



# **Central Bank of Oman**

## **Automated Clearing House Operating rules**

**8<sup>th</sup> November 2017**

**Version -1.0**

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## 1. INTRODUCTION

Central Bank of Oman in its capacity as the central banking authority, operator and regulator has embarked on the development of the new Automated Clearing House (ACH) System for the participants to exchange the interbank retail payments individually or in batches to one another. These are netted for the purpose of generating multilateral clearing balances for each participant for settlement in the RTGS. Apart from its role as a switching and clearing platform, the ACH also facilitates the reporting requirements and monitoring services to the central bank. This system aims to replace the old ACH system introduced in 2006 which has limited capabilities, with a system that has more capabilities like the introduction of the direct debit operations, the Mandate Management System (MMS), Electronic Bill Presentment & Payment (EBPP), Dispute Management System (DMS) and the Wage Protection System (WPS):

### 1.1. OBJECTIVES

The objective of the ACH system is to achieve a safe and efficient inter-bank payment system for both multi debit and multi credit transactions that effectively contribute to the efficient operation of the financial system in the Sultanate of Oman and typically designed for low-value, high volume transactions.. The system is expected to provide faster access of funds, provide the services 24/7 for both individuals and corporates, to increase security of payment processing, reduce associated risks and to promote efficiency in terms of speed, cost and robustness.

These operating rules highlight the system architecture and the roles and responsibilities of the various stakeholders within the legal and regulatory framework for effective discharge of obligations by the regulator, operator, overseer and participants under the system.

## 1.1. EFFECTIVE DATE OF IMPLEMENTATION

The operating rules stated in this document shall become effective on the first day of system go live as declared by the Central Bank of Oman.

## 1.2. DEFINITION OF TERMS USED WITHIN THIS DOCUMENT

The below are the list of terms used throughout the document.

<b>Term</b>	<b>Description</b>
ACH	Automated Clearing House.
AML\CFT	Anti-Money Laundering and Combating Financing Terrorism. Promulgating the Law on Combating Money Laundering and Terrorism Financing issued by the Royal Decree No. 30/2016.
Bank Net	A computer data communication network; in Oman that adopts the Multi-Packet Label Switching (MPLS) technology. Presently, Omantel operates the Bank Net and it provides services for sending/receiving multimedia information electronically to/from the CBO amongst the participants of National Payment System exclusively.
Business Day	Official working hours as declared by the Central Bank of Oman in which all participants in the ACH perform their financial transactions and the financial transactions are settled in the bank's settlement accounts with the CBO.
CBO	Central Bank of Oman.
Creditor	The customer who has to receive funds from another customer in his account with his bank
Creditor bank	The bank in which the creditor has an account for receiving the funds

Clearing	The processes of exchanging and confirmation of relevant payment information in the ACH, among participants during the clearing session, generate financial clearing positions, and decide the final positions of settlement.
Clearing Session	The period determined and managed by the Central Bank for conducting clearing on business days.
Debtor	The customer who has to pay to other customers by debit to his account with a bank
Debtor bank	The bank in which the debtor has an account for transferring funds to another customer.
Direct Debit	A payment order issued from the bank account of the payer for the benefit of the beneficiary and at the demand of the latter.
Direct Credit	A payment instrument allowing a payer to instruct the institution with which its account is held to transfer funds the account of a beneficiary.
Debit Cap	A limit on the participants net debit position at any point of time on an operating day in the ACH.
Exchange Session	A predefined time period during which the exchange of payment instructions take place.
Final settlement	-The point when all the accepted transactions are deemed final and irrevocable once the session is closed and Net Clearing Position for all participants is arrived at.

Irrevocable	A mandate that cannot be revoked/cancelled or altered without prior approval from both parties.
Mandate	Mandate is a legal contract authorized by the debtor allowing a creditor to debit an amount from the specified debtor's account at the debtor's bank at predefined date fixed in the mandate.
Net Clearing Position (NCP)	The financial position for each Participant at the closure of each clearing session arrived at by offsetting of the mutual obligations on a multilateral basis to arrive at the net debit or net credit positions of the participants.
Revocable	Having the ability to revoke or cancel
Irrevocable	Not having the ability to revoke or cancel
Rollover	To rollover the pending transaction to the next available business day/session based on the configuration.
RTGS	Real-Time Gross Settlement System
Transaction Threshold	The maximum amount that can be exchanged per transaction through the ACH as set by CBO.
Unwind	To cancel the already accepted transaction before the final settlement done at central bank by the system.

### 1.3. LEGAL AND REGULATORY FRAMEWORK

Central Bank of Oman (CBO) in its capacity as the central banking authority, operator and regulator in the Sultanate of Oman, and in accordance with the powers vested in it by the Banking Law issued by Royal Decree 114 of 2000 to regulate banking business hereby, promulgates the following operating rules to govern the Automated Clearing House payment system in the Sultanate of Oman. **The above shall be reviewed once the National Payment Systems Law (NPSL) is promulgated.**

This document provides the following necessary operating rules that have to be complied with by the Participants.

1. The legal authority for these operating rules is derived from the Banking Law 2000 and any law that is promulgated for payment systems in the country.
2. The Central Bank of Oman shall own, host, operate the ACH System, and monitor its operations in accordance with CBO operating rules and regulations.
3. The CBO reserves the right to modify these operating rules as deemed necessary and notify all the participants accordingly.
4. The CBO will review these operating rules on regular basis at its own discretion and inform the participants accordingly.
5. Participation in the ACH System is presently permissible to all commercial and specialized banks operating in the Sultanate of Oman, subject to the provisions of the Banking Law and any other entity as approved/directed by the Central Bank.
6. Each Participant in the System shall comply with the provisions of this regulatory framework and any instructions subsequently issued by CBO in this respect. Participants have to comply with the relevant rules and regulations that are related, but not limited to the following:
  - Anti-Money Laundering Law and its related regulations.

- Electronic Transaction Law and its related regulations.
- Know Your Customer “KYC” process.
- Any other Laws and regulation will be issued from CBO related to Payment Systems in the Future.

#### **1.4. ACH PAYMENT SYSTEM**

ACH Payment System seeks to provide participants with a web based interbank retail payments solution to exchange fund transfer domestically amongst the participants, via secured communication channel, to be netted by the system for calculating multilateral clearing position for each of the participants and subsequent settlement through the RTGS, including those for future value dates. The ACH system will also integrate with the internal systems at the CBO, such as Payroll and General Ledger and any systems as deemed necessary by CBO.

The payment instructions include direct debit instructions, and direct credit instructions. However, the direct debit transactions are outside the explicit purview of the Banking Law as on the date of implementation of the ACH system and hence does not have a legal framework. With the enactment of the National Payment Systems Law (NPSL), direct debit will get a legal backing.

The direct debit is accompanied with the debit mandate (an agreement or an expression of consent authorized by the debtor (payer) allowing a beneficiary party (creditor) , to debit an amount from the specified debtor’s account at the debtor’s bank at predefined date fixed in the mandate). Hence the debit mandate form to be filled and validated by the debtor bank and creditor bank will also come under the legal framework for direct debit once the NPSL is enacted. These operating rules will be revisited after the enactment of the NPSL.

The System utilizes industry standard protocols, such as ISO 20022 for message exchange between participants and defining the business day schedule of operations, including cut-off times and settlement integration schedules.

## **2. BUSINESS RULES**

### **2.1. CURRENCY**

The system supports the ACH transactions in Omani Rial only. CBO may consider introducing other currency upon need.

### **2.2. THRESHOLDS**

CBO shall apply a threshold for the payment transaction amount to be cleared through ACH. Participants have to comply with amount limits defined for their customers and the system will validate automatically the amount limits per transaction.

### **2.3. OPERATING RULES**

CBO in its powers to regulate the banking business hereby promulgates the following operating rules that govern ACH in the Sultanate of Oman.

#### **2.3.1. Compliance to the operating rules**

The operating rules shall govern the operations and the use of the ACH as well as the roles and responsibilities of the Participants, Operator and the Central Bank (CBO).

#### **2.3.2. Amendment**

Central Bank of Oman, reserves the right to amend these operating rules when deemed necessary and communicate to the participants its effective date.

#### **2.3.3. Usage**

Without prejudice to any laws of the Sultanate of Oman, Central Bank and all Participants must comply and adopt these operating rules when performing ACH payments transaction and its related operations.

### **3. MEMBERSHIP AND PARTICIPANT TYPE**

#### **3.1. OWNERSHIP AND LICENSING**

The ACH system operated by the Central Bank which authorizes and approves the Participants to use the ACH System, strictly in accordance with the terms and conditions of the Membership Agreement and these operating rules. The Central Bank is empowered to regulate and oversee the operations and usage of the ACH as it deems fit under the legal statute prevailing for the purpose.

#### **3.2. MEMBERSHIP**

Membership of the ACH shall be mandatory to all commercial and specialized banks operating in the Sultanate of Oman, subject to the provisions of the Banking Law and any other entity as approved/directed by the Central Bank under any other law in force.

#### **3.3. ADMISSION OF NEW PARTICIPANT**

The Central Bank may authorize the admission of new Participant in ACH, provided that the Central Bank in its sole discretion decides that the new Participant meets its qualifying criteria and executes the related membership agreement, stipulated for the purpose by CBO, under the Law prevailing for the purpose.

#### **3.4. PARTICIPANT'S TYPE**

The ACH system supports the following types of participants:

##### **3.4.1. Direct Participant**

Direct participant is the one who maintains a settlement account in the books of the Central Bank (CBO) in the RTGS, as well as a direct communication link with the ACH system, using Bank net network and a participant platform to allow direct data exchange with the system.

