

Part 2

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Part 2

Access and participation

2.1 Purpose of this Part

The purpose of this Part is to—

- (a) specify the access criterion for participation in a clearing system and allow a person to apply for and, if the person complies with the access criterion, be granted the right to participate in the clearing system (subpart 1); and
- (b) specify the process for assignment of a participant's right to participate in a clearing system to another person (subpart 2); and
- (c) for a person who is an SBI participant, specify a process for approval of a change to the SBI participant who interchanges files for the person (subpart 3); and
- (d) specify the process for resignation of a participant from a clearing system (subpart 4).

Compare: Payments NZ Rules, v35, rule 2.1

2.2 Determinations by independent directors

- (1) This rule applies when independent directors make determinations under this Part.
- (2) These determinations must be made unanimously by all 3 independent directors.
- (3) However, if an independent director is unable to participate in making a determination—
 - (a) the chair must appoint another director to participate; or
 - (b) if it is the chair who is unable to participate, the other independent directors must appoint another director to participate.
- (4) A director appointed under subclause (3) is deemed to be an independent director for the purposes of this Part to the extent necessary to allow the director to participate in making the relevant determination.

2.3 Independent directors and company not liable

- (1) The independent directors make determinations under this Part on the basis of information provided by an applicant.
- (2) Neither an independent director nor the company is liable for any loss (other than loss arising as a result of fraud, wilful misconduct, or bad faith), whether the loss is direct or consequential (including loss of profits), incurred by any person arising out of or in connection with the independent directors or the company—
 - (a) exercising any of the rights or powers of the independent directors or the company under this Part; or
 - (b) complying with any of the obligations of the independent directors or the company under this Part.

Compare: Payments NZ Rules, v30, rule 2.3(2)

2.4 Test strategy

- (1) The company may, from time to time, adopt, approve, or amend a test strategy for testing under this Part.
- (2) The company and each participant must comply with any instruction that the company gives in accordance with the test strategy unless an act required by the company would otherwise conflict with a provision in the rules.

Compare: Payments NZ Rules, v35, rule 2.3A

Subpart 1: Participation in a clearing system

Application

2.5 Company must assist potential applicants

If requested by a person, the company must, to the extent practicable, provide information to the person that the person reasonably requires to decide whether to apply to participate in a clearing system including, without limitation, the following:

- (a) copies of all clearing system documents that relate to participation in the relevant clearing system;
- (b) information about—
 - (i) the access criterion and how to comply with it; and
 - (ii) joining the clearing system including the joining process, testing requirements, the indicative timeframe, and indicative costs (including systems and testing costs); and
 - (iii) participating in the clearing system including the likely costs and the rights and obligations that would apply to the person.

Compare: Payments NZ Rules, v35, rule 2.4 and access procedures v15, chapter 1, A(2).

2.6 Application

- (1) An application to participate in 1 or more clearing systems must be made to the company in the manner specified by the company.
- (2) If an applicant is not an existing participant in a company clearing system, the company must ensure that the applicant enters into terms and conditions that are consistent with the terms and conditions specified in the sample application form in appendix 1A.
- (3) The company must—
 - (a) notify an applicant of the form and content of the application required; and
 - (b) if requested, provide information to the person that the person reasonably requires to make an application.

Compare: Payments NZ Rules, v35, rule 2.5 and access procedures v15, chapter 1, A(6).

2.7 Information accompanying application

Each application must be accompanied by the information that the company requires in accordance with section B of chapter 1 of the access procedures to assist the independent directors to determine the application.

Compare: Payments NZ Rules, v35, rule 2.6

2.8 Application fee

An application must be accompanied by the application fee determined in accordance with rule 4.13.

Compare: Payments NZ Rules, v35, rule 2.7.

Access criterion and determining an application

2.9 Independent directors determine whether applicant satisfies access criterion

- (1) As soon as practicable after the company receives an application to participate in a clearing system, the independent directors must meet to determine whether the applicant satisfies the access criterion.

- (2) The access criterion is that the applicant will not, if it becomes a participant in the clearing system,—
 - (a) adversely affect the integrity or the reputation of the clearing system; or
 - (b) introduce significant risk into the clearing system.
- (3) An applicant satisfies the access criterion by demonstrating the following—
 - (a) subject to subclause (4), that the applicant complies with the prudential requirements specified in rule 2.10(1) having regard to the applicable prudential matters in rule 2.10(2) or (3):
 - (b) subject to subclause (5), that the applicant complies with the operational risk management requirements specified in rule 2.11(1) having regard to the adequacy of the matters in rule 2.11(2); and
 - (c) that the applicant complies with the operational requirements in respect of the clearing system to which the application relates as follows:
 - (i) for CECS, the operational requirements in rule 2.12:
 - (ii) for HVCS, the operational requirements in rule 2.13:
 - (iii) for BECS or PCS, the operational requirements in rule 2.14.
- (4) The independent directors may decide not to have regard to an applicable prudential matter in rule 2.10(2) or (3) in respect of an applicant, if they are satisfied, based on advice from a qualified person, that the applicant otherwise complies with the access criterion.
- (5) The independent directors may decide not to have regard to the adequacy of an operational risk management matter in rule 2.11(2) in respect of an applicant, if they are satisfied, based on advice from a qualified person, that the applicant otherwise complies with the access criterion.

Compare: Payments NZ Rules, v35, rule 2.8.

