IN FORCE

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ATM SETTLEMENT PAYMENT SYSTEM

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1 ATM Settlement payment system – general definitions

ATM Settlement system is a payment system providing the framework for clearing and settling monetary claims and liabilities arising from transactions with domestic debit cards (BA Maestro, Activa Maestro) at ATMs, when the holder of the card makes a withdrawal from an ATM belonging to another participant in the ATM settlement system and not to the participant with which they have an account. The calculation of monetary claims and liabilities is carried out by Bankart. The settlement of single net monetary claims and single net monetary liabilities is carried out by the Bank of Slovenia once a day in the settlement accounts of participants in the TARGET2-Slovenija payment system.

1.1. Definition of terms

The terms and acronyms frequently used in this document have the following meaning:

- **ATM Office:** Bankart's back office application for processing transactions of which most are carried out at ATMs in Bankart's ATM network;
- **Automatic Teller Machine (ATM):** a device used for self-service provision of banking services by using a holder's card and a personal identification number (PIN);
- **Institution:** until acceptance to the ATM Settlement payment system, institutions mean banks, savings banks or other provider of payment services based, or having a registered branch, in an EU member state and holding a licence to perform payment services issued by the competent authority;
- **Card:** a domestic debit card (Activa Maestro, BA Maestro) used to establish the identity of the card holder that is used as a means for performing transactions at an ATM;
- **Card Operations Committee (hereinafter: the Committee):** a body harmonising and approving the Rules of operation of the ATM Settlement payment system;
- **Settlement:** settlement in the ATM Settlement payment system is the transfer of funds based on settlement orders resulting in complete termination of monetary claims and liabilities between payment system participants;
- **Settlement account:** account of a direct participant of the ATM Settlement payment system open in the TARGET2-Slovenija payment system. The settlement account is also used for final settlement of single net monetary claims and single net monetary liabilities of the ATM Settlement payment system participants;
- **Settlement agent:** the Bank of Slovenia, which performs settlement of single net monetary claims and single net monetary liabilities arising from the ATM Settlement payment system based on a settlement order, by transferring funds between settlement accounts of direct participants;
- **Settlement report:** a report containing the information about single net monetary claims and single net monetary liabilities of the ATM Settlement payment system participants, submitted by Bankart to the settlement agent – based on this report, the settlement agent produces orders for settlement in the TARGET2 - Slovenija payment system;
- **Indirect participant in the ATM Settlement payment system:** a participant who fulfils the conditions for participating in the ATM Settlement payment system and who has accepted the Rules of operation of the ATM Settlement payment system;
- **ATM network:** a system of ATMs connected into a whole managed and controlled, in terms of technology, by the administrator of the ATM Settlement payment system;
- **Single net monetary liability**: a positive difference between the sum of total liabilities and the sum of total claims that a participant of the ATM Settlement payment system

has to/on other direct ATM Settlement payment system participants, calculated based on ATM withdrawals in the agreed period;

- **Single net monetary claim:** a negative difference between the sum of total liabilities and the sum of total claims that a participant of the ATM Settlement payment system has to/on other direct ATM Settlement payment system participants, calculated based on ATM withdrawals in the agreed period;
- **TARGET2:** a payment system providing for real-time gross settlement of payment transactions in euros, in central bank money, operating on a single shared technological platform and legally structured as a set of payment systems (components of the TARGET2 system) of central banks of EU member states, which are managing each their own system component;
- **TARGET2-Slovenija:** Slovenian component of the TARGET2 payment system;
- **Participant:** direct or indirect participant in the ATM Settlement payment system;
- **Participant-issuer:** a participant issuing payment cards who is identified in the payment system by a unique issuer code;
- **Participant-owner:** a participant who owns the ATM and is identified in the payment system by a unique owner code.

