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# **AUSTRALIAN PAYMENTS CLEARING ASSOCIATION LIMITED**

ABN 12 055 136 519

**A Company limited by Guarantee**

## **REGULATIONS**

for

## **BULK ELECTRONIC CLEARING SYSTEM FRAMEWORK**

(CS2)

Commenced 12 December 1994

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ABN 12 055 136 519

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**REGULATIONS**  
**FOR**  
**BULK ELECTRONIC CLEARING SYSTEM**  
**(CS2)**  
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**AUSTRALIAN PAYMENTS CLEARING ASSOCIATION LIMITED**

ABN 12 055 136 519

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**REGULATIONS**

**For**

**BULK ELECTRONIC CLEARING SYSTEM**

**(CS2)**

**FRAMEWORK**

**PART 1 PRELIMINARY**

**1.1 Definitions**

The following words have these meanings in these Regulations unless the contrary intention appears.

"**ADI**" and "**Authorised Deposit-Taking Institution**" mean a body corporate in relation to which an authority under subsection 9(3) of the *Banking Act 1959 (Cth)* is in force.

"**Amendment Date**" has the meaning set out in the Constitution.

"**Appointor**" means a Framework Participant or a Non-member which enters into a Representation Arrangement with a Representative and (in the case of a Non-member) provides an undertaking to the Company substantially in the form of ANNEXURE 1.

"**APRA**" means the Australian Prudential Regulation Authority.

"**Article**" means an article of the Constitution.

"**Authorised Provider of a Purchased Payment Facility**" means a body corporate in relation to which an authority under subsection 9(3) of the *Banking Act 1959 (Cth)* to provide a purchased payment facility (and no other banking business) is in force.

"**BECS**" means Bulk Electronic Clearing System (CS2).

"**BECS Market Share**" and "**BMS**" mean a Framework Participant's share of transactions in BECS calculated as set out in Regulation 7.7.

"**Board**" means the board of directors of the Company.

"**BSB Number**" means in relation to a Framework Participant or other financial institution, its BSB Number (if any) assigned to it by the Company.

**"Building Society"** means an ADI whose name appears in the list of ADIs on the APRA website under the heading "Building Societies".

**"Building Society Member"** means a Framework Participant:

- (a)
  - (i) which is a Building Society, which has not elected to be treated as a Credit Union Member during the Grandfathering Period; or
  - (ii) which formerly had a consent from APRA to use the words "building society" in its name and now operates as a bank and has a consent from APRA to use the word "bank" in its name, which has not elected to be treated as a Credit Union Member or an Electing Member during the Grandfathering Period; or
- (b)
  - (i) which is a Credit Union;
  - (ii) which formerly had a consent from APRA to use the words "credit union" in its name and now operates as a bank and has a consent from APRA to use the word "bank" in its name; or
  - (iii) whose name appears in the list of ADIs on the APRA website under the heading "Other ADIs" and which is described as a company which provides services to building societies and credit unions,

which has elected to be treated as a Building Society Member during the Grandfathering Period.

**"Bulk Electronic Clearing System (CS2)"** means the Framework of systems and procedures contained in these Regulations for:

- (a) the purpose of co-ordinating, facilitating and protecting the conduct and settlement of exchanges of Items between Framework Participants and all aspects of the related clearing cycle; and
- (b) the exchange of financial data.

**"Certificate"** means a certificate evidencing a determination made under PART 13 signed by:

- (a) in the case of a determination by the Management Committee, the chairman of the Management Committee or members of the Management Committee who together are entitled to cast more than 50% of the total votes available to be cast at meetings of the Management Committee; or
- (b) in the case of a determination by the Board, the chairman of the Company or Directors who together are entitled to cast sufficient votes for the resolution on such determination to be passed at meetings of the Board.



**"Chief Executive Officer"** means the person appointed as a chief executive officer of the Company under Article 7.13 of the Constitution and a reference in these Regulations to the Chief Executive Officer includes a reference to a person nominated by the Chief Executive Officer to be responsible for the matter referred to in that reference.

**"Clearing System"** means a domestic payments clearing and settlement system established in accordance with the Constitution which is operated by, or under the auspices of, the Company.

**"Company"** means Australian Payments Clearing Association Limited ABN 12 055 136 519.

**"Confidential Information"** means any information in any form or medium in connection with the operations of the Bulk Electronic Clearing System (CS2) which is made available by the Company or any Framework Participant to any other Framework Participant or the Company from time to time and includes without limitation those provisions of the Regulations and Procedures which the Management Committee determines to be commercially sensitive or otherwise desirable to be kept confidential in order to preserve the integrity or security of the Bulk Electronic Clearing System (CS2).

**"Constitution"** means the constitution of the Company as amended from time to time.

**"Constitutional Corporation"** has the same meaning as in the *Payment Systems and Netting Act 1998 (Cth)*.

**"Contingency"** means any Disabling Event and any other event or circumstance specified by the Management Committee for the purposes of Regulation 9.1.

**"Courier Service Agreement"** means an agreement between a body corporate and a Tier 1 Framework Participant pursuant to which the body corporate agrees to send Items directly to and receive Items directly from one or more Tier 1 Framework Participants on behalf of the Tier 1 Framework Participant.

**"Credit Items"** includes all credit payment instructions contained in a File addressed to a Ledger FI, except as may be specifically excluded by these Regulations or the Procedures.

**"Credit Union"** means an ADI whose name appears in the list of ADIs on the APRA website under the heading "Credit Unions".

**"Credit Union Member"** means a Framework Participant:

- (a) (i) which is a Credit Union, which has not elected to be treated as a Building Society Member during the Grandfathering Period; or

- (ii) which formerly had a consent from APRA to use the words “credit union” in its name and now operates as a bank and has a consent from APRA to use the word “bank” in its name, which has not elected to be treated as a Building Society Member or an Electing Member during the Grandfathering Period, or
- (b)
  - (i) which is a Building Society;
  - (ii) which formerly had a consent from APRA to use the words “building society” in its name and now operates as a bank and has a consent from APRA to use the word “bank” in its name; or
  - (iii) whose name appears in the list of ADIs on the APRA website under the heading “Other ADIs” and which is described as a company which provides services to building societies and credit unions,

which has elected to be treated as a Credit Union Member during the Grandfathering Period.

**"Debit Items"** includes all debit payment instructions contained in a File addressed to a Ledger FI, except as may be specifically excluded by these Regulations or the Procedures.

**"Declared Member"** means a Framework Participant to which an FCS Declaration applies.

**"Defaulter"** means, in relation to an FTS Event, a Tier 1 Framework Participant which prior to it becoming a Defaulter fails to discharge obligations incurred by it under:

- (a) these Regulations and the Procedures; or
- (b) the regulations and procedures of another Clearing System, other than the Consumer Electronic Clearing System, in its capacity as a Framework Participant of that other Clearing System; or
- (c) the regulations and manual of the Consumer Electronic Clearing System in its capacity as a CECS member,

in a manner which results in that FTS Event.

**"Director"** means a director (whether voting or non-voting) for the time being of the Company and where appropriate includes an alternate director appointed under Article 7.5 of the Constitution.

**"Direct Connection"** means the communications infrastructure between two parties that allows each to send Items directly to and receive Items directly from the other.

**"Disabling Event"** means any:

- (a) processing, communications or other failure of a technical nature;
- (b) inaccessibility (total or partial) of facilities by means of which exchanges are conducted; or
- (c) manifestation of industrial action

which affects, or may affect, the ability of any Framework Participant to participate to the normal and usual extent in exchanges of Items, (including any Record Type 1 Items issued by any User, any Returned Items and any Refused Items).

**"Dispute"** means a dispute or difference between:

- (a) the Board, the Management Committee, any delegate of the Management Committee and any one or more Framework Participants; or
- (b) two or more Framework Participants,

arising out of, or in any way connected with, the Constitution (insofar as they relate to the operation or management of BECS), these Regulations and the Procedures including, without limitation, a dispute or difference:

- (c) arising out of, or in any way connected with, any non-compliance with the Constitution (insofar as they apply to BECS), these Regulations or the Procedures;
- (d) arising out of, or in any way connected with, any decision of the Board which relates to BECS, the Management Committee or any delegate of the Management Committee;
- (e) as to any sum of money claimed to be payable pursuant to, or any liability or obligation or other matter to be ascertained or dealt with or which arises under Regulations 4.25 and 4.26;
- (f) arising out of, or in any way connected with, the non-payment or alleged non-payment of any sum of money otherwise payable or alleged to be otherwise payable pursuant to these Regulations or the Procedures; or
- (g) arising out of, or in any way are connected with, the efficiency of the methods and procedures used by a Framework Participant or an Appointor for which that Framework Participant acts as a Representative;

but excluding any dispute or difference arising out of, or in any way connected with, PART 12 (Failure to Settle) of these Regulations unless all parties to such dispute or difference and the Company agree to it being determined pursuant to PART 13 (Breaches of Regulations and Disputes) of these Regulations.

**"Electing Member"** has the meaning set out in the Constitution.

"**ESA**" means an exchange settlement account, or similar account, maintained by a Framework Participant with the Reserve Bank of Australia used for, amongst other things, effecting settlement of inter-institutional payment obligations.

"**Failed Settlement**" means, in relation to an FTS Event, the settlement in relation to which that FTS Event occurred.

"**FCS**" means the financial claims scheme established under Division 2AA of the *Banking Act 1959 (Cth)*.

"**FCS Declaration**" means a declaration made by the Minister under section 16AD of the *Banking Act 1959 (Cth)*.

"**FCS Rules**" means the processing rules set out in Regulations 11.9 and 11.10.

"**File**" means one or more Items in an electronic format the specifications for which are in the Procedures (and, includes Files containing Record Type 1 Items issued by any Users, Return Files and Refusal Files).

"**Framework**" has the meaning set out in the Constitution.

"**Framework Participant**" means a body corporate which in accordance with these Regulations is a participant in BECS in the capacity of:

- (a) a Tier 1 Framework Participant; or
- (b) a Tier 2 Framework Participant,

as determined in accordance with PART 4.

"**FTS Event**" has the meaning given in Regulation 12.3.

"**Governance Transition Period**" means the period commencing on the Amendment Date and expiring on 30 June 2014.

"**Grandfathering Period**" and "**the first phase of the Grandfathering Period**" and "**the second phase of the Grandfathering Period**" have the meanings set out in the Constitution.

"**GST**" has the same meaning as in the GST Law and also includes any amount imposed as additional tax, interest, penalty, fine or other charge payable in respect of GST.

"**GST Exclusive Consideration**" means any amount payable (or deemed to be payable) under the Constitution, these Regulations or the Procedures in connection with any Taxable Supply (other than amounts payable under Regulations 6.11(a) or 6.12(a)) and the GST exclusive value of any non-monetary consideration provided in connection with the Supply.

"**GST Law**" has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.

**"GST Rate"** means the rate of GST under the GST Law.

**"Insolvency Event"** means the happening of any of these events:

- (a) an application is made to a court for an order or an order is made that a Framework Participant be wound up;
- (b) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of a Framework Participant, or one of them is appointed, whether or not under an order;
- (c) a Framework Participant enters into, or resolves to enter into, a scheme of arrangement or composition with, or assignment for the benefit of, all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them;
- (d) a Framework Participant resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so;
- (e) a Framework Participant is or states that it is unable to pay its debts when they fall due;
- (f) as a result of the operation of section 459F(1) of the *Corporations Act 2001 (Cth)* or any corresponding legislation, a Framework Participant is taken to have failed to comply with a statutory demand;
- (g) a Framework Participant is, or makes a statement from which it may be reasonably deduced that the Framework Participant is, the subject of an event described in section 459C(2)(b) or section 585 of the *Corporations Act 2001 (Cth)* or any corresponding legislation;
- (h) a Framework Participant takes any step to obtain protection or is granted protection from its creditors, under any applicable legislation or an administrator is appointed to a Framework Participant;
- (i) APRA or another body responsible for the prudential supervision of a Framework Participant assumes management and control of that Framework Participant;
- (j) to the extent not otherwise provided for above, a Framework Participant goes into external administration within the meaning of the *Payment Systems and Netting Act 1998 (Cth)*; or
- (k) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

**"Inward Clearings"** means Items which are received or to be received by or on behalf of a Framework Participant or Non-member from another Framework Participant or Non-member. In relation to a Representation Arrangement or a Representative under a Representation Arrangement, 'Inward Clearings' means Items which are received or to be received by the relevant Appointor.

**"Items"** means Credit Items and Debit items (and, for the avoidance of doubt, includes Record Type 1 Items issued by any User, Returned Items, and Refused Items).

**"Ledger FI"** means in relation to an Item, the Framework Participant or Appointor to which the Item is addressed.

**"Management Committee"** means the committee constituted pursuant to PART 7.

**"Membership Change Date"** means:

- (a) one of at least four dates in each calendar year specified by the Management Committee by no later than 30 September in each calendar year prior to the commencement of that calendar year as being the Membership Change Dates for that year; or
- (b) any other date in a calendar year specified by the Management Committee to be a Membership Change Date to take account of any special circumstances applicable to a particular Framework Participant,

provided that:

- (c) at least 2 months' notice is given to all Framework Participants of each Membership Change Date specified by the Management Committee under paragraphs (a) or (b) (but in the case of paragraph (b) less than 2 months' notice may be given if the Management Committee so determines in its discretion); and
- (d) the Chief Executive Officer may approve a variation in an Ordinary Membership Change Date or a Special Membership Change Date for operational reasons or in exceptional circumstances, provided further that the Chief Executive Officer promptly notifies all Framework Participants of any such variation.

**"Mutuals Group"** has the meaning set out in the Constitution.

**"Non-member"** means a body corporate having a BSB Number which is a Sender or Receiver which receives or initiates Items (or both) which are identified as belonging to it by the use of its BSB Number but for any reason is not a Framework Participant.

**"Ordinary Membership Change Date"** has the meaning given in sub-paragraph (a) of the definition of "Membership Change Date" in this Regulation 1.1 for the relevant calendar year.

**"Outward Clearings"** means Items which are delivered or to be delivered by or on behalf of a Framework Participant or Non-member to another Framework Participant or Non-member. In relation to a Representation Arrangement or a Representative under a Representation Arrangement, 'Outward Clearings' means Items which are delivered or to be delivered by or on behalf of the relevant Appointor.

**“Payment System Market Share”** and **“PSMS”** have the meaning set out in the Constitution.

**“Potential FTS Event”** means any act, matter or thing which with the lapse of time or the fulfilment of any condition would, or would reasonably be likely to, result in an FTS Event.

**“Procedures”** means the practices, procedures, standards and specifications adopted by the Management Committee pursuant to PART 11.

**“Prudential Licence”** means such of the following that a body corporate holds:

- (a) an authority under section 9(3) of the *Banking Act 1959 (Cth)*;
- (b) an authority under section 12 of the *Insurance Act 1973 (Cth)*;
- (c) a RSE licence granted under section 29D of the *Superannuation Industry (Supervision) Act 1993 (Cth)*;
- (d) a certificate and any conditions imposed on its registration under, respectively, sections 20(5) and 22 of the *Life Insurance Act 1995 (Cth)*; and/or
- (e) any authority, licence, certificate or equivalent issued by a Prudential Supervisor other than the Australian Prudential Regulation Authority and any conditions in respect thereto.

**“Prudential Supervisor”** means APRA or in the case of a body corporate that is subject to prudential supervision by a supervising entity other than APRA that supervising entity.

**“Qualified ESA Holder”** means a body corporate, other than an ADI, which:

- (a) is approved by the RBA to hold an ESA as an actual or prospective provider of third-party payment services with a need to settle clearing obligations with other providers; and
- (b) executes its RTGS transactions directly across its own ESA rather than by an agent.

Inserted  
effective  
1.1.15

For the avoidance of doubt, an ESA holder that is entitled to execute its RTGS transactions using an agent, rather than directly across its own ESA, and which elects to do so, is not a Qualified ESA Holder.

**“Receiver”** means a Constitutional Corporation that will receive Items from another Framework Participant or Members in accordance with the BECS Procedures once admitted into BECS.

**“Record Type”** has the meaning given to that term in the Procedures.

**“Refusal File”** has the meaning given to that term in the Procedures.

"**Refused Item**" has the meaning given to that term in the Procedures.

"**Register**" means the register of Members of the Company to be kept under the *Corporations Act 2001 (Cth)* and where appropriate includes a branch register.

"**Registered Office**" means the registered office for the time being of the Company.

"**Regulations**" means these regulations (including, without limitation, the Annexures to these Regulations) as amended from time to time for the use and operation of, or participation by, Framework Participants in BECS.

"**Relevant Operational Change**" has the meaning given to that term in Regulation 6.4.

"**Representation Arrangement**" means an arrangement pursuant to which a Tier 1 Framework Participant acts as a Representative for another Framework Participant or a Non-member.

"**Representative**" means a Tier 1 Framework Participant, other than a Tier 1 Framework Participant which is subject to the conditions set out in Regulation 4.3(e), which represents another Framework Participant or a Non-member in exchanges of Items.

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"**Reserve Bank**" means the Reserve Bank of Australia.

"**Return File**" has the meaning given to that term in the Procedures.

"**Returned Item**" has the meaning given to that term in the Procedures.

"**Revised Settlement**" means, in relation to an FTS Event, the settlement among Survivors following an FTS Event, calculated in accordance with Regulation 12.9(a).

"**RITS**" means the Reserve Bank Information and Transfer System.

"**RITS Low Value Settlement Service**" means the Reserve Bank's settlement file transfer facility which must be used by each Tier 1 Framework Participant:

- (a) to submit File Settlement Instructions and associated File Recall Instructions; and
- (b) if it so elects, to receive File Settlement Advices, File Settlement Responses and File Recall Responses.

"**Secretary**" means a person appointed by the Chief Executive Officer to perform the duties of secretary of the Management Committee under Regulation 7.14.

"**Sender**" means a Constitutional Corporation that will send Items to another Framework Participant or Members in accordance with the BECS Procedures once admitted into BECS.



**"Special Membership Change Date"** has the meaning given in sub-paragraph (b) of the definition of "Membership Change Date" in this Regulation 1.1 for the relevant calendar year.