2.10 Prudential requirements

- (1) The prudential requirements for participation in a clearing system are that the applicant meets prudential standards that minimise the risk of the effects specified in rule 2.9(2).
- (2) If an applicant is an existing participant in a company clearing system or a registered bank, in determining whether the independent directors are satisfied that the applicant complies with the prudential requirements, the independent directors must have regard to—
 - (a) in accordance with section B2 of chapter 2 of the access procedures, the credit-worthiness of the applicant including—
 - (i) the applicant's credit rating, if any; and
 - (ii) whether the applicant has entered into an access guarantee or a standby liquidity facility agreement; and
 - (b) any other matters that the independent directors consider relevant.
- (3) For any other applicant, in determining whether the independent directors are satisfied that the applicant complies with the prudential requirements, the independent directors must have regard to—
 - (a) in accordance with section B2 of chapter 2 of the access procedures, the credit-worthiness of the applicant including—
 - (i) the applicant's credit rating, if any; and
 - (ii) whether the applicant has entered into an access guarantee or a standby liquidity facility agreement; and
 - (b) in accordance with section B3 of chapter 2 of the access procedures, whether the applicant is—
 - (i) licensed as a non-bank deposit-taker under the Non-bank Deposit Takers Act 2013; or
 - (ii) licensed as an insurer under the Insurance (Prudential Supervision) Act 2010; and

- (c) the place of incorporation of the applicant and the corporate and ownership structure of the applicant in accordance with section B4 of chapter 2 of the access procedures:
- (d) the size and nature of the applicant's business or proposed business, or any part of the applicant's business or proposed business in accordance with section B5 of chapter 2 of the access procedures:
- (e) the ability of the applicant to carry on its business or proposed business in a prudent manner in accordance with section B6 of chapter 2 of the access procedures:
- (f) in accordance with section B7 of chapter 2 of the access procedures—
 - (i) the standing of the applicant in the markets in which it trades; and
 - (ii) the standing of the owner, if any, of the applicant in the markets in which it trades:
- (g) the suitability for their positions of the directors and senior managers of the applicant in accordance with section B8 of chapter 2 of the access procedures:
- (h) any other matters that the independent directors consider relevant.

Compare: Payments NZ Rules, v35, rule 2.9.

2.11 Operational requirements: risk management

- (1) The requirements for operational risk management for participation in a clearing system are that the applicant meets standards that minimise the risk of the effects specified in rule 2.9(2).
- (2) In determining whether the independent directors are satisfied that an applicant complies with the requirements for operational risk management, the independent directors must have regard to whether the following are adequate:
 - (a) in accordance with section C1(2) of chapter 2 of the access procedures, the applicant's systems, policies, procedures, and controls that identify, monitor, and manage operational risks:
 - (b) in accordance with section C1(3) of chapter 2 of the access procedures, the applicant's operational reliability objectives and the policies intended to achieve the objectives:
 - (c) in accordance with section C1(4) of chapter 2 of the access procedures, the applicant's procedures for incident management:
 - (d) in accordance with section C1(5) of chapter 2 of the access procedures, the applicant's plans to manage operational capacity:
 - (c) in accordance with section C1(6) of chapter 2 of the access procedures, the applicant's physical and information security policies:
 - (d) in accordance with section C1(7) of chapter 2 of the access procedures, the applicant's business continuity plan:
 - (e) in accordance with section C1(8) of chapter 2 of the access procedures, any arrangements relating to the provision by another party of goods or services necessary for the applicant to comply with obligations under the rules of the clearing system to which the application relates:
 - (f) any other matters that the independent directors consider relevant.

Compare: Payments NZ Rules, v35, rule 2.10.

2.12 Operational requirements: CECS

The operational requirements for participation in CECS are as follows:

- (a) if the applicant proposes to operate as an issuer, the applicant has a unique issuer identification number (IIN):
- (b) if the applicant does not participate in SBI, or is not also applying to participate in SBI, the applicant and an SBI participant have an agreement—

- (i) under which the SBI participant sends files to the SBI CUG transaction delivery system for the applicant and receives files from the SBI CUG transaction delivery system for the applicant; and
- (ii) that includes all terms and conditions necessary to give effect to Parts 2, 5, 8, 8A to 8E, 10, 12, and 12B to 12D:
- (c) if the applicant proposes to use 1 or more switch companies to deliver payment instructions, the applicant has passed the testing requirements of each switch company.

Compare: Payments NZ Rules, v35 , rule 2.11

2.13 **Operational requirements: HVCS**

The operational requirements for participation in HVCS are as follows:

- (a) the applicant can settle through its own settlement account:
- (b) the applicant has a SWIFT BIC address that the applicant proposes to link to the applicant's settlement account:
- (c) the applicant is a member of NZClear:
- (d) the applicant is a SWIFT user:
- (e) the connection between SWIFT and the SWIFT gateway that the applicant proposes to use complies with the following requirements—
 - (i) if the applicant's projected national interchange volume in HVCS is 5% or more of the total national interchange volume in HVCS, the connection must be, as a minimum, SWIFT Alliance Connect silver; and
 - (ii) if the applicant's projected national interchange volume in HVCS is less than 5% of the total national interchange volume in HVCS, the connection must be, as a minimum, either—
 - (A) SWIFT Alliance Connect bronze using 2 separate internet service providers; or
 - (B) a connection using a bureau service and the following apply—
 - (aa) the connection between the bureau service and SWIFT is SWIFT Alliance Connect silver as a minimum; and
 - (bb) the applicant's connection to the bureau has redundancy (a secondary connection); and
- (f) the resilience of the connection between SWIFT and the SWIFT gateway that the applicant proposes to use must allow the applicant to achieve—
 - (i) a 'zero loss objective' (to last committed save); and
 - (ii) for an applicant whose connection is 1 of the following, a 'recovery time objective' of less than 30 minutes:
 - (A) SWIFT Alliance Connect bronze using 2 separate internet service providers:
 - (B) a connection using a bureau service and the following apply—
 - (aa) the connection between the bureau service and SWIFT is SWIFT Alliance Connect silver as a minimum; and
 - (bb) the applicant's connection to the bureau has redundancy (a secondary connection).

Compare: Payments NZ Rules, v35, rule 2.12 and access procedures, v15 , ch 2, C3(3), (5) and (6).