1.2. Transactions included in the ATM Settlement payment system

ATM Settlement system includes transactions of cash withdrawals with domestic debit cards (BA Maestro, Activa Maestro) at ATMs, when the holder of the card makes a withdrawal from an ATM belonging to another participant in the ATM settlement system and not to the participant with which they hold an account.

1.3. Legal basis in the ATM Settlement payment system

Legal framework in the ATM Settlement payment system regulates the content of the rights and obligations related to participation in the payment system as well as the contractual relationships between payment system participants, between (a) payment system participant(s) and Bankart, between participants and the Bank of Slovenia and between Bankart and the Bank of Slovenia as the settlement agent. The legal framework has to be signed and adopted by all participants of the payment system. To join the payment system, the participant has to sign an Agreement on Processing, accept the Rules of operation of the payment system in ordinary and extraordinary circumstances as well as the acts adopted based thereon and the operational instructions applicable at the time. A participant of the payment system must also sign a statement on entering into contractual relationship with payment system participants, conclude a contract on ATM servicing with a technically qualified provider – if joining an ATM payment system – and sign a Service Level Agreement for ATMs with Bankart. Participants are also informed of the rights and obligations arising from the agreement that defines the services performed by the Bank of Slovenia as the settlement agent in the payment system.

2 Participation in the ATM Settlement payment system

The ATM Settlement payment system may be joined by a bank and a savings bank or other provider of payment services based, or having a registered branch, in an EU member state and holding a licence to perform payment services issued by the competent authority and other legal person issuing debit cards (BA Maestro, Activa Maestro) or the owners of ATMs who hold a licence to perform payment services issued by the competent authority.
Participants may join the ATM Settlement payment system as direct or indirect participants. A direct participant must have a settlement account opened in the TARGET2-Slovenija payment system. An indirect participant must have a special agreement concluded with the direct participant on the settlement, through the direct participant's settlement account, of single net monetary claims and single net monetary liabilities of the indirect participant arising from the ATM Settlement payment system. Under the Rules of the payment system the indirect participant agrees that their single net monetary claim or single net monetary liability be added to the single net monetary claim or single net monetary liability of the direct participant with whom they have concluded the agreement and opened the settlement account.

If a single institution is included in the ATM Settlement payment system under several different codes of issuing banks or acquiring banks, it shall be considered that this institution is in each instance an independent participant with a separate bank code, subject to all the provisions defined in the Rules of operation of the payment system and other legal documents. One institution can be included in the ATM Settlement payment system by indirect participation only once. If a single institution is participating in the ATM Settlement payment system under several different codes of issuing banks or acquiring banks, the institution shall define the issuing bank or acquiring bank code under which it is included in the ATM Settlement payment system as a direct participant. Under other issuing bank or acquiring bank codes, the institution may be included in the ATM Settlement payment system only as an indirect participant. These indirect participants can select as their direct participant only a direct participant of the same institution.

The participants who wish to join the ATM Settlement payment system have to accept the Rules of operation of the payment system and fulfil the general conditions for joining, the terms for joining (regulated contractual relationships, ensured compliance with technical conditions) and the conditions for applying to participate (e.g. evidence of opened settlement account in the TARGET2-Slovenija payment system, evidence of a sufficient number of qualified expert personnel to ensure replacement of qualified expert personnel, evidence of contracts on ATM servicing concluded with a technically qualified provider approved by the supplier). The participants have to fulfil the technical conditions for participation (establishment of primary and secondary communication connection with Bankart and between ATMs and Bankart's central computer; ensure hardware and software allowing for inclusion and participation in the ATM Settlement payment system; successfully carry out all testing prescribed by Bankart; provide backup capacity for extraordinary circumstances; and meet safety requirements to ensure information security in the ATM Settlement payment system required by Bankart).

Bankart has the right to inspect hardware and software used by the system participant with the aim of participating in the ATM Settlement payment system. While inspecting the information technology of a participant, Bankart may only inspect the data about the ATM Settlement payment system and no other data of the participant. Bankart has an obligation to align the annual plan of inspecting the participant's information technology so as not to disturb the operation of the participant.