#### 3.4.2. Indirect Participant

Indirect participant is the one which can send ACH transactions via a **direct communication link** to the ACH system but has no settlement account in the RTGS. Its position shall be settled through the account of direct participant with whom a service agreement is executed.

It is to be noted that a direct participant represents the indirect participant only for the purpose of settling the transactions of the indirect participant. Therefore, the direct participant and his indirect participant are responsible for their respective clearing obligations outside the system.

#### 3.4.3. Technical Participant

Technical Participant is one which maintains a settlement account in the RTGS but has **no direct** communication link with the ACH system. The communication with the ACH system will be through the communication link of a direct participant with whom he should have a service agreement.

#### 3.4.4. Special Participant

Special participant is an entity (e.g. Ministry of Manpower) that has limited access to the ACH nor settlement account in the RTGS. The participant is provided with limited access for the purpose of generating reports and pushing employee contracts to the WPS. This participant uses the output information from the ACH system from their internal use.

<b>Participant</b>	<b>Settlement Account</b>	<b>Communication Link</b>
Direct Participant	Yes	Yes
Indirect Participant	No	Yes
Technical Participant	Yes	No
Special Participant	No	Yes (limited access for generating reports and pushing contracts purposes)

### **3.5. ELIGIBILITY CRITERIA**

Following shall be the eligibility criteria for a being inducted as a participant in the ACH System:

1. All banks licensed to operate in the Sultanate of Oman are mandated to be participants in the ACH System owned and operated by the CBO. Any entity approved by CBO under the law in force will be bound by these operating rules through an agreement executed with the Central Bank of Oman as an operator.
2. Holding settlement account at Central Bank of Oman; or having established a legal agreement with another Direct Participant who holds an account in CBO to act as their settlement agent for settling the Net Clearing Position (NCP).
3. All direct participants in the ACH are automatically eligible to be direct participants in RTGS system.
4. Central Bank of Oman in its role as an owner, operator and regulator of the ACH System reserves the right to specify additional eligibility criteria as deemed necessary in its attempt to maintain safety and efficiency of the system.

### **3.6. PARTICIPANTS PREREQUISITES**

All participants shall comply with these operating rules to execute interbank payment transaction to manage and control the business cycle from their side. They are expected to accommodate qualified staff with experience in the payment and

settlement functionality to execute their daily operations in a safe and sound manner and thus minimize any potential risk.

### **3.7. INTERBANK AGREEMENT**

Any inter-bank agreements relating to payments, such as the Clearing House operating rules, Repurchase Facility, etc. shall continue to remain in force except to the extent that they are against ACH operating rules.

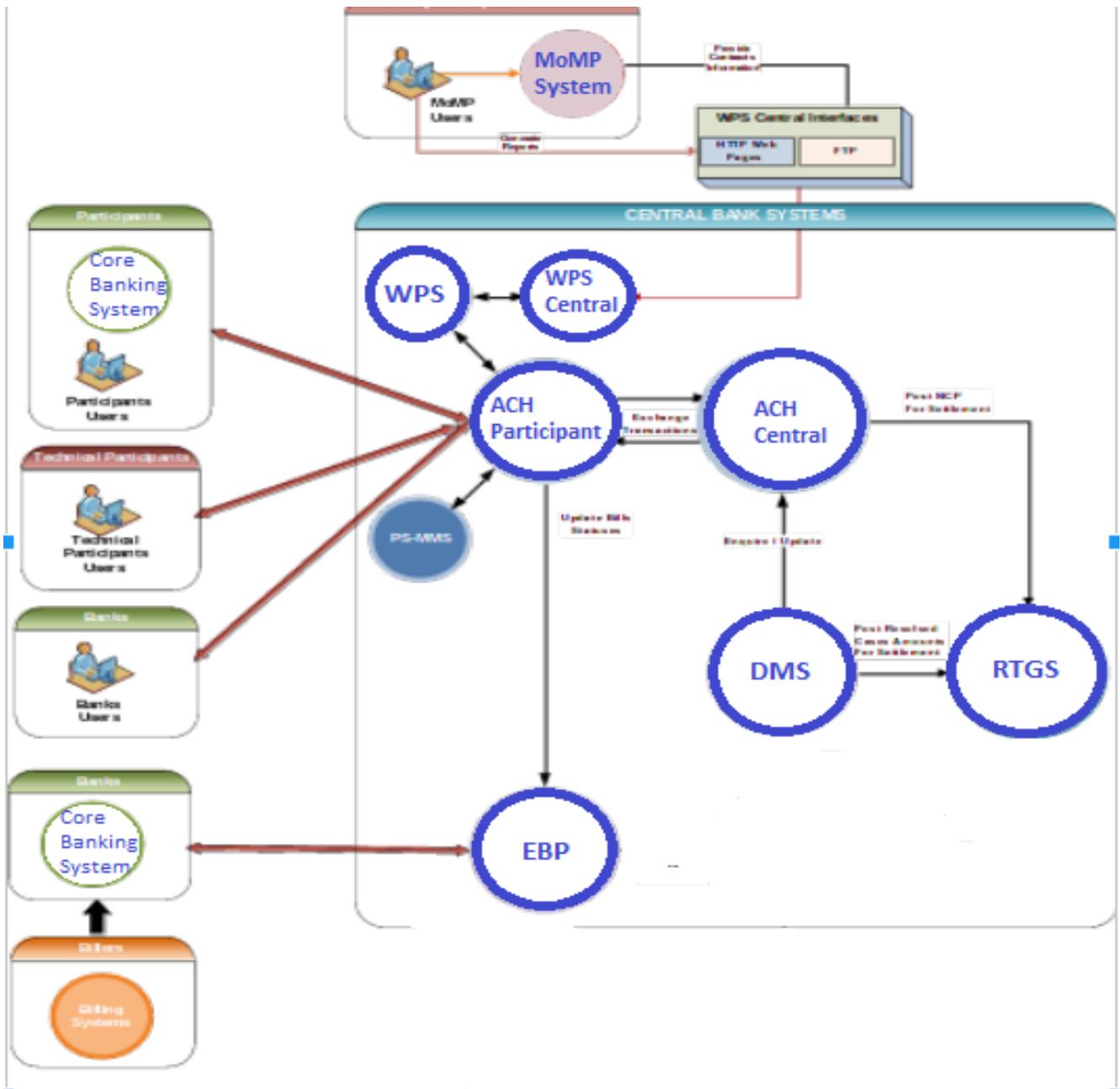
## **4. SYSTEM COMPONENTS**

The Clearing House operates with an Application Service Provider (ASP) model for providing its services to the Participants. The ACH is a web based application that will be hosted at CBO premises, where each Participant will access the system through a secure communication link. All application systems and database components of all Participants will be centrally installed in the CBO. Participants shall be required to access the centralized servers using the web browser or a dedicated integration component, to perform fund transfer and accessing their own information.

### **4.1. CENTRAL SYSTEM**

The Central system shall include all components such as session configuration, system parameters, participant management, monitoring and reporting, notifications and alerts.

The Central system shall handle payments processing and validation at the clearing house level and shall provide the ability to define schedules, manage, and view created clearing sessions. All the functions in the Central System shall be subject to dual approval.



## 4.2. PARTICIPANT SYSTEM

The Participant System is a web based component that adapts the Application Service Provider (ASP) model. Participant System web based interface provides a user to perform outward payment instructions according to the payment message (direct debit or direct credit) in addition to cancellation, rejections, replies, returns and reversals. Participants can also perform inward processing for their transactions, such as received direct credit and direct debit batches, received request for cancellation, return, and reversal and perform replies and rejections.

Participants can define and perform the standing order instructions for direct credit transactions and create and manage the mandates for direct debit transactions through the participant System. All functions in the participant System shall be subject to dual approval except for transactions through interface where in such configuration at bank level will be available to enable straight through processing.

### **4.3. MANDATE MANAGEMENT SYSTEM (MMS)**

Mandate is an agreement or an expression of consent authorized by the debtor (payer) allowing a beneficiary party (creditor) , to debit an amount from the specified debtor's account at the debtor's bank at predefined date fixed in the mandate. Mandate is used for direct debit transactions in the ACH system. A mandate may exist as a paper document and/or a pre-printed form which is physically signed by the debtor and such paper mandate is stored either as the original document or in any digitized format supported by legal provisions. Alternatively, a mandate may be an electronic document which is signed using a legally binding method of digital signature. Participant can create, amend and terminate a mandate through the participant mandate module at CBO. Stop payment instruction can also be created for already created mandate through this module.

The Mandate Management System ensures that the authorized mandate for the direct debit are available in the system for verification when any direct debit transaction is executed.

### **4.4. WAGES PROTECTION SYSTEM (WPS)**

WPS is a comprehensive oversight system for the wages payment in the Sultanate of Oman. The system builds intelligent database of salary distribution and ensures that the employees get paid as per their contracts, on time and on a regular basis. WPS collects centrally, stores and provides to Ministry of Manpower the required information about payment of wages by employers to their employees. WPS consists of the two major components:

- Component for the banks' use – this component is responsible for the processing of salary information files (SIF upload, technical validation, maker / checker approval). The bank users can access this function through internet browsers.

- Central component – this component is responsible for collecting salary information files that were processed by the core banking systems from the banks, integration with ACH and providing the interface for Ministry of Manpower to obtain the data.
- SIF : The SIF should consist of the following salary payment types

Code	Category	Purpose Name
<b>SALA</b>	<b>Salary</b>	Salary
		Bonus
		Overtime Payment
		Allowance
		End of service benefit

#### **4.5. ELECTRONIC BILL PRESENTMENT AND PAYMENTS (EBPP)**

Electronic Bill Presentment and Payment is a process that enables the billers to present their bills electronically and customers to pay these bills over the internet. The EBPP system will consolidate the bills submitted by different billers into an electronic format to allow the participants to retrieve the bills and present them to their customers through electronic channels for payment.