**"Statement of BECS Activities"** means a Framework Participant's checklist of BECS activities in the form of ANNEXURE 3, which must be completed when a body corporate applies to become a Framework Participant and which may only be varied in accordance with Regulation 4.8.

**"Supply"** has the meaning given by the GST Law.

**"Surviving Tier 1 Framework Participant"** means a Tier 1 Framework Participant which is not a "Defaulter" within the meaning of PART 12.

**"Survivor"** means, in relation to an FTS Event, each Tier 1 Framework Participant other than a Defaulter.

**"Suspension Event"** has the meaning specified in Regulation 4.19.

**"Tax Invoice"** means a tax invoice complying with the requirements of the GST Law.

**"User"** has the meaning given to that term in the Procedures.

**"Voting Member"** has the meaning given to that term in the Constitution.

## **1.2 Interpretation**

In these Regulations:

- (a) words importing any gender include the other genders;
- (b) the word person includes a firm, a body corporate, an unincorporated association or an authority;
- (c) the singular includes the plural and vice versa; and
- (d) a reference to a statute, code or the *Corporations Act 2001 (Cth)* (or to a provision of a statute, code or the Corporations Act) means the statute, the code, the *Corporations Act 2001 (Cth)* or the provision as modified or amended and in operation for the time being, or any statute, code or provision enacted in lieu thereof and includes any regulation or rule for the time being in force under the statute, the code, the *Corporations Act 2001 (Cth)* or the provision.
- (e) In PART 7, PART 8 and PART 9, a Framework Participant and its Subsidiaries are deemed to be a single entity for the purposes of determining membership of the Management Committee and voting rights and, accordingly, a reference to a Framework Participant for those purposes (including, without limitation, in the definition of BECS Market Share) is deemed to be a reference to the Framework Participant and its Subsidiaries acting jointly.

- (f) A reference in PART 13 to:
  - (i) a determination by a person includes a decision by that person;
  - (ii) proceedings includes actions, suits and proceedings at law, in equity or otherwise.
- (g) Words defined in the *Corporations Act 2001 (Cth)* have, unless the contrary intention appears, the same meaning in these Regulations.
- (h) These Regulations have been adopted by the Board and take effect on a date to be specified by the Chief Executive Officer.
- (i) Headings are inserted for convenience and do not affect the interpretation of these Regulations.

### **1.3 Inconsistency with Constitution or Procedures**

- (a) If a provision of these Regulations or the Procedures is inconsistent with a provision of the Constitution, the provision of the Constitution prevails.
- (b) If a provision of the Procedures is inconsistent with a provision of these Regulations, the provision of these Regulations prevails.

### **1.4 Governing Law**

These Regulations are to be interpreted in accordance with the same laws which govern the interpretation of the Constitution.

### **1.5 Copyright**

Copyright in these Regulations and the Procedures is vested in the Company.

### **1.6 Payment Systems and Netting Act 1998**

For the purposes of Part 3 of the *Payment Systems and Netting Act 1998 (Cth)* (in this Regulation "Act") as it applies to the netting arrangement contemplated by these Regulations and the Procedures:

- (a) the Company is the coordinator of the arrangement;
- (b) notification to the coordinator for the purposes of sections 12(1)(e)(i) and (f) of the Act is by means of notice given to the Chief Executive Officer pursuant to Regulation 2.5; and
- (c) discretion to exclude a party from the arrangement for the purposes of section 12(1)(e)(ii) of the Act is available to the coordinator by means of the Management Committee taking action pursuant to Regulation 4.19(a)(v), the operation of Regulation 4.25(a)(ii) or (iii) or the Board acting pursuant to Article 2.17 of the Constitution (Termination of Membership) or Regulation 4.25(d).

**1.7 Governance Transition Period**

- (a) Each Constitutional Corporation which was a member of BECS immediately before the Amendment Date is:
  - (i) deemed to be admitted as a Framework Participant in the same capacity as it was before the Amendment Date; and
  - (ii) bound by these Regulations, as amended on the Amendment Date.
- (b) Subject to Regulation 7.10 and notwithstanding Regulation 7.2, every member of the Management Committee (and each Secretary) in office immediately before the Amendment Date:
  - (i) continues in office until not later than the expiry of the Governance Transition Period; and
  - (ii) has the voting entitlement he or she had immediately before the Amendment Date, until not later than the expiry of the Governance Transition Period.
- (c) During the Governance Transition Period the Framework Participants must do all things necessary to ensure that the members of the Management Committee are nominated or elected, as the case may be, in accordance with Regulation 7.1, by the expiry of the Governance Transition Period.

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## **PART 2 SCOPE AND EFFECT**

### **2.1 Objects and Scope of Clearing System 2**

- (a) The primary object of BECS is to co-ordinate, manage and ensure the implementation and operation of effective systems, policies and procedures for the conduct and settlement of exchanges of Items between Framework Participants and all aspects of the related clearing cycle including, without limitation:
  - (i) the preservation of the integrity and efficiency of such exchanges; and
  - (ii) specifications for the Items to be exchanged, delivery procedures, the conduct of exchanges, the settlement of obligations arising out of exchanges and the return or rejection of invalid Items.
- (b) The essential characteristic of BECS is that payment instructions are exchanged electronically in bulk. BECS may evolve over time to handle a variety of activities related to this essential characteristic.
- (c) In addition the Bulk Electronic Clearing System (CS2) is intended to facilitate multilateral settlement of amounts owing to or by a Framework Participant as a consequence of participating in any other Clearing System operated on a net deferred settlement basis (including but not limited to the High Value Clearing System (CS4) if that system is settled on a net deferred basis in fall back mode because settlements cannot occur in real time as a result of some contingency).

### **2.2 Effect of Regulations and Procedures**

- (a) BECS has been established for the benefit of Framework Participants who, by and in consideration of becoming Framework Participants and Voting Members of the Company, acknowledge that they are bound to comply with the Constitution, these Regulations and the Procedures and to fulfil and perform every obligation and duty imposed on them by or pursuant to the Constitution, these Regulations and the Procedures.
- (b) These Regulations and the Procedures have the effect of a contract under seal:
  - (i) between the Company and each Framework Participant; and
  - (ii) between the Framework Participants.
- (c) The contractual relationship between the Company and the Framework Participants and between the Framework Participants forms part of an ongoing business relationship between such parties in relation to the conduct and settlement of exchanges of Items between Framework Participants.

### **2.3 Framework Participants Act as Principals**

- (a) In incurring rights and obligations under these Regulations and the Procedures (whether as a result of the exchange of Items or otherwise), each Framework Participant acts on the basis that it assumes those rights and incurs those obligations as a principal, notwithstanding any other fact, matter or circumstance (including without limitation, any actual or constructive notice of any agency relationship entered into by a Framework Participant or the fact that an Item is being exchanged as an agent for the payee or another person).
- (b) Each Framework Participant which is an Appointor and each Non-member which provides an undertaking to the Company substantially in the form of ANNEXURE 1, agrees and acknowledges that a Tier 1 Framework Participant which acts as its Representative assumes rights and incurs obligations under these Regulations and the Procedures as principal notwithstanding that the Items exchanged by that Representative include Items addressed to, and Items initiated by or through, that Framework Participant or Non-member.
- (c) No person other than the Framework Participant which assumes rights or incurs obligations under these Regulations and the Procedures (including any person asserting rights as a principal on whose behalf such Framework Participant acts) may enforce those rights or assume those obligations.
- (d) Any rights and obligations attaching to any Item exchanged in accordance with these Regulations and the Procedures which:
  - (i) are vested in, or which may be acquired or incurred (whether at law, in equity or otherwise) by, the Tier 1 Framework Participant which exchanges or receives that Item at an exchange conducted in accordance with these Regulations and the Procedures,  
  
against or in favour of:
  - (ii) the other Tier 1 Framework Participant which exchanges or receives that Item at that exchange,  
  
are discharged and satisfied in consideration for the rights and obligations acquired or incurred under these Regulations and the Procedures as the result of the exchange of those Items.
- (e) Nothing in this Regulation 2.3 shall affect the rights and obligations attaching to any Item which are vested in, or may be acquired or incurred (whether at law, in equity or otherwise) by, any other person.

## **2.4 Assignment and Transfer**

The rights and obligations of each Framework Participant under the Constitution, the Regulations and the Procedures are incapable of being assigned (whether at law, in equity or otherwise), charged, transferred or the subject of any trust or other fiduciary obligation which may affect or abrogate the personal liability of that Framework Participant. No action which purports to do any of the foregoing shall affect in any manner the rights and obligations of a Framework Participant under the Constitution, these Regulations and the Procedures.

## **2.5 Notice of Insolvency Event**

A Framework Participant must notify the Chief Executive Officer immediately upon becoming aware of:

- (a) any Insolvency Event in respect of itself; or
- (b) any reasonable grounds to suspect any Insolvency Event in respect of any other Framework Participant.

## **2.6 CEO to Act on Insolvency Notification**

- (a) Upon receiving any notification under Regulation 2.5(a), the Chief Executive Officer must promptly notify APRA, the Reserve Bank, all other Framework Participants, all members of the Management Committee and all Directors.
- (b) Upon receiving any notification under Regulation 2.5(b), the Chief Executive Officer must promptly:
  - (i) notify APRA and the Reserve Bank;
  - (ii) make enquiries of the Framework Participant in respect of which the Insolvency Event is reported to be suspected; and
  - (iii) if the relevant Framework Participant is prudentially supervised, make enquiries of APRA or if the relevant Framework Participant is not supervised by APRA the relevant supervisor.
- (c) To the extent that an Insolvency Event is either admitted by the relevant Framework Participant or the relevant supervisor acts pursuant to paragraph (i) of the definition of “Insolvency Event” and that fact is communicated to the Chief Executive Officer, the Chief Executive Officer must promptly notify all other Framework Participants, all members of the Management Committee and all Directors.
- (d) Any notification to or from the Chief Executive Officer under this Regulation 2.6 must identify the Framework Participant and the Insolvency Event(s) in respect of which it is given.

## **2.7 Effect of Notice of Insolvency Event**

- (a) On receipt of a notice from the Chief Executive Officer under this Regulation 2.7 a Framework Participant (in its capacity as a Ledger FI) need not comply with the provisions of clause 6.7(a) of the Procedures in respect of Items received from the Framework Participant that is the subject of the Insolvency Event.
- (b) The provisions of Regulation 4.19 or Regulation 4.25 may apply as a result.

## **2.8 Relationship with Other Clearing Systems**

Except as may be determined from time to time by the Board, any payment instruction which is required by the Regulations for another Clearing System operated by, or under the auspices of, the Company to be cleared, exchanged or settled through that Clearing System may not be cleared, exchanged or settled through BECS. Framework Participants (in their capacity as such) are not responsible for any failure to settle or perform other obligations arising from the operations of any such other Clearing System.

## **2.9 Items Suitable for Exchange**

- (a) These Regulations and the Procedures do not apply to the clearing and settlement of items denominated in a currency other than Australian dollars or items which are for exchange outside Australia.
- (b) The Procedures may stipulate that additional Items of a particular description or type are unacceptable for inclusion in any exchange.

## **2.10 Independent Exchanges**

Any two Framework Participants may conduct exchanges between themselves in a manner and at times agreed bilaterally between them. Subject to PART 12, the amounts concerned in each such exchange will be taken into account at the settlement effected in respect of other exchanges of Items on the date on which such first mentioned exchange takes place in the manner specified in the Procedures where such Items exchanged would normally be included in those settlement obligations.

## **2.11 Management Committee to Review BECS**

The Management Committee must regularly review the overall integrity and efficiency of BECS in light of operational experience and provide regular reports by way of recommendation to the Board on the need (if any) for amendments to the Regulations and the Procedures.

**The next page is 3.1**

## **PART 3    DISCLAIMERS AND LIMITATION OF LIABILITY**

### **3.1    Assets and Liabilities of the Company**

It is expressly agreed and acknowledged that the Company will not acquire any financial assets (other than in respect of fees and charges payable by Framework Participants) nor incur any liabilities as a result of the conduct and settlement of exchanges of Items between Framework Participants in accordance with the Constitution, these Regulations and the Procedures.

### **3.2    Representations and Warranties**

Each Framework Participant represents and warrants to the Company and each other Framework Participant that:

- (a) it has not relied on any representation made by the Company or any other Framework Participant to induce it to become a Framework Participant or to clear and settle Items in accordance with these Regulations and the Procedures;
- (b) it will make (without reliance on the Company or any other Framework Participant and based on documents and information which it considers appropriate) its own independent investigation of the financial condition and affairs of each other Framework Participant;
- (c) it has made its own appraisal of the qualifications to be satisfied in order for a person to become a Framework Participant; and
- (d) it has made (without reliance on or inducement to or from the Company or any other Framework Participant) its own assessment and approval of the Constitution, the Regulations and the Procedures as being appropriate for the conduct and settlement of exchanges of Items between Framework Participants.

### **3.3    Disclaimers**

- (a) Neither the Company nor any of its officers, employees or agents has any duty or responsibility, either initially or on a continuing basis to:
  - (i) keep itself informed about the performance by the Framework Participants of their respective obligations under the Constitution, these Regulations and the Procedures, provided that if the Company becomes aware that a Framework Participant has breached its obligations under the Constitution, these Regulations or the Procedures, the Company will bring the matter to the attention of that Framework Participant and the Management Committee; or
  - (ii) keep itself informed about the financial condition, affairs or creditworthiness of any Framework Participant; or



**PART 3    DISCLAIMERS AND LIMITATION OF LIABILITY**

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- (iii) except as expressly provided in the Constitution, these Regulations or the Procedures, provide any Framework Participant with credit or other information with respect to any other Framework Participant.
- (b) Each Framework Participant acknowledges that no officer, employee or agent of the Company has any authority to make any representations or give any warranties in relation to the liability of the Company with respect to the operation of BECS which are inconsistent with the Constitution, these Regulations or the Procedures.

**3.4    Exclusions**

Without limiting Regulation 3.1 or any other provision of these Regulations, the Company will not be liable for any loss to any person or damage to persons or property, whether such loss or damage is direct or consequential (including but not limited to loss of profits), howsoever arising out of:

- (a) any act or omission by any Framework Participant or any other person other than the Company, its officers, employees or agents (including without limitation any errors or delays, any breach of warranty or undertaking or representation, any breach of these Regulations, the Procedures or the terms of any other document relating to BECS, any Insolvency Event, any failure to settle any transaction or any fraud);
- (b) any act or omission done by, or any refusal to do any act by, the Company, its officers, employees or agents in good faith and without negligence or in reliance on any act, conduct or consent of any other person or on any instructions, information or document provided to the Company, its officers, employees or agents by any other person;
- (c) any fraud on the part of any officer, employee or agent of the Company outside the scope of their employment with the Company, except to the extent to which the Company would have been responsible at common law for such fraud;
- (d) the failure of the Company, its officers, employees or agents to receive any instructions, information or document from any other person, unless the failure has resulted from a negligent act or omission of the Company;
- (e) the terms of any instructions, information or document given to the Company, its officers, employees or agents by any other person;
- (f) any error or omission in any document issued by the Company, other than an error or omission resulting from a negligent act or omission of the Company;
- (g) any technological failure of any sort (including without limitation any telephone, computer or electrical failure);
- (h) any unauthorised access to, or participation in, BECS by any person, other than an officer, employee or agent of the Company;

**PART 3    DISCLAIMERS AND LIMITATION OF LIABILITY**

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- (i) any contractual arrangements between any Framework Participant and another person; or
- (j) any change in the status, financial condition, affairs or creditworthiness of a Framework Participant or another person.

**3.5    Limit of Liability**

- (a) If, notwithstanding Regulations 3.1 to 3.4 inclusive, any liability is incurred by the Company in relation to BECS, the aggregate amount of that liability in respect of all claims made by Framework Participants in respect of or arising out of any one event will not exceed the amount equal to ten times the Framework fee charged to a Framework Participant under Regulation 6.2.
- (b) All claims made by Framework Participants against the Company in relation to BECS must be made within 12 months of the occurrence of the event which it is alleged gives rise to the claims against the Company.
- (c) For the purposes of Regulation 3.5(b) all inter-related events which give rise to the Company's liability under these Regulations or otherwise will be treated as one event.
- (d) In the event of any 2 or more Framework Participants suffering losses which exceed the total aggregate limit specified in Regulation 3.5(a), the liability of the Company to each of those Framework Participants in accordance with these Regulations will be proportional to the total loss suffered by each of those Framework Participants respectively.

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## **PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

### **4.1 Categories of Framework Participants**

Framework Participants must elect to belong to BECS in one of the following capacities:

- (a) a Tier 1 Framework Participant; or
- (b) a Tier 2 Framework Participant.

### **4.2 Qualifications - All Framework Participants**

In order to be a Framework Participant in a particular capacity in BECS, a person must:

- (a) be a “Constitutional Corporation” which carries on business at or through a permanent establishment in Australia;
- (b) be:
  - (i) a Sender; and/or
  - (ii) a Receiver; and/or
  - (iii) a body corporate that represents one or more Senders or Receivers and, in such capacity, settles directly or indirectly by arrangement with another Framework Participant in accordance with PART 10 of these Regulations for the value of the payment obligations incurred by those Senders or Receivers as a result of the exchange of Items pursuant to these Regulations and the Procedures.
- (c) be able to comply with all applicable laws, the Constitution, these Regulations and the Procedures as they apply to that capacity;
- (d) not adversely affect the integrity of the conduct and settlement of exchanges of Items between Framework Participants (or otherwise introduce a significant new risk into BECS) by becoming a Framework Participant in that capacity;
- (e) be able to comply with the technical and operational standards applicable to that capacity which are contained in these Regulations and the Procedures;

**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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- (f) not impair the overall efficiency of BECS by becoming a Framework Participant in that capacity, but in determining whether the overall efficiency is impaired or not, the impact (whether financial or otherwise) of that person becoming a Framework Participant in that capacity on individual Framework Participants shall not be taken into account, unless those individual Framework Participants constitute a majority of the Tier 1 Framework Participants;
- (g) agree to pay all fees, costs, charges and expenses which may be levied on, or which are to be reimbursed by, Framework Participants in that capacity in accordance with these Regulations;
- (h) if prudentially supervised, establish that the activities it proposes to undertake in BECS (as evidenced by its Statement of BECS Activities) are consistent with its Prudential Licence, any conditions in respect of its Prudential Licence and any other conditions imposed on it by its Prudential Supervisor; and
- (i) in addition, satisfy the qualifications for membership either as a Tier 1 Framework Participant in Regulation 4.3 or Tier 2 Framework Participant in Regulation 4.4.