2.14 **Operational requirements: BECS or PCS**

(1) The operational requirements for every applicant in respect of participation in BECS or PCS are as follows:

- (a) the applicant can settle through its own settlement account:
- (b) the applicant has a SWIFT BIC address that the applicant proposes to link to the applicant's settlement account:
- (c) the applicant is a member of NZClear:

- (d) the applicant can settle and interchange files using NZClear;
 - (e) the applicant has access to a SWIFT DN that it can use for the SBI CUG transaction delivery system:
- (2) The operational requirements for an applicant who proposes to join the SBI CUG are,—
- (a) the operational requirements in subclause (1); and
 - (b) the applicant is a SWIFT user; and
 - (c) the connection between SWIFT and the SWIFT gateway that the applicant proposes to use complies with the following requirements—
 - (i) if the combined projected national interchange volume in SBI of the applicant and every SBI participant to whom the applicant proposes to provide interchange services is 5% or more of the total national interchange volume of SBI, the connection must be, as a minimum, SWIFT Alliance Connect silver; and
 - (ii) if the combined projected national interchange volume in SBI of the applicant and every SBI participant to whom the applicant proposes to provide interchange services is less than 5% of the total national interchange volume of SBI, the connection must be, as a minimum, either—
 - (A) SWIFT Alliance Connect bronze using 2 separate internet service providers; or
 - (B) a connection using a bureau service and the following apply—
 - (aa) the connection between the bureau service and SWIFT is SWIFT Alliance Connect silver as a minimum; and
 - (bb) the applicant’s connection to the bureau has redundancy (a secondary connection); and
 - (d) the resilience of the connection between SWIFT and the SWIFT gateway that the applicant proposes to use must allow the applicant to achieve—
 - (i) a ‘zero loss objective’ (to last committed save); and
 - (ii) for an applicant whose connection is 1 of the following, a ‘recovery time objective’ of less than 30 minutes:
 - (A) SWIFT Alliance Connect bronze using 2 separate internet service providers;
 - (B) a connection using a bureau service and the following apply—
 - (aa) the connection between the bureau service and SWIFT is SWIFT Alliance Connect silver as a minimum; and
 - (bb) the applicant’s connection to the bureau has redundancy (a secondary connection).
- (3) The operational requirements for an applicant who proposes not to join the SBI CUG but to use another SBI participant to interchange the applicant’s files using the SBI CUG transaction delivery system are as follows:
- (a) the operational requirements in subclause (1); and
 - (b) the applicant has an agreement with the SBI participant—
 - (i) that requires the SBI participant to interchange the applicant’s files through the SBI CUG transaction delivery system; and
 - (ii) under which the SBI participant may only terminate the agreement by giving a notification to the applicant specifying a date from which the SBI participant proposes to stop interchanging the applicant’s files using the SBI CUG transaction delivery system (which must be a date no less than 180 calendar days from the date of the notification); and
 - (iii) that contains all terms and conditions necessary to give effect to Parts 2, 3, 5, 8, 10, 12, and 12B to 12D; and
 - (c) the applicant has the following through which the applicant and the SBI participant exchange files:

- (i) a primary connection that is secure:
- (ii) a secondary connection that is secure.

Compare: Payments NZ Rules, v35, rule 2.13 and access procedures, v15, ch 2, C4(3), (5) and (6).

2.15 Independent directors must notify prudential or operational issue

In determining whether an applicant to participate in a clearing system satisfies the access criterion, the independent directors must—

- (a) notify the applicant of any respect in which the independent directors consider that the applicant—
 - (i) does not comply with the prudential requirements specified in rule 2.10; or
 - (ii) does not comply with the operational risk management requirements specified in rule 2.11; and
 - (ii) does not comply with the operational requirements in respect of the clearing system to which the application relates under rules 2.12, 2.13, or 2.14; and
- (b) give the notification as soon as practicable after becoming aware of the issue; and
- (c) give the applicant an opportunity to respond.

Compare: Payments NZ Rules, v35, rule 2.14.

2.16 Independent directors may require actions

- (1) In determining whether an applicant to participate in a clearing system satisfies the access criterion, the independent directors may require the applicant to complete any action specified by the independent directors which may include, without limitation, any or all of the following:

- (a) provide 1 or more access guarantees from an approved guarantor—
 - (i) the terms and conditions of which are consistent with the terms and conditions of a sample access guarantee specified in appendix 1B of the access procedures; and
 - (ii) that is valid, binding, and enforceable on the approved guarantor:
- (b) enter into a standby liquidity facility agreement with an approved provider—
 - (i) the terms and conditions of which are consistent with the sample terms of a standby liquidity facility agreement specified in appendix 1B of the access procedures; and
 - (ii) that is valid, binding, and enforceable on the approved provider:
- (c) grant a security right to the company as security agent for the participants:
- (d) require the applicant to provide an independent report by any person:
- (e) require the applicant to provide any additional information that the independent directors consider necessary to enable the independent directors to determine the application.

- (2) The applicant must—

- (a) complete any action required by the independent directors as soon as practicable after a request under subclause (1); and
- (b) pay the cost of completing the action.

Compare: Payments NZ Rules, v35, rule 2.15.

2.17 Independent directors seek advice

- (1) Subject to subclause (2), in determining whether an applicant to participate in a clearing system satisfies the access criterion, the independent directors must—
 - (a) seek advice from a qualified person; or
 - (b) get an independent report by a qualified person.
- (2) If an applicant to participate in a clearing system is an existing participant in another clearing system or a registered bank, in determining whether the applicant complies with the prudential requirements specified in rule 2.10(2), the independent directors may (but are not required to)—

- (a) seek advice from a qualified person; or
 - (b) get an independent report by a qualified person.
- (3) If the independent directors require an applicant to seek advice or to get a report under this rule, the applicant must pay the cost of the advice or the report.
- Compare: Payments NZ Rules, v35, rule 2.16.

2.18 Independent directors must approve certain applications

The independent directors must approve an application to participate in a clearing system if the independent directors determine that the applicant satisfies the access criterion specified in rule 2.9.

Compare: Payments NZ Rules, v35, rule 2.17.