#### **4.6. DISPUTE MANAGEMENT SYSTEM (DMS)**

Dispute Management System, is a web based solution wherein customers disputes are processed as digital transactions. The details linked to the filed disputes and the disputed payment transactions in addition to any evidence documents availed by the customers are held in one place to be accessed by different users, banks and service

providers, based on authorization and access levels assigned to each party. This would boost data security and consistency, easy data archival and retrieval, better oversight over customer disputes, better case analysis and ultimately better and faster decision making.

#### **4.7. ARCHIVE SYSTEM**

CBO will maintain the transaction archive for all participants for at least ten years. The data will be archived automatically within 3 months in the National Archive System. The participant can have access to their archived data for 10 years. CBO too has the right to access the data whenever deemed necessary.

## **5. MANAGEMENT**

### **5.1. PARTICIPANT MANAGEMENT**

#### **5.1.1. Participant Suspension**

CBO has the full authority to suspend or expel a participant temporarily or permanently from ACH System for any reason it deems appropriate. A participant might be suspended for a reason such as violating the CBO operating rules on ACH or if the participant is declared insolvent or its banking license is revoked by the Central Bank, or the participants that have breached any of the terms of the agreement or any other reason deemed appropriate by CBO.

#### **5.1.2. Participant Termination**

CBO has the full authority to terminate a participant from the ACH for any reason it deems appropriate. Termination is irreversible. The termination of a participant is accomplished by removing the participant permanently, wherein the terminated participant will no longer be able to access the ACH, however, the participant information will remain in the system for future reference. Once the participant is terminated, and if CBO considers its participation in future, the participant has to seek new membership.

#### **5.1.3. Participant Withdrawal**

Any Participant intending to withdraw from the ACH System, shall notify the CBO in writing, stating the intention for the discontinuation sixty (60) days before ceasing its operations.

CBO has the full authority to accept or reject the withdrawal request. In case of acceptance, CBO will send notifications to all participants at least one month before the effective date of withdrawal by the participant.

#### **5.1.4. Obligations on Cessation of Membership**

In case, a participant has been suspended, terminated or has withdrawn from ACH, all its pending non-replied transactions shall be rejected. However, the cessation of the membership shall not liberate the participant of any liability for effecting those payments to the concerned parties. The participant shall also continue to remain liable for all its accrued and accruing obligations under these operating rules.

#### **5.1.5. Revocation of Suspension**

The Central Bank has the sole discretion to revoke the suspension of the participant and shall notify all the participants regarding such revocation.

#### **5.1.6. Participant Notification**

ACH System shall notify all the participants with any update on the suspension, resumption, termination, and withdrawal of any participant.

#### **5.1.7. Participant Identification**

Each participant shall be represented in the ACH System with a unique identification code, known as the participant BIC (Bank Identification Code).

ACH shall register following additional information for participant identification purposes.

Each Participant shall provide CBO with the following information

#	Parameter	Details
1	Participant BIC	The bank identification code (BIC) of participants in RTGS system shall be used.
2	ID Other Participant	Indirect participants, and technical participants, it contains the bank code of the direct participant
4	Participation mode	For example, direct participation, indirect participation, technical participation, special participation,, etc.
5	Participant's name	Name of participant
6	Address	For possible paper mail
7	Legal address	Registered address of the participant
8	Telephone	Telephone number of the representative of the participant
9	Fax	Fax number of the representative of the participant
10	E-Mail	Electronic address of the representative of the participant
11	Country	Country name
12	Country Code	International ISO code of the participant's country

## 5.2. SESSION MANAGEMENT

CBO shall maintain and operate clearing session and exchange period to exchange payment messages between participants. Sessions include direct credit and/or direct debit presentment and replies within each session. A session can be defined based on: currency, category purpose payments as deemed necessary by CBO

### 5.2.1. Session Opening

The CBO has the full authority to open the clearing session, as it deems appropriate.

### 5.2.2. Session Termination

The CBO has the full authority to terminate the clearing session, as it deems appropriate. CBO will notify all participants in case the session termination action

has been taken. In such situation, pending payment transactions in the terminated session will be auto-rejected with a reason “Session terminated”. And the payment transactions that were already replied by the receiver will be settled through the same session’s NCP file either on the same business day or on the next available business day.

### **5.2.3. Session Extension**

In certain and emergency conditions, a participant can ask for additional time in any of the sessions to process outward or reply. Session extension will be considered only to process outward or reply.

CBO shall have the full authority to approve or reject the extension. Upon the approval, ACH shall extend the session period accordingly and the participants can view this extension in the Portal.

### **5.2.4. Session Extension Procedure**

- A. The Participant shall request for extension through the ACH system at least one hour prior to the reply cut-off time.
- B. In case CBO approved the session extension period, CBO will send a notification message to:
  - i. The requesting participant informing the time of the extension.
  - ii. All participants are expected to monitor the session events for being informed regarding the extension of a session, as they would be receiving reply from the bank that has been granted extension.
- C. The maximum extension time period shall be 30 minutes for each extension.
- D. If the session extension is approved, the settlement schedule will be extended accordingly.

E. If a further extension (addition to the first extension of 30 minutes) is required by the participant, the participant should contact CBO directly for requesting a new extension period before the first extension expires.

#### **5.2.5. Session Modification**

CBO has the full authority to add new clearing sessions and/or change the start/ end timings or Cancellation or reply period/timing of the sessions referred in this Operating rules for any reason it deems appropriate.

#### **5.2.6. Session Unwind**

The Unwind process is to cancel the already accepted transaction before the session closure and the final settlement done at central bank.

Only CBO shall have the full authority to unwind for any reason it deems appropriate:

- Session(s)
- Transaction(s)
- Participant(s)

. CBO shall notify all participants in case an unwinding action is taken.

#### **5.2.7. Sudden Holiday**

In case of a sudden holiday or force majeure (unscheduled holiday) has been declared by CBO, the below shall be followed:

- A. Sessions that are already opened shall be extended for the next available business day.
- B. New sessions that are due will not open.

## **5.3. ROLLOVER**

### **5.3.1. Transaction Rollover**

The system has the ability to rollover a transaction(s) by shifting the pending transactions to the next available clearing session. The transaction shall be rolled over only in certain situation due to unexpected circumstances.

The rollover request must be initiated by the participant to CBO and for valid request, CBO shall rollover such transaction(s).

### **5.3.2. Session Rollover**

Session rollover can take place in certain situation due to unexpected circumstances. In this situation, pending transaction(s) shall be rolled over by shifting the pending transaction to the next available clearing session. NCP will be generated for the already replied transactions.

## **5.4. SETTLEMENT MANAGEMENT**

### **5.4.1. Settlement Schedule**

Upon the closure of each clearing session, Net Clearing Position (NCP) report will be generated by the ACH System, and submitted to RTGS system in the business day for settlement. All transactions cleared are settled through the RTGS on the same business day. NCP summarizes the financial netted position of each participant on a multilateral basis (either a net debit or net credit for each participant) and submits the NCP file to RTGS for settlement.

### **5.4.2. Settlement Process**

ACH System prepares and generates NCP report for all participants to be submitted to the RTGS System. Transactions cleared between accounts of the same participant do not go for settlement because they take the form of internal transactions (onus) and it can be used for reporting purposes. The system prepares the net clearing positions of participants in a multilateral MT971 format, pushes the NCP to the RTGS for settlement.

The RTGS then checks if all debit balances can be settled, i.e. if the settlement accounts of the participants in debit position are sufficient to cover their debit. If so, the system immediately debits these accounts (against an internal management account). For participants with credit balances, RTGS system credits their settlement accounts for the balances. When the settlement is successful, RTGS will send notification to ACH, as well as notifications of debit/credit to the participants.

If the settlement cannot be successfully performed because of insufficient settlement account balance for ANY participant with a debit position, RTGS shall queue the clearing transaction until the respective participant settlement account has sufficient funds to settle the clearing transaction.

### **5.4.3. Finality of Settlement**

When settlement of the Net Clearing Position (NCP) at CBO is completed successfully, all the transactions that are included in the NCP file are deemed 'final' and irrevocable.

## 6. OPERATIONS

### 6.1. TYPE OF OPERATIONS

ACH System processes the following types of operations:

#### 6.1.1. Financial Messages

- A. Direct Credit: A payment instrument allowing a debtor to instruct his bank, with which its account is held to transfer funds to the creditor. It is a push transaction.
- B. Direct Debit: A payment instrument for the debiting of the debtor account, whereby a payment transaction is initiated by the creditor on the basis of authorization given by the debtor. It is a pull transaction. Direct Debit is initiated with a mandate. A mandate is a debit that is originated from a creditor to collect a payment from the debtor with a mandate

A mandate is categorized as follows:

- **Revocable Mandate:** A mandate that has the ability to be revoked or cancelled by one party.
- **Irrevocable Mandate:** A mandate that cannot be revoked or cancelled without prior approval from both parties.

#### 6.1.2. Pre-Settlement Messages

##### 6.1.2.1. Cancellation

Cancellation request can be initiated by a sending participant to the receiving bank to ask for transaction cancellation which is not yet replied. The reply by receiving bank for this cancellation must be sent before the cancellation period ends, otherwise the cancellation request is considered as rejected

#### **6.1.2.2. Reply**

The receiving participant can reply (accept/reject) the received transaction during the business day, till the end of the reply period.