**4.3 Qualifications - Tier 1 Framework Participants**

In addition to the requirements set out in Regulation 4.2, in order to be a Tier 1 Framework Participant, a body corporate must:

- (a) be either:
  - (i) the Reserve Bank;
  - (ii) an Authorised Deposit-Taking Institution other than an Authorised Provider of a Purchased Payment Facility;
  - (iii) a body corporate, each member of which is an Authorised Deposit-Taking Institution other than an Authorised Provider of a Purchased Payment Facility, which is determined by the Management Committee to be of sufficient financial standing (or which has provided sufficient collateral or other security) to be a Tier 1 Framework Participant;
  - (iv) a Qualified ESA Holder; or
  - (v) a body corporate which is determined by the Management Committee to be subject to adequate prudential supervision and of sufficient financial standing (or which has provided sufficient collateral or other security) to be a Tier 1 Framework Participant.
- (b) if subject to prudential supervision, provide evidence that its Prudential Supervisor does not object to the application for membership as a Tier 1 Framework Participant.

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**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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- (c) provide for the settlement of the obligations incurred by it under these Regulations and the Procedures as the result of the exchange of Items by:
- (i) the debiting or crediting of its ESA at the Reserve Bank of Australia; or
  - (ii) providing finality of payment by such other means which are both recommended by the Management Committee and determined by the Board;
- (d) be able to send Items directly to and receive Items directly from all other Tier 1 Framework Participants by reason of having:
- (i) entered into one or more Courier Service Agreements; and/or
  - (ii) established Direct Connections with one or more Tier 1 Framework Participants; and
- (e) in the case of a Qualified ESA Holder, comply with the following:
- (i) a Qualified ESA Holder which is admitted by the Management Committee to be a Tier 1 Framework Participant may participate in BECS subject to the conditions set out in this Regulation 4.3(e).
  - (ii) notwithstanding any provision to the contrary contained in these Regulations or the BECS Procedures, a Qualified ESA Holder which is admitted as a Tier 1 Framework Participant under this Regulation 4.3(e):
    - (A) must not act as a Representative;
    - (B) must not sponsor a person, other than a related body corporate, as a Debit User pursuant to Part 7 of the BECS Procedures;
    - (C) must within three (3) months of being granted membership, and annually thereafter, provide such evidence as the Management Committee may require to demonstrate its compliance with all of its obligations under the RITS Regulations and any other applicable conditions of its membership of RITS; and
    - (D) must promptly supply the Management Committee with such information, in relation to its compliance with these conditions, that the Management Committee may reasonably request in writing.

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**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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**4.4 Qualifications - Tier 2 Framework Participants**

- (a) In addition to the requirements set out in Regulation 4.2, in order to be a Tier 2 Framework Participant, a body corporate must to exchange Items:
  - (i) (subject to Regulations 2.10 and 5.1(c)) have entered a Representation Arrangement (as an Appointor) for a Representative to receive Items as its representative (ie by being an indirect clearer) with all Framework Participants, to the satisfaction of the Management Committee; and
  - (ii) (subject to Regulation 5.1) appoint a Representative to settle (or arrange settlement) for the obligations incurred under these Regulations and the Procedures as a result of the exchange of Items addressed to or initiated by that Tier 2 Framework Participant or any person where Items addressed to or initiated by that person are forwarded to that Tier 2 Framework Participant pursuant to a Representation Arrangement.
- (b) A Tier 2 Framework Participant may, with the approval of the Management Committee, agree with a Tier 1 Framework Participant:
  - (i) to receive Items directly from that Tier 1 Framework Participant; and
  - (ii) to determine the manner of receiving payment in settlement of the Tier 1 Framework Participant's obligations arising from such Items.
- (c) The risk of an Appointor and its Representative failing to meet settlement obligations to each other will be borne in accordance with PART 5.

**4.5 Obligations - All Framework Participants**

A Framework Participant must not undertake any activity in BECS that is inconsistent with:

- (a) its Statement of BECS Activities; or
- (b) if prudentially supervised, its Prudential Licence, any conditions in respect of its Prudential Licence or any other conditions imposed on it by its Prudential Supervisor.

**4.6 Obligations - Tier 1 Framework Participants**

Tier 1 Framework Participants agree to send Items directly to and receive Items directly from all Tier 1 Framework Participants in accordance with the BECS Procedures.

**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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**4.7 All Framework Participants – Variation of Prudential Conditions**

- (a) A Framework Participant must as soon as practicable notify the Secretary if its Prudential Licence, any conditions in respect of its Prudential Licence or any other conditions imposed on it by its Prudential Supervisor are, or are to be, varied. A notice to the Secretary pursuant to this Regulation 4.7 must be in writing and must include details of the variation.
- (b) The Secretary must as soon as practicable upon receipt of notice under Regulation 4.7 inform the Management Committee which shall determine if the Framework Participant continues to satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive. The Management Committee may require the Framework Participant to provide information related to the variation before making a determination under this Regulation 4.7.
- (c) The Secretary must promptly notify a Framework Participant of the Management Committee's determination under Regulation 4.7(b).
- (d) If the Management Committee determines that the Framework Participant continues to satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive then the Framework Participant may continue to participate in BECS.
- (e) If the Management Committee determines that the Framework Participant no longer satisfies all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive then Regulations 4.19 to 4.23 inclusive apply.

**4.8 All Framework Participants – Application to vary Statement of BECS Activities**

- (a) An application by a Framework Participant to vary its Statement of BECS Activities shall be in writing addressed to the Secretary and must include details of, and reasons for, the variations sought.
- (b) The Secretary must as soon as practicable upon receipt of an application under Regulation 4.8 inform the Management Committee which shall determine if the Framework Participant will continue to satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive if its Statement of BECS Activities is varied as proposed in the application. The Management Committee may require the Framework Participant to provide information related to the application before making a determination under this Regulation 4.8.
- (c) The Secretary must promptly notify a Framework Participant of the Management Committee's determination under Regulation 4.8(b).

**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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- (d) If the Management Committee determines that the Framework Participant will continue to satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive then the Framework Participant may vary its Statement of BECS Activities as proposed in the application and may participate in BECS in accordance with the varied Statement of BECS Activities.
- (e) If the Management Committee determines that the Framework Participant would no longer satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive then the Framework Participant is not entitled to vary its Statement of BECS Activities as proposed in the application and must only participate in BECS in accordance with its current Statement of BECS Activities.

**4.9 Review of Decisions regarding Variations**

- (a) If the Management Committee is unable to determine whether a Framework Participant will continue to satisfy all of the applicable requirements for membership set out in Regulations 4.2 to 4.4 inclusive pursuant to Regulation 4.7 or 4.8 then the Management Committee must refer the determination to the Board.
- (b) A Framework Participant may within 3 months of receipt of the Secretary's notification of the Management Committee's determination pursuant to Regulation 4.7(b) or 4.8(b) request the Board to review such determination.

**4.10 Applications for membership as a Framework Participant**

Applications to become a Framework Participant shall be addressed to the Secretary and must specify the capacity in which the applicant wishes to participate in BECS. Each application must be in the form of ANNEXURE 2. Applicants must:

- (a) comply with all the conditions of application as are specified in these Regulations;
- (b) provide sufficient information to demonstrate that the applicant satisfies the applicable requirements for membership as a Framework Participant in the relevant capacity contained in Regulations 4.2 to 4.4 inclusive;
- (c) complete a Statement of BECS Activities;
- (d) if prudentially supervised, disclose its Prudential Licence, any conditions in respect of its Prudential Licence and any other conditions imposed on it by its Prudential Supervisor; and
- (e) promptly supply such other information as the Management Committee may reasonably require.



**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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**4.11 Management Committee to consider applications**

- (a) The Secretary must promptly forward a copy of each application for membership as a Framework Participant to the members of the Management Committee.
- (b) All applications for membership as a Framework Participant received by the Management Committee must be promptly considered by the Management Committee.
- (c) The Management Committee shall accept for membership an applicant which complies with the conditions for membership specified in these Regulations.
- (d) The Management Committee must refer an application to the Board if:
  - (i) the Management Committee is unable to determine whether an applicant complies with the conditions for membership specified in these Regulations; or
  - (ii) three members of the Management Committee or members entitled to cast more than 33% of the total votes available to be cast at meetings of the Management Committee determine that an applicant does not comply with the conditions for membership specified in these Regulations.
- (e) Where an application is referred to the Board, the Board must promptly exercise the powers of the Management Committee in determining whether the applicant complies with the conditions for membership specified in these Regulations and, if so, the Board must accept the application.

**4.12 Applicant may withdraw application**

A body corporate which has applied for membership as a Framework Participant but has not been informed by the Secretary of the result of its application may withdraw the application at any time.

**4.13 Outcome of application**

- (a) If an application for membership as a Framework Participant is not accepted by the Management Committee the Secretary must notify the applicant.
- (b) An applicant whose application is not accepted may:
  - (i) within 3 months request that the Board review that decision; or
  - (ii) at any time to lodge a fresh application for membership in accordance with these Regulations.

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- (c) If an application for membership as a Framework Participant is accepted, the Secretary must promptly notify the applicant.
- (d) The Secretary must promptly notify all Framework Participants of:
  - (i) each successful application for membership as a Framework Participant;
  - (ii) the capacity in which the new Framework Participant will participate in BECS; and
  - (iii) the Membership Change Date on which the new Framework Participant will commence participation in BECS in accordance with Regulation 4.16.

**4.14 Effect of Successful Application**

Upon becoming a Framework Participant in BECS, a successful applicant will also become a Voting Member of the Company with the rights and obligations set out in the Constitution, effective from the Membership Change Date on which the successful applicant commences participation in BECS.

**4.15 Changes in Capacity**

- (a) If a Tier 2 Framework Participant wishes to become a Tier 1 Framework Participant then such Framework Participant must lodge a new application for membership in the particular capacity pursuant to Regulations 4.10 to 4.13 inclusive in the same manner as a Non-member.
- (b) If a Tier 1 Framework Participant wishes to become a Tier 2 Framework Participant, then such Framework Participant must give the Secretary not less than 2 months' notice of the change in its capacity specifying the Membership Change Date on which the change is to take effect. The Secretary must promptly notify all Framework Participants of the change in capacity and the Membership Change Date on which such change is to take effect.
- (c) A Tier 1 Framework Participant which becomes a Tier 2 Framework Participant pursuant to this Regulation 4.15 may at any time lodge a fresh application to become a Tier 1 Framework Participant in accordance with these Regulations.
- (d) If a Framework Participant's application under Regulation 4.15(c) is accepted, the following provisions apply in relation to fees unless the Management Committee determines otherwise:
  - (i) no entrance fee under Regulation 6.3 is payable;
  - (ii) an operational change fee is payable, and Regulation 6.4(f) does not apply;

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- (iii) the operational change fee is payable in addition to any other fees payable under these Regulations
- (iv) fees are payable within 30 days of the date of the invoice issued by the Company.

**4.16 Commencement of Participation or Changes**

- (a) Any applicant accepted for membership as a Framework Participant (including an existing Framework Participant in a new capacity) is entitled to participate in BECS in the relevant capacity with effect from a Membership Change Date no earlier than 2 months after the date the Secretary gives notice to that applicant pursuant to Regulation 4.13.
- (b) A change in capacity from Tier 1 to Tier 2 pursuant to Regulation 4.15(b) takes effect from the Membership Change Date specified by the Framework Participant concerned in the notice referred to in that Regulation.

**4.17 Courier Service Agreements**

- (a) If a Tier 1 Framework Participant enters into a Courier Service Agreement then it must give the Secretary not less than two months' notice of that arrangement specifying the Membership Change Date on which the arrangement is to commence.
- (b) The Secretary must promptly notify all Framework Participants of the Courier Service Agreement and the Membership Change Date on which it is to take effect.

**4.18 Rights, Restrictions and Obligations of Framework Participants**

- (a) A Framework Participant (in its capacity as a Voting Member) has all the rights of a Voting Member set out in the Constitution including, in relation to:
  - (i) sharing in any distribution of capital or profits of the Company or in a distribution on a winding-up, dissolution or a reduction of the capital of the Company;
  - (ii) voting at general meetings of the Company; and
  - (iii) receiving notices, annual reports and audited profit and loss accounts and audited balance sheets and attending and speaking at general meetings of the Company.
- (b) A Framework Participant has the right to be a participant in BECS, to clear and settle Items in accordance with these Regulations and the Procedures and to vote at any BECS meeting convened in accordance with PART 8 or any other meeting of the Framework Participants of BECS convened in accordance with the Constitution or the Corporations Act.

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- (c) In exercising its rights, each Framework Participant must act in good faith.
- (d) A Framework Participant may not transfer or share its membership as a Framework Participant.

**4.19 Suspension of Membership**

- (a) The Management Committee may, subject to Regulation 4.19(b), suspend the membership of a Framework Participant for a specified or indefinite period of time in the following circumstances (each a "**Suspension Event**"):
  - (i) the Framework Participant is subject to prudential supervision and the relevant supervisor requests such suspension;
  - (ii) by agreement with the Framework Participant concerned;
  - (iii) the Framework Participant no longer satisfies any applicable requirement for membership set out in Regulations 4.2 to 4.4 inclusive;
  - (iv) a Disabling Event occurs in respect of the Framework Participant, but only during the continuance of that Disabling Event;
  - (v) an Insolvency Event (not being an event which results in automatic cessation of membership pursuant to Regulation 4.25(a)(ii) or (iii)) occurs in respect of the Framework Participant; or
  - (vi) the Framework Participant breaches its obligations under the Constitution, these Regulations or the Procedures and fails to rectify the breach or provide an explanation satisfactory to the Management Committee within 30 days of receipt of a request from the Secretary to rectify the breach or provide such an explanation.
- (b) If a Framework Participant is subject to prudential supervision by APRA then the Management Committee must give APRA reasonable notice of, and an opportunity to be heard at, any meeting at which it will consider suspending the Framework Participant pursuant to Regulation 4.19(a)(v).
- (c) A Framework Participant may also be automatically suspended in accordance with PART 12.

**4.20 Effect of Suspension on Framework Participant**

Subject to Regulation 4.23, a Framework Participant whose membership is suspended under Regulation 4.19 is not entitled (including, without limitation, in any capacity as a Representative) to:

- (a) participate in BECS;

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- (b) clear and settle Items in accordance with these Regulations and the Procedures; nor
- (c) vote at any BECS meeting convened in accordance with PART 8, or any other meeting of the Framework Participants of the Bulk Electronic Clearing System (CS2) convened in accordance with the Constitution or the Corporations Act,

except to the extent set out in the Procedures or approved by the Management Committee (or the Chief Executive Officer if authorised to grant such approvals by the Management Committee). If that Framework Participant is an Appointor, the relevant provisions of the relevant agreement for a Representation Arrangement are also suspended during the period of suspension under Regulation 4.19.

**4.21 Effect of suspension on Management Committee nominee**

If a Framework Participant whose membership is suspended under Regulation 4.19 has nominated a member of the Management Committee pursuant to Regulation 7.1(a), that member is not entitled to vote at meetings of the Committee, but may continue to attend and participate in such meetings, during the period of suspension under Regulation 4.19.

**4.22 Conditions in lieu of Suspension**

If a Suspension Event occurs in respect of a Framework Participant, the Management Committee may (in lieu of suspending the membership of that Framework Participant) impose conditions on the membership of that Framework Participant (including changing the capacity in which that Framework Participant may participate in BECS) or vary any provision of the Procedures in relation to the exchange of Items addressed to or initiated by that Framework Participant. The rights and obligations of that Framework Participant under these Regulations shall be subject to any such conditions or variation. The Management Committee may at any subsequent time vary or revoke any such conditions or variation.

**4.23 Obligations of a suspended Framework Participant**

A Framework Participant whose membership is suspended under Regulation 4.19 or which is subject to any condition or variation under Regulation 4.22 is not excused from discharging, in accordance with these Regulations and the Procedures, obligations incurred by it under the Constitution, these Regulations and the Procedures including, without limitation, obligations incurred in connection with Items exchanged prior to the suspension of that Framework Participant, except as expressly provided in or pursuant to these Regulations or the Procedures.

**4.24 Notification of Suspension**

The Secretary must immediately notify all Framework Participants (by the most expeditious means available) of any suspension under Regulation 4.19 and must promptly notify all Framework Participants of all other action taken under Regulations 4.19 to 4.23 inclusive.

**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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**4.25 Termination**

- (a) A Framework Participant ceases to be a Framework Participant on:
  - (i) resignation;
  - (ii) becoming insolvent or making an arrangement or composition with creditors generally;
  - (iii) being wound-up, dissolved or otherwise ceasing to exist; or
  - (iv) the Board terminating that Framework Participant's membership in accordance with the Constitution and these Regulations.
- (b) A Framework Participant may, by notice in writing to the Company, resign as a Framework Participant with effect from a Membership Change Date occurring not less than 3 months and not more than 6 months after the service of the notice. The notice is irrevocable.
- (c) A Framework Participant may not resign except by giving notice in accordance with this Regulation.
- (d) The Board (after consultation with the Management Committee) may, by notice in writing to a Framework Participant, terminate the membership of that Framework Participant with immediate effect or with effect from a Membership Change Date occurring not less than 3 months and not more than 6 months after the service of the notice, if the following pre-conditions have been fulfilled:
  - (i) a Suspension Event has occurred in respect of that Framework Participant and has not been remedied;
  - (ii) (if that Framework Participant is subject to prudential supervision) the Board has consulted with the relevant supervisor regarding such termination; and
  - (iii) the Board has provided an opportunity for that Framework Participant to make submissions to the Board regarding such termination.
- (e) The Board is not obliged to give any reasons for its decision and may revoke any such notice at any time before it becomes effective.
- (f) Any resignation or termination of the membership of a Framework Participant shall not affect any right or liability arising under the Constitution, these Regulations or the Procedures prior to the time such resignation or termination takes effect or arising in respect of any act, matter or thing occurring prior to that time.