2.1. Rights and obligations in the ATM Settlement payment system

2.1.1. Bankart – ATM Settlement payment system administrator

Bankart is the administrator of the ATM Settlement payment system and, on behalf of the participants, performs netting of liabilities and/or claims under the clearing principle or, if the participant is blocked in the ATM Settlement payment system, under the principle of mutual liability or claim calculation. Bankart formulates and manages a Loss-sharing scheme for the payment system, ensuring financial risk management in the framework of the ATM Settlement payment system. On behalf of participants, Bankart also manages the ATM network, provides for network control, oversees compliance with the standards on information security in the ATM Settlement payment system and conducts transaction authorisations and processing.

In the name and for the account of direct participants of the ATM Settlement payment system, Bankart arranges relationships with the Bank of Slovenia regarding settlement of claims and liabilities between direct participants of the payment system. To the settlement agent, Bankart provides the data necessary for the settlement of single net monetary claims and single net monetary liabilities according to clearing.

Bankart supervises and controls procedures of participants related to the operation of the ATM Settlement payment system and the compliance with the Rules of operation of the payment system. Bankart may authorise an auditor selected by an independent auditing firm to conduct specific tasks related to this supervision and control. Bankart ensures that its operations do not jeopardise the secure functioning of the entire ATM Settlement payment system. In case the Rules of operation of the payment system are breached by the participants and the operations of other participants are affected, Bankart may fully or partly prevent such participant from executing transactions in the framework of the ATM Settlement payment system.

Bankart provides compliance of functioning of the ATM Settlement payment system with the requirements of the applicable legislation. The Bank of Slovenia issued a decision on approval of amendment to the Rules of the payment system, which represented the participants' authorisation to establish a payment system and, for Bankart, an authorisation to administer the payment system. If the legal framework is modified, the modification shall be coordinated with all participants and approved by the competent Committee. An authorisation shall be obtained from the Bank of Slovenia, approving the amendment to the Rules of the payment system.

Bankart and the Committee adopt decisions related to the ATM Settlement payment system, which are mandatory for all participants of the payment system. Bankart reports to the Bank of Slovenia according to the instructions of the Bank of Slovenia on reporting by payment system administrators applicable at the time, and in line with other requirements of the Bank of Slovenia. Bankart regularly informs the payment system participants of any change or complement to contractual relationships that influence settlement in the ATM Settlement payment system and provides a sufficient number of qualified expert personnel possessing knowledge to perform payment services and carry out the activities arising from the ATM Settlement payment system administration.

Bankart ensures uninterrupted functioning of the ATM Settlement payment system according to applicable agreements, protocols and the SLA. Bankart ensures uninterrupted functioning of the ATM Settlement payment system in case of extraordinary circumstances, provides adequate backup and technical solutions and is responsible for its hardware and software that allows for the execution of settlement orders in the ATM Settlement payment system.

Bankart ensures compliance with the organisational and technical requirements regarding information security by adhering to the guidelines and recommendations of the information security management standards (ISO/IEC 2700x and PCI DSS) and any specifically defined requirements of the regulator.

2.1.2. Bank of Slovenia – settlement agent

The Bank of Slovenia participates in the ATM Settlement payment system as the settlement agent, who based on the settlement report prepared by Bankart carries out the settlement between net debtors and net creditors of the ATM Settlement payment system through settlement accounts opened in the TARGET2-Slovenija payment system. The liabilities and claims are settled according to contractual obligations and the legislation applying to payment systems. After settlement, the Bank of Slovenia sends the direct participants and Bankart a notice of the settlement being final. The Bank of Slovenia also carries out certain operational procedures in case the Loss-sharing scheme is activated, on the basis of the Loss-sharing scheme table provided by Bankart. The Bank of Slovenia informs Bankart and the participants if net liabilities of two or more direct participants have are not been settled or if at least one participant whose participation has not been terminated upon activation of the Loss-sharing scheme fails to provide funds for settling the liabilities of a terminated participant.

