

Riga \_\_\_\_\_

AGREEMENT No

### On Participation of Ancillary System in the SAMS

The Bank of Latvia represented by \_\_\_\_\_, Chairman of the Board, acting under the Republic of Latvia Law "On the Bank of Latvia" (hereinafter, the Bank of Latvia), on the one side and \_\_\_\_\_ (hereinafter, the Ancillary System Manager) operating in accordance with the Statute, represented by \_\_\_\_\_ on the other side, (hereinafter, jointly the Parties), enter into the following Agreement (hereinafter, the Agreement).

1. The present Agreement entitles the Ancillary System to participate in the Bank of Latvia's interbank automated payment system (hereinafter, the SAMS) using the settlement procedures provided for the ancillary systems.
2. Under this Agreement, the Parties operate in accordance with the following Paragraphs of the "System Rules for Participation in the SAMS" approved by the Council of the Bank of Latvia (hereinafter, the System Rules) and for the purpose of the respective Paragraphs, the Ancillary System shall be deemed a participant unless the opposite explicitly follows from the context of the System Rules or the present Agreement:
  - 2.1 Paragraph 12.2 (technical requirements);
  - 2.2 Paragraph 13.1 (legal requirements);
  - 2.3 Paragraph 2.2 (application procedure), except the requirement to submit a static data collection form and the fact that the Ancillary System complies with the access criteria stated in the definition of the Ancillary System, set out in Subsection 2.1 of the System Rules instead of those referred to in Paragraph 2.14, while technical requirements stipulated by Paragraph 12.1 and legal requirements stated in Paragraph 13.2 shall not apply to the Ancillary System;
  - 2.4 Subsection 3.2 (cooperation and information exchange requirements), except Paragraph 28;
  - 2.5 Paragraph 52 (security requirements);
  - 2.6 Subsection 7.1 (liability regulation);
  - 2.7 Paragraphs 65, 67 and 68 (evidence provisions);
  - 2.8 Section 8 (duration, termination and suspension of participation), except Paragraphs 76.4 and 79 and the fact that the Ancillary System complies with the access criteria stated in the definition of the Ancillary System, set out in Subsection 2.1 of the System Rules instead of those referred to in Paragraph 2.14;
  - 2.9 Section 10 (confidentiality provisions);

- 2.10 Section 11 (data protection, anti-money laundering requirements and requirements of the related issues);
- 2.11 Section 12 (requirement notices);
- 2.12 Paragraph 107 (amendment procedure);
- 2.13 Section 14 (third party rights);
- 2.14 Section 15 (governing law, jurisdiction and place of performance);
- 2.15 Appendix 1.2 to the System Rules (Terms of Reference for Capacity and Country Opinions);
- 2.16 Appendix 1.4 to the System Rules (operating schedule).
- 2.17 Appendix 1.5 to the System Rules (Fee schedule and invoicing).

3. The Ancillary System certifies that it is familiar with the Agreement, its Appendix, items listed in Paragraph 2 of the System Rules and Appendices 1.2, 1.4 and 1.5 to the System Rules, and neither the Agreement and its Appendix, nor the issues set out in Paragraph 2 of the System Rules and the Appendices, create unfavourable conditions for the Ancillary System.

4. Under the present Agreement the Parties shall comply with the settlement procedure of the ancillary systems set out in Appendix 1 that forms an integral part of the present Agreement.

5. Parties agree that the Ancillary System shall apply \_\_\_\_\_ procedure.  
 \_\_\_\_\_  
 (one or several procedures outlined in Appendix 1 to the present Agreement are referred to)

6. The Bank of Latvia shall settle in the ancillary systems at \_\_\_\_\_.  
 (time)

7. In the event of SAMS contingency situations and the Participant- related or the Ancillary System-related failure the Bank of Latvia shall take the following contingency measures:

7.1 extend the operating time of SAMS;

7.2 extend or postpone the Ancillary System's settlement time;

7.3 by mutual consent of the Parties receive the Ancillary System's payment instructions in an alternative way.

8. The Parties agree that the Bank of Latvia may unilaterally introduce amendments to the Agreement, System Rules and their Appendices at any time. The Bank of Latvia shall notify in writing the Ancillary System Manager of the amendments made to the Agreement, System Rules and Appendices. Amendments shall be deemed to have been approved unless the Ancillary System Manager expressly objects in writing within 14 (fourteen) days of being informed of such amendments. Where the Ancillary System Manager has objected to the amendment, the Bank of Latvia shall be entitled to terminate, immediately and unilaterally, that Ancillary System's participation in the SAMS, notifying the Ancillary System Manager in writing. The present Agreement shall become invalid at the same time.