#### **6.1.3. Post-Settlement Messages**

##### **6.1.3.1. Returns**

Return request messages can be initiated by the creditor bank after settlement only for any payment instruction received/sent. The creditor can send a return request for an outward direct debit transaction, or an inward direct credit transaction. The return message reasons are indicated in the ANNEXURE I.

##### **6.1.3.2. Return of Credit Transfers**

Return of credit transactions can be made by the creditor bank only after settlement which must be submitted within five business day of original transmission of the credit transfer.

##### **6.1.3.3. Return of Debit Transfers**

The return can be initiated by the creditor bank, after settlement which must be submitted within five business days of original transmission of the debit transfer.

##### **6.1.3.4. Reversals**

Reversal request messages can be initiated by the debtor bank after the settlement for any payment instruction received/sent. . The debtor bank shall liaise with the creditor bank and agree on initiating a reverse transaction in the subsequent exchange sessions. Reversal of transfer must be submitted within

five business days of original transmission of the transfer. The reversal message reasons are indicated in ANNEXURE I

## 6.2. RESPONSE MODE

Based on certain criteria including the payment message type, amount, and category purpose, the response modes of each transaction at the end of the exchange clearing session shall be configured as:

1. Resilience mode: In resilience mode, no explicit acceptance response is required from the receiving participant for the transaction. All submitted transactions will be automatically processed based on the message type and the category purpose at the end of the clearing session unless they are rejected explicitly by the receiving participant. This mode will be applied **for all Direct Credit transactions**.
2. Request/Reply mode: In request/ reply mode, an explicit response is required from the receiving bank for each transaction. All submitted transaction will be automatically processed based on the message type and the category purpose. This mode will be applied **for all Direct Debit transactions**.

The table below highlights the nature of reply set for the various types of transactions:

<u>Type of Transaction</u>	<u>Mode</u>	<u>Action if not replied</u>
<b>Direct Credit Transfer</b>	Resilience	Auto-Accept
<b>Direct Debit Transfer</b>	Request/Reply mode	Auto-Reject
<b>Cancellation of Credit / Debit Transfer</b>	Request/Reply mode	Auto-Reject
<b>Return of Credit Transaction</b>	Request/Reply mode	Auto-Reject
<b>Return of Debit Transaction</b>	Request /reply mode	Auto-Reject
<b>Reversal of credit Transaction</b>	Request/ reply mode	Auto-Reject
<b>Reversal of debit Transaction</b>	Request/ reply mode	Auto-Reject

### **6.3. DAILY OPERATION**

ACH System is responsible for opening and closing the daily sessions for exchanging payment transactions, in addition to calculating the final net clearing position for each session and sending the result to the RTGS at CBO for settlement.

CBO operates and manage the daily operations of the system by:

1. Configuring and opening all types of daily clearing sessions for the participants.
2. Overseeing the automated operations and automated validation on Participants' presented and replied transaction(s).
3. Overseeing the overall management of the transaction life cycle and take corrective actions and decisions appropriately.
4. Receives payment transactions in batches initiated by the sending participant.
5. Processes and validates the received transactions on a First-In-First-Out (FIFO) concept.
6. Generates a status reports to indicate batches transactions' status after validating them and assigns a session ID for valid transactions.
7. Transmits valid transactions to the receiving participant for inward processing.
8. Transmits received replies from the receiving to sending participant indicating either acceptance or reply or based on the response mode.
9. Closing the clearing session of the current Business Day.
10. Generates the Net Clearing Position (NCP) for the accepted transactions on each clearing session for all participants and send it to the RTGS for settlement
11. Maintain electronic record for each transaction.

## 6.4. CLEARING SESSION

CBO shall also maintain and operate clearing session for exchanging payment messages between participants. Clearing sessions shall be identified by a unique ID that identifies the clearing session based on the following:

- a. Currency
- b. Settlement date
- c. Category Purpose,
- d. Predefined duration that is allowed for exchanging payment transactions within a particular clearing session as specified by CBO.

Sessions include direct credit and/or direct debit and replies within each session; multiple special purpose payments can be defined.

CBO reserves the right to adjust the actual start time/end time of each session on any business day due to any reason it deems appropriate.

## 6.5. CLEARING SESSION PARAMETERS

1. **Business Day:** **Business day** is the day within the calendar year that has been declared as a business day by CBO for permitting all participants to perform their clearing transactions within the working hours.
2. **Clearing Date (T):** Clearing date is a business day on which the clearing session and corresponding settlement will be completed.
3. **Currency:** which is defined within the RTGS for clearing of transactions within a specific clearing session
4. **Holiday:** Any planned calendar day that is not considered as a business day, including the weekend days and as defined by CBO.
5. **Payment Exchange Period:** Payment exchange period is the time period determined by the CBO during which the ACH system accepts exchanging transactions between participants to be cleared within a clearing session. Exchanging payments begin by the start date and time of the payment exchange

- period, and ends by the payment exchange period's end date and time. Holidays will not be considered as part of the calculation of the payment exchange period.
6. **Session Start:** The time that the sending bank can start sending payment instructions for clearing as per CBO definition.
  7. **Session End:** The ending time of the clearing session within a business day as per CBO definition.
  8. **Net Clearing Position (NCP):** NCP is the financial position for each Participant at the closure of each clearing session by offsetting of the mutual obligations on a multilateral basis to arrive at the net debit or net credit positions of the participants
  9. **Settlement Period:** The period when all cleared transactions will be settled at RTGS.
  10. **Request Reply Mode:** an explicit response is required to be sent by the receiving bank, either by acceptance or reply confirmation of each transaction all transaction will be auto rejected if not replied, at the end of the reply period.
  11. **Resilience Mode:** no explicit response is required from the receiving bank; all transaction will be auto accepted at the end of the reply period
  12. **Rollover:** to rollover the pending transaction in an existing session to the next available business day/session based on the configuration.
  13. **Unwinding:** cancel the already accepted transaction before the final settlement done at CBO by the system.
  14. **Grace Period:** Grace period is an additional period defined at the end of the Exchange Period and reply Period to handle any late receipt of transactions from the Participant System by the Central System. Any transaction received by the Central System after the Grace Period shall be considered for the next available session. Grace period shall be set at 5 minutes in the system.

## 6.6. CLEARING SESSION CONFIGURATION

Any transaction sent to the receiving participant must be responded before the end of its clearing session (i.e. before the reply period ends), according to the response mode. The session configuration for the Exchange Sessions shall have the following settings for a business day (T)

Clearing Session	Exchange Period				Cut-Off	Pre-Settlement Period	Settlement Period	Final Cut-off
	Messages Start Time	Messages End Time	Cancellation End Time	Reply End Time				
<b>Regular/ Normal Session</b>	12:00 PM (T-1)	12:00 PM (T)	13:00 PM (T)	13:15 PM (T)	13:20 PM (T)	13:30 PM (T)	13:40 PM (T)	13:55 PM (T)
	Credit Payment Messages							
	Debit Payment Messages							
	Reverse Messages							
	Return Messages							
	Cancellation Messages							
	Replies (Acceptance and Rejection)							

Clearing Session	Exchange Period				Reply End Time	Cut-Off	Pre-Settlement Period	Settlement Period	Final Cut-off
	Messages Start Time	Messages End Time	Cancellation End Time	Reply End Time					
<b>Special Clearing Session  (On Special Occasions)</b>	12:00 PM (T)	13:00 PM (T)	14:00 PM (T)	14:15 PM(T)	14:20 PM (T)	14:30 PM (T)	14:40 PM (T)	14:55 PM (T)	
	Credit Payment Messages								
	Debit Payment Messages								
	Reverse Messages								
	Return Messages								
	Cancellation Messages								
	Replies (Acceptance and Rejection)								

**Note: The special clearing session will be opened only when it is absolutely necessary in extraordinary circumstances. CBO will have the sole discretion to allow such a session.**

## **6.7. ACH BUSINESS CALENDAR**

The Business Calendar in ACH shall be configured to define all the Business Days, non-business days and scheduled holidays for ACH operations. The normal Business Days are defined based on the business days within a Gregorian calendar week in Sultanate of Oman, from Sunday to Thursday.

## **6.8. MODIFICATION OF CLEARING SESSION**

CBO has the full authority to add new clearing sessions and/or change the start/ end timings or Cancellation or reply period/timing of the sessions for any reasons it deems appropriate.

## **6.9. CONSTRAINTS**

The ACH System allows exchanging the payment transactions between participants, for the following:

- A. Domestic payment transactions.
- B. All payment transactions that exceed defined threshold will be rejected automatically by the System. (CBO can modify the amount threshold, as it deems appropriate)\
- C. Each payment transaction shall assign to certain category purpose.

## 7. SYSTEM CONFIGURATION

### 7.1. DEBIT CAP MANAGEMENT

CBO shall set debit cap limits for the net debit positions of the participants in ACH system based on an assessment with regards to the participant's credit risk profile. The Debit Cap limits define the maximum intraday net debit positions allowed for each participant to exchange within a session for each currency. Indirect participant has debit cap limits defined in agreement with the direct participant.

The participant can request CBO to modify his debit cap by increasing the limit.

The system will settle transactions of this kind directly in RTGS by sending an MT 971 message to the RTGS. RTGS shall send an immediate response to the ACH for related transaction. After receiving the response from RTGS the transactions will be marked as settled. Otherwise, the transaction that exceeds the debit cap will be rejected from the system.