The Bank of Slovenia informs Bankart about the supervisory measures imposed, in the scope of performing supervisory function, on the institution that is participating in the ATM Settlement payment system, prohibiting the institution from performing banking services and/or payment services and whether the participation of an institution in the TARGET2-Slovenija payment system has been suspended or terminated.

2.1.3. Banks and savings banks – participants of the payment system

The participants of the ATM Settlement payment system can be direct participants or indirect participants as long as they fulfil the conditions to participate and the settlement conditions. By joining the payment system, direct and indirect participants accept the rights and obligations arising from the Rules of operation of the payment system, the acts adopted based thereon and contractual relationships. The obligations arising from rules and agreements created prior to termination of the participation in the payment system survive the termination. In the event of indirect participation, the indirect and direct participants have to conclude an agreement under which the direct participant assumes all obligations and responsibilities arising from the rules on behalf of the indirect participant, and inform Bankart of that fact. Under the Rules of operation of the payment system the direct participant agrees that their single net monetary claim or single net monetary liability be added to the single net monetary claim or single net monetary liability of the indirect participants who have opened with them a settlement account. Direct participant bears all obligations on behalf of the indirect participant arising from settlement, including the settlement of shares and amounts arising from activation of the Loss-sharing scheme.

Direct participants authorise Bankart to conclude with the Bank of Slovenia, in the name and for the account of direct participants, an agreement on the method and procedures of settlement to ensure efficient and safe settlement procedures between direct participants.
A direct participant has a responsibility to:

- provide hardware and software, its connectibility with the payment system, and act in such manner that does not jeopardise the functioning of the entire system;
- provide a sufficient number of qualified expert personnel to ensure replacement of qualified expert personnel possessing knowledge to perform payment services and carry out the activities arising from the participation and operation in the payment system;
- comply with all instructions and recommendations on security issued by the administrator with reference to functioning of the payment system;
- protect and treat as confidential the information and all data that it disposes with in relation to the payment system and referring to the activity of other participants in the payment system;
- inform the administrator about any security incidents regarding its technical equipment used in the payment system and to notify the administrator if extraordinary circumstances arise on the part of the participant;
- inform the administrator about change of its legal capacity to participate in the payment system;
- become familiar with and fulfil the obligations referring to legislation on data protection, money laundering and terrorist financing prevention, especially in terms of implementing appropriate measures related to any payments under the payment system that are settled through their settlement accounts;
- successfully and timely carry out all testing prescribed by the administrator and which might be suggested by the participant.

A direct participant may request inspection of Bankart's information technology in the part referring to the performance of services on behalf of the participant, provided that the method and time of the inspection do not affect the functioning of the payment system. Such inspection may only be carried out by authorised persons of direct participants or auditors selected by an independent auditing firm, based on previous arrangement with the participants and provided the proposal for inspection has been approved by the competent Committee. The costs of inspection of Bankart's information technology are equally divided among participants and while conducting the inspection a direct participant may only inspect the data related to their operations in the payment system.

3 Description of design and functioning of the ATM Settlement payment system

3.1 Description of infrastructure and logical segments of functioning

Hardware and software used in Bankart for the purposes of operation of the ATM Settlement payment system have been set up so as to ensure the maximum system availability level. The specific nature of the solution and thus the definition of disruptions and failures in operations in emergency cases is reflected in the procedures the implementation of which is necessary for the recovery and restoration of the service and in the impact of the interruptions on the provision of ATM Office services as well as the provision of payment system service within the specified timescale.