9. The Bank of Latvia shall notify the Ancillary System Manager on the expected amendments made to the Agreement, System Rules and Appendices on a timely basis, where possible, prior to their approval at the Bank of Latvia.

10. The Ancillary System shall undertake the following:

10.1 participate in the SAMS tests organised by the Bank of Latvia and address other issues related to the use of SAMS;

10.2 notify the Bank of Latvia on modifications in the Participant's payment and information systems or infrastructure that might affect the Ancillary System's participation in the SAMS and, upon the Bank of Latvia's request, perform recurrent tests of the modified SAMS systems.

11. The Bank of Latvia shall:

11.1 inform the Ancillary System Manager about the introduction of new technical configuration of SAMS at least three (3) months in advance;

11.2 conduct tests related to the SAMS implementation.

12. To ensure the authenticity of payment instructions processed in the SAMS in contingency situations or in the event of the Ancillary System-related operational failures, the Ancillary System Manager shall submit to the Bank of Latvia:

12.1 the Ancillary System Manager's sample seal (if any) and a list of the authorised persons who have the right to sign the Ancillary System's paper-based payment instructions and orders, certified by a notary public;

12.2 a list of authorised persons who have the right to submit to and receive the Ancillary System's paper-based payment instructions and orders as well as other settlement-related information at the Bank of Latvia.

13. To ensure rapid exchange of information on the SAMS related matters in contingency situations and the operational failure of the Ancillary System, the Ancillary System and the Bank of Latvia shall exchange lists of contact persons, indicating their telephone numbers and e-mail addresses.

14. The present Agreement shall take effect as of the moment it has been signed. Where the Ancillary System's participation in the SAMS has been rejected or terminated pursuant to the System Rules, the present Agreement shall become invalid at the same time.

15. The present Agreement is made on \_\_ (\_\_\_\_) pages, (including Appendix 1 on \_\_ (\_\_\_\_) pages) in 2 (two) copies, one for each Party.

16. Registered addresses and banking details of the Parties:

16.1 The Bank of Latvia: K. Valdemāra iela 2A, Riga, LV-1050, telephone 6702 2300, fax 6702 2420, e-mail: info@bank.lv, VAT payer's number LV90000158236, registered with the Register of VAT Payers on 12 September 1996. Settlement account of the Bank of Latvia No. LV51 LACB 0LVL 1750 5010 0, BIC LACBLV2X.

16.2 Ancillary System Manager: \_\_\_\_\_

BANK OF LATVIA

ANCILLARY SYSTEM

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(date)

Seal

Seal

## SETTLEMENT PROCEDURES OF ANCILLARY SYSTEMS

### 1. Terms

1.1 Debit instruction – a payment instruction addressed to the Bank of Latvia and submitted by an ancillary system to debit, on the basis of a debit authorisation, the settlement bank's settlement account in the SAMS by the amount specified in the payment instruction and to credit any of the accounts used for the ancillary system's settlement in the SAMS or another settlement bank's account.

1.2 Debit authorisation – an agreement among the Bank of Latvia, Ancillary System, and settlement bank entitling the Ancillary System to submit debit instructions and obliging the Bank of Latvia to debit the settlement bank's settlement account in the SAMS in accordance with the debit instructions.

1.3 Long position – owing money during the settlement of ancillary system's payment instruction.

1.4 Short position – being owed money during the settlement of ancillary system's payment instruction.

1.5 Credit instruction – a payment instruction submitted by an ancillary system and addressed to the Bank of Latvia to debit any of the accounts used for the ancillary system's settlement in the SAMS and to credit the settlement bank's settlement account by the amount specified in the payment instruction.

1.6 Payment instruction or ancillary system's payment instruction – a credit instruction or a debit instruction.

1.7 Settlement bank – a participant whose settlement account in the SAMS is used to settle the ancillary system's payment instructions.

### 2. THE ROLE OF THE BANK OF LATVIA

2.1 The Bank of Latvia shall act as an instructing participant with respect to the Ancillary System's payment instructions.

### 3. MANAGEMENT OF RELATIONSHIP AMONG THE BANK OF LATVIA, ANCILLARY SYSTEM AND SETTLEMENT BANK

3.1 The Bank of Latvia shall maintain the directory of Ancillary System's settlement banks on the basis of the current debit authorisations, and use it for verifying the submitted payment instructions.

3.2 The Ancillary System shall promptly notify the Bank of Latvia of any changes in the directory of Ancillary System's settlement banks and initiate the settlement of debit authorisation, if necessary.