#### 7.1.1. Monitoring the debit cap

When the debit cap reaches a certain watermark (80%) of the limit defined by CBO, the ACH system will send a notification to the related participant.

#### 7.1.2. CONFIGURATION PARAMETERS

The ACH system has the capability to set limits based on the below parameters:

#	Item	Description
1	Category Purpose	Transaction's amount limits applied per payment purpose
2	Message Type	Transaction's amount limits applied per message type (Direct Debit and Direct Credit)
3	Participant	Transaction's amount limit applied per participant
4	Per Session	Number of batches that a participant can send per session
5	Per batch	Number of transactions per batch for bulk transactions.

### **7.1.3. Transaction Limit**

The per transaction limit based on the category purpose is as follows

- Per Transaction for salary category type via direct credit: The maximum value allowed for a single transaction in the ACH is **50,000/- OMR.**
- Per transaction for any payments (excluding salary category type) via direct credit: The maximum value allowed for a single transaction in the ACH is **20,000/- OMR.**
- Per transaction for direct debit will depend on the nature and amount specified in the mandate initiated for the purpose.

CBO will be reviewing the transaction limits and other limits based on the system performance and market needs. Any changes in the limits will be formally communicated to the participants accordingly.

## **7.2. RETENTION PERIOD**

The Participant shall keep records and documentation of whatever transactions it carries out to contain all data related to due diligence on customers for a period of at **least ten years** from the date of completion of the transaction.

## 8. TRANSACTIONS PROCESSING

### 8.1. DIRECT CREDIT TRANSACTION

Sending and receiving participants shall follow the following steps while performing the outward Direct Credit payment transfers:

- i. Sending participant (debtor bank) receives payment instructions from its customer (debtor) to transfer fund from the debtor's account to beneficiary (creditor) account(s) at creditor bank. Such information can be collected by the sending participant in a physical form/ document or in an electronic form or channel provided by the debtor bank to the debtor. .
- ii. The debtor bank shall validate all the required information. The necessary information shall include, but are not limited to, the following:
  - a. Amount
  - b. Currency
  - c. Sender Details
    - i. Name
    - ii. Account Number
  - d. Beneficiary's bank details
  - e. Beneficiary's details
    - i. Name
    - ii. Account number
  - f. Category Purpose
- iii. Based on the currency and the category purpose of the transaction, the debtor bank will create a batch with all banks and fill the required information for the transaction(s).

- iv. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions to the Maker for repair/correction.
- v. Debtor bank will debit/block the customer account and then submit the outward Direct Credit transactions in a batch to the ACH system.
- vi. The ACH system will perform technical and financial validations on the received batch and transactions including transactions limits and participants debit caps.
- vii. The ACH system automatically generates a status reports to indicate batches transactions' status after validating them and assigns a session ID for valid transactions.
- viii. Receiving participant reads the received transactions from the ACH for processing purposes.
- ix. Receiving participant clears the transactions and sends status reports to the ACH to indicate either acceptance or rejection. Response mode of all Direct Credit transaction will be depending on the category purpose.
- x. Debtor bank reads the received status reports to be aware of the submitted transactions' status.

## **8.2. MANDATE MANAGEMENT**

Mandate is a written authorization or an expression of consent authorization given by the debtor allowing a beneficiary party -the creditor or the originator of the direct debit transaction- to debit an amount (fixed or ceiling) from a specified debtor's account at the debtor's bank at predefined date fixed in the mandate.

It is mandatory to use the mandate form to initiate a direct debit transaction such as (but not limited to) collection of utility bills, insurances premium, loan installment, school fees, etc.

Mandates can be either Revocable or Irrevocable

**Revocable Mandate:** A mandate that can be revoked or cancelled by one party

**Irrevocable Mandate:** A mandate that cannot be revoked or cancelled without prior approval from both parties.

**The Main Actors to execute a Direct Debit transaction:**

- **The Creditor:** receives the mandate from the Debtor to initiate payments to receive funds from the Debtor Bank by debiting the account of the Debtor.
- **The Creditor Bank:** is the bank where the Creditor's account is held and which has concluded an agreement with the Creditor to initiate the Direct Debit Transaction for Collection from the Debtor Bank.
- **The Debtor:** gives the mandate to the Creditor to initiate payments. The Debtor's bank account is debited in accordance with the payments initiated by the Creditor through his bank.
- **The Debtor Bank:** is the bank where the account to be debited is held, and will execute each collection of the direct debit originated by the Creditor bank, by debiting the Debtor's account.

Mandate management includes mandate initiation, mandate amendment, mandate termination and stop mandate payment as agreed by the Debtor and Creditor customers. However, all approved mandates are stored with CBO and banks electronically.

If a direct debit payment has been rejected three times due to any financial reason, or if three payments rejected in the same mandate due to any financial reason the system shall automatically stop such mandate.

### **8.2.1. Mandate Initiation**

Debtor and Creditor participants shall follow the following steps while creating a Mandate.

1. The creditor shall initiate the process to obtain a mandate form from his bank
2. Such a form shall be filled with necessary details by the debtor and the creditor to authorize debiting the debtor's account.
3. The Mandate information shall include, but is not limited to the following:
  - A. Logo of the creditor bank on the direct debit mandate
  - B. Type of Mandate (Irrevocable and Revocable)
  - C. Name of debtor
  - D. National ID or Passport number of the debtor
  - E. Bank account number of the debtor
  - F. Name of creditor
  - G. Creditor Bank Name
  - H. Creditor bank account number
  - I. Creditor contact details
  - J. Date of Direct Debit Mandate
  - K. Frequency of payment "daily, weekly, monthly yearly"
  - L. Validity of the Direct Debit Mandate
  - M. Signature of the debtor
  - N. Payment type (fixed or ceiling )
  - O. Number of payment
  - P. Amount
  - Q. Any other requirements decided by CBO

4. The following is the classification of financial and non-financial information captured while creating a direct debit mandate.
  - A. Financial information includes: *amount, frequency, account number of the debtor and creditor, payment type ,number of payment start date and expiry date*
  - B. Non-financial information includes: *name, ID type and details.*
5. The Creditor shall send the mandate form to his Bank, which shall verify all the contents before initiating the direct debit process.
6. The creditor bank shall send the verified direct debit mandate form to the debtor bank through the central system (MMS) for authorization and approval
7. The debtor bank shall validate the mandate based on the information available in the system
8. Once the mandate is approved by the debtor bank, it will become an active mandate corresponding to which future payments (direct debit) are created and stored on the participant system for both banks.
9. The creditor bank and the debtor bank shall be responsible for retaining the original direct debit mandate.
10. The payment will be released on the collection due date as a normal Direct Debit transaction. The creditor bank can configure such Direct Debit transaction that requires manual authorization prior to submitting to the central system or can be automatically submitted to the central system depending on the banks internal policy.

11. The creditor shall safely keep the mandate for the prescribed preservation period from the date of its approval For the duration and in the form stipulated by CBO.
12. Arrangement for mandate initiation and authorization is outside the ACH system and CBO as an operator of the system would have no responsibility or obligation for any consequences of neither such an arrangement nor such mandate be registered in the ACH or validated before being sent to the receiving participant. Therefore, all debit instructions shall be processed by ACH in the normal course for clearing.
13. The above terms are applicable on the revocable and irrevocable mandate initiation.

#### **8.2.2. Mandate Amendment**

The customer can manage his mandate by requesting to amend such mandate information through his bank.

Following steps shall be followed for mandate amendment:

1. A debtor or creditor customer shall request for modifying its own non-financial information through his bank at least five (5) business days prior to payment due date. Financial information shall not be allowed for amendment.
2. Creditor's information shall be amended by creditor bank and Debtors information shall be amended by debtor bank .Amendment can be considered only for their respective information.
3. It shall be the responsibility of the respective creditor/debtor banks to obtain and retain necessary supporting documents from its customer prior to such amendment.

4. For revocable direct debit, amendment request by the debtor bank for its Non- financial information shall not require an approval from the creditor or the creditor bank
5. For irrevocable direct debit mandate, amendment request by the creditor bank for its non-financial information shall require an approval from the other party.
6. Amendment of financial information such as frequency of the payment, end date, currency and amount shall not be allowed. For any change in such information, mandate must be terminated and initiated as a new mandate in the system.
7. The details regarding amendment are indicated in the table below:

	Revocable	Irrevocable
<b>Financial information</b>	Cannot be amended	Cannot be amended
<b>Non financial information</b>	Initiator: Both (creditor and debtor)  Amendment for own information only.  Approval of the other party not necessary	Initiator: Both (creditor and debtor)  Amendment for own information only.  Approval of the other party necessary

### 8.2.3. Mandate Termination

#### Revocable Mandate Termination

Mandate Termination refers to cancellation of an active mandate for certain reason(s). Following steps shall be carried out for mandate termination:

1. A debtor customer shall request for mandate termination through his bank at least five (5) business days prior to payment due date.
2. Termination of the revocable mandate can be done without any approval of the other party
3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting and confirmation from its customer prior to such termination.
4. In addition to the above, as a risk mitigation measure the debtor bank , may, on its own initiative, issue to the Creditor Bank a five-business days' notice prior for the cancellation of the mandate (with no legal recourse to the Debtor Bank), in circumstances where:
  - A. The debtor becomes blacklisted;
  - B. Delinquency;
  - C. Direct debit payment demands rejected 3 times in consecutive cycles;
  - D. Debtor's account has been frozen by order of the court, CBO, or other relevant authority.
  - E. Extra ordinary circumstances

#### Irrevocable Mandate Termination

Mandate Termination refers to cancellation of an active mandate for a certain reason(s). Following steps shall be followed for mandate termination:

1. A debtor customer shall request for mandate termination through his bank at least five (5) business days prior to payment due date.
2. Termination by the debtor of an irrevocable mandate requires the prior approval of both creditor and debtor.