The ATMO infrastructure, which is presented in Figure 1, is composed of logical sets: data source for ATM Office, ATMO server and the system for transferring files to participants. The data source for ATM Office application is the central authorisation server to which ATMs are connected through suitable communication links. Two central authorisation servers are used to ensure continuity of operation. They are physically spread at two locations. The servers are interconnected by software, which enables on-line data replication. In the event of failure at one location, continuity of operation is ensured.

ATMO server is used for processing data about transactions carried out in the Bankart ATM network and for creating and distributing output reports for participants. ATMO server is placed in the computer cluster node, which means that seemingly one server is (logical level) comprised of two servers physically. A connection is established between the two physical servers which is used to automatically switch to operation at the other location if one of the servers fails.

Output reports generated in ATM Office application are distributed to participants at agreed locations by use of the file transfer system. All output reports dropped at locations are encrypted. Output reports are dropped at locations according to a predetermined schedule. Participants collect output reports from locations by means of their own software.

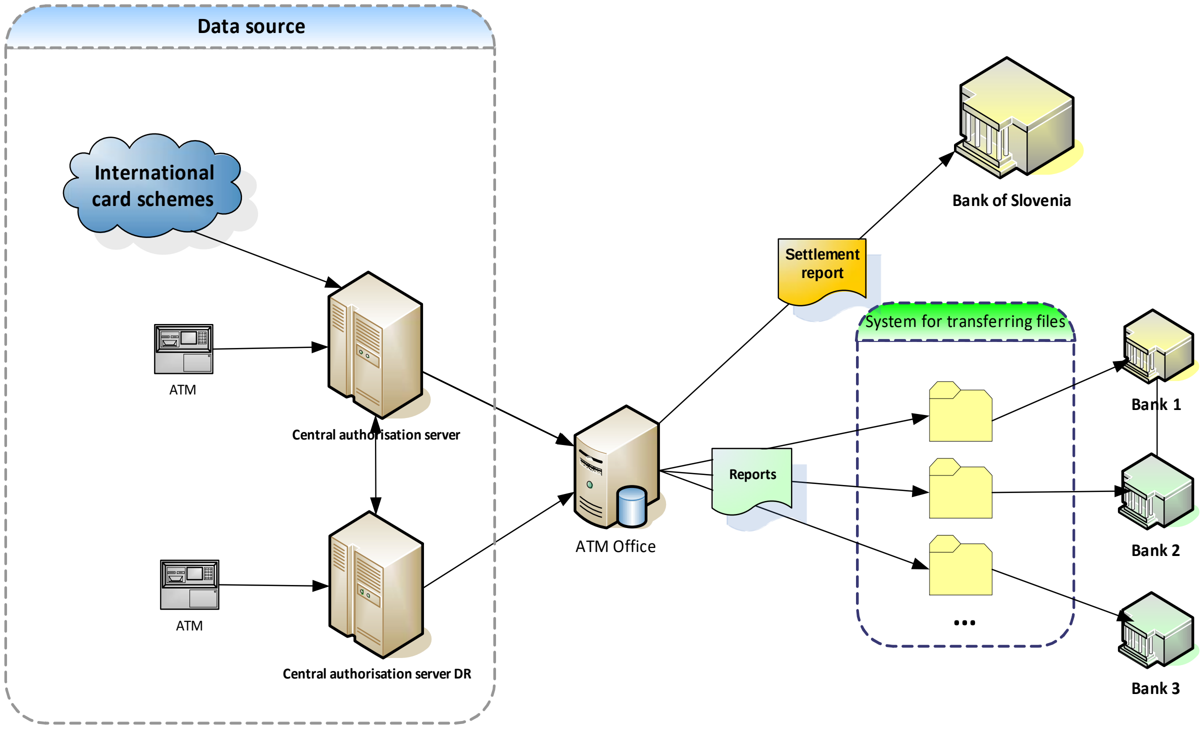

Figure 1: ATMO infrastructure

3.2. Method and procedures of clearing and settlement of liabilities

Processing in the framework of the payment system is based on processing of transactions arising from the payment system by Bankart, submission of data to participants about mutual and single net monetary claims and liabilities, and delivery of settlement report to the Bank of Slovenia. In the scope of daily processing of data in ATM Office, Bankart daily, from Monday until and including Saturday, except on Sundays and holidays, processes transactions for the participants of the ATM Settlement payment system that are included in the settlement of single net monetary claims and single net monetary liabilities. A settlement order is considered to have entered the ATM Settlement payment system as soon as cash is successfully withdrawn according to the procedures applying to suitable execution method (granted authorisation). From the moment the settlement order is entered the payment system it is irrevocable.

The following reports for settlement are created in the scope of regular data processing:

- reports containing mutual net claims and net liabilities, providing the basis for calculating single net monetary claim and single net monetary liability;
- reports containing analytical data for posting transactions;
- settlement report sent by Bankart to the Bank of Slovenia.

On the basis of the data about the transactions conducted at ATMs for the past day, Bankart creates output reports containing data about net claims and net liabilities between participants on bilateral basis, which serve for calculating single net monetary claim and single net monetary liability and for preparing the settlement report.

Bankart provides participants monetary claims and liabilities netting services under clearing principle. The settlement report created by Bankart includes all direct participants of the ATM Settlement payment system, while the positions of indirect participants are integrated in the positions of direct participants with whom the former maintain settlement accounts.