2.19 Conditions applying to participation

If the independent directors approve an applicant's application to participate in a clearing system, the independent directors may impose conditions that the applicant will be required to meet on and from the time that the applicant commences participation in the clearing system which may include, without limitation, a requirement to do any or all of the following:

- (a) undertake regular audits:
- (b) comply with minimum operational requirements specified by the independent directors (such as, for example, a requirement to settle SBI files hourly):
- (c) provide regular reports to the company.

Compare: Payments NZ Rules, v35, rule 2.18.

2.20 Warranties applying to participation

If the independent directors approve an applicant's application to participate in a clearing system, the independent directors must specify the terms of the representation and warranty the applicant gives under rule 11.1.1(d) on and from the time that the applicant commences participation in the clearing system.

Compare: Payments NZ Rules, v35, rule 2.19.

2.21 Conditions applying to commencement of participation

Approval of an application to participate in a clearing system is subject to the following occurring before the applicant commences participation in the clearing system:

- (a) receipt by the independent directors of a confirmation from the company that the applicant has passed the following tests:
 - (i) for an application in respect of BECS, HVCS, or PCS, the tests specified by rule 2.27:
 - (ii) for an application in respect of CECS, the testing requirements of each switch company that the applicant proposes to use:
- (b) payment by the applicant of the fees required by rule 2.28:
- (c) completion by the applicant of the admission requirements specified by rule 2.29:
- (d) after completion of the admission requirements but before admission, a determination by the independent directors that they are satisfied that no event or circumstance has occurred that has a material adverse effect on the applicant's ability to comply with—
 - (i) the prudential requirements in rule 2.10; and
 - (ii) the operational risk management requirements in rule 2.11; and
 - (iii) the operational requirements for the clearing system to which the application relates.

Compare: Payments NZ Rules, v35, rule 2.20.

2.22 Not approved: company notifies applicant of decision

If the independent directors do not approve an application in respect of a clearing system under this subpart, as soon as practicable after the independent directors make the decision, the company must notify the applicant of the reasons for the independent directors' decision.

Compare: Payments NZ Rules, v35, rule 2.21

Application approved

2.23 Company notifies applicant of approval and seeks information

(1) If the independent directors approve an application in respect of a clearing system under this subpart, the company must complete the actions specified in subclauses (2) to (4) as soon as practicable after the independent directors make the decision.

(2) The company must notify the applicant—

- (a) of the independent directors' decision; and
- (b) of any conditions imposed by the independent directors in respect of the application; and
- (c) of the terms of the representation and warranty the applicant must give under rule 11.2.1(d); and
- (d) for an application in respect of BECS or PCS—
 - (i) if the applicant requires an interchange number or a branch range, of the interchange number or the branch range allocated to the applicant in accordance with subpart 3; and
 - (ii) if the applicant is required to join the SBI test CUG, that the applicant must apply to SWIFT to join the SBI test CUG; and
- (e) for an application in respect of HVCS, that the applicant must apply to SWIFT to join the AVP test CUG .

(3) For an application for BECS, HVCS, or PCS, the company must, in accordance with the test strategy,—

- (a) determine the tests that the applicant must pass; and
- (b) select the participant who will conduct end-to-end tests with the applicant; and
- (c) appoint a company test manager to manage the test process.

(4) As soon as practicable after the company has completed the actions required by subclause (3), the company must notify the applicant—

- (a) of the systems tests that the applicant must pass; and
- (b) of the end-to-end tests that the applicant must pass; and
- (c) of the name of the applicant's end-to-end test partner; and
- (d) for an application for BECS or PCS, of the industry tests that the applicant must pass; and
- (e) for an application for BECS, HVCS, or PCS, of any post implementation verification test that the applicant must pass with a participant in the clearing system; and
- (f) of the name and contact details of the company test manager appointed to manage the test process; and
- (g) that it must, as soon as practicable but no later than 6 months after the date of the notification,—
 - (i) complete systems tests; and
 - (ii) notify the company of the date on which it proposes to commence end-to-end tests; and
 - (iii) commence end-to-end tests; and
 - (iv) for an application for BECS or PCS, notify the company of the date on which it proposes to commence industry tests.

Compare: Payments NZ Rules, v35, rule 2.22.

2.24 Company notifies participants and Reserve Bank of approval

If the independent directors approve an application in respect of a clearing system under this subpart, the company must, as soon as practicable after the independent directors make the decision, notify every participant in the clearing system and the Reserve Bank of—

- (a) the independent directors' decision; and
- (b) any conditions imposed by the independent directors in respect of the application.

Compare: Payments NZ Rules, v35, rule 2.23.

2.25 Company notifies participants of applicant details

(1) If the independent directors approve an application in respect of BECS or PCS under this subpart, the company must notify every BECS or PCS participant of the following:

- (a) as soon as practicable after the independent directors make the decision,—
 - (i) of the applicant's BIC address; and
 - (ii) of the DN address that the applicant will use for the SBI CUG transaction delivery system; and
 - (iii) of the interchange number and the branch range allocated to the applicant;
- (b) as soon as practicable after the receipt of the information requested under rule 2.23(4)(g)(ii) and (iv)—
 - (i) the date by which the participant's system is required to recognise the applicant's interchange number, branch range, and BIC address and the DN address that the applicant will use for the SBI CUG transaction delivery system; and
 - (ii) for end-to-end tests, the name of the applicant's test partner and the date on which the applicant proposes to begin the end-to-end tests; and
 - (iii) for industry tests in respect of BECS or PCS, the date on which the applicant proposes to begin the industry tests; and
 - (iv) the name and contact details of the company test manager appointed to manage the test process.

(2) If the independent directors approve an application in respect of HVCS under this subpart, the company must, notify every HVCS participant of the following:

- (a) as soon as practicable after the independent directors make the decision, the applicant's BIC address:
- (b) as soon as practicable after the receipt of the information requested under rule 2.23(4)(g)(ii)—
 - (i) the date by which the participant is required to set up the applicant's BIC address; and
 - (ii) for end-to-end tests, the name of the applicant's test partner and the date on which the applicant proposes to begin the end-to-end tests; and
 - (iii) the name and contact details of the company test manager appointed to manage the test process.