3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting documents and get confirmation from its customer prior to such termination.
4. In addition to the above, as a risk mitigation measure the debtor bank , on its own initiative, issue to the creditor bank a five-business day notice prior to the cancellation of the mandate (with no legal recourse to the debtor Bank), in circumstances where:
  - i. debtor becomes blacklisted;
  - ii. delinquency;
  - iii. direct debit payment demands rejected 3 times in consecutive cycles;
  - iv. debtor's account has been frozen by Order of the Court, CBO, or other relevant authority.

The details regarding the direct debit mandate termination are stated below:

<b>Initiator</b>	<b>Revocable</b>	<b>Irrevocable</b>
<b>Creditor</b>	No approval required from the other party	Approval required from the other party
<b>Debtor</b>	No approval required from the other party	Approval required from the other party

#### **8.2.4. Stop of Revocable Mandate Payment**

Stop of mandate Payment refers to temporary halt of payments corresponding to a mandate, so that direct debit transactions will not be created on the due date. But the

mandate will still be active. Following steps shall be followed for stopping mandate payment:

1. A debtor customer shall request for stop of mandate payment through his bank at least five (5) business days prior to payment due date.
2. Debtor bank shall stop the mandate payment in the system. No approval shall be required from creditor bank for such stop of mandate payment.
3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting documents from its customer prior to stop of mandate payment.
4. Such stopped mandate payment cannot be activated.

#### **8.2.5. Stop of Irrevocable Mandate Payment**

1. A debtor customer shall request for stop of mandate payment through his bank at least five (5) business days prior to payment due date.
2. Debtor bank shall stop the mandate payment in the system. Approval shall be required from creditor bank for such stop of such an irrevocable mandate payment.
3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting documents from its customer prior to stop of mandate payment.
4. Such stopped mandate payment cannot be activated.

### **8.3. DIRECT DEBIT TRANSACTION**

Mandate shall be mandatory to process a direct debit transaction through ACH system except the direct debit payments initiated by CBO. The prerequisite for

initiating a direct debit transaction, is that the creditor must initiate a mandate and request their bank to create a mandate in the system that will have to be authorized by the relevant debtor bank to debit its customers account once the payment instruction is due.

Creditor and Debtor banks shall follow the following steps while performing the outward direct debit payment transactions.

1. Creditor bank receives payment collections instructions from his customer (e.g. utility bills) to collect certain amount based on the mandate terms.
2. The ACH system will validate the transaction automatically based on the approved mandate information residing in the central MMS. The required mandate information includes, but are not limited to, the following:
  - a. Amount.
  - b. Currency.
  - c. Creditor bank name
    - i. Creditor Account Number.
    - ii. Creditor Account Name.
  - d. Debtor bank name.
  - e. Debtor Account name
  - f. Debtor Account number
  - g. Payment frequency.
  - h. Effective date and Expiry date.
  - i. Purpose.
  - j. Payment terms “ceiling or fixed”.
  - k. Mandate collection date.
  - l. Mandate Identification Number.

3. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions to the Maker for repair/correction.
4. Sending participant will submit the outward direct debit transactions in a batch to the ACH system.
5. ACH will perform ISO and technical validations on the received batch.
6. ACH will perform financial validations on the received batch and transactions based on the limits set by CBO from time to time.
7. ACH records the transactions for creating batch files per bank, creation of NCP and releasing to the RTGS for settlement purpose as per the clearing schedule prescribed by CBO.
8. ACH automatically generates a status reports to indicate batches transactions status after validating them and assigns a session ID for valid transactions.
9. ACH clears the payment transactions by updating the participants net positions and forward the transactions to the receiving participant.
10. Sending participant reads the received status reports to be aware of the submitted transactions status.
11. Receiving participant reads the received transactions from the ACH for processing purposes.
12. Receiving participant debits its customer account for accepted transactions.
13. Receiving participant sends status reports to the ACH to indicate either acceptance or reply according to the response mode. Response mode of all direct debit transactions will be “Request/Reply” where in explicit response is needed for both accepted and rejected transactions.

14. For accepted transactions, sending participant shall credit its customer account after the final NCP is settled in the RTGS.
15. All the direct debit transactions that are not replied by the end of reply time will be **auto rejected** according to the response mode. However, if there is a rollover request from the receiving participant and if CBO finds it is a valid request, CBO shall rollover such transactions.

#### **8.4. STANDING ORDER**

Standing Order is an instruction authorized by the debtor allowing his bank to debit a specific amount directly from his bank account to a named party on a regular basis and make credit to a beneficiary (creditor) at the creditor's bank at predefined date fixed in the Standing Order. Standing order is used for recurring fixed payment such as insurance premiums, subscriptions, and it is cancelable by the debtor at any time. The following steps shall be followed while processing the standing order:

1. Once the standing order is approved by the sending participant, it will become an active standing order corresponding to which future payments (direct credit) are created and stored on the participant system.
2. The payment will be released whenever the payment is due as a normal Direct Credit transaction flow.

#### **8.5. FUTURE VALUE PAYMENTS**

The ACH system shall allow the participants to create future value payments and this payment will be released to CBO based on a configuration already defined. The system accepts future credit transfer instructions up to two business days (2).. The participants may accordingly send the credit transfer instructions in advance of the settlement date up to two business days. Such transfer instructions shall be managed by the ACH System for processing, clearing and settlement on the due date.

3. Sending participant can configure such standing order to be automatically submitted to CBO or through manual authorization prior to submitting to CBO, depending on the banks internal policy.

## 9. SYSTEM VALIATION

The ACH system shall perform validations for every transaction presented through the system from different participants against pre-defined technical checklist and ISO operating rules validations prior to routing it to the final its destination which includes, but are not limited to, the following:

1. **ISO 20022 Message Format Compliance**: The system shall validate the message according to the ISO20022 message specifications.
2. **Duplicate transaction**: The system shall not accept any transaction (batch or transaction) that has the same ID which already exists in the system.
3. **Amount Limits**: The system shall validate the transactions amount against the limits on the global level, purpose level, session level, and participant level as stipulated by CBO.
4. **Per Transaction limit** : The system shall validate that the sending participant did not exceed the per transaction limit as prescribed in these operating rules
5. **Debit Cap**: The system shall validate that participants will not exceed the debit cap based on the net debit positions. .
6. **Participant Status**: The system shall validate that both sender and receiver of the transactions are not suspended or defaulted.
7. **Payment Types**: The system shall validate that the sending participant is allowed to send this payment message type (Direct Debit or Direct Credit) and the receiving participant is allowed to receive this payment message type.

8. **Accepted Currency** : The system shall validate that the payment instruction currency is one of the supported currencies.
9. **Session Status**: The system shall validate that there is an open clearing session for the presented message type, according to the provided currency, settlement date, and purpose code.

## **10. RESPONSIBILITIES**

Participants sending or receiving payment instructions through ACH System, whether being direct debit or direct credit, are obliged to do the following:

### **10.1. SENDING PARTICIPANT RESPONSIBILITIES**

Sending Participant shall be responsible for:

1. Providing the customers with sufficient information to understand the payment process, customer's obligations and processing timelines, specifically cut-off times for presentment and execution of payment instructions and when their accounts will be credited or debited.
2. Providing the customers with requested information in the event of disputes.
3. Advising the customers about all charges that will be collected from them upon usage the ACH System.
4. Ensuring that all the required payment information is correct and accurate before submission to ACH. The sending participant shall become liable for any wrong data for the payment instruction. They hav to make sure that all payment instructions originated from their customers are valid, complete and necessary supporting documents are obtained from the customer and verified. Provide customer with enough information in case of cancellation of any payment instruction.

5. Establishing appropriate procedures to manage the risks that may arise from the provision of this service, and these procedures should cover at least the following risks:
  - A. **Compliance Risk**- comply with any conditions or other instructions issued by CBO, compliance procedures related to “Know Your Customer (KYC)”, money laundering and terrorism financing, AML/CFT based on the related instructions.
  - B. **Operational Risk**- create backup infrastructure supporting the main infrastructure for disaster recovery. To ensure the validity of disaster recovery infrastructure and business continuity plans.
6. Providing customer with enough information about the reasons in case of reply of any payment instruction by receiving participant.
7. Executing cancellations as soon as possible to ensure better risk management of all affected accounts in the clearing cycle.
8. Ensuring that standing order process defined in these Operating rules are adhered to.
9. Ensuring active mandate exists while executing a direct debit transaction.
10. Abiding by the terms of the mandate that has been agreed and signed by the Debtor.
11. Advising CBO immediately of any event which might affect its operational role as a participant, including any contingency event, known or planned disconnection, or any significant changes to its host system interface, its organization structure, or environment.
12. Monitoring the accounts of Indirect and Special Participant, whose transactions are settled through them being direct participants

13. Direct participant may pass on all or part of its liabilities to its Indirect and Special Participant related to payment transaction..
14. CBO may add any other roles and responsibilities for ACH System.

Central Bank of Oman is not liable under any circumstances for any fraudulent cases involving transactions.