The reports which present mutual claims on and liabilities of a participant to other participants of the payment system are generated and submitted to the payment system participants according to schedule. Mutual and single net monetary claim and/or liability of an indirect participant is also received by the direct participant with whom the former maintains a settlement account.

Settlement between direct participants who are net debtors and net creditors of the payment system is made based on received settlement report. Bankart prepares the settlement report, which includes the data about settlement positions of individual direct participants of the payment system, and submits it to the Bank of Slovenia according to schedule. All communication between the Bank of Slovenia and Bankart is encrypted and electronically signed. The Bank of Slovenia receives the report at the agreed e-mail and sends Bankart a reply confirming receipt and accuracy of individual elements of the report.

3.3. ATM Settlement payment system schedule and settlement execution

In the ATM Settlement payment system, settlement is made every working day except non-working days in the Republic of Slovenia and the days when the TARGET2-Slovenija payment system is not open for processing. Bankart has to submit the settlement report to the Bank of Slovenia no later than by 07.15 every working day, except on non-working days in the Republic of Slovenia and the days when the TARGET2-Slovenija payment system is not open for processing. If processing is made on such non-working days, Bankart shall submit to the Bank of Slovenia an aggregate settlement report.

The transactions captured in output reports for interbank settlement comprise all ATM withdrawals made between 00.00 and 24.00 the previous day. The data which are not processed on a Sunday or non-working day are captured in the next regular processing on a working day.

Output lists for interbank settlement (information about mutual net monetary claims and liabilities and the calculation of single net monetary claim and single net monetary liability) are generated and distributed to payment system participants by Bankart every working day and Saturday, except for Sundays and non-working days, by 03.00 at the latest.

On the basis of the settlement report, direct participants of the ATM Settlement payment system – net debtors have to provide funds in the amount of net liability in their settlement account in the TARGET2-Slovenija payment system by 07.30 at the latest. If Bankart submits the Bank of Slovenia a settlement report by 07.15 and the Bank of Slovenia does not reject it, the Bank of Slovenia shall by 08.30 at the latest, but not before 07.30, debit the settlement accounts of direct participants – net debtors in the amount of their net liabilities and transfer the funds to the settlement account of the Bank of Slovenia. If all debits are successfully executed, the Bank of Slovenia shall by 08.30 credit the settlement accounts of direct participants – net creditors in the amount of their net claims, and send all direct participants and Bankart a notice about the settlement being final. Settlement is executed in the TARGET2 payment system in central bank money, and its execution results in finality of the settlement orders for single net monetary claims and single net monetary liabilities.