(3) If the independent directors approve an application in respect of BECS, HVCS, or PCS under this subpart, the company must require the participants in the clearing system to provide the test information specified by the company.

Compare: Payments NZ Rules, v35, rule 2.24.

2.26 Participants must provide test information and change systems

(1) If a BECS or PCS participant receives a notification under rule 2.25(1)(b)(i), the participant must ensure that, by the date specified in the notification, its system recognises the applicant's interchange number, branch range, and BIC address and the DN address that the applicant will use for the SBI CUG transaction delivery system.

- (2) If an HVCS participant receives a notification under rule 2.25(2)(b)(i), the participant must ensure that it has set up the applicant's BIC address by the date specified in the notification.
- (3) If a BECS, HVCS, or PCS participant receives a request for test information in accordance with rule 2.25(3), the participant must provide the information to the company as soon as practicable after receipt of the request.
- (4) An HVCS participant who is not selected to conduct end-to-end tests with the applicant in accordance with rule 2.22, may require the applicant to conduct end-to-end tests with the participant.

Compare: Payments NZ Rules, v35, rule 2.25.

2.27 Tests

- (1) As soon as practicable after the company has completed the notifications and requests for information required by rules 2.23 to 2.25, the company must,—
 - (a) for an application for BECS, HVCS, or PCS,—
 - (i) manage the test process in accordance with the test strategy; and
 - (ii) determine whether the applicant has met the systems test exit criteria taking into account the advice of the company test manager; and
 - (iii) if the company determines that the applicant has met the systems test exit criteria, allow the applicant to commence end-to-end tests for the clearing system; and
 - (iv) determine, taking into account the recommendation of the management committee of the relevant clearing system and the advice of the company test manager, whether the applicant has passed the end-to-end tests; and
 - (b) for an application for BECS or PCS—
 - (i) if the company determines that the applicant has passed the end-to-end tests, allow the applicant to commence the industry tests for the clearing system; and
 - (ii) determine, taking into account the recommendation of the management committee of the relevant clearing system and the advice of the company test manager, whether the applicant has passed the industry tests.
- (2) Subject to subclause (3), the independent directors' conditional approval of an applicant's application to participate in a clearing system lapses if the applicant does not—
 - (a) for an application for BECS, HVCS, or PCS, do the following before the expiry of 6 months from the date of a notification from the company under rule 2.23(4):
 - (i) pass systems tests; and
 - (ii) commence end-to-end tests; or
 - (b) for an application for HVCS, pass end-to-end tests before the expiry of 1 year from the date on which the applicant commenced systems tests; or
 - (c) for an application for BECS or PCS, pass end-to-end tests and industry tests in respect of the clearing system before the expiry of 1 year from the date on which the applicant commenced systems tests.
- (3) The independent directors may extend any of the following periods in respect of an applicant's application to participate in a clearing system:
 - (a) the period for passing systems tests specified by paragraph (2)(a);
 - (b) the period for commencing end-to-end tests specified by paragraph (2)(a);
 - (c) the period for passing end-to-end tests for HVCS specified by paragraph (2)(b);
 - (d) the period for passing end-to-end tests and industry tests for BECS or PCS specified by paragraph (2)(c).

Compare: Payments NZ Rules, v35, rule 2.26.

2.28 Pay test and system fees

- (1) If the company requires an applicant under this subpart to meet systems test exit criteria, the company must ensure that the applicant pays the company the test fee required by rule 4.14(1) in respect of systems tests as soon as practicable after—
 - (a) the company determines that the applicant has met the systems test exist criteria; or
 - (b) in any other case, the independent directors' conditional approval of the applicant's application lapses under rule 2.27(2).
- (2) If the company requires an applicant under this subpart to pass end-to-end tests, the company must ensure that the applicant pays the following fees:
 - (a) to the company, the test fee required by rule 4.14(1) in respect of end-to-end tests;
 - (b) to the participant who is the end-to-end test partner, the test fee required by rule 4.14(2) in respect of end-to-end tests.
- (3) The company must ensure that the applicant pays the fees specified by subclause (2)—
 - (a) whether or not the applicant passes the end-to-end tests; and
 - (b) as soon as practicable after—
 - (i) the company determines that the applicant has completed the end-to-end tests; or
 - (ii) in any other case, the independent directors' conditional approval of the applicant's application lapses under rule 2.27(2).
- (4) If the company requires an applicant under this subpart for BECS or PCS to pass industry tests, the company must ensure that the applicant pays the following fees:
 - (a) to the company, the test fee required by rule 4.14(1) in respect of industry tests;
 - (b) to each participant in the clearing system, the test fee required by rule 4.14(3) in respect of industry tests.
- (5) The company must ensure that the applicant pays the fees specified by subclause (4)—
 - (a) whether or not the applicant passes the industry tests; and
 - (b) as soon as practicable after—
 - (i) the company determines that the applicant has completed the industry tests; or
 - (ii) in any other case, the independent directors' conditional approval of the applicant's application lapses under rule 2.27(2).
- (6) If the independent directors approve an application in respect of BECS or PCS under this subpart, the company must ensure that the applicant pays any system fee required by rule 4.15 as soon as practicable after the company gives the notification to BECS and PCS participants required by rule 2.25(1).

Compare: Payments NZ Rules, v35, rule 2.27.

Admission process

2.29 Admission requirements

After an applicant has met the conditions applying to commencement of participation in subclauses 2.21(a) and (b) but before the applicant commences participation in a clearing system, the applicant must do the following:

- (a) pay the company the access fee prescribed under rule 4.16;
- (b) execute the participant accession deed in the form set out in appendix 1G to the access procedures and return it to the company;
- (c) give the company certification from a director of the applicant that no event or circumstance has occurred that has a material adverse effect on the applicant's ability to comply with—
 - (i) the prudential requirements in rule 2.10; and

- (ii) the operational risk management requirements in rule 2.11; and
- (iii) the operational requirements for the clearing system to which the application relates.
- (d) for an application to join BECS or PCS in which the applicant proposes to join the SBI CUG, join the SBI production CUG;
- (e) for an application to join HVCS, join the AVP production CUG;
- (f) take any other action required to comply with any conditions under which the independent directors approved the applicant's application to participate in the clearing system.