## **10.2. RECEIVING PARTICIPANT RESPONSIBILITIES**

Receiving participant shall be responsible for:

1. Providing the customers with sufficient information to understand the payment process, customer's obligations and processing timelines, specifically cut-off times for presentment and execution of payment instructions and when their accounts will be credited or debited.
2. Providing the customers with requested information in the event of disputes.
3. Advising the customers about all charges that will be collected from them upon usage the ACH System.
4. Ensuring that the payment instruction replies are correct and accurate before submitted to ACH. The receiving participant shall become liable for any wrong data for the payment instruction replies. They have to make sure that all payment instructions originated from their customers are valid, complete and necessary supporting documents are obtained from the customer and verified.
5. In case of rejections, enough information should be provided to customers about the reasons of reply of any payment instruction.
6. Providing transaction advice upon request of the customer.

7. Executing rejections as soon as possible to ensure better risk management of all affected accounts in the clearing cycle.
8. Ensuring that the payment transactions are appropriately replied based on the response mode stipulated for the purpose Ensuring active mandate exists while executing a direct debit transaction.
9. Abiding by the terms of the mandate that has been agreed and signed by the debtor.
10. Advising CBO immediately of any event which might affect its operational role as a participant, including any contingency event, known or planned disconnection, or any significant changes to its host system interface, its organization structure, or environment.
11. CBO may add any other roles and responsibilities for ACH System.

*CBO is not liable under any circumstances for any fraudulent cases involving transactions.*

### **10.3. OPERATOR RESPONSIBILITIES**

1. Operates the ACH system for all participants.
2. Maintains the daily system operations.
3. Validates the following parameters based on the payment instruction data as entered and sent by the Sending participant:
  - i). Session is available for required currency.
  - ii). Payment message ID is not duplicated.
  - iii). Sender is not suspended or terminated
  - iv). Receiver is not suspended or terminated
  - v). Participant is allowed to send message type (Direct debit/Direct credit).
4. Establish Helpdesk and providing support 24/7

5. Ensure that the payment exchange periods (start and cut-off times) are as per the Operating rules.
6. Guarantee that all participants abide with the Operating rules.
7. Generate the NCP report for all the sessions including Fees, Charges or any other reports stipulated by CBO from time to time, and send them to CBO for settlement at stipulated time.
8. The Operator will be responsible for the correctness of the generated files before sending them to CBO. (presently both roles played by CBO)
9. Maintain the archive for a period of ten (10) years and make it available to all participants.
10. Monitor and follow up the performance of the infrastructure between the operator and the participants.
11. Monitor data replication to Disaster recovery (DR) site on daily basis.
12. Establish Continuity of Business site to host participants facing technical problem in their premises preventing them to perform their clearing operations.
13. To ensure the high availability to the system.
14. Maintain the Data in a secured environment.
15. CBO may add any other roles and responsibilities for the operator. (presently both roles played by CBO)

#### **10.4. CENTRAL BANK OF OMAN RESPONSIBILITIES**

The Central Bank of Oman in its capacity as a regulator and operator of the ACH system shall assume the following responsibilities:

1. Register, license and activate the participants
2. Operates and regulates the ACH System.
3. Issue instructions related to the ACH System.
4. Impose control and exercise oversight over the Participant's operations relevant to ACH system, and ensure that all participants abide with these operating rules.
5. Monitor ACH System for any misuse/abuse by any participant(s).
6. Settlement and finality of payments.
7. CBO will act as a participant
8. Define the fees, charges and penalties scheme.
9. Ensuring that the international best practices in relation to electronic fund transfers are followed.
10. Develops and enhances the ACH system
11. Maintain the archive for transactions and make it available through a dedicated link for the National Archiving System for a period of 10 years.
12. *CBO is not liable under any circumstances for any fraudulent cases involving transactions.*

## **11. FEES, CHARGES AND PENALTIES**

All participants in ACH System must pay fees for their participation and usage of the System. CBO may also apply charges on the misuse of ACH System. The present ACH charging policy will continue to be in force till further review.

CBO shall reserve the rights to define or modify the fees and charges when deemed necessary.

### **11.1. CHARGES & PENALTIES**

CBO may impose penalties on the misuse of the system and non-compliance of these operating rules or/and on:

- Customer complaints, such as delayed sending the payment instruction and delayed credit to the customer's account.
- Participant Complaints- such as Incorrect Rejection Reason.
- Any other situations as CBO deems fit for applying penalties

## 12.MESSAGE TYPES

The following Messages Types are used and supported by the system

Message	Description
<b>pacs.008.001.05</b>	Direct Credit. This message is sent by an instructing participant (sender) to credit a beneficiary account opened in an instructed participant. (receiver)
	(Reply Message). This type of messages is.
<b>pacs.003.001.05</b>	Direct Debit (Request for Credit Message), this message is sent by an instructing participant to debit a customer in an instructed participant.
<b>pacs.002.001.06</b>	Status Report is used to inform participants with the status of a previously sent transaction. it could be sent by an instructed participant to convey their decision on a previously received transaction (e.g. direct debit transaction). It could also be sent by ACH System to inform participants on the decision taken on previously sent transactions.
<b>pacs.004.001.05</b>	Return is sent by a creditor participant to return a previously received and accepted transaction. The action of "Return" takes place after the clearing session through which the transaction was exchanged in has been closed and settled.
<b>pacs.007.001.05</b>	Reversal is sent by a debtor participant to reverse a previously sent and accepted transaction. The action of "Reversal" takes place after the clearing session through which the transaction was exchanged in has been closed and settled.
<b>camt.056.001.04</b>	Cancellation is sent by an instructing participant to cancel

	a previously sent direct credit or direct debit transaction. The action of "Cancellation" takes place before the closure of the clearing session through which the transaction was exchanged in.
<b>camt.029.001.05</b>	Resolution of Investigation message is sent by an instructed participant as a reply to a previously received cancellation request
<b>pain.008.001.04</b>	Customer Direct Debit Initiation message is used by customers (e.g. billers) to inform their bank (a participant in the ACH clearing system) of the direct debit transactions required to be sent to other participants.
<b>pain.001.001.05</b>	Customer Credit Transfer Initiation message is used by customers (e.g. corporations) to inform their bank of the direct credit transactions required to be sent to other participants.
<b>Pain.009.001.04</b>	Mandate Initiation
<b>Pain.010.001.04</b>	Mandate Amendment
<b>Pain.011.001.04</b>	Mandate Termination
<b>Pain.012.001.04</b>	Mandate acceptance report

**13.HELPDESK**

A dedicated support team shall be available at CBO/Operator during normal working hours to support the participant users to troubleshoot and to provide the suitable diagnosis for any problem that might appear at the application level.

Participant shall assign one or more persons to contact the helpdesk and report problems through the proper communication channels that will be circulated by CBO.

Moreover; the helpdesk shall have clear prioritization criteria to the participant's requests, which mean that the reported problems shall be categorized according to their urgencies and priority levels in order to provide a proper handling to each priority level.

<i>Priority</i>	<i>Definition</i>
<i>Urgent</i>	A catastrophic problem which may severely impact the ACH System operation, or in which the system is down and not functioning and no procedural work around exists. A prompt response and a quick action must be taken at this case in order to continue the daily clearing work safely.
<i>High</i>	A problem where the ACH System is functioning but in a severely reduced capacity. The situation is causing significant impact to the ACH System business and functions.
<i>Normal</i>	A problem with a medium or low impact to the ACH System business and functions. At this case, the problem is considered as a "Minor" with limited loss or no loss of functionality or impact to the PSP's daily operations.

### **13.1. COMMUNICATION FAILURE AT BANK NET ON PARTICIPANT'S SITE**

1. The participant shall immediately inform CBO in case of facing any communication failure, connectivity problem or any other disruption situation from their end.
2. CBO shall evaluate the disruption situation (if it is a communication failure or can be resolved within a short period without having any impact on the continuity of business) and, provide the participant with the suitable contingency procedure based on the level of failure.
3. CBO has the authority to give instructions to the participant to move to the Continuity of Business (COB) site and complete operations until the participant resolves the communication failure and returns to the normal working procedure.

## 14. CONTINUITY OF BUSINESS

Continuity of Business (COB) is a vital element in the ACH System. CBO shall avail a Continuity of Business site (COB site) in order to maintain a reliable solution for the disconnection problems between the participants and the main site at CBO. This section provides the continuity information that concerns all parties in the unlikely events of a business disruption including, first-level support (helpdesk), Disaster Recovery site (DR) and Continuity of Business site (COB) in order to maintain a 99.9 % service availability, consistency, and recoverability.

Participants must abide themselves by the terms listed below for the sake of protecting the daily operations:

1. Ensure that you and your staff are familiar with these procedures in advance of any disruption.
2. Keep a hard copy of all pertinent Business Continuity sections handy for easy access during an emergency.
3. Review this guide periodically to ensure you have the most recent information.
4. Contact the first level support team (helpdesk team) at the ACH System in case of facing any issues at the application-level in order to get the suitable support and troubleshooting.
5. Contact ACH System team in the cases of disruption; such as Communication Failure and line Disconnection cases.

## **15.OBLIGATION TO LAW**

### **15.1. CENTRAL BANK OF OMAN**

Notwithstanding anything to the contrary stated in the ACH System Operating rules or any of the reference documents, the Central Bank and its officers, employees and/or agents shall not be liable to the Participants or any other third party for any losses and damages or expenses incurred by them directly or indirectly from any of the following:

1. Delay caused due to breakdown, malfunctioning or deficiency of ACH System including hardware, software, telecommunication and electrical systems.
2. Partial or complete disruption or failure of ACH System to provide all or any other services provided by ACH System.
3. For the losses caused due to failure of the participant's systems.
4. The negligence, fraud, dishonesty, misconduct, unfamiliarity or omission of the participant or its official or employee in the use of ACH System.

### **15.2. FRAUD**

Any loss arising due to fraud originated at the Participant's business shall be borne by the relevant Participant.