**PART 4 MEMBERSHIP AS A FRAMEWORK PARTICIPANT**

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- (g) A Framework Participant who resigns pursuant to Regulation 4.25(b) or whose membership is terminated pursuant to Regulation 4.25(d) shall continue to be bound by the Constitution and these Regulations in respect of:
- (i) any act, matter or thing occurring prior to the time such resignation or termination takes effect or as a result of such resignation or termination; and
  - (ii) any fees, costs, charges and expenses which may be levied on, or which are to be reimbursed by, Framework Participants in accordance with these Regulations in respect of periods which commence prior to the time such resignation or termination takes effect or which relate to any such act, matter or thing.

**4.26 Effect of Termination**

- (a) Subject to any rights of set-off, counterclaim or combination which are available at law, upon any resignation or termination of the membership of a Framework Participant:
- (i) the resigning or terminating Framework Participant must immediately pay all sums of money (if any) owed by it to any other Framework Participant in respect of obligations arising from exchanges; and
  - (ii) all sums of money (if any) owed to it by any other Framework Participant in respect of all such exchanges must be paid by that other Framework Participant to the resigning or terminating Framework Participant.

The records maintained by the Company shall be prima facie evidence of the sum or sums owing by or to such Framework Participant.

- (b) Any Framework Participant which resigns or whose membership is terminated immediately ceases to be entitled to effect exchanges in accordance with these Regulations and the Procedures.
- (c) A Framework Participant which resigns or whose membership is terminated is not entitled to be repaid all or part of any entrance, operating or other fee which has been paid by it.

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## **PART 5 REPRESENTATION ARRANGEMENTS**

### **5.1 Representatives**

- (a) Each Tier 2 Framework Participant must ensure at least one Representative is appointed to exchange Items as representative for that Framework Participant so that all Framework Participants are able, through such arrangements, to exchange Items with all Framework Participants.
- (b) If a Non-member wishes to appoint a Representative to exchange Items for it, that Representative must ensure one or more Representatives are appointed to exchange Items as representative for that Non-member with all Framework Participants.
- (c) An Appointor may use only one Representative in respect of Inward Clearings.
- (d) Each Framework Participant which exchanges Items as a Representative for a Non-member must ensure that the Non-member provides an undertaking to the Representative and the Company to be bound by the provisions of these Regulations and the Procedures. Such an undertaking must be substantially in the form of ANNEXURE 1 and is a pre-condition to the obtaining of consent under Regulation 5.2.

### **5.2 Consent of Management Committee**

- (a) No Framework Participant may enter into a Representation Arrangement which relates to Inward Clearings (or vary any term of such a Representation Arrangement which was specifically approved by the Management Committee when giving its consent) without the prior written consent of the Management Committee.
- (b) To obtain the consent of the Management Committee, a Framework Participant must forward a request to the Secretary, together with sufficient information to demonstrate that the proposed Representation Arrangement (or variation to a Representation Arrangement):
  - (i) is consistent with these Regulations and the Procedures (including, without limitation, any other material requested by the Management Committee setting out the times and manner in which Items will be exchanged) and that the parties to the proposed Representation Arrangement are able to comply with the relevant technical and operational requirements imposed by BECS; and
  - (ii) will be conducted in a manner which will not:
    - (A) adversely affect the integrity of the conduct and settlement of exchanges of Items between Framework Participants (or otherwise introduce a significant new risk into BECS); or



- (B) impair the overall efficiency of BECS.
- (c) Framework Participants seeking consent must comply with all the conditions as are specified in these Regulations and the Procedures and must promptly supply such other information as the Management Committee may reasonably require.
- (d) The Management Committee must consider every request by a Framework Participant to enter into, or vary, a Representation Arrangement. The Secretary must advise the Framework Participant making the request of the Management Committee's decision and, if the application is refused, the reasons for refusal.

### **5.3 Criteria for Approval**

In reaching its decision the Management Committee may not unreasonably withhold its approval if the information provided by the Framework Participant demonstrates that the proposed Representation Arrangement (or variation to a Representation Arrangement):

- (a) is consistent with the Regulations and the Procedures and that the parties to the proposed Representation Arrangement are able to comply with the relevant technical and operational requirements imposed by BECS; and
- (b) will be conducted in a manner which will not:
  - (i) adversely affect the integrity of the conduct and settlement of exchanges of Items between Framework Participants (or otherwise introduce significant new risk into BECS); or
  - (ii) impair the overall efficiency of BECS, but in determining whether the overall efficiency is impaired or not, the impact (whether financial or otherwise) of that Representation Arrangement on individual Framework Participants shall not be taken into account, unless those individual Framework Participants constitute a majority of the Tier 1 Framework Participants.

### **5.4 Agreements for Representation Arrangements**

The Management Committee may publish the minimum requirements for, and specimen clauses to be included in, an agreement for a Representation Arrangement. As a condition of any consent granted under Regulation 5.2, the Management Committee may require that such minimum requirements be satisfied or such clauses be adopted by the parties to the relevant agreement for a Representation Arrangement.

### **5.5 Commencement of Representation Arrangements or Changes**

A new Representation Arrangement in respect of Inward Clearings (or any variation to a Representation Arrangement which alters the identity of any Representative appointed to effect Inward Clearings) must take effect from a Membership Change Date no earlier than 2 months after the date the Management Committee approves the Representation Arrangement. (or such a variation to the Representation Arrangement). The relevant Representative must give the Secretary not less than 2 months' notice of the Membership Change Date on which the change in the Representation Arrangement (or such a variation) is to take effect and the Secretary must promptly notify all Framework Participants of the Representation Arrangement (or such a variation) and the Membership Change Date on which such Representation Arrangement (or variation) is to take place.

### **5.6 Settlement Responsibility**

- (a) A Tier 1 Framework Participant which is appointed as Representative for a Tier 2 Framework Participant or a Non-member is responsible for the settlement of the balances of the Appointor arising out of exchanges conducted by it on the Appointor's behalf.
- (b) Nothing in these Regulations affects the responsibilities and obligations between an Appointor and its Representative in a failure to settle situation.

### **5.7 Cessation of Representation Arrangement**

- (a) No Framework Participant which is a party to a Representation Arrangement in respect of Inward Clearings may terminate that Representation Arrangement unless:
  - (i) the Framework Participant:
    - (A) forms the view in good faith and on grounds which appear to it to be reasonable that the other party to the Representation Arrangement is, or is about to be, unable to provide it with the whole or any part of the funds owing to it under the Representation Arrangement; and
    - (B) terminates the Representation Arrangement with immediate effect and provides a copy of the notice of termination to the Secretary; or
  - (ii) the Framework Participant gives at least 2 months' written notice of its intention to do so to the Secretary and such termination takes effect on a Membership Change Date.
- (b) A Framework Participant which is a party to a Representation Arrangement in relation to Outward Clearings may at any time terminate that Representation Arrangement.

**PART 5 REPRESENTATION ARRANGEMENTS**

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- (c) Every Framework Participant which acts as a Representative for a Non-member in respect of Inward Clearings shall use all reasonable endeavours to ensure:
  - (i) that the Non-member does not terminate the relevant Representation Arrangement unless at least 2 months' written notice of an intention to terminate is given to that Framework Participant and the Secretary; and
  - (ii) such termination takes effect on a Membership Change Date.
- (d) Immediately on receipt of any notice under Regulations 5.7(a)(i) or 5.7(c), the Secretary must forward a copy of the notice to each member of the Management Committee and each Framework Participant that is not the employer of a member of the Management Committee. If the notice is received under Regulation 5.7(a)(i), the Secretary must also immediately notify all Framework Participants (by the most expeditious means available) of the termination of the relevant Representation Agreement.
- (e) A Representation Arrangement will be automatically terminated or suspended (as the case may be) if any one or more of the Framework Participants party to that Representation Arrangement resigns as a Framework Participant or has its membership terminated or suspended unless the Framework Participant who resigns or whose membership is terminated or suspended is the Appointor and that Framework Participant provides an undertaking to the Representative and the Company to be bound by the provisions of these Regulations and the Procedures. Such an undertaking must be substantially in the form of ANNEXURE 1.

**5.8 Inability to Obtain Representation Arrangements**

- (a) If:
  - (i) a Framework Participant which wishes to enter into a Representation Arrangement as an Appointor is unable to do so for any reason;
  - (ii) a Framework Participant which acts as a Representative is suspended under Regulation 4.19 and the Appointor under the relevant Representation Agreement is a Framework Participant; or
  - (iii) a Representation Arrangement is terminated under Regulations 5.7(a)(i) or 5.7(e) and the Appointor under that Representation Arrangement is a Framework Participant,

**PART 5 REPRESENTATION ARRANGEMENTS**

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- (b) then, at the request of the relevant Framework Participant, the Management Committee must take such steps as are reasonable in all the circumstances to assist that Framework Participant to participate in BECS on a basis which is consistent with the Constitution, these Regulations and the Procedures.

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**PART 6 FEES****6.1 Corporate Fees**Amended  
effective  
1/1/17

Each Framework Participant must pay the fees for Voting Members set out in the Constitution in the manner and amount and at the times determined by the Board, consisting of:

- (a) an annual base corporate fee; and
- (b) a periodic proportionate corporate fee calculated by reference to a Voting Member's PSMS.

**6.2 Framework Fees**Amended  
effective  
1/1/17

In addition to the fees referred to in Regulation 6.1 the Company will charge Framework Participants the fees set out below in the manner and amount and at the times determined by the Board:

- (a) the Tier 1 Framework Participants in BECS must pay an annual Framework fee, charged in an equal amount to each Tier 1 Framework Participant in BECS; and
- (b) special project funding – the Board may, in its discretion, charge Framework Participants an amount to fund BECS projects which have been recommended for funding by the Management Committee.

**6.3 Entrance Fees**

- (a) An applicant whose application for membership is accepted must pay an entrance fee to the Company. The entrance fees are displayed on the Company's extranet and indexed annually in accordance with Regulation 6.6.
- (b) A new Framework Participant may not participate in BECS until the entrance fee is paid to the Company.

**6.4 Operational Change Fees**

- (a) Subject to the other provisions of this Regulation 6.4, operational change fees are payable whenever a Relevant Operational Change results in existing Tier 1 Framework Participants which exchange directly being obliged to deliver to any other Tier 1 Framework Participant which is a direct clearer (the "Relevant Tier 1 Framework Participant") any Items comprised in their Outward Clearings addressed to a previously unallocated BSB Number destination or to a BSB Number destination for which a Tier 1 Framework Participant other than the Relevant Tier 1 Framework Participant was responsible immediately before the Relevant Operational Change.

- (b) Each of the following is a Relevant Operational Change:
  - (i) a change in the capacity in which a Framework Participant participates in the Bulk Electronic Clearing System (CS2);
  - (ii) a new Representation Arrangement;
  - (iii) a termination of, or variation to, an existing Representation Arrangement; and
  - (iv) the allocation of a substitute or additional BSB Number or the re-allocation of an existing BSB Number, under Regulation 15.2.
- (c) The operational change fee is payable by the Relevant Tier 1 Framework Participant to the Company in respect of each date notified to existing Tier 1 Framework Participants as the Membership Change Date on which the Relevant Operational Change is to take effect.
- (d) The amount of the operational change fee is:
  - (i) for each Relevant Operational Change which is to take effect on an Ordinary Membership Change Date (and for which an operational change fee is payable), the amount displayed on the Company's extranet and indexed annually in accordance with Regulation 6.6;
  - (ii) for each Relevant Operational Change which is to take effect on a Special Membership Change Date (and for which an operational change fee is payable), 150% of the operational change fee that otherwise would be payable if that Relevant Operational Change were to take effect on an Ordinary Membership Change Date in the same calendar year.
- (e) A single operational change fee only, rather than multiple fees, is payable by the Relevant Tier 1 Framework Participant for those Relevant Operational Changes which each result, on the same date, in the same obligations of existing Tier 1 Framework Participants (which are direct clearers) to exchange Items comprised in their Outward Clearings addressed to a previously unallocated BSB Number destination or to a BSB Number destination for which a Tier 1 Framework Participant other than the Relevant Tier 1 Framework Participant was responsible immediately before the Relevant Operational Change.
- (f) Notwithstanding any of the above provisions of this Regulation 6.4, no operational change fee is payable in connection with a Relevant Operational Change if:
  - (i) the Relevant Operational Change is solely the result of a Framework Participant changing its capacity to become a Tier 1 Framework Participant and directly participating in exchanges in respect of Items addressed to it and Items initiated by it, or

- (ii) the Management Committee determines that in the circumstances it would be inequitable for those fees to apply. In exercising its discretion under this paragraph, the Management Committee must have regard to all matters which it considers relevant and (without limitation) the underlying circumstances giving rise to the Relevant Operational Change and the likely or estimated extent of systems changes required to be made by other Tier 1 Framework Participants.

### **6.5 Time for Payment of Fees**

- (a) The Company must provide a Framework Participant with 30 days' notice of the fees payable under PART 6.
- (b) Once paid those fees are not refundable.

### **6.6 Indexation**

- (a) The entrance fee payable under Regulation 6.3, the operational change fee payable under Regulation 6.4, the fee payable under Regulation 6.8, and the dispute resolution fee specified in Regulation 13.2 are to be indexed on an annual basis. The Management Committee at its first meeting following publication of the Consumer Price Index for the September quarter (as defined in "C" below) shall determine the indexed amount of each such fee to apply during the next calendar year. The indexed amount shall be the amount represented by A (rounded in the manner set out below) in the formula:

$$A = B \times ((100+C)/100)$$

- (b) where:
  - (i) B is the amount of such fee immediately preceding such determination (disregarding any rounding in the manner set out below which was applied to that fee); and

- (ii) C is the Consumer Price Index, All Groups Percentage Changes (change from corresponding quarter of previous year - weighted average of 8 capital cities) figure in respect of the September quarter for the previous calendar year, in the form appearing in the quarterly publication entitled Consumer Price Index (Catalogue No. 6401.0) published by the Australian Bureau of Statistics. In the event that such figure is not published and is not otherwise available or that compilation of such figure is suspended or discontinued, C shall mean such figure published in an official publication or otherwise officially released by the Australian Bureau of Statistics (or mathematically derivable from such officially published or released figure) which in the opinion of the Management Committee represents the percentage change in the cost of living between the September quarter for the previous calendar year and the corresponding quarter for the immediately preceding calendar year.
- (c) The amount represented by A in the above formula shall be rounded to the nearest:
  - (i) \$100 in the case of the entrance fee payable by Tier 1 Framework Participants, the operational change fee payable under Regulation 6.4 and the fee payable under Regulation 6.8 (\$50 being rounded up); and
  - (ii) \$10 in the case of the entrance fee payable by Tier 2 Framework Participants and the dispute resolution fee (\$5 being rounded up).

## **6.7 Disputes**

Each Framework Participant must also pay to the Company the fees, costs and expenses stipulated in PART 13.

## **6.8 Mergers, Acquisitions and Re-organisations**

- (a) Where, by takeover, merger or other action, an existing Framework Participant becomes a Subsidiary of or is otherwise acquired by another body corporate or that Framework Participant's business is assumed by another body corporate which is a Related Body Corporate of that Framework Participant or another body corporate formed as a result of that action (in this Regulation, that other body corporate being an "Owner") and the Owner applies for membership as a Framework Participant within 12 months of such occurrence and is accepted as a Framework Participant, the Management Committee may (but is not obliged to do so), upon receipt of such information as the Management Committee may reasonably require, waive the fee which would otherwise be payable by the Owner pursuant to Regulation 6.3.



- (b) If the Management Committee waives the fee otherwise payable under Regulation 6.3 by an Owner accepted as a Tier 1 Framework Participant, that Owner must unless the Management Committee otherwise determines, pay to the Company the operational change fee. That operational change fee is payable to the Company in addition to any other fees payable under these Regulations.

## **6.9 Changes to Mnemonics**

- (a) If a Framework Participant wishes to change the 3 alpha mnemonic approved by the Company for use by that Framework Participant in BECS, it must give the Secretary prior written notice of the proposed change. The Company will approve a change to a mnemonic if the changed mnemonic would, on first use by that Framework Participant, be unique to that Framework Participant in BECS. An approved change to a mnemonic may take effect from a Membership Change Date no earlier than 2 months after the date of notice to the Secretary under this Regulation 6.9. The Secretary will promptly notify all Framework Participants of approved changes notified to the Secretary under this Regulation 6.9.
- (b) If a Framework Participant changes the 3 alpha mnemonic approved by the Company for use by that Framework Participant in connection with each BSB Number issued to it by the Company:
  - (i) that change will be taken to be a Relevant Operational Change for the purposes of Regulations 6.4(c) and (e) and the terms of those Regulations will apply accordingly; and
  - (ii) that Framework Participant will be liable to pay to the Company an operational change fee in accordance with Regulation 6.4(c) as if that Framework Participant were a Relevant Tier 1 Framework Participant within the meaning of that Regulation.
- (c) A single operational change fee only, rather than multiple fees, is payable by a Framework Participant which changes its approved mnemonic if, at the same time, a substitute or additional BSB Number has been allocated to it or an existing BSB Number re-allocated to it for use in connection with the changed mnemonic.

## **6.10 Changes to Inward Exchange Destinations**

- (a) A Tier 1 Framework Participant must give the Secretary prior written notice of any proposed change to the physical destination for receipt of its Inward Clearings. Such changes may only take effect from a Membership Change Date no earlier than 2 months after the date of notice to the Secretary under this Regulation 6.10. The Secretary will promptly notify all Framework Participants of changes notified to the Secretary under this Regulation 6.10.