Compare: Payments NZ Rules, v35, rule 2.28.

2.30 Independent directors must determine any material change to applicant

- (1) Before the independent directors admit an applicant as a participant in a clearing system, the independent directors must determine whether they are satisfied that no event or circumstance has occurred that has a material adverse effect on the applicant's ability to comply with—
 - (a) the prudential requirements in rule 2.10; and
 - (b) the operational risk management requirements in rule 2.11; and
 - (c) the operational requirements for the clearing system to which the application relates.
- (2) If the independent directors receive certification from a director of the applicant in accordance with subclause 2.29(1)(c), the independent directors are entitled to rely on the certification and are not required to enquire or to independently assess whether they are satisfied of the matters in subclause (1).
- (3) In determining whether the independent directors are satisfied of the matters in subclause (1), the independent directors may—
 - (a) seek advice from a qualified person; or
 - (b) get an independent report by a qualified person.
- (4) If the independent directors seek advice or get a report under this rule, the applicant must pay the cost of the advice or the report.

2.31 Commencement time

- (1) The company must determine, in consultation with the applicant and every participant in the clearing system, the time from which the applicant will commence participating in the clearing system.
- (2) The commencement time must—
 - (a) unless the company otherwise agrees, be more than 15 business days after the date on which the applicant completed the admission requirements specified by rule 2.29; and
 - (b) be determined taking into account the time period that each participant in the clearing system requires to change its system to connect with the applicant's system.

Compare: Payments NZ Rules, v35, rule 2.29.

2.32 Independent directors must admit new participant

- (1) The independent directors must admit an applicant as a participant in a clearing system with effect from the commencement time determined in accordance with rule 2.31 if—
 - (a) the independent directors have received a confirmation from the company that the applicant has passed the following tests:
 - (i) for an application in respect of BECS, HVCS, or PCS, the tests specified by rule 2.27;
 - (ii) for an application in respect of CECS, the testing requirements of each switch company that the applicant proposes to use; and

- (b) for an application for BECS, HVCS, or PCS, the applicant has paid the fees required by rule 2.28; and
 - (c) the applicant has completed the admission requirements specified by rule 2.29; and
 - (d) the independent directors determine that they are satisfied that no event or circumstance has occurred that has a material adverse effect on the applicant's ability to comply with—
 - (i) the prudential requirements in rule 2.10; and
 - (ii) the operational risk management requirements in rule 2.11; and
 - (iii) the operational requirements for the clearing system to which the application relates.
- (2) As soon as practicable after the independent directors admit the applicant to a clearing system, the company must—
- (a) notify the following of the independent directors' decision and of the time from which the applicant will commence participating in the clearing system:
 - (i) the applicant;
 - (ii) each participant in the clearing system;
 - (iii) the Reserve Bank;
 - (iv) for an application for CECS, EFTPOS New Zealand Limited and Paymark Limited;
 - (v) for an application for HVCS, the AVP CUG service administrator; and
 - (b) notify the applicant of the following in respect of the financial year in which the applicant will commence participation in the clearing system—
 - (i) every participant's average percentage share of NIV in the clearing system, expressed as a percentage to the nearest 0.1% as follows:
 - (A) for each of BECS, HVCS, and PCS, the average percentage share for the clearing system calculated in accordance with paragraphs 16.8(1)(c) and(d);
 - (B) for CECS, the average percentage share for CECS calculated in accordance with paragraphs 16.9(1)(c) and (d); and
 - (ii) in accordance with rules 4.1(3) and 4.4, the amount of the annual levy, determined in accordance with rule 4.12, for which the applicant is liable in respect of participation in the clearing system.

Compare: Payments NZ Rules, v35, rule 2.30.

2.33 Commence participation

- (1) For an application for CECS, the applicant must commence participating with every participant in the clearing system on and from the commencement time.
- (2) For an application for BECS, HVCS, or PCS, the applicant must commence participating with a participant in the clearing system on and from the commencement time if—
 - (a) the applicant is not required to pass a production implementation verification test with the participant; or
 - (b) the applicant is required to pass a production implementation verification test with a participant and the applicant passes the test with that participant before the commencement time.
- (3) If an applicant for BECS, HVCS, or PCS is required to pass a production implementation verification test with a participant in the clearing system but fails to pass the test with the participant by the commencement time,—
 - (a) the applicant and the participant must remedy the cause of the failure; and
 - (b) the applicant and the participant must repeat the test; and

- (c) no later than the end of 10 business days following the commencement time, the applicant must pass the test with the participant and commence participating in the clearing system with the participant.
- (4) If the applicant referred to in subclause (3) fails to pass the production implementation verification test by the end of 10 business days following the commencement time, the breach process in Part 5, subpart 2 applies.

Compare: Payments NZ Rules, v35, rule 2.31.

Subpart 2: Assignment of a right to participate in a clearing system

2.34 Assignment of a right to participate

- (1) A participant in a clearing system may, with the approval of the independent directors, assign to another person—
 - (a) the participant’s right to participate in the clearing system; and
 - (b) the participant’s obligations in respect to participation in the clearing system; and
 - (c) the participant’s powers in respect to participation in the clearing system.
- (2) This subpart applies to an assignment in which—
 - (a) the person obtains significant influence over the participant; or
 - (b) the participant resigns and transfers its rights, obligations, and powers in a clearing system under the rules to the person.
- (3) For the purposes of subclause (2)(a), the term significant influence—
 - (a) if the participant is a registered bank, means—
 - (i) the ability to directly or indirectly appoint 25% or more of the board of directors (or other persons exercising powers of management, however described) of the registered bank; or
 - (ii) a direct or indirect qualifying interest in 10% or more of the voting securities issued or allotted by the registered bank; or
 - (b) if the participant is not a registered bank, means—
 - (i) a person has the right to directly or indirectly appoint 25% or more of the participant’s board of directors (or other persons exercising management powers); or
 - (ii) in relation to any voting securities issued or allotted by the participant, a person has, directly or indirectly, any of the following:
 - (A) the legal or the beneficial ownership of 10% or more of the voting securities;
 - (B) the power to exercise, or control the exercise of, 10% or more of the voting rights attached to the voting securities;
 - (C) the power to acquire or dispose of 10% or more of the voting securities;
 - (D) the power to control the acquisition or the disposition of 10% or more of the voting securities by another person;
 - (E) any of the rights or powers referred to in subparagraphs (A) to (D) under, or because of, a trust, an agreement, an arrangement or an understanding relating to the voting securities.