Central Bank is authorized to interrupt any transaction should Central Bank identifies any suspicion of money laundering activities or terrorism financing relating to a transaction.

### **15.3. FORCE MAJEURE**

The Central Bank or any participant shall not be liable for any losses or any non-performance of the Operating rules or of ACH payments or of any obligation in relation to ACH System arising directly or indirectly from circumstances beyond its or his reasonable control, including without limitation, strike, lockout, equipment malfunction, government action, riot and war.

### **15.4. CENTRAL BANK PERSONNEL**

Nothing in this rule shall prejudice the liability to the Central Bank or officers, employees or agents of the Central Bank for their acts or omissions as specified by the laws of the Sultanate of Oman.

### **15.5. EMERGENCIES**

If any malfunction, breakdown, or interruption or any emergency affects ACH System or its operations, transactions shall be handled in accordance with the directions of the Central Bank. Without limiting the discretion of the Central Bank, the Central Bank may extend the hours of operations of ACH System or reduce, pause any Participant direct the use of contingency facilities or close down ACH System in whole or in part. The Central Bank shall not be liable for any directions so given.

## **15.6. DISPUTE SETTLEMENT**

In the event of any unresolved disputes or claims arising between any in relation to these Operating rules or any directives issued pursuant to them, the complainant may submit the dispute or claim for investigation and decision by the Central Bank Payment System Department.

## **15.7. GOVERNING LAW**

These Operating rules are governed by the Laws of the Sultanate of Oman.

## 16. SECURITY AND TECHNICAL REQUIREMENTS

### 16.1. USERS TYPES AND MANAGEMENT

CBO Administrator has the highest privileges to grant access to the system in order to organize and manage the Participant to use the system. The administrator has to ensure proper access to the system from the participant by:

1. Issue username and temporary password to the participant administrator and this password must be changed.
2. Define a password structure.
3. Control user's access and roles.
4. Define the access control to the users.
5. Assign access rights and transaction limits.
6. Reset passwords for other users and administrators.
7. Disable users upon participant request.

Each Participant may allocate system administrators. The duties of the administrator include the following:

1. Managing user record creation and maintenance for all Participants users.
2. Define user groups and roles for the authorized functions and access rights for the Participant's own users.
3. Managing participant's digital certificate which used for PKI authentication of the participants' CI.

### **16.1.1. User Record Deletion**

In case the participant's user resigned, changed his job or no longer will use the system; the Participant's Administrator must follow these steps to delete users record of the concerned staff:

1. Prepare a System Authorization Request form asking CBO to delete the User Id from the system.
2. Delete the User Record of the resigned/transferred out staff from the system.

### **16.2. AUDIT LOG MANAGEMENT**

The system shall record audit trail records for each and every action performed by the users and the system.

Participants shall be allowed to export audit trails pertaining to their activities via an external file. Participants shall maintain proper backups of the exported external files for their own use.

### **16.3. MESSAGE SECURITY**

The most critical issue for payment systems' communication networks is the security of the information transferred between the participants. In order to achieve a high level of security, the system must ensure the following for all data exchanged via its communication network.

- The Authenticity of the data: Authentication allows the system to ensure that the sender and receiver of the message are really who they claim to be.
- The Integrity of the data: Integrity in communication networks means that the receiver of the message can be sure that the information transmitted has not been manipulated in an unlawful manner.

- Confidentiality of the data: Confidentiality is achieved by allowing only the network of participants to view the exchanged information via the network.
- Non-repudiation of the data: Non-repudiation is a mechanism providing evidence of both the identity of the sender for a message and the integrity of that message, such that, the sender is unable to deny the submission of the message or the integrity of its content.

#### **16.4. TRANSACTION ENCRYPTION**

The data exchange between Participants and the system at CBO are submitted by SWIFT MX. All financial transactions and its related replies that were exchanged between the concerned parties are encrypted in order to assure its safety during its cycle from side to side.

#### **16.5. SYSTEM SECURITY**

System Security Access to ACH System is controlled. Within this system, each user is provided with one unique ID that controls what module can access. The system includes a log-on program, which is used to log on to the application using a unique user ID and a password. Before logging on, the system administrator must have set up at least one user profile for the user to use, consisting of (among other things) a unique user ID and a password. The system administrator will provide the user ID and password for the first time log on. Once the login credentials are used to log on successfully for the first time, the system will prompt to change password immediately.

System security operating rules should insure:

1. That any sensitive information stored in third party systems is restricted with appropriate encryption and hardware security standards.
2. That proper system of verification of the phone number shall be implemented.
3. Segregation of duty of the admin user with the normal users.

4. logical access controls to data, systems, application software, utilities,
5. Physical access controls are strictly enforced. Physical security shall cover all the information systems and sites where they are housed, both against internal and External threats.
6. The use of proxy server type of firewall so that there is no direct connection between the Internet and the scheme providers' systems.
7. For sensitive systems, firewall shall be implemented to thoroughly inspect all packets of information, compare past and present transactions and enable a real-time security alert.
8. Segregation of duty of Security Officer / Group dealing exclusively with information systems security and Information Technology Division which actually implements the computer systems.

#### **16.6. MAKER CHECKER CONCEPT**

Maker-checker (or Maker and Checker, or 4-Eyes) is one of the central principles of authorization in the Information Systems of financial organizations. The principle of maker and checker means that for each transaction, there must be at least two individuals necessary for its completion. While one individual may create a transaction, the other individual should be involved in confirmation or authorization of the same.

*All ACH transactions should be performed using a “maker- checker” concept.*

## 17.ANNEXURE 1: RETURN/REVERSAL/CANCELLATION REASONS

### 17.1 LIST OF SYSTEM RETURN REASONS

No.	Code	Description
1	1000	Processed successfully
2	1001	Technical error
3	1002	Parsing error
4	1003	Digital signature/Security error
5	1004	Invalid ID format
6	1005	Sender is not allowed to send message type
7	1006	Receiver is not allowed to receive message type
8	1007	Purpose is not allowed for sending
9	1008	Invalid reason
10	1009	No session available
11	1010	Auto replied
12	1011	Session unwinded
13	1012	Session terminated
14	1013	Rolled-over
15	1014	Return duration elapsed
16	1015	Reversal duration elapsed
17	1016	Debit cap exceeded
18	1017	Credit cap exceeded
19	1018	Limits exceeded
20	1019	Transaction amount out of range
21	1020	Transaction count out of range

## 17.2 LIST OF USER RETURN /REVERSAL/CANCELLATION REASONS

No.	Code	Description
1	Account blocked/ frozen	Credit and Debit
2	Account closed/ transferred	Credit and Debit
3	Duplicate transaction	Credit and Debit
4	Insufficient funds	Credit and Debit
5	Invalid account	Credit and Debit
6	Others	Credit and Debit
7	Dormant account	Credit Only
8	Beneficiary details inadequate	Credit Only
9	Beneficiary reported deceased	Credit Only
10	Return on payer request	Credit Only
11	Unauthorized payer credit transfer	Credit Only
12	Debit authority revoked by payer	Debit Only
13	Exceed arrangement	Debit Only
14	Payer details inadequate	Debit Only
15	Payer reported deceased	Debit Only

### 17.3 LIST OF MANDATE RETURN REASONS

No.	Code	Description
1	1	Request Timed Out.
2	2	Incorrect Account Number
3	3	Closed Account Number
4	4	Blocked Account
5	5	Transaction Forbidden
6	6	Not Allowed Amount
7	7	Duplication
8	8	Missing Creditor Address
9	9	Missing Debtor Address
10	10	Invalid Date
11	11	No Mandate
12	12	End Customer Deceased
13	13	Not Unique Mandate Reference
14	14	Requested by Initiating Party
15	15	Regulatory Reason

## 18.ANNEXURE 2: PURPOSE CODES

Code	Numerical category	Category	Purpose name	Transaction code
SALA	1	Salary	Salary	101
SALA			Bonus	102
SALA			Overtime Payment	103
SALA			Allowance	104
SALA			End of service benefit	105
PENS	2	Pension	Monthly Pension Salary	201
SSBE	3	Social Security Benefits	Monthly Social Security Salary	301
SSBE			Social Security onetime payment	302
CASH	4	Cash Management Transfer	Deposit Operation	401
CASH			Account Management	402
CASH			Customer to Cooperate	403
CASH			Customer to Customer	404
CASH			Reversal of Debit/ Credit Transaction	405
GOVT	5	Government	Court Order	501
GOVT			Government Payment	502
GOVT			Government Fee Collection	503

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GOVT			Government Penalty Payment	504
TAXS	6	TAX	Property Tax	601
TAXS			Cooperate Tax	602
TAXS			Income Tax	603
TAXS			Value added Tax	604
TAXS			Import / Export Tax	605
TAXS			Municipality Tax	606
TAXS			Tourism Tax	607
INVS	7	INVESTMENT	IPO subscription	701
INVS			IPO refund	702
INVS			Dividend	703
INVS			Market Shares Payment	704
INVS			Interest Payment	705
LOAN	8	LOAN	loan disbursement	801
LOAN			full & final loan settlement	802
LOAN			loan installment payment	803
LOAN			loan insurance refund	804
LOAN			mortgage installment	805
LOAN			credit card payment	806
BILL	9	Bill Payment	Utility payment	901
BILL			Bills to vendor/ company	902
BILL			service payment	903
BILL			insurance payment	904

BILL			rent of lease	905
BILL			fees collection	906
BILL			School fees	907
OTHR	10	OTHERS	Membership fees	1001
OTHR			Charity Payment	1002
OTHR			Others	1003