- (b) If a Tier 1 Framework Participant changes the physical destination for receipt of its Inward Clearings:
  - (i) that change will be taken to be a Relevant Operational Change for the purposes of Regulations 6.4(c) and (e) and the terms of those Regulations will apply accordingly; and
  - (ii) that Tier 1 Framework Participant will be liable to pay the Company an operational change fee in accordance with Regulation 6.4(c) as if that Tier 1 Framework Participant were a Relevant Tier 1 Framework Participant within the meaning of that Regulation.

#### **6.11 Gross up for GST – Supplies by the Company**

- (a) If:
  - (i) the Company makes a Supply to a Framework Participant (in its capacity as a Voting Member or a Framework Participant) under the Constitution, these Regulations or the Procedures; and
  - (ii) the Company is required to pay GST under the GST Law in respect of that Supply (a “Taxable Supply”), then

the Framework Participant must pay to the Company an additional amount equal to the GST Exclusive Consideration multiplied by the GST Rate, without deduction or set-off of any other amount.
- (b) The Company must issue a Tax Invoice to each Framework Participant for the GST on each Taxable Supply and must include in the Tax Invoice all particulars required by the GST Law.
- (c) The Framework Participant must pay the additional amount payable under this Regulation at the same time and manner as the GST Exclusive Consideration (or, if the GST Exclusive Consideration is not payable, within 14 days).

#### **6.12 Supplies between Members**

- (a) If a Framework Participant makes a Supply to another Framework Participant, each in its capacity as a Framework Participant, and the Framework Participant making the Supply (“the Supplier”) is required to pay GST under the GST Law in respect of that Supply, (a “Taxable Supply”), then the Framework Participant receiving the Supply (“the Recipient”) must pay to the Supplier an additional amount equal to the GST Exclusive Consideration for the supply multiplied by the GST Rate, without deduction or set-off of any other amount.
- (b) The Supplier must issue a Tax Invoice to the Recipient in respect of each Taxable Supply and must include in the Tax Invoice all particulars required by the GST Law.

- (c) The Recipient must pay the additional amount payable under this Regulation at the same time and manner as the GST Exclusive Consideration is payable or to be provided (or if the GST Exclusive Consideration is not payable, within 14 days).

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## **PART 7 MANAGEMENT COMMITTEE**

### **7.1 Composition**

- (a) Subject to Article 10.3 of the Constitution (Composition of Committees of Management), Regulation 1.3 and Regulation 7.2, the following persons are entitled to be members of the Management Committee of BECS if appointed, nominated or elected in the manner set out in these Regulations:
- (i) if the Directors so elect, one person appointed by the Board under Article 10.3 of the Constitution (Composition of Committees of Management);
  - (ii) subject to Regulation 7.1(f) a person nominated by each Framework Participant which has at least 5% of BMS;
  - (iii) subject to Regulation 7.1(e) three persons elected in a ballot by all Framework Participants which are not entitled to nominate or elect a member of the Management Committee under any other provision of this Regulation 7.1(a);
  - (iv) during the first phase of the Grandfathering Period, one person nominated by the Framework Participants collectively which are Building Society Members;
  - (v) during the first phase of the Grandfathering Period, one person nominated by the Framework Participants collectively which are Credit Union Members;
  - (vi) during the second phase of the Grandfathering Period, one person nominated by the Framework Participants collectively which constitute the Mutuels Group; and
  - (vii) a person nominated by the Reserve Bank if a representative of the Reserve Bank has not been nominated in accordance with another provision of this Regulation 7.1(a).
- (b) A Framework Participant may become eligible or cease to be eligible to nominate a member of the Management Committee under Regulation 7.1(a)(ii), as a result of a calculation of BMS.
- (c) Building Society Members collectively and Credit Union Members collectively may cease to be eligible to nominate a member of the Management Committee under Regulations 7.1(a)(iv) and (v) if the first phase of the Grandfathering Period ends in accordance with the Constitution, and the Mutuels Group may cease to be eligible to nominate a member under Regulation 7.1(a)(vi) if the second phase of the Grandfathering Period ends.

- (d) The changes to the Management Committee which may result from the changes in eligibility described in Regulations 7.1(b) and (c) will become effective at the conclusion of the next annual general meeting of the Company following:
  - (i) the calculation of BMS – in relation to Regulation 7.1(b); and
  - (ii) the expiry of those phases of the Grandfathering Period – in relation to Regulation 7.1(c).
- (e) If the first phase of the Grandfathering Period ends, the number of persons the Framework Participants may elect under Regulation 7.1(a)(iii):
  - (i) is increased to four during the second phase of the Grandfathering Period; and
  - (ii) is increased to five if the Grandfathering Period expires.
- (f) During the Grandfathering Period, a Framework Participant which has at least 5% of BMS and which is a Building Society Member or a Credit Union Member may not nominate a member of the Management Committee under Regulation 7.1(a)(ii).
- (g) If the Grandfathering Period expires, a Framework Participant which is a Building Society Member or a Credit Union Member has the same rights as all other Framework Participants under Regulations 7.1(a)(ii) and (iii) to nominate, or participate in a ballot to elect, a member of the Management Committee.
- (h) If a Framework Participant or group of Framework Participants which has a right to nominate a member under Regulation 7.1(a), does not nominate in accordance with Regulation 7.3, that Framework Participant may exercise the right of nomination at a later date.

## **7.2 Term of Office**

- (a) Except as provided in Regulation 7.10, the term of office of a person appointed, nominated or elected as a member of the Management Committee commences at the conclusion of the relevant annual general meeting of the Company.
- (b) Subject to Article 10.5 of the Constitution (Removal of members of a Committee of Management) and Regulations 7.1(d) and 7.10, the term of office of all members of the Management Committee expires at the conclusion of the third annual general meeting of the Company following their appointment. A retiring member of the Management Committee may be re-appointed or re-elected, as the case may be.

### **7.3 Nominations and Election Processes**

- (a) Each nomination of a Management Committee member under Regulation 7.1 must be in writing signed by the Framework Participant entitled to nominate, or an authorised representative of the group of Framework Participants which are collectively entitled to nominate, that member of the Management Committee and endorsed with the nominee's consent.
- (b) A nomination under Regulation 7.1 must be made not later than 7 days (or such shorter period as the chairman of the Management Committee may accept in any particular case) prior to the date of the annual general meeting of the Company at which the terms of office of the existing members of the Management Committee expire. The Secretary will call for such nominations as soon as practicable after the Board determines the date on which the relevant annual general meeting will be held.
- (c) A ballot under Regulation 7.1(a)(iii) will be conducted in accordance with the processes for election determined by the Board, including the conduct of elections, nomination of candidates and method of voting.

### **7.4 Member Unable or Unwilling to Act**

- (a) If any member of the Management Committee is so located or circumstanced that it is not reasonably practicable for any necessary notice or other communication to be given to that member in relation to the meetings, deliberations or other affairs of the Management Committee or for that member to attend any one or more meetings of the Management Committee (in this Regulation, an "Inability"), then that member (or if that member is employed by a Framework Participant, that Framework Participant) may nominate another person who is qualified to be a member of the Management Committee to be an alternate member of the Management Committee for so long as the Inability subsists.
- (b) Any such nomination must be in writing and forwarded to the Secretary.
- (c) An alternate member may exercise any powers which the member may exercise and is deemed for all purposes to be a member of the Management Committee during the period of the Inability.

### **7.5 Powers and Duties**

- (a) Subject to the Constitution, the Directors delegate to the Management Committee such of their powers, other than powers required by law to be dealt with by the Directors as a Board, as necessary, desirable or expedient to enable the Management Committee to properly perform its obligations under the Constitution. Subject to Regulation 7.5(b), the Board delegates to the Management Committee such of its powers, other than powers required by law to be dealt with by the Board, which are necessary to enable the Management Committee to properly perform its obligations under these Regulations.

- (b) Subject to Article 10.6 of the Constitution (Directions to a Committee of Management), the Board may impose such conditions or restrictions as it thinks fit (whether by giving directions or otherwise) on the exercise of the powers delegated to the Management Committee pursuant to Regulation 7.5(a).
- (c) In the performance of their duties, the members of the Management Committee must observe the same standards as are imposed on the Directors and in particular, each member of the Management Committee must:
  - (i) at all times act honestly in the exercise of his or her powers and the discharge of the duties of his or her office;
  - (ii) at all times exercise a reasonable degree of care and diligence in the exercise of his or her powers and the discharge of his or her duties;
  - (iii) not make improper use of information acquired by virtue of his or her position as a member of the Management Committee to gain, directly or indirectly, an advantage for himself or herself or for any other person or to cause detriment to the Company;
  - (iv) not make improper use of his or her position as a member of the Management Committee to gain, directly or indirectly, an advantage for himself or herself or for any other person or to cause detriment to the Company.
- (d) This Regulation 7.5 has effect in addition to, and not in derogation of, any rule of law relating to the duty or liability of a person by reason of the person's office as a member of the Management Committee and does not prevent the institution of any civil proceedings in respect of a breach of such a duty or in respect of such a liability.
- (e) In addition to any other rights, powers and privileges to which he or she may be entitled:
  - (i) each member of the Management Committee shall be at liberty to convey to the Framework Participants which nominated, or the Framework Participants of the group which collectively elected, that member, such reports of the deliberations and decisions of the Management Committee which such member may think fit. Such member may also in his or her absolute discretion (but without imposing any obligation to do so) seek expressions of opinion from those Framework Participants; and
  - (ii) the chairman of the Management Committee shall be at liberty to convey to any Framework Participant such reports of the deliberations and decisions of the Management Committee which the chairman may think fit. The chairman may also in his or her absolute discretion (but without imposing any obligation to do so) seek an expression of opinion from any Framework Participant.

## **7.6 Responsibilities**

- (a) The Management Committee shall be responsible for the effective operation and management of BECS, including without limitation:
  - (i) technical and efficiency standards;
  - (ii) the amendment of the fees and charges payable by Framework Participants pursuant to Part 6 (other than those in Regulations 6.1 and 6.2);
  - (iii) operating procedures and policies;
  - (iv) subject to a Framework Participant being entitled to refer any dispute (whether initially or by way of a request for a review of a decision of the Management Committee) to the Board, the resolution of disputes by arbitration or otherwise between Framework Participants;
  - (v) supervision of the observance by Framework Participants of these Regulations and the Procedures;
  - (vi) the other matters expressly referred to in these Regulations and the Procedures; and
  - (vii) such other matters as the Board may consider necessary, desirable or expedient for the better and more secure, efficient and equitable operation of BECS.
- (b) In discharging its responsibilities under the Constitution, these Regulations and the Procedures, the Management Committee may delegate its powers, duties and authorities to one or more sub-committees of the Management Committee or, with the consent of the Chief Executive Officer, to the Chief Executive Officer. However, in any such case the Management Committee will remain accountable to the Board for the proper discharge and performance of those powers, duties and authorities.

## **7.7 Calculation of BECS Market Share**

The respective percentage shares of BMS for each Framework Participant will be calculated as follows:

- (a) the Company will collect data annually in relation to the volume and value of each Framework Participant's annual transaction activity in BECS on a national basis;
- (b) the volume and value of a Framework Participant's transactions in BECS will be weighted, with volume weighted at 65% and value weighted at 35%;



- (c) the Company must calculate the respective BMS for each Framework Participant at least annually prior to the annual general meeting of the Company;
- (d) each calculation of BMS must be promptly notified by the Secretary to all Framework Participants.
- (e) each calculation of BMS made in good faith is conclusive and supersedes any previous calculation.

## **7.8 Proceedings**

- (a) The person appointed by the Board under Article 10.3 of the Constitution (Composition of Committees of Management) shall act as chairman of the Management Committee. That person does not have a deliberative vote or a casting vote.
- (b) If the Board has not appointed a person under Article 10.3 of the Constitution, the chairman will be that member of the Management Committee selected for the time being by the Board in accordance with Article 10.4 of the Constitution (Chair of Committee of Management). That person retains a deliberative vote, but has no casting vote.
- (c) The Management Committee may meet and adjourn as it thinks proper. The chairman of the Management Committee may at his or her discretion (and shall at the request in writing of any 2 members of the Management Committee) convene meetings of the Management Committee.
- (d) Except as provided to the contrary in these Regulations or the Procedures or unless such notice is waived by all members of the Management Committee, 7 days' notice of each meeting of the Management Committee shall be given to each member at his or her usual business address. The Secretary should ensure that each member of the Management Committee has received notice of each meeting. The non-receipt of notice of a meeting of the Management Committee by, or the accidental omission to give notice of a meeting of the Management Committee to, a member does not invalidate any resolution passed at the meeting of the Management Committee.
- (e) Where a meeting of the Management Committee is held and the chairman is not present within 15 minutes from the time appointed for the commencement of the meeting or is unable or unwilling to act, the members present may elect one of their number to be chairman of the meeting. The person elected as chairman retains his or her deliberative vote, when acting in that capacity.
- (f) The quorum for a meeting of the Management Committee is 75% of the number of members of the Management Committee for the time being.

- (g) Questions arising at a meeting of the Management Committee are to be answered in the affirmative if a simple majority of votes is cast in favour of the question. Any such decision is for all purposes a decision of the Management Committee.
- (h) A declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the Management Committee is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

### **7.9 Voting Entitlement**

- (a) Subject to Regulations 1.2(e) and 4.21, each member of the Management Committee will have the following voting entitlement at meetings of the Management Committee:
  - (i) the member appointed under Regulation 7.1(a)(i), no vote; and
  - (ii) each other member has an entitlement equal to the BMS of the Framework Participant, or the Framework Participant constituency, which nominated or elected that member, subject to Regulation 7.9(b); and
- (b) The BMS represented by each member elected under Regulation 7.1(a)(iii) is the total BMS of the Framework Participant constituency represented by that member, divided by the number of members for that constituency.
- (c) BMS is calculated in accordance with Regulation 7.7 and accordingly the number of votes to which a member of the Management Committee is entitled may change during that member's term of office. Any such change is to take effect at the first Management Committee meeting following the calculation of BMS.

Amended  
effective  
1/7/14

### **7.10 Vacation of Office**

- (a) The office of a member of the Management Committee becomes vacant if:
  - (i) that member dies or becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
  - (ii) that member resigns his or her office by notice in writing to the Secretary;
  - (iii) that member is absent without the consent of the chairman of the Management Committee from meetings of the Management Committee held during a period of 6 months;

- (iv) that member is removed by the Board in accordance with Article 10.5 of the Constitution (Removal of members of a Committee of Management) ;
  - (v) that member is removed by the Framework Participant which nominated the member pursuant to Regulation 7.1(a)(ii) or (vii);
  - (vi) that member is removed by the group of Framework Participants which nominated that member pursuant to Regulations 7.1(a)(iv), (iv) or (vi);
  - (vii) in the case of a member elected pursuant to Regulation 7.1(a)(iii), who:
    - (A) was an officer or employee of a Framework Participant in the electing constituency at the time of election, that member ceases to be an officer or employee of that Framework Participant or any other Framework Participant in the electing constituency; or
    - (B) held a professional position at the time of election, that member ceases to practise in the profession,  
  
unless the Management Committee determines, in its discretion, that the cessation is unlikely to impair the member's capacity to perform his or her duties as a member of the Management Committee;
  - (viii) the Framework Participant entitled to nominate, or each Framework Participant forming the group entitled to nominate or elect, that member ceases to be a Framework Participant; or
  - (ix) the Framework Participant entitled to nominate, or each Framework Participant forming the group entitled to nominate, that member becomes a Subsidiary of another Framework Participant.
- (b) A notice of removal under Regulation 7.10(a) takes effect upon its receipt by the Secretary and must be in writing and signed:
- (i) in relation to Regulation 7.10(a)(iii) or (iv), by the chairman of the Management Committee;
  - (ii) in relation to Regulation 7.10(a)(v) by the Framework Participant entitled to effect such removal; and
  - (iii) in relation to Regulation 7.10(a)(vi) by an authorised representative of the group of Framework Participants entitled to effect the removal.

- (c) Where the office of a member of the Management Committee becomes vacant pursuant to Regulations 7.10(a)(i) - (vii), then:
- (i) the Framework Participant which nominated the retiring or removed member (or in the case of a vacancy in the office of chairman, the Board) may nominate a different person as a replacement member of the Management Committee in the same manner as prescribed in Regulation 7.3; or
  - (ii) the Secretary must arrange for a vote of the Framework Participant constituency referred to in Regulation 7.1(a)(iii) to take place no later than the date of the next annual general meeting to elect a new person as a replacement member, and the voting entitlement of the retiring or removed member is re-allocated equally among the remaining elected members until the election is held.
- (d) The person who is nominated or elected as a replacement member of the Management Committee shall only hold office for the remaining term of the retiring or removed member. The term of office of a replacement member of the Management Committee commences on receipt of the nomination pursuant to Regulation 7.10(c)(i) or upon declaration of an election held in accordance with Regulation 7.10(c)(ii). Such a person is eligible for re-appointment or re-election.

#### **7.11 Written Resolution**

- (a) If all the members of the Management Committee who are eligible to vote on a resolution have signed a document containing a statement that they are in favour of a resolution of the Management Committee in terms set out in the document, a resolution in those terms is deemed to have been passed at a meeting of the Management Committee held on the day on which the document was last signed by a member of the Management Committee.
- (b) For the purposes of Regulation 7.11(a), two or more separate documents containing statements in identical terms each of which is signed by one or more members of the Management Committee who are eligible to vote on the resolution are together deemed to constitute one document containing a statement in those terms signed by those members of the Management Committee on the respective days on which they signed the separate documents.

#### **7.12 Meetings Defined**

For the purposes of these Regulations, a meeting of the Management Committee means:

- (a) a meeting of the Management Committee assembled in person on the same day at the same time and place; or

- (b) the members of the Management Committee communicating with each other by any technological means by which they are able simultaneously to hear each other and to participate in discussion notwithstanding they (or one or more of them) are not physically present in the same place, and a member participating in the meeting under paragraph (b) is deemed to be present (including for the purposes of constituting a quorum) and entitled to vote at the meeting.

