupon it will be subject to remuneration as set out in Annex I, Article 12(2).

(3) Eesti Pank shall notify the AS of liquidity transfers debiting the RTGS DCAs of the settlement banks and crediting the RTGS AS technical account. These liquidity transfers may be made on each TARGET business day according to the schedule set out in Appendix V of Annex 1. The AS may input immediate liquidity transfer orders that debit the RTGS AS technical account and credit the RTGS DCAs of the settlement banks.

Article 7

RTGS AS settlement procedure E

(1) RTGS AS Settlement procedure E supports bilateral settlement and the individual processing of AS transfer orders. The AS may use Settlement Procedure E without an RTGS AS technical account for bilateral settlement. The AS shall request an RTGS AS technical account to support the processing of AS transfer orders using settlement procedure E if it opts for the individual processing of AS transfer orders. The balance on this RTGS AS technical account shall be zero at the end of the day. This RTGS AS technical account may also be used for settlement procedure C.

(2) The AS may submit AS transfer orders as a batch in one or several files between:

- a) the RTGS DCAs of the settlement banks and the RTGS AS technical account if used; and
- b) the RTGS DCAs of the settlement banks.

The AS shall be responsible for ensuring the correct sequencing of AS transfer orders in the file to ensure smooth settlement.

(3) Eesti Pank shall settle immediately those AS transfer orders that can be settled. AS transfer orders that cannot be settled immediately shall be queued. If an AS transfer order to debit a settlement bank's RTGS DCA is queued, the settlement bank shall be informed via a broadcast message.

(4) The AS may opt for the following services:

- a) the 'information period' service, as referred to in Article 8(1);

- b) the 'settlement period' service, as referred to in Article 8(3).
- (5) The AS shall be notified of the status of the individual AS transfer orders submitted.

Article 8

Information period and settlement period

- (1) The 'information period' service allows the AS to inform its settlement banks of the liquidity needed to ensure successful settlement. This optional service allows the AS to define a period before the start of the settlement of the AS transfer orders. During that period, and at the request of the settlement bank, the AS may revoke either single AS transfer orders (for RTGS AS settlement procedure E) or files (for RTGS AS settlement procedures A and B). The AS may also request Eesti Pank to perform such revocation on its behalf.
- (2) In the event that an AS, or Eesti Pank on its behalf, revokes single AS transfer orders (for RTGS AS settlement Procedure E) or files (for RTGS AS settlement procedures A and B) during the 'information period', the processing of the AS transfer orders shall be cancelled.
- (3) The 'settlement period' service allows the AS to define a period until which the settlement of the AS transfer orders can take place. This service is a prerequisite for the use of a guarantee fund account, and is optional for the use of AS technical accounts.
- (4) During the 'settlement period' the AS, or Eesti Pank on its behalf, may revoke either single AS transfer orders (for RTGS AS settlement procedure E) or files (for RTGS AS settlement procedures A and B) that do not have a final status and the following shall apply:
 - a) if RTGS AS settlement procedure E is used for bilateral settlement, the relevant AS transfer orders shall be reversed;
 - b) if RTGS AS settlement procedure E is not used for bilateral settlement, or if in RTGS AS settlement procedure A the entire settlement fails, any settled AS transfer orders in the file shall be reversed and all settlement banks and the AS shall be informed via a broadcast message.
 - c) if RTGS AS settlement procedure B is used, the entire settlement fails and all settlement banks and the AS shall be informed via a broadcast message.

Article 9

Cross system settlement

- (1) Cross-system settlement allows an AS to credit the RTGS AS technical account of another AS or sub-account of a settlement bank of another AS and is available for AS using RTGS AS settlement procedure C or D.
- (2) Eesti Pank shall, on the request of the AS, allow cross-system settlement between that AS and another AS in TARGET-Eesti or another TARGET component system. The requesting AS shall provide Eesti Pank with the authorisation of the other AS.
- (3) A cross-system settlement may only be initiated if the two AS have opened a settlement procedure. Furthermore, if the cross-system settlement is initiated by an AS using RTGS AS settlement procedure C, a settlement cycle must also be open for that AS.
- (4) An AS using RTGS AS settlement procedure C in the context of cross-system settlement shall only submit AS transfer orders individually that debit the sub-account of one of its AS settlement banks. These AS transfer orders would credit the sub-account of the receiving AS settlement bank if that receiving AS is using RTGS AS settlement procedure C, or would credit the RTGS AS technical account of the receiving AS if that AS is using RTGS AS settlement procedure D.
- (5) An AS using RTGS AS settlement procedure D in the context of cross-system settlement shall only submit AS transfer orders individually that debit its RTGS AS technical account. These AS transfer orders would credit the sub-account of the receiving AS

settlement bank if that receiving AS is using RTGS AS settlement procedure C, or would credit the RTGS AS technical account of the receiving AS if that AS is using RTGS AS settlement procedure D.

Both AS using cross-system settlement shall be notified via a broadcast message of the settlement or rejection of the AS transfer orders.

Article 10

Effect of suspension or termination

If the suspension or termination of the use of the AS settlement procedures by an AS occurs during the settlement cycle of AS transfer orders, Eesti Pank may complete the settlement cycle.