Compare: Payments NZ Rules, v35, rule 2.32.

2.35 Application to company

The company must ensure that the person to whom it is proposed that the right to participate in a clearing system be assigned—

- (a) applies to the company for approval of the assignment; and
- (b) makes the application in the manner specified by the company
- (c) includes with the application,—

- (i) the information that the company requires to assist the independent directors to determine the application; and
- (ii) for an application for approval of an assignment in respect of BECS or PCS, written consent from the BECS or PCS participant assigning the right to participate to re-allocation to the applicant of all the participant's interchange numbers and branch ranges.

Compare: Payments NZ Rules, v35, rules 2.33 and 2.37(2).

2.36 Independent directors determine assignment

- (1) As soon as practicable after the company receives an application under rule 2.35, the independent directors must determine whether to approve the assignment.
- (2) To enable the independent directors to make a determination under subclause (1), the independent directors may—
 - (a) require the applicant to provide an independent report by any person or any additional information that the independent directors consider necessary to enable the independent directors to determine the application; or
 - (b) require the applicant to provide any additional information that the independent directors consider necessary.
- (3) In making a determination, the independent directors must have regard to whether the applicant complies with the access criterion in rule 2.9.

Compare: Payments NZ Rules, v35, rule 2.34.

2.37 Conditions of approval

- (1) If the independent directors approve the assignment of a right to participate in a clearing system, the independent directors may require the applicant to comply with the following conditions before the assignment is completed:
 - (a) payment of the application fee to the company prescribed under rule 4.13;
 - (b) in accordance with rules 2.23 and 2.27, passing the tests in accordance with the test strategy to the extent determined by the independent directors;
 - (c) completing any of the admission requirements specified in rule 2.29 to the extent determined by the independent directors;
 - (d) admission of the applicant as a new participant in the clearing system in accordance with rules 2.30 to 2.33 at the time determined by the independent directors;
 - (e) any other condition specified by the independent directors at the time of the approval.
- (2) If the independent directors require an applicant to pass any tests under subclause 1(b),—
 - (a) the independent directors must require the applicant to pay—
 - (i) the test fees specified by rule 2.28; and
 - (ii) for an application for BECS or PCS, the system fee specified by rule 4.15; and
 - (b) the independent directors may require the company and participants in the clearing system to comply with the requirements specified by rules 2.23 and 2.25 to 2.27 to the extent determined by the independent directors.

Compare: Payments NZ Rules, v35, rule 2.35.

2.38 Company must notify independent directors' decision

As soon as practicable after the independent directors determine whether to approve an assignment, the company must notify—

- (a) the applicant of—
 - (i) the independent directors' decision; and

- (ii) if the independent directors do not approve the assignment, the reasons for the independent directors' decision; and
- (b) each participant in the clearing system and the Reserve Bank of the independent directors' decision.

Compare: Payments NZ Rules, v35, rule 2.36.

2.39 No participation if assignment not approved

- (1) If the independent directors do not approve an assignment under rule 2.36, an applicant is not entitled to participate in a clearing system.
- (2) If the company decides that the applicant is participating in the clearing system, the company may give the following instructions:
 - (a) if the applicant participates in BECS or PCS,—
 - (i) instruct SBI participants to reject payment instructions involving the applicant; and
 - (ii) instruct SBI participants to stop creating transactions and files in relation to payment instructions involving the applicant; and
 - (iii) instruct SBI participants to freeze settlement and freeze interchange of all files with the applicant, but to continue settlement and interchange with each other:
 - (b) if the applicant participates in HVCS, instruct HVCS participants to stop HVCS payments to the applicant.
- (3) Each participant must comply with every instruction given under subclause (2).

Compare: Payments NZ Rules, v35, rule 2.38.

Subpart 3: Changing a right to participate in SBI

2.40 Changing a right to interchange SBI files

A BECS or PCS participant may do the following with the approval of the independent directors:

- (a) if the participant is not a member of the SBI CUG and uses another SBI participant to interchange its files through the SBI CUG transaction delivery system, obtain a right to—
 - (i) change the SBI participant who interchanges its files through the SBI CUG transaction delivery system; or
 - (ii) join the SBI CUG and commence interchanging its own files through the SBI CUG transaction delivery system:
- (b) if the participant is a member of the SBI CUG and interchanges its own files using the SBI CUG transaction delivery system, obtain a right to leave the SBI CUG and use another SBI participant to interchange its files through the SBI CUG transaction delivery system.

Compare: Payments NZ Rules, v35, rule 2.39.

2.41 Application to company

- (1) An SBI participant who proposes to change the way that it interchanges files through the SBI CUG transaction delivery system must apply to the company for approval of the change.
- (2) The company must ensure that the person—
 - (a) makes the application in the manner specified by the company in accordance with section A of chapter 1 of the access procedures; and
 - (b) includes with the application, the information that the company requires to assist the independent directors to determine the application.

Compare: Payments NZ Rules, v35, rule 2.40.