### **7.13 Validity of Acts**

All acts done by any meeting of the Management Committee or by any person acting as a member are, notwithstanding that it is afterwards discovered that there was some defect in the appointment of a person to be a member or to act as a member, or that a person so appointed was disqualified, as valid as if the person had been duly appointed and were qualified to be a member of the Management Committee.

### **7.14 Appointment of Secretary**

- (a) There must be at least one Secretary of the Management Committee who is to be appointed by the Chief Executive Officer. The Chief Executive Officer may remove a Secretary from office at any time.
- (b) The Secretary is vested with the powers, duties and authorities specified in these Regulations and the Procedures. In addition and with the consent of the Chief Executive Officer, the Management Committee may vest in the Secretary such additional powers, duties and authorities as it may from time to time determine.
- (c) The Secretary is entitled to attend all meetings of the Management Committee and all meetings of Framework Participants and may be heard on any matter.
- (d) The Secretary must prepare minutes of each meeting of the Management Committee for approval by the chairman of the Management Committee. All minutes approved by the chairman must be forwarded to each member of the Management Committee.

### **7.15 Chief Executive Officer**

The Chief Executive Officer is entitled to attend all meetings of the Management Committee and all meetings of Framework Participants and may be heard on any matter.

### **7.16 Discretion as to Short Notice**

The Management Committee may from time to time consider the merits of and at its discretion approve an application to shorten the period of notice required to be given by any person under these Regulations.

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## **PART 8 MEETINGS OF FRAMEWORK PARTICIPANTS**

### **8.1 BECS Meetings and the Annual BECS Meeting**

- (a) BECS must, in addition to any other BECS meeting held by it, hold a BECS meeting of the Framework Participants to be called the annual BECS meeting, at least once in every calendar year and within the period of 5 months of the end of each of the Company's financial years.
- (b) The purpose of the annual BECS meeting is to provide a forum for Framework Participants to discuss any aspect of the operations of BECS, the current level of fees payable pursuant to PART 6 (other than those in Regulations 6.1 and 6.2) and any other matters relevant to membership of BECS.

### **8.2 BECS Meeting**

The Directors or the Management Committee may whenever they think fit convene a BECS meeting.

### **8.3 Notice of BECS Meeting**

- (a) At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) specifying:
  - (i) the place, day and the hour of the BECS meeting; and
  - (ii) in the case of special business, the general nature of that business,
- (b) must be given to all Framework Participants, all members of the Management Committee and all Directors.
- (c) The non-receipt of notice of a BECS meeting by, or the accidental omission to give notice of a BECS meeting to, a Framework Participant does not invalidate any resolution passed at the BECS meeting.

### **8.4 Special Business of BECS Meeting**

All business that is transacted at a BECS meeting is special with the exception of the matters referred to in Regulation 8.1.

### **8.5 Requisitioned Meeting**

In addition to BECS meetings convened under Regulations 8.1 and 8.2, the Management Committee must, on the requisition of 3 or more Framework Participants which are entitled to cast not less than 10% of the total votes of all Framework Participants on a poll at a BECS meeting, immediately convene a BECS meeting to be held as soon as practicable but, in any case, not later than 2 months after the receipt by the Management Committee of the requisition.

**PART 8 MEETINGS OF FRAMEWORK PARTICIPANTS**

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**8.6 Objects of Requisitioned Meeting**

The requisition for a BECS meeting must state the objects of the BECS meeting and must be signed by the requisitionists and forwarded to the Secretary. A requisition may consist of several documents in like form each signed by one or more of the requisitionists.

**8.7 Convening Requisitioned Meeting**

If the Management Committee does not, within 21 days after the deposit of the requisition, proceed to convene a BECS meeting the requisitionists or any of them having more than one-half of the total voting rights of the requisitionists, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by the Management Committee, convene a meeting, but a meeting so convened may not be held after the expiration of 3 months from the date the requisition is delivered to the Secretary.

**8.8 Expenses of Requisitioned Meeting**

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Management Committee to convene a BECS meeting must be paid to the requisitionists by the Company.

**8.9 Postponement or Cancellation of Meeting**

- (a) The Board or the Management Committee convening a BECS meeting may postpone or cancel that BECS meeting whenever they think fit (other than a meeting convened as the result of a requisition under Regulation 8.5 or by requisitionists under Regulation 8.7). The Board or the Management Committee postponing or cancelling a BECS meeting must give as much notice as is possible in all the circumstances of the postponement or cancellation of that BECS meeting to all persons entitled to receive notices of that BECS meeting.
- (b) The non-receipt of notice of a postponement or cancellation by, or the accidental failure to give notice of a postponement or cancellation to, a Framework Participant does not invalidate the postponement or cancellation.

**8.10 Attendance at BECS Meetings**

- (a) Any Framework Participant may attend any BECS meeting by appointing:
  - (i) a proxy;
  - (ii) an attorney; or
  - (iii) a person authorised by resolution of its directors or other governing body to act on its behalf at a particular BECS meeting or at all meetings of the Framework Participants.

**PART 8 MEETINGS OF FRAMEWORK PARTICIPANTS**

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- (b) Unless the contrary intention appears, a reference to a Framework Participant in the succeeding provisions of this PART 8 means a Framework Participant, a proxy, an attorney or a person appointed under Regulation 8.10(a).

**8.11 Quorum**

No business may be transacted at any BECS meeting unless a quorum is present comprising Framework Participants who are entitled in accordance with Regulation 8.18 to cast not less than 50% of the total votes of all Framework Participants on a poll.

**8.12 Failure to Achieve Quorum**

- (a) Where a BECS meeting is convened in accordance with Regulations 8.5 or 8.7 and a quorum is not present within 30 minutes from the time appointed for the BECS meeting, the BECS meeting must be dissolved.
- (b) Where a BECS meeting is convened in any other case and a quorum is not present within 30 minutes from the time appointed for that BECS meeting:
- (i) the BECS meeting must be adjourned to such day, time and place as the Management Committee determines or if no determination is made by them to the same day in the next week at the same time and place; and
  - (ii) if at the adjourned BECS meeting a quorum is not present within 30 minutes from the time appointed for that BECS meeting the BECS meeting must be dissolved.

**8.13 Appointment and Powers of Chairman of a BECS Meeting**

- (a) The chairman of the Management Committee must preside as chairman at every BECS meeting.
- (b) Where a BECS meeting is held and the chairman of the Management Committee is not present within 15 minutes from the time appointed for the commencement of the meeting or is unable or unwilling to act, the members of the Management Committee present must elect one of their number to be chairman of the meeting, or, if no such member is present or if all such members present decline to take the chair, the Framework Participants present must elect a proxy, an attorney or a person acting on behalf of a Framework Participant pursuant to Regulation 8.10(a) as chairman of the meeting.



**8.14 Adjournment of BECS Meeting**

- (a) The chairman of the meeting may, with the consent of any BECS meeting at which a quorum is present, and must if so directed by BECS meeting, adjourn the BECS meeting from time to time and from place to place, but no business may be transacted at any adjourned BECS meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (b) When a BECS meeting is adjourned for 30 days or more, notice of the adjourned BECS meeting must be given as in the case of an original BECS meeting.
- (c) Except as provided by Regulation 8.14(b), it is not necessary to give any notice of an adjournment or of the business to be transacted at any adjourned BECS meeting.

**8.15 Voting at BECS Meeting**

- (a) At any BECS meeting a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
  - (i) the chairman of the meeting; or
  - (ii) a Framework Participant.
- (b) Unless a poll is properly demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of BECS, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

**8.16 Passing of Resolutions**

A resolution is taken to be carried if more than 50% of the total votes cast in respect of the resolution are cast in favour of the resolution. The chairman of the meeting shall not have a casting vote.

**8.17 Poll**

- (a) If a poll is properly demanded, it must be taken in such manner and (subject to Regulation 8.17(b)) either at once or after an interval or adjournment or otherwise as the chairman of the meeting directs. The result of the poll is the resolution of the BECS meeting in respect of the matter for which the poll was demanded.
- (b) A poll demanded on the election of a chairman of the meeting or on a question of adjournment must be taken immediately.

- (c) The demand for a poll may be withdrawn.

#### **8.18 Voting Entitlement**

A Framework Participant's voting entitlement is equal to its percentage share of BMS.

#### **8.19 Objection to Voting Qualification**

- (a) An objection may be raised to the qualification of a voter, or the number of votes which a voter can cast, only at the BECS meeting or adjourned BECS meeting before the vote objected to is given or tendered.
- (b) Any such objection must be referred to the chairman of the meeting, whose decision is final.
- (c) A vote not disallowed under such an objection is valid for all purposes.

#### **8.20 Appointment of Proxy**

- (a) An instrument appointing a proxy must be in writing under the hand of the appointor or of its attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (b) An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
- (c) An instrument appointing a proxy is deemed to confer authority on the proxy to demand or join in demanding a poll.
- (d) An instrument appointing a proxy must be in the form approved by the Management Committee from time to time.
- (e) A proxy may vote on a show of hands or on a poll.

#### **8.21 Deposit of Proxy and Other Instruments**

An instrument appointing a proxy is not to be treated as valid unless the instrument, and an original or certified copy of the power of attorney or other authority (if any) under which the instrument is signed, is or are received by the Secretary before the time for holding the BECS meeting or adjourned BECS meeting at which the person named in the instrument proposes to vote.

**8.22 Validity of Vote in Certain Circumstances**

A vote given in accordance with the terms of an instrument of proxy or of a power of attorney is valid notwithstanding the revocation of the instrument (or of the authority under which the instrument was executed) or of the power, if no intimation in writing of the revocation or transfer has been received by the Secretary before the commencement of the BECS meeting or adjourned BECS meeting at which the instrument is used or the power is exercised.

**8.23 Entitlement to Speak**

Each Director and each member of the Management Committee is entitled to attend all BECS meetings and is entitled to speak at those meetings.

**8.24 Written Resolution**

A resolution in writing signed by the Framework Participants entitled to cast more than 90% of all votes which could be cast at a BECS meeting is as valid and effectual as if it had been passed at a BECS meeting duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Framework Participants.

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## **PART 9 CONTINGENCY ARRANGEMENTS**

### **9.1 Contingency Plans**

The Management Committee must as soon as reasonably practicable cause contingency plans to be formulated and approve such contingency plans and may amend such contingency plans from time to time. Contingency plans:

- (a) apply during
  - (i) a Disabling Event; and
  - (ii) any other event or circumstance specified by the Management Committee in respect of which contingency plans are to apply; and
- (b) are to be in addition to any matter contained in the Procedures; and
- (c) will be effective on and from the date the Company publishes them from time to time.

### **9.2 Notification of Contingencies**

If a Contingency occurs in respect of any Framework Participant, that Member must immediately notify the Company. The Company will then notify all other Tier 1 Framework Participants, of that Contingency.

**The next page is 10.1**

## **PART 10 SETTLEMENT**

### **10.1 Settlement**

(a) For the purpose of effecting settlement pursuant to these Regulations each Tier 1 Framework Participant must:

- (i) debit or credit its ESA; or
- (ii) provide finality of payment by such other means which are both recommended by the Management Committee and determined by the Board,

to discharge all obligations incurred under these Regulations and the Procedures as a result of the exchange of Items.

(b) Settlement shall take place in the manner specified in the Procedures.

### **10.2 Responsibility**

Except as contemplated by Regulation 4.3(c), each Tier 1 Framework Participant is responsible for its own settlement and for complying with the requirements of the RITS Low Value Settlement Service, notwithstanding any agency arrangement or Courier Service Agreement it may have entered into in respect of settlement processing. The settlement responsibility of each Framework Participant which is a party to a Representation Arrangement is set out in Regulation 5.6.

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## **PART 11 PROCEDURES**

### **11.1 Procedure for Clearings and Settlements**

The conduct of clearings effected between Framework Participants and the settlement of balances arising as a result of the exchange of Items must be undertaken in accordance with the practices, procedures, standards and specifications determined and published by the Management Committee from time to time. Such practices, procedures, standards and specifications may relate to all or any aspects of the clearing cycle (including, without limitation, the matters specifically referred to in Regulation 2.1).

### **11.2 Additional Procedural Requirements for Compensation**

- (a) In addition to and except to the extent inconsistent with the Constitution, these Regulations or the Procedures, all Tier 1 Framework Participants must comply with the practices and procedures set out in the document (as amended or replaced) known as the Inter-organisation Compensation Rules, (“Inter-organisation Compensation Rules”), in respect of compensation matters arising from the exchange of Items in BECS between them.
- (b) A reference in the Inter-organisation Compensation Rules to a Participating System will be taken to include a reference to BECS.
- (c) The Management Committee shall be responsible for reviewing, at least once during each calendar year, the compensation adjustments that are expressed in the Inter-organisation Compensation Rules to be subject to periodic review, to determine whether those compensation adjustments continue adequately to reflect the published principles or policies. The Management Committee may, unless the Board (having been notified) determines otherwise, publish a variation to any such compensation adjustment to apply for the time being for the purposes of BECS.
- (d) The arrangements between an Appointor that is responsible for its Representative having assumed an obligation to compensate another Tier 1 Framework Participant pursuant to the Inter-organisation Compensation Rules and that Representative are proprietary.

### **11.3 Amendment of Procedures**

- (a) The Management Committee may vary any practice, procedure, standard or specification previously determined and published under Regulation 11.1, provided that if such variation relates to a matter of principle or a fundamental term such variation must also be:
  - (i) approved by the chairman of the Management Committee and the Chief Executive Officer;
  - (ii) approved by the Board; or

- (iii) in accordance with (or a consequence of) an amendment to these Regulations,

and provided that any variation of a grammatical, cosmetic, typographical or minor nature to the Procedures previously determined and published under Regulation 11.1 which, in the reasonable opinion of the Chief Executive Officer, will not prejudice any Framework Participant or the conduct of exchanges or other operations in connection with BECS, may be made by the Chief Executive Officer.

- (b) Any variation made by the Chief Executive Officer must be notified to the Management Committee within 30 days of the making of the variation. The Management Committee must publish all variations from time to time in accordance with Regulation 11.1.

#### **11.4 Suspension of Procedures**

The Procedures may be suspended in the whole or in part by the Chief Executive Officer with the approval (howsoever obtained) or by the direction (howsoever given) of so many of the members of the Management Committee as are collectively entitled to a majority of votes at meetings of the Management Committee, provided that the power of suspension conferred by these Regulations is not to be exercised where the exigency which has occurred or is apprehended, and which would otherwise necessitate or justify a total or partial suspension of the Procedures, is one for which provision is already made by the Procedures.

#### **11.5 Notification of Suspension of Procedures**

In the event of a suspension of the Procedures, the Chief Executive Officer must promptly advise the Framework Participants of such decision and of any express arrangements for deferral of the kind referred to in Regulation 11.6 known to the Chief Executive Officer.

#### **11.6 Position During Suspension of Procedures**

- (a) Subject to any express arrangements for deferral of exchanges and/or settlement which may have been entered into between Framework Participants, the Framework Participants shall:
  - (i) to the extent possible effect exchanges in accordance with normal procedures;
  - (ii) to the extent to which normal procedures are precluded by such suspension, effect exchanges at such times and places and in such manner as the Chief Executive Officer shall from time to time direct; and
  - (iii) to the extent to which normal settlement procedures are precluded by such suspension, settle their balances bilaterally in respect of each day's exchanges on the business day next following such exchanges.

- (b) The Chief Executive Officer may, if he or she deems fit, direct that any meeting of the Management Committee which is rendered necessary for the purpose of giving any direction or directions of the kind referred to in Regulation 11.6(a)(ii) may be convened on 24 hours' notice (unless such notice is waived by all members of the Management Committee).
- (c) If any Framework Participant is exempted from the obligation of participating in exchanges or settlement by reason of an agreed arrangement for deferral, such Framework Participant must promptly advise the Chief Executive Officer of the names of the Framework Participants with which it will conduct exchanges or settlement and of the names of the Framework Participants with which it has an agreed arrangement for deferral.
- (d) If any Framework Participant desires to enter into express arrangements for deferral of exchanges or settlement with other Framework Participants but is unable to reach agreement with such Framework Participants, that Framework Participant may refer the matter to the Management Committee. The Management Committee after considering all submissions which all Framework Participants concerned may wish to place before it, may formulate the terms of an arrangement for deferral which shall be binding on all Framework Participants concerned immediately upon such terms being notified to them by the Secretary. Such terms shall be deemed to be an express arrangement for deferral within the meaning of Regulation 11.6.
- (e) The Chief Executive Officer may, if he or she deems fit, direct that any meeting of the Management Committee which is rendered necessary by a reference of the kind referred to in this Regulation may be convened on 24 hours' notice (unless such notice is waived by all members of the Management Committee).

### **11.7 Removal of Suspension of Procedures**

Any suspension of the Procedures determined upon pursuant to Regulation 11.4 may be removed by the Chief Executive Officer with the approval (howsoever obtained) or by the direction (howsoever given) of so many of the members of the Management Committee as are collectively entitled to a majority of votes at meetings of the Management Committee. The Chief Executive Officer must promptly advise the Framework Participants of every such removal.

### **11.8 Special Exchanges**

Nothing contained in these Regulations shall prevent special exchanges being made directly between Framework Participants.

### **11.9 Financial Claims Scheme – Explanatory Preamble**

- (a) Regulation 11.10 provides a set of supplementary rules (“FCS Rules”) to deal with an FCS Declaration. Subject to the exceptions set out in Regulation 11.10, the FCS Rules apply to all Framework Participants.



- (b) The Company has published a set of End of Day (“EOD”) Balance Guidelines for Single Customer View (“SCV”) Calculation to assist Framework Participants in preparing for and dealing with the occurrence of an FCS Declaration. Framework Participants should ensure that they have a continuing full understanding of the FCS Rules and the Guidelines. The Guidelines, which may be amended from time to time, can be found on the Company’s extranet.