3.4. Managing and functioning of the Loss-sharing scheme

The Loss-sharing scheme has been set up as a mechanism for managing financial risks for the ATM Settlement payment system in order to ensure the finality of settlement. Bankart creates and manages the Loss-sharing scheme for the ATM Settlement payment system, whereas the Bank of Slovenia carries out certain operational procedures if the Loss-sharing scheme is activated on the basis of the Loss-sharing scheme table provided by Bankart.

Bankart creates the Loss-sharing scheme table indicating the allocated shares of loss of direct participants of the ATM Settlement payment system, taking into account certain transactions of each participant-issuer in the agreed period that are settled in the ATM Settlement payment system; the total transactions are used as the basis for calculating the share of a participant. Bankart creates the regular Loss-sharing scheme twice a year, whereas the extraordinary Loss-sharing scheme is made if certain criteria are fulfilled. The Loss-sharing scheme table presents only direct participants, whereas the share of an indirect participant is added to the direct participant with whom the former maintains a settlement account.

If a participant is insolvent, the liabilities of this direct participant – net debtor are settled by dividing the loss among other direct participants of the payment system according to the Loss-sharing scheme. If a direct participant – net debtor fails to provide funds in their settlement account in the TARGET2-Slovenija payment system, the Bank of Slovenia, in its capacity of the settlement agent, by the agreed time informs direct participants and Bankart about the fact that one direct participant cannot settle their liability and about the amount of funds that other non-terminated participants have to provide under the Loss-sharing scheme in their settlement accounts in the TARGET2-Slovenija payment system by the agreed time. If the direct participant regarding whom the notification was made provided the funds in their settlement account by the agreed time, the settlement procedure continues as is customary without activation of the Loss-sharing scheme. In such case, the Bank of Slovenia does not activate the Loss-sharing scheme and informs thereof all direct participants and Bankart.

If a direct participant of the ATM Settlement payment system fails to settle liabilities by the agreed time, the Bank of Slovenia settles their liabilities by allocating the loss among the remaining direct participants according to the Loss-sharing scheme. If at the same time two or more direct participants fail to settle net liabilities or if at least one participant who is not a terminated participant upon the activation of the Loss-sharing scheme fails to provide funds for settling the liabilities of a terminated participant, the liabilities settlement system in the ATM Settlement payment system is temporarily halted and the members of the Committee in agreement with Bankart and the Bank of Slovenia agree on the method of settling net liabilities and restoring the liabilities settlement system.

If a direct participant – net debtor fails to provide the funds for settling their net liability by the agreed time in spite of the Bank of Slovenia's request, the Bank of Slovenia shall activate the Loss-sharing scheme and start settling the participant's liabilities by allocating the loss among the other direct participants according to the Loss-sharing scheme. On the basis of the Loss-sharing scheme the Bank of Slovenia calculates the contributions of participants in loss sharing and conducts the activities for execution of orders in the TARGET2-Slovenija payment system. When the orders are executed, the Bank of Slovenia approves direct participants – net creditors and sends all direct participants and Bankart a notice about the settlement being final.

Every terminated direct participant because of whom the Loss-sharing scheme was activated must settle, by the agreed deadlines, their liabilities to direct participants who were on behalf of the direct participant covered by other – non-terminated direct participants under the activated Loss-sharing scheme. When Bankart receives notices about the settlement of liabilities from all other non-terminated direct participants, the procedure arising from the activation of the Loss-sharing scheme is concluded. If the net debtor because of whom the Loss-sharing scheme was activated did not fully repay the liabilities arising from the activation of the Loss-sharing scheme or if the net debtors caused temporary halt of the settlement system, Bankart will start the procedure to suspend participation.