3.3 Following the receipt of information and settlement of debit authorisation, the Bank of Latvia shall make the required entries in the settlement bank directory.

#### 4. INITIATION OF PAYMENT INSTRUCTIONS

4.1 The Ancillary System Manager shall submit to the Bank of Latvia payment instructions pursuant to the procedure stipulated by the agreement concluded [agreements concluded] \_\_\_\_\_ between the Ancillary System and the Bank of Latvia.  
(title)

4.2 The Bank of Latvia shall convert all payment instructions submitted by the Ancillary System into direct account transfer orders and forward them to the SAMS on its own behalf.

4.3 All direct account transfer orders originating from the payment instructions submitted by the Ancillary System shall be assigned a priority from 0 to 9 and settled pursuant to the System Rules.

4.4 A payment instruction shall be deemed approved, where:

4.4.1 a payment instruction submitted by the Ancillary System complies with the terms and conditions agreed on by the Bank of Latvia and the Ancillary System Manager [the Bank of Latvia, Ancillary System and settlement banks] in the concluded agreement [concluded agreements] \_\_\_\_\_;  
(title)

4.4.2 a direct account transfer order originating from the payment instruction submitted by the Ancillary System complies with the System Rules;

4.4.3 the settlement bank is included in the directory of settlement banks referred to in Paragraph 3.1.

#### 5. ENTRY OF PAYMENT INSTRUCTIONS INTO THE SYSTEM AND THEIR IRREVOCABILITY

5.1 Payment instructions shall be deemed to be entered into the SAMS at the moment when all short settlement banks' settlement accounts in the SAMS are debited and all long settlement banks' settlement accounts in the SAMS are credited. As of that moment, payment instructions shall be irrevocable.

5.2 The application of Paragraph 5.1 of the Appendix shall not affect those provisions of the Ancillary System that stipulate the moment of entry into the Ancillary System or the irrevocability of payment orders submitted to the Ancillary System prior to the moment of entry of the respective payment instruction into SAMS.

#### 6. SETTLEMENT PROCEDURES

6.1 The Bank of Latvia shall offer the following settlement procedures:

6.1.1 "Real-time settlements";

6.1.2 "Multilateral settlements";

6.2 Further provisions related to the settlement procedures referred to in Paragraph 6.1 are set out in Paragraphs 9 and 10.

## 7. OPENING SETTLEMENT ACCOUNT IN THE SAMS

7.1 The Ancillary System shall not be obliged to become a participant in the SAMS or open the settlement account in the SAMS, if using the settlement procedures offered by the Bank of Latvia.

## 8. ACCOUNTS FOR THE SUPPORT OF SETTLEMENT PROCEDURES

8.1 For the Ancillary System and settlement banks' settlement procedures referred to in Paragraph 6.1, the Bank of Latvia may use as a technical account the Bank's account in the SAMS in addition to the settlement bank's settlement accounts.

8.2 Where the Bank of Latvia and the Ancillary System have agreed on settlement procedure 2, the Bank of Latvia shall use the Bank's settlement account in the SAMS as a technical account for the Ancillary System. At the end of the settlement process of the respective Ancillary System, the balance on the Bank of Latvia's account in the SAMS shall be zero.

8.3 Where the Bank of Latvia and the Ancillary System have agreed on settlement procedure 2, the Bank of Latvia may open guarantee fund account for ancillary systems. The balance on this account may be used to settle the Ancillary System's payment instructions, if the available liquidity is insufficient on the settlement bank's settlement account in the SAMS. Guarantee fund account is not held in the SAMS. The Bank of Latvia, Ancillary System Manager or guarantors may be the holders of guarantee fund account.

8.4 Detailed rules on the application of the accounts referred to in Paragraph 8.3 for supporting the settlement procedures may be stipulated by the bilateral agreements between the Ancillary System Manager and the Bank of Latvia or the agreements among the Bank of Latvia, Ancillary System and guarantors.

## 9. SETTLEMENT PROCEDURE 1 – "REAL-TIME SETTLEMENT"

9.1 When offering settlement procedure 1, the Bank of Latvia shall support the settlement of the cash leg of the Ancillary System by settling the payment instructions submitted by the Ancillary System on an individual basis rather than in batch mode. Where the payment instruction to debit a short settlement bank's settlement account in the SAMS is queued, the SAMS shall notify the settlement bank in accordance with the procedure stipulated by Paragraphs 2.6.4.1 and 5.3 of Appendix 1.1 to the System Rules.

The Ancillary System shall be notified on completion or failure of the settlement pursuant to the agreement [agreements] \_\_\_\_\_. The settlement banks shall be notified on a successful settlement via the SWIFT MT 900 or MT 910 message.