#### **11.10 FCS Processing Requirements**

- (a) Upon the occurrence of any FCS Declaration the membership of a Declared Member is automatically suspended, a Suspension Event is taken to have occurred in relation to the Declared Member, and the provisions of Regulations 4.20 to 4.24 inclusive apply as though automatic suspension under this Regulation 11.10 were a suspension under Regulation 4.19.
- (b) Upon suspension of membership of the Declared Member under Regulation 11.10(a), subject to the requirements of Regulation 11.10(d), further exchanges of Items between the Declared Member and each other Framework Participant (but not between Framework Participants other than the Declared Member) pursuant to these Regulations and the Procedures are automatically suspended.
- (c) Following suspension of exchanges between the Declared Member and each other Framework Participant under Regulation 11.10(b) and except as may be required in accordance with Regulations 4.20 to 4.24 inclusive and Regulation 11.10(d), Framework Participants are not responsible for any failure to conduct further exchanges of Items with the Declared Member or to perform other obligations arising from the exchange of Items with the Declared Member (excluding any such obligations under PART 12).
- (d) Where following an FCS Declaration a Tier 1 Framework Participant becomes a Declared Member, and exchanges with the Declared Member are suspended in BECS, then, notwithstanding any provision to the contrary contained in these Regulations or the Procedures:
  - (i) each Debit Item received by the Declared Member but unsettled prior to the time of declaration is to be returned; and
  - (ii) each Credit Item exchanged by the Declared Member but unsettled prior to the time of declaration, is to be treated as not having been exchanged, unless posted to the receiving customer’s account by the Framework Participant which received the Item; and
  - (iii) returns of Items exchanged, either by or to the Declared Member, for account reasons, or unable to be applied to an account, which were settled prior to the time of declaration, are to be exchanged bilaterally.

- (e) A Framework Participant which conducts such exchanges and which suffers any liability or loss as a result of such conduct has no recourse to the Company, or to any other Framework Participant (other than the Declared Member) under these Regulations or the Procedures, or under the regulations, procedures or manual for any other Clearing System with respect to that liability or loss.
- (f) To the extent it is legally able to do so, each Framework Participant must act in accordance with Part 8 of the EOD Balance Guidelines for SCV Calculation as that part applies to the remediation processing of Items and with any communications protocol approved by the Company for the purposes of this Regulation 11.10.
- (g) Except as expressly provided, this Regulation 11.10 does not apply to, and in no way affects, any rights or obligations arising under the regulations or the procedures or the manual for or in respect of the operations of any other Clearing System operated by, or under the auspices of, the Company.

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## **PART 12 FAILURE TO SETTLE**

### **12.1 Explanatory Preamble**

- (a) This PART 12 of the Regulations provides a set of failure to settle rules (“FTS Rules”) to deal with an FTS Event as defined in Regulation 12.3.
- (b) The FTS Rules apply only as between Tier 1 Framework Participants. Any settlement obligation which may exist between a Tier 2 Framework Participant and its Tier 1 Representative is a proprietary matter. The FTS Rules are silent on what might occur, either in the event a Tier 2 Framework Participant was unable to meet settlement obligations due to its Tier 1 Representative, or in the event a Tier 1 Framework Participant was unable to meet settlement obligations due to its Tier 2 Appointor.
- (c) The Company has published a set of FTS Guidelines to assist Framework Participants in preparing for and dealing with the occurrence of an FTS Event (or Potential FTS Event). Framework Participants should ensure that they have a continuing full understanding of the FTS Rules and the FTS Guidelines. The FTS Guidelines, which may be amended from time to time, can be found on the Company’s extranet.

### **12.2 Application of Part**

This PART 12 applies in connection with the occurrence of any FTS Event or Potential FTS Event.

### **12.3 FTS Event**

An FTS Event occurs where a Tier 1 Framework Participant fails to settle for the obligations incurred by it under:

- (a) these Regulations and the Procedures; or
- (b) the regulations and the procedures or manual of any other Clearing System which include provisions which:
  - (i) govern the conduct of settlement when a member of that Clearing System (the “Clearing System Defaulter”) fails to settle its settlement obligations under that Clearing System, provided that with respect to the High Value Clearing System (“HVCS”), at the time of such failure to settle, settlement of HVCS payments is prescribed to occur on a deferred net basis; and
  - (ii) provide at least once on each business day for bilateral netting of settlement of amounts owed to or by that Clearing System Defaulter as a result of the exchange of payment instructions in accordance with those regulations and the procedures.

#### **12.4 Deferral of Settlement**

If the Reserve Bank of Australia or the Company becomes aware of a Potential FTS Event or a Disabling Event, the Company or the Reserve Bank of Australia (in each case in consultation with the other) may defer until a later time the time prescribed for any settlement affected or potentially affected by that Potential FTS Event or a Disabling Event. In addition, in such circumstances, the Chief Executive Officer may take such other action as is permitted by PART 11 of these Regulations.

#### **12.5 Suspension**

- (a) If an FTS Event occurs, further exchanges of Items between the Defaulter and Survivors (but not between Survivors) pursuant to these Regulations and the Procedures are automatically suspended.
- (b) Upon the suspension of exchanges between the Defaulter and the Survivors under Regulation 12.5, the membership of the Defaulter in BECS is also suspended and subject to the other provisions of this PART 12, the provisions of Regulations 4.20 to 4.24 inclusive apply as though the automatic suspension under this Regulation 12.5 were a suspension under Regulation 4.19.

#### **12.6 Responsibility for Further Exchanges**

- (a) Following suspension of exchanges between the Defaulter and Survivors under Regulation 12.5 and except as may be required in accordance with Regulations 4.20 to 4.24 inclusive, Survivors are not responsible for any failure to conduct further exchanges of Items with the Defaulter or to perform other obligations arising from the exchange of Items with the Defaulter (excluding any such obligations under this PART 12).
- (b) Where following an FTS Event a Framework Participant becomes a Defaulter and exchanges with the Defaulter are suspended in BECS, then any Items already lodged within BECS and the subject of a Failed Settlement may be exchanged bilaterally and the obligations arising from such exchanges (and any obligations arising from Items already exchanged within BECS and the subject of the Failed Settlement) may be netted at least once on each business day between the Defaulter and a Survivor unless the Survivor indicates otherwise. However, a Survivor which conducts such exchanges and netting and suffers any liability or loss as a result of such conduct has no recourse to the Company or to any other Survivor, under these Regulations or the Procedures or the regulations or the procedures or the manual for any other Clearing System with respect to that liability or loss.

### **12.7 Netting with Defaulter**

Netting of any amounts owing to the Defaulter by Survivors and by the Defaulter to Survivors in connection with the Failed Settlement is to take place at least once on each business day on a bilateral net basis between the Defaulter and each Survivor at such time and in such manner as the Defaulter and the Survivor determine.

### **12.8 Cross Clearing System Provisions**

At least once on each business day, the amount owed to a Survivor by the Defaulter or by a Survivor to the Defaulter pursuant to Regulation 12.7 is to be netted with each other bilateral net amount owed to that Survivor by the Defaulter or by that Survivor to the Defaulter in each other Clearing System in which any such bilateral net amount is owed following an FTS Event in that Clearing System. Settlement of the resulting net amount is to take place at such time and in such manner as the Defaulter and the Survivor determine.

### **12.9 Time and Manner of Revised Settlement**

- (a) If an FTS Event occurs then on the day of the occurrence of that FTS Event, a multilateral net settlement figure for each Survivor will be recalculated by the Reserve Bank for a Revised Settlement using the settlement figures that were used to calculate the multilateral net settlement positions for the Failed Settlement but excluding all amounts due to or from the Defaulter.
- (b) On the day on which settlement figures are recalculated in accordance with Regulation 12.9(a), the Reserve Bank will notify each Survivor, via RITS, of the multilateral net amount due to or by that Survivor as part of the Revised Settlement.
- (c) On the day of notification under Regulation 12.9(b) each Survivor must settle for the revised amount of its settlement obligations (if any) calculated by the Reserve Bank. This obligation is discharged either on settlement of the Survivor's final net allocated cross Clearing System national settlement position in accordance with the Procedures or if the Survivor's final net allocated cross Clearing System national settlement position is zero.

### **12.10 Framework Participants' Obligations**

To the extent it is legally able to do so, each Framework Participant must act in accordance with this PART 12 in the event that a Framework Participant is unable to discharge at the prescribed time the obligations incurred as a result of the exchange of Items in accordance with these Regulations and the Procedures.

**12.11 No Effect on Other Clearing Systems**

Except as expressly provided, this PART 12 does not apply to, and in no way affects, any rights or obligations arising under the regulations or the procedures or the manual for or in respect of the operations of any other Clearing System operated by, or under the auspices of, the Company.

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## **PART 13 BREACHES OF REGULATIONS AND DISPUTES**

### **13.1 Resolution of Disputes**

- (a) Subject to Regulations 13.4 and 13.5, all Disputes must be referred in writing to a meeting of the Management Committee for determination by the Management Committee. A determination of the Management Committee in relation to a Dispute must be evidenced by a Certificate and a determination so evidenced will be binding upon all parties to the Dispute (including, without limitation, any Framework Participant which, subsequently to the occurrence of the events giving rise to the Dispute, resigns as a Framework Participant pursuant to Regulation 4.25(b) or whose membership is terminated pursuant to Regulation 4.25(d)).
- (b) Subject to Regulations 13.4(a)(iii) and (iv) and 13.5 and except in the circumstances referred to in Regulations 13.4(a)(i) and (ii), no proceedings may be commenced in any court of law or equity or otherwise in relation to any Dispute unless:
  - (i) the Dispute has first or already been referred to the Management Committee pursuant to Regulation 13.1;
  - (ii) the Dispute has been determined by the Management Committee; and
  - (iii) the determination has been evidenced by a Certificate in accordance with Regulation 13.1.

### **13.2 Dispute Resolution Fee and Costs**

- (a) Subject to Regulation 13.2(c), each Framework Participant party to a Dispute which is referred to the Management Committee pursuant to Regulation 13.1 or to the Board pursuant to Regulation 13.5 (whether initially or by way of review) must:
  - (i) pay to the Company within 14 days of the date on which the Dispute is first referred to the Management Committee or the Board a dispute resolution fee which, subject to Regulation 6.6, shall be \$1,000; and
  - (ii) pay to the Company, within 14 days of determination of the Dispute by the Management Committee, and (in such proportions as the Management Committee shall determine are reasonable and appropriate in all the circumstances) all costs and expenses incurred by the Company in relation to that referral (including, without limitation, all costs and expenses (on a solicitor and own client basis) incurred in obtaining legal, financial, actuarial or accountancy advice and administrative costs reasonably incurred by the Company).

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- (b) For the avoidance of doubt, the Management Committee may determine that all costs and expenses referred to in Regulation 13.2(a)(ii) are to be paid by any one party to the relevant Dispute.
- (c) If the parties to a Dispute settle the Dispute prior to determination of it by the Management Committee, they may withdraw the Dispute from the Management Committee by each giving written notice of that withdrawal to the Secretary.
- (d) If a Dispute is withdrawn from the Management Committee pursuant to Regulation 13.2(c) and the parties concerned have agreed, confidentially or otherwise, as to the apportionment among them of costs and expenses referred to in Regulation 13.2(a)(ii), then the parties involved may notify the Company in writing, within 7 days of the date on which all notices of withdrawal of the Dispute under this Regulation 13.2(d) are received by the Secretary (the "Withdrawal Date") of the agreed apportionment of those costs and expenses and the Company will render invoices in accordance with the notified agreed apportionment payable within 14 days of the Withdrawal Date.
- (e) If a Dispute has been withdrawn by the parties concerned pursuant to Regulation 13.2(c), and those parties have not reached agreement as to the apportionment of the Company's costs and expenses connected with referral of the Dispute or have not notified the Company of any agreed apportionment of those costs and expenses in accordance with this Regulation, the Company may render to those parties invoices for recovery of those costs and expenses requiring each party to pay the Company within 14 days of the Withdrawal Date an equal portion of those costs and expenses.
- (f) The Company must keep confidential to itself and its employees and advisers all information provided to it with respect to settlement of a Dispute, including without limitation, information about any agreement between the parties to the Dispute as to apportionment of the Company's costs and expenses, but excluding the fact that a settlement has been agreed and may not disclose that information to any Framework Participant or Management Committee member without the consent of the parties to the Dispute.

**13.3 Commencement of Proceedings**

- (a) This Regulation applies to all Disputes, other than:
  - (i) a determination to which Regulation 13.4 applies if that determination relates to a question concerning the efficiency of the methods and procedures used by a Framework Participant or an Appointor in relation to the presentment of Items, the payment of Items or the return or rejection of invalid Items; and



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- (ii) any other determination to which Regulation 13.4 applies if the Management Committee certifies in writing that in its opinion the relevant Dispute is one to which it is inappropriate for this Regulation 13.3 to apply.
- (b) If a Framework Participant (in this Regulation, the "Defendant Framework Participant") fails or refuses to give effect to a determination of the Management Committee in relation to a Dispute to which this Regulation applies, which determination is evidenced by a Certificate, the Management Committee may resolve that proceedings be commenced and prosecuted against the Defendant Framework Participant by the Company in its own right.
- (c) Alternatively, any aggrieved Framework Participant which was a Framework Participant at the date of issue of the relevant Certificate (other than the Defendant Framework Participant) may commence proceedings against the Defendant Framework Participant and request the assistance of the Company in relation to such proceedings in which event the Management Committee may require the Company to provide whatever administrative assistance the Management Committee determines should be rendered by the Company to facilitate the conduct of such proceedings.
- (d) If the Management Committee resolves that proceedings be commenced by the Company against the Defendant Framework Participant, or if, in the opinion of the Management Committee it is desirable for the Company to render administrative assistance to facilitate the conduct of proceedings by one or more Framework Participants which were Framework Participants at the date of issue of the relevant Certificate (other than the Defendant Framework Participant), then every Framework Participant irrevocably authorises the Company to commence such proceedings or render such administrative assistance respectively.
- (e) The following costs are to be treated as costs and expenses of the operation of the Company:
  - (i) costs (including costs as between solicitor and own client) and disbursements incurred by the Company in relation to any proceedings commenced and prosecuted in accordance with this Regulation;
  - (ii) administrative costs reasonably incurred by the Company in relation to any such proceedings;
  - (iii) costs (including disbursements) and damages which may be awarded against the Company in relation to any such proceedings (or be payable by the Company as the result of any settlement of any such proceedings); and
  - (iv) liabilities and losses arising from any such proceedings which are suffered or incurred by the Company.

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- (f) If any proceedings are commenced by a Framework Participant or Framework Participants pursuant to this PART 13, and the Company renders administrative assistance pursuant to Regulation 13.3 to facilitate the conduct of those proceedings, then any award of damages or costs in favour of that or those Framework Participants must first be applied to reimburse the Company for those costs incurred by it in rendering such administrative assistance.

**13.4 Efficiency Disputes**

- (a) No Dispute of the type referred to in paragraph (g) of the definition of "Dispute" contained in Regulation 1.1 shall be submitted to the Management Committee for determination under Regulation 13.1:
- (i) if the determination of the Management Committee would, or would purport to, affect the rights or liabilities of any customer of the Framework Participants or the Appointors concerned in the Dispute; or
  - (ii) if, or to the extent that, the matter is capable of resolution by an application of objective requirements or provisions contained in published established practices followed by members of the industry generally and there is no disagreement on any question of fact relevant to such requirements or provisions; or
  - (iii) unless and until the parties to the Dispute have tried to resolve the Dispute by discussion and negotiation between them; or
  - (iv) unless and until the Dispute has been submitted by the parties to, if relevant, a delegate of the Management Committee for an investigation of the facts and for the formulation, and forwarding to the Management Committee and to each of the parties to the Dispute, of an outline of its understanding of such facts together with an expression of its opinion as to the manner in which the Dispute might be resolved.
- (b) In determining any Dispute which is brought before it under Regulation 13.4, the Management Committee may call upon the parties to furnish it with such information and documents as it may reasonably deem necessary to enable it to adjudicate upon the Dispute.
- (c) In determining a Dispute which arises in connection with a Representation Arrangement, the Management Committee must have regard to, but will not be bound by, the circumstance that in the exercise of the powers conferred upon it by Regulation 5.3, the Management Committee may previously have consented to the Representation Arrangement with knowledge of the procedures which were proposed to be used by the parties to the Representation Arrangement in relation to the clearing and settling of Items in accordance with these Regulations and the Procedures.

**PART 13 BREACHES OF REGULATIONS AND DISPUTES**

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- (d) In all cases where a loss has to be met by reason of:
- (i) a conflict of opinion as to which of the parties to the Dispute was responsible for the loss; or
  - (ii) the inability of any one or more of the parties to obtain reimbursement from or recourse against a customer,
- the Management Committee will have authority to determine where the loss, and how the apportionment of the loss, will fall having regard to the merits of the individual case.

**13.5 Reference to the Board**

- (a) The provisions of this Regulation 13.5 apply notwithstanding anything to the contrary in PART 13.
- (b) Prior to the Management Committee taking any preliminary or other action pursuant to Regulation 13.1 in relation to a Dispute, a Framework Participant party to that Dispute may refer that Dispute directly to the Board for determination by the Board in which case the Dispute will not be referred to the Management Committee for its determination; and
- (c) Within 3 months of the date of a Certificate, a Framework Participant party to the relevant Dispute may also refer that Dispute to the Board by way of a request for a review of a determination of the Management Committee (which determination is evidenced by that Certificate) for further determination by the Board.
- (d) A determination of the Board in relation to a Dispute referred to it under this Regulation 13.5 must be evidenced by a resolution of the Board and a Certificate and a determination so evidenced will be binding upon all parties to the Dispute (including, without limitation, any body corporate which, subsequently to the occurrence of the events giving rise to the Dispute, resigns as a Framework Participant pursuant to Regulation 4.25(b) or whose membership is terminated pursuant to Regulation 4.25(d) until such time as a court of law or equity otherwise orders.
- (e) Where a determination of the Board is made and evidenced in accordance with Regulation 13.5, Regulations 13.1 to 13.4 inclusive will apply as if a determination of the Board in relation to a Dispute is a determination of the Management Committee in relation to that Dispute and the powers and duties of the Management Committee under those Regulations are powers and duties of the Board.