2.42 Independent directors determine proposed change

- (1) As soon as practicable after the company receives an application under rule 2.41, the independent directors must determine whether to approve the change.
- (2) To enable the independent directors to make a determination under subclause (1), the independent directors may—
 - (a) require the applicant to provide an independent report by any person or any additional information that the independent directors consider necessary to enable the independent directors to determine the application; or
 - (b) require the applicant to provide any additional information that the independent directors consider necessary.
- (3) In making a determination, the independent directors must have regard to whether the applicant complies with the access criterion in rule 2.9.

Compare: Payments NZ Rules, v35, rule 2.41.

2.43 Conditions of approval

- (1) If the independent directors approve a change the way that it interchanges files through the SBI CUG transaction delivery system, the independent directors may require the applicant to comply with the following conditions before the change takes effect:
 - (a) pay the application fee to the company prescribed under rule 4.13:
 - (b) if the applicant is required to join the SBI test CUG, join the SBI test CUG:
 - (c) if the applicant is required to leave the SBI production CUG, leave the SBI production CUG:
 - (d) passing tests required by the test strategy to the extent determined by the independent directors:
 - (e) any other condition specified by the independent directors at the time of the approval.
- (2) If the independent directors require an applicant to pass any tests under subclause 1(d),—
 - (a) the independent directors must require the applicant to pay—
 - (i) the test fees specified by rule 4.14; and
 - (ii) for an application for BECS or PCS, the system fees specified by rule 4.15; and
 - (b) the independent directors may require the company and other SBI participants to comply with the requirements specified by rule 2.25 to 2.27 to the extent determined by the independent directors.

Compare: Payments NZ Rules v35, rule 2.42.

2.44 Company must notify independent directors' decision

As soon as practicable after the independent directors determine whether to approve a change to an SBI participant's right to interchange, the company must notify—

- (a) the SBI participant of—
 - (i) the independent directors' decision; and
 - (ii) if the independent directors do not approve the change, the reasons for the independent directors' decision; and
- (b) each other SBI participant and the Reserve Bank of the independent directors' decision.

Compare: Payments NZ Rules v, rule 2.43

2.45 No change if proposal is not approved

If the independent directors do not approve a change to an SBI participant's right to interchange under rule 2.42, the SBI participant is not entitled to change who interchanges its files.

Compare: Payments NZ Rules, v35, rule 2.44.

2.46 Time of change

- (1) The company must determine, in consultation with the SBI participant and every other SBI participant, the time from which the change to the participant's right to interchange SBI files takes effect.
 - (2) The time from which the change takes effect must, unless the BECS management committee otherwise agrees, be more than 180 calendar days after the date on which the SBI participant completed the admission requirements specified by rule 2.29 to the extent determined by the independent directors.
- Compare: Payments NZ Rules, v35, rule 2.45.

Subpart 4: Resigning from a clearing system

2.47 Resignation procedure

- (1) A participant in a clearing system may resign from the clearing system—
 - (a) by notifying the chief executive in writing; and
 - (b) with effect from—
 - (i) a date that is more than 3 months after the date on which the participant sends the notification to the company; or
 - (ii) any other date that is agreed by the independent directors.
- (2) Before the resignation date in subclause (1), the resigning participant may apply to the chief executive in writing to change the resignation date to a specified date.
- (3) The chief executive must determine, in consultation with the participant and every other participant in the clearing system, whether to approve the participant's application for a changed resignation date.
- (4) The changed resignation date must be,—
 - (a) after the original resignation date specified in the notification in subclause (1); and
 - (b) unless the chief executive otherwise agrees, more than 15 business days after the date on which the participant sent the application for a changed resignation date under subclause (2).
- (5) If a participant resigns in accordance with this rule, the participant cannot revoke the notice of resignation.

Compare: Payments NZ Rules v35, rule 2.57.

2.48 Effect of resignation

- (1) If a participant resigns from a clearing system, the participant's right to participate in the clearing system ends at the end of the ESAS day on the date on which the resignation takes effect.
- (2) If a participant resigns from a clearing system and the participant participates in another clearing system, the participant may continue to participate in the other clearing system.
- (3) Subject to any rights of set-off, counterclaim, or combination, that are available at law, at the end of the ESAS day on the date on which resignation takes effect, the participant—
 - (a) must immediately pay all money that it owes to any other participant in a clearing system from which it has resigned in relation to the participant's participation in the clearing system; and
 - (b) is entitled to be paid all money owed to it by any other participant in a clearing system from which it has resigned in relation to the participant's participation in the clearing system.
- (4) If a participant resigns from a clearing system, it is not entitled to repayment of all or part of any levy, charge, or fee that it has paid to the company in accordance with Part 4.
- (5) If a participant resigns from a clearing system, the resignation does not affect—
 - (a) any right or liability of the participant accrued or incurred in relation to the participant's participation in the clearing system before the end of the ESAS day on the date on which the resignation takes effect, including, without limitation and

in accordance with rule 4.12(4), the participant's liability to pay the amount of an annual levy for which the participant became liable in respect of the clearing system at the commencement of the financial year to which the annual levy relates; or

- (b) the rights or obligations of the participant under any clearing system document that provides that it has effect despite the resignation of the participant from a clearing system.

Compare: Payments NZ Rules, v35, rule 2.58.

2.49 Company actions on resignation

- (1) As soon as practicable after the company receives notification from a participant of its resignation from a clearing system or a changed resignation date, the company must notify the following of the resignation and of the date or changed date on which the resignation takes effect:
 - (a) all participants:
 - (b) if the resignation relates to BECS or PCS, SWIFT:
 - (c) if the resignation relates to CECS, all switches:
 - (d) if the resignation relates to HVCS, the AVP CUG service administrator:
 - (e) the Reserve Bank.
- (2) Subclause (3) applies to the company if—
 - (a) an SBI participant is a member of the SBI CUG and resigns from BECS or PCS; and
 - (b) as a result of the resignation, the participant will not participate in either BECS or PCS.
- (3) The company must remove the SBI participant from the SBI CUG as soon as practicable after the end of the ESAS day on which the resignation takes effect.

Compare: Payments NZ Rules, v35, rule 2.59.