## 10. SETTLEMENT PROCEDURE 2 – "MULTILATERAL SETTLEMENTS"

10.1 When offering settlement procedure 2, the Bank of Latvia shall support the settlement of the cash leg of the Ancillary System by settling the payment instructions submitted by the Ancillary System in a batch mode. In this procedure, the Bank of Latvia shall use the Bank's settlement account in the SAMS as a special technical account of the Ancillary System.

10.2 The Bank of Latvia shall state the sequence of payment instruction settlement. Credit instructions shall only be settled, if all debit instructions have been successfully settled. Direct account transfer orders originating from the debit instructions and direct account transfer orders originating from the credit instructions, shall be forwarded to the SAMS as separate files.

10.3 The settlement process is implemented by debiting the short settlement banks' accounts in the SAMS in favour of the Bank of Latvia's settlement account in the SAMS and then debiting the Bank of Latvia's settlement account in the SAMS in favour of the long settlement banks' accounts in the SAMS.

10.4 Where the payment instruction to debit a short settlement bank's account in the SAMS is queued in accordance with the System Rules, the Bank of Latvia shall inform this settlement bank and the Ancillary System Manager, thereby using lists of contact persons submitted by the settlement bank and the Ancillary System Manager.

10.5 Where the funds are insufficient on the short settlement bank's account in the SAMS, a guarantee fund mechanism shall be activated by the Bank of Latvia, if so stipulated by the bilateral agreement between the Bank of Latvia and the Ancillary System or the agreement among the Bank of Latvia, Ancillary System and guarantor.

10.6 Where no guarantee fund mechanism is provided for and the settlement fails to comply with the deadlines specified in the agreement, the Bank of Latvia shall be deemed to have been instructed to reject all payment instructions and execute reverse operations of the settled payment instructions.

10.7 Where debiting the short settlement bank's account in the SAMS or crediting the long settlement bank's account in the SAMS has been impossible, the Bank of Latvia shall be deemed to have been instructed to reject all payment instructions and execute reverse operations of the settled payment instructions.

10.8 The Ancillary System shall be notified on completion or failure of the settlement pursuant to the agreement \_\_\_\_\_. The settlement banks shall be notified on a successful settlement via the SWIFT MT 900 or MT 910 message. The settlement banks shall have access to the information via the SAMS workstation.

10.9 Where the Bank of Latvia and the Ancillary System have so agreed, a guarantee fund mechanism may be applied in settlement procedure 2. The guarantee fund mechanism may be used where the settlement bank's liquidity is insufficient to cover its obligations arising from

the Ancillary System's settlements. This mechanism is used to provide the required complementary liquidity to allow the settlement of all payment orders involved in the Ancillary System's settlements. Where the guarantee fund mechanism is to be used, a special guarantee fund account shall be opened where the "emergency liquidity" is available or may be made available upon request.

## 11. CONSEQUENCES OF SUSPENSION OR TERMINATION

11.1 Where the suspension or termination of the Ancillary System takes effect during the cycle of settling the Ancillary System's payment instructions, the Bank of Latvia shall be deemed to be authorised to reject all payment instructions and execute reverse operations of the settled payment instructions.

## 12. FEE SCHEDULE AND INVOICING

12.1 The Ancillary System shall be subject to the transaction fee calculated on the same basis as the fee stipulated for SAMS participants in Appendix 1.5 to the System Rules.

12.2 Any fee payable in relation to the payment instruction submitted by the Ancillary System shall be charged solely to the Ancillary System.

12.3 The Ancillary System shall receive an invoice from the Bank of Latvia for the previous month based on the fees stated in Paragraph 12.1 no later than on the fifth business day of the next month and shall make payments to the account indicated by the Bank of Latvia no later than on the tenth business day of the current month.

12.4 For the purpose of this Paragraph, each ancillary system specified under Directive 98/26/EC of the European Parliament and of the Council on settlement finality in payment and securities settlement systems shall be deemed a separate ancillary system even where two or more ancillary systems are operated by the same legal person. The above provision shall also apply to the ancillary systems not specified under Directive 98/26/EC of the European Parliament and of the Council on settlement finality in payment and securities settlement systems. In this case, an ancillary system shall be identified in accordance with the following criteria:

12.4.1 a formal arrangement based on a contractual instrument (e.g., an agreement between the participants and a system operator) or laws and regulations;

12.4.2 several participants;

12.4.3 common regulations and standardised procedures;

12.4.4 payment or securities clearing; netting or settlements among participants.