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**PART 14 NOTICES**

- (a) Notice may be given by the Company to any Framework Participant or other person receiving notice under these Regulations either by:
- (i) serving it personally; or
  - (ii) sending it by post, telex or facsimile transmission to the address shown in the Register or the address supplied by that person to the Company for the giving of notices; or
  - (iii) sending an electronic mail message to an email address supplied by the Framework Participant or that person to the Company for the giving of notices or by publishing the notice on the Company's extranet or website in a manner accessible by the Framework Participant or that person receiving notice.
- (Note: Publication on the Company's extranet or website must be accompanied by an electronic communication to the recipient(s) of the notice advising of the publication.)
- (b) Where a notice is sent by post, service of the notice is deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and the notice is deemed to have been served on the business day after the date of its posting.
- (c) Where a notice is sent by telex or facsimile transmission, service of the notice is deemed to be effected by properly addressing the telex or facsimile transmission and transmitting same and to have been served in the case of a facsimile transmission on the business day following its despatch, and in the case of a telex transmission on the business day following receipt by the sender of the answerback of the addressee.
- (d) Where a notice is sent by electronic mail or published on the Company's extranet or website, the notice is deemed to be served on the business day following its despatch or publication.

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## **PART 15 MISCELLANEOUS**

### **15.1 Statistics**

Each Framework Participant must at the request of the Management Committee or the Company provide to the Company all reasonable information relating to that Framework Participant's costs, volumes of Items, values of Items and other matters relevant to BECS.

### **15.2 BSB Numbers**

- (a) The Company has assumed responsibility for the allocation of BSB numbers and agrees to allocate BSB numbers on a basis which is consistent with the policies of the Company as determined from time to time.
- (b) Any such allocation must provide that the allottee can only use a new BSB number with effect from a Membership Change Date no earlier than 2 months after the date the Secretary gives notice to all Framework Participants of the allocation of that BSB number and the Membership Change Date after which that BSB number may be used by the allottee.
- (c) Where the business of a Framework Participant or Non-member Appointor is acquired or assumed by an existing Framework Participant, a Related Body Corporate subsequently accepted as a Framework Participant or a body corporate formed as the result of a merger or amalgamation and subsequently accepted as a Framework Participant (each, an "Acquirer") and the first-mentioned Framework Participant or Non-member Appointor:
  - (i) ceases to exist;
  - (ii) if it is a Framework Participant, gives notice to the Company of its resignation as a Framework Participant in accordance with these Regulations;
  - (iii) if it is a Non-member Appointor, confirms to the Company in writing that it has terminated, or is to terminate, all of its Representation Arrangements in force under these Regulations; or
  - (iv) notifies the Company in writing that it consents to the re-allocation of its BSB Number to the Acquirer,

the Acquirer is entitled, on request to the Company, to use the BSB Number of the first-mentioned Framework Participant or Non-member Appointor with effect from a Membership Change Date approved by the Management Committee, being no earlier than 2 months after the Secretary gives notice to all Framework Participants of the re-allocation of that BSB Number and the Membership Change Date approved by the Management Committee as the date after which the Acquirer may use that BSB Number.

### **15.3 Set-Off**

Except as expressly provided for in PART 12, nothing in these Regulations shall be construed so as to negate or exclude any right of set-off which may otherwise arise.

### **15.4 Amendments**

- (a) These Regulations may be amended from time to time in accordance with Article 10.8 of the Constitution (Amendment of Regulations), which requires that:
- (i) the Management Committee recommends the amendments;
  - (ii) a meeting of the Framework Participants approves the amendments by resolution at a meeting convened in accordance with PART 8;
  - (iii) the Board approves the amendments; and
  - (iv) the amendments cannot become effective before they are approved by the Board.
- (b) Any amendment to these Regulations must contain an editorial note setting out the effective date of such amendment.

### **15.5 Exclusion of Fiduciary and Trustee Relationships**

Neither the Company nor another person shall by reason of these Regulations or another document relating to BECS have a fiduciary relationship with, or be trustee for, a Framework Participant or another person unless expressly agreed.

### **15.6 Representations and Warranties**

- (a) The Company is entitled to assume the correctness of any representation or warranty made by a Framework Participant and is not required to conduct independent enquiries or to conduct searches of public registers to confirm the correctness of any representation or warranty.

### **15.7 Confidentiality**

- (a) All Confidential Information is confidential to the recipient of that information and its employees and each such recipient must ensure that Confidential Information is not disclosed to any other person except:
- (i) any existing, prospective or potential contractors or consultants and any participants in a tender process initiated by or for that recipient;
  - (ii) with the consent of the provider of that information (which consent is not to be unreasonably withheld);

- (iii) (in the case of statistics) on a basis which does not identify the provider of the information;
  - (iv) if required to be disclosed by law or required by any stock exchange or supervisory authority which is responsible for the prudential supervision of the recipient;
  - (v) in connection with legal proceedings or disputes in which the recipient is a party;
  - (vi) if the information is generally and publicly available;
  - (vii) its legal advisers and auditors for the purpose of considering or advising upon the Confidential Information; or
  - (viii) to a Related Body Corporate of the recipient.
- (b) Except to the extent that it would contravene a law or stock exchange listing requirement, in respect of disclosure by a recipient (the First Recipient) of Confidential Information to a further recipient (the Second Recipient) pursuant to subparagraphs (i), (iv), (v) and (viii) above, the First Recipient must prior to disclosure:
- (i) advise APCA in writing; and
  - (ii) obtain from the Second Recipient an undertaking to abide by the requirements of this Regulation 15.7. The undertaking obtained should, wherever possible, be enforceable directly by APCA.

## **15.8 Expenditure**

The expenses incurred by the Management Committee, any sub-committee of the Management Committee, any member of those committees or any other person in the performance of their duties under these Regulations and the Procedures must be in accordance with the financial budgets of the Company which have been approved by the Board or otherwise determined by the Board or the Chief Executive Officer (either specifically or on a general basis).

## **15.9 Indemnity**

Every member who is or has been a member of the Management Committee is entitled to be indemnified out of the property of the Company against:

- (a) every liability incurred by the person in that capacity (except a liability for legal costs); and
- (b) all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity,

unless:

- (c) the company is forbidden by statute to indemnify the person against the liability or legal costs; or
- (d) an indemnity by the Company of the person against the liability or costs would, if given, be made void by statute.

**15.10 Insurance**

The company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been a member of the Management Committee against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- (a) the company is forbidden by statute to pay or agree to pay the premium; or
- (b) the contract would, if the Company paid the premium, be made void by statute.

**The next page is A1.1**



**ANNEXURE 1 FORM OF APPOINTOR UNDERTAKING**

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**ANNEXURE 1 FORM OF APPOINTOR UNDERTAKING**

(Regulation 5.1 and 5.7)

**THIS UNDERTAKING**

is executed on:

-----  
Date

**BY:**

-----  
Name of Appointor

-----  
ACN / ARBN

of:

-----  
Address of Appointor (**"Appointor"**)

**IN FAVOUR OF:**

**AUSTRALIAN PAYMENTS CLEARING ASSOCIATION LIMITED** (ACN 055 136 519) of Level 6, 14 Martin Place, Sydney, NSW 2000 for itself and on behalf of the Framework Participants of the Bulk Electronic Clearing System (CS2) for the time being ("**Company**")

**AND:**

-----  
Name of Representative

-----  
ACN / ARBN

of

-----  
Address of Representative ("**Representative**").

**RECITALS:**

- A. The Appointor proposes entering into a Representation Arrangement with the Representative.
- B. The Representative is a Framework Participant and must obtain the consent of the Management Committee pursuant to Regulation 5.2 prior to entering into that Representation Arrangement.
- C. A pre-condition to the obtaining of that consent is the execution of this Undertaking by the Appointor.

**OPERATIVE PROVISIONS:**

**1. INTERPRETATION**

- 1.1. In this Undertaking the expression "Regulations" means the regulations from time to time existing entitled "Regulations for Bulk Electronic Clearing System (CS2)" published by the Company.
- 1.2. Words and expressions which have a defined meaning in the Regulations shall have the same meaning when used in this Undertaking.
- 1.3. In this Undertaking unless the contrary intention appears:
- (a) a reference to this Undertaking or another instrument includes any variation or replacement of any of them;
  - (b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (c) the singular includes the plural and vice versa;
  - (d) the word "person" includes a firm, a body corporate, an unincorporated association or an authority;
  - (e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns; and
  - (f) a reference to any thing is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively, to any two or more of them collectively and to each of them individually.
- 1.4. Headings are inserted for convenience and do not affect the interpretation of this Undertaking.

**2. THE COMPANY**

The benefit of this Undertaking is given to the Representative and to the Company for itself and on behalf of each Framework Participant.

**3. RIGHTS AND OBLIGATIONS**

- 3.1. The Appointor agrees to observe and comply with the Constitution, the Regulations and the Procedures to the extent they are of general application in relation to any aspect of the clearing cycle (including, without limitation, the matters specifically referred to in Regulation 2.1) or specifically apply to a Non-member Appointor which is a party to a Representation Arrangement.

**ANNEXURE 1 FORM OF APPOINTOR UNDERTAKING**

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3.2. The Appointor agrees that the rights and obligations created by this Undertaking are in addition to and not in derogation of or in substitution for rights and obligations existing under the general law.

**4. GOVERNING LAW**

This Undertaking is governed by the law in force in the Australian Capital Territory.

**EXECUTED** under seal as a deed poll.

**EXECUTED** by **THE APPOINTOR** by or )  
in the presence of: )  
)  
)  
)  
)

-----  
Signature of Secretary/Director

-----  
Signature of Director

-----  
Full name of signatory

-----  
Full name of signatory

**The next page is A2.1**

**ANNEXURE 2 MEMBERSHIP APPLICATION FORM**

(Regulation 4.10)

**To:** The Secretary  
Australian Payments Clearing  
Association Limited  
Level 6  
14 Martin Place  
Sydney NSW 2000

**Re:** Bulk Electronic Clearing System

**From:** Full Name of Applicant: .....

ACN / ARBN: .....

Place of Incorporation: .....

Registered Office Address / Principal  
Place of Business in Australia: .....

Capacity of Framework Participant: [Tier 1 / Tier 2] .....

Primary Delivery Location .....

Name of Framework Participant  
Representative: .....

Telephone Number: ( ) .....

Email Address: .....

The abovenamed body corporate ("**Applicant**") hereby applies for membership as a Framework Participant in the category specified above in the Bulk Electronic Clearing System (CS2) and membership as a Voting Member of Australian Payments Clearing Association Limited, a company limited by guarantee. The Applicant agrees that if such application be accepted then subject to and in consideration of such acceptance:

1. The Applicant will observe and comply with the Constitution of Australian Payments Clearing Association Limited, the Regulations for the Bulk Electronic Clearing System (CS2) and the Procedures (as defined in those Regulations) in force from time to time. The Applicant hereby acknowledges receipt of a copy of the Constitution, the Regulations and the Procedures as currently in force.
2. The Applicant will observe and comply with the requirements and directions of the Company and any relevant statutory authority in force from time to time relating to the Bulk Electronic Clearing System (CS2).
3. The Applicant undertakes not to adversely affect the integrity of the conduct and settlement of exchanges of Items between Framework Participants (or otherwise introduce a significant new risk into the Bulk Electronic Clearing System (CS2)) after becoming a Framework Participant (in the capacity specified above).
4. The Applicant undertakes to comply with the technical and operational standards applicable to the capacity specified above which are contained in the Regulations and the Procedures.
5. The Applicant undertakes to comply with any condition attaching to its membership, and in particular, if it is admitted as a Tier 1 Framework Participant as a Qualified ESA Holder, undertakes to comply with the conditions specified in Regulation 4.3(e). Without limiting the generality of the foregoing, the Applicant undertakes to furnish such evidence as the Management Committee may require from time to time, to demonstrate its compliance with such conditions, and with any condition or requirement imposed on it as the holder of an ESA by the Reserve Bank of Australia.
6. The Applicant undertakes not to impair the overall efficiency of the Bulk Electronic Clearing system (CS2) after becoming a Framework Participant (in the capacity specified above).
7. The Applicant undertakes to pay the fees and other amounts payable under the Constitution by a Voting Member and under the Regulations by a Framework Participant (in the category specified above).
8. The Applicant acknowledges that the Company is appointed the attorney of the Applicant for certain purposes pursuant to the Regulations.
9. The rights and obligations contained herein shall enure not only to the Company, but to every other Framework Participant who has agreed to observe and comply with the Constitution, the Regulations and the Procedures.
10. The following information is enclosed with this application to demonstrate that the Applicant satisfies the requirements for membership as a Framework Participant in the capacity specified above which are contained in Regulations 4.2 to 4.4 inclusive:

Amended  
effective  
1.1.15

[list information and documents enclosed with the application]

**ANNEXURE 2 MEMBERSHIP APPLICATION FORM**

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11. Terms not defined in this application have the same meaning as in the Regulations for the Bulk Electronic Clearing System (CS2).

Dated: [ ]

**EXECUTED** by **THE APPLICANT** by or )  
in the presence of: )

-----  
Signature of Secretary/Director

-----  
Signature of Director

-----  
Full name of signatory

-----  
Full name of signatory

Notes:

Applications should be completed in accordance with the following instructions:

- (a) by two directors or a director and a company secretary of the Applicant; OR
- (b) by affixing the Applicant's common seal witnessed by two directors or a director and a company secretary of the Applicant; OR
- (c) under power of attorney, in which case the attorney must state that no notice of revocation of the power of attorney under which the application is signed has been received and an original power of attorney or certified copy should be enclosed for noting.

APCA may require additional supporting documentation to satisfy itself that the application has been duly executed by the Applicant. If this is the case, APCA will contact the Applicant directly.

**The next page is A3.1**

**ANNEXURE 3 STATEMENT OF BECS ACTIVITIES**

(Regulation 4.8 and 4.10)

**To:** The Secretary  
Australian Payments Clearing  
Association Limited  
Level 6  
14 Martin Place  
Sydney NSW 2000

**Re:** Bulk Electronic Clearing System

**From:** Name of Applicant: \_\_\_\_\_ (the “**Applicant**”)

ACN / ARBN: \_\_\_\_\_  
\_\_\_\_\_

**Note:** *Option A is for new applicants submitting a Statement of BECS Activities for the first time.*

*Option B is for existing BECS Framework participants wishing to vary their Statement of BECS Activities.*

*Delete whichever is not applicable.*

A. The Applicant has by application dated [complete] applied for Tier 1/Tier 2 membership as a Framework Participant of the Bulk Electronic Clearing System (CS2) and membership as a Voting Member of the Australian Payments Clearing Association Limited, a company limited by guarantee. In accordance with Regulation 4.10(c) the Applicant submits the following Statement of BECS Activities.

OR

B. The above-named body corporate (the “**Applicant**”) is a Tier 1/Tier 2 Framework Participant of the Bulk Electronic Clearing System (CS2) and a Voting Member of the Australian Payments Clearing Association Limited. The Applicant has by application dated [complete] applied to vary its Statement of BECS Activities in accordance with Regulation 4.8. In accordance with Regulation 4.8 the Applicant submits the following proposed and varied Statement of BECS Activities.

Set out below is a list of the activities that a Framework Participant may undertake in the Bulk Electronic Clearing System (CS2). Please indicate which activities the Applicant intends to undertake by selecting “Yes” or “No” in the right hand column as appropriate.

---

**BULK ELECTRONIC CLEARING SYSTEM ACTIVITIES****Does the Applicant intend to undertake this activity?**

- |   |          |                          |
|---|----------|--------------------------|
| 1. Acting as a Representative for a Tier 2 Framework Participant, in accordance with Part 5 of the BECS Regulations. (This activity can only be undertaken by Tier 1 Framework Participants other than those which are Qualified ESA Holders. Tier 2 Framework Participants and applicants for membership as Tier 2 Framework Participants, and Qualified ESA Holders and applicants for membership as Tier 1 Framework Participants on this basis, need not complete this line of the Statement of BECS Activities.) | Yes / No | Amended effective 1.1.15 |
| 2. Sponsoring Debit Users, in accordance with Part 7 of the BECS Procedures. (This activity need not be completed by Qualified ESA Holders and applicants for membership as Tier 1 Framework Participants on this basis).   | Yes / No | Amended effective 1.1.15 |
| 3. Approving Credit Users, in accordance with Part 6 of the BECS Procedures   | Yes / No |                          |
| 4. Self sponsorship, that is the Applicant intends to   | Yes / No |                          |
| (a) issue its own Debit Items   | Yes / No |                          |
| (b) issue its own Credit Items  | Yes / No |                          |
| 5. Settlement of activities in another payment system, that is the Applicant uses or intends to use BECS to settle for the obligations generated by its activities in another payments system (for example, APCA's Consumer Electronic Clearing System or BPAY)   | Yes / No |                          |

**Details re Activity 5.** *(Applicants that intend to engage in activity 5 should provide further details here, including all other payment systems for which it is intended to use BECS to settle for.)*

- |  |          |
|--|----------|
| 6. Processing of Credit Items funded by Transaction Negotiation Authorities drawn on other institutions        | Yes / No |
| 7. Other. (Details of any other activities which the Applicant intends to undertake should be described here.) | Yes / No |

**Note:** *The Applicant must make its own inquiries as to the BECS activities it intends to undertake and must inform itself of the obligations, under the BECS Regulations and Procedures, associated with each activity.*



Dated:

**EXECUTED** by **THE APPLICANT** by or )  
in the presence of: )

-----  
Signature of Secretary/Director

-----  
Signature of Director

-----  
Full name of signatory

-----  
Full name of signatory

Notes:

A Statement of BECS Activities should be executed in accordance with the following instructions:

- a. by two directors or a director and a company secretary of the Applicant; OR
- b. by affixing the Applicant's common seal witnessed by two directors or a director and a company secretary of the Applicant; OR
- c. under power of attorney, in which case the attorney must state that no notice of revocation of the power of attorney under which the application is signed has been received and an original power of attorney or certified copy should be enclosed for noting.

APCA may require additional supporting documentation to satisfy itself that the Statement of BECS Activities has been duly executed by the Applicant. If this is the case, APCA will contact the Applicant directly.

**END**