Every net debtor because of whom the Loss-sharing scheme was activated or a net debtor who caused temporary halt of the settlement system and whose participation in the ATM Settlement payment system was suspended shall by the agreed deadline settle their liabilities (in addition to the principal (the amount covered by the respective direct participant) also the legal default interest accrued on due amount). If the direct participant fails to settle the liabilities by the agreed deadline, Bankart shall start the procedure for final termination of such participant's participation in the ATM Settlement payment system. In such case, the direct participant's participation in the ATM Settlement payment system is terminated. The procedure of final termination also applies to indirect participants holding a settlement account with their direct participant.

If the direct participant – net debtor settles liabilities arising from the activation of the Loss-sharing scheme or temporary halt of settlement in the ATM Settlement payment system, Bankart shall start the procedure for reinstating a suspended direct participant in the ATM Settlement payment system.

3.5. Key procedures in ordinary and extraordinary circumstances

3.5.1. Procedures in ordinary circumstances

In the scope of providing the payment system service, Bankart carries out certain ordinary procedures to provide controlled and secure operations of the participants.

- **Card Operations Committee of the BAS**

The appointment of members and specification of powers fall within the competence of the Supervisory Board of the Bank Association of Slovenia (BAS). The Committee conducts the following activities and adopts decisions on the following issues:

- adoption and approval of the legal framework in the form of Rules of operation of the payment system and operational instructions;
- adopting decisions about admitting new participants in the payment system;
- adopting decisions on issuing a warning to a payment system participant because of failure to comply with the Rules of operation of the payment system;
- adopting decisions about suspension of a participant from the payment system and its consequences;
- adopting decisions about reinstating a suspended participant in the payment system;
- adopting decisions about termination of a participant's participation in the payment system and its consequences;
- adopting decisions about changing the status of a participant in the payment system;

- adopting decisions about a new method of settling liabilities of participants in case of temporary halt of the payment system;
- adopting, harmonising and approving backup procedures in the form of Rules of operation of the payment system;
- adopting, harmonising and approving strategies and policies of risk management for the payment system;
- adopting, harmonising and approving strategies and policies of information security for the payment system;
- addressing risk assessments in the ATM Settlement payment system;
- other issues expressly stipulated by the Rules of operation of the payment system with the relevant contractual acts or other legal acts regulating the payment system.

➢ Admission of new participants in the payment system

An institution that wishes to join the payment system shall submit to the Committee a written application, stating the intention to join the payment system and indicating whether it wishes to join it as a direct or indirect participant. The written application shall be accompanied with all required documentation and evidence of the fulfilment of participation conditions, and submitted to the Committee at least two months before the desired date of admission. The Committee shall notify the institution about its decision approving or rejecting the application for joining the payment system within a specific period after it has received the application. After the procedure for a new participant to join the payment system has been approved by the Committee, the new participant shall sign legal and contractual documents, fulfil general and technical conditions for joining and successfully complete hardware and software testing according to the scenario prescribed by Bankart.

➢ Suspension/Termination from the payment system

A participant's participation in the payment system may be suspended or terminated, preventing them – temporarily or finally – from participating in the payment system. The suspension/termination criteria constitute a breach of Rules of operation of the payment system resulting in impact on other payment system participants, a violation of contractual obligations, instances when the conditions for participation and execution of settlement are no longer fulfilled and/or any other measures of supervisory bodies based on which a participant may no longer perform banking services and/or payment services or has exited the payment system. A suspended participant may be reinstated in the payment system after the causes of suspension have been eliminated and the conditions for reinstatement fulfilled.

➢ Exit from the payment system

A participant may exit the payment system when they no longer fulfil the participation conditions or for other reasons, in the framework of notice periods specified in contractual relationships. Bankart shall in writing inform other participants of the payment system and the Bank of Slovenia about a planned exit no later than 30 days before the end of the notice period. A participant finally exits the payment system when all the prescribed and set deadlines expire and when they have settled all the liabilities arising from ATM settlement.

➢ **Change of the settlement account**

A change of the settlement account can be reflected in the change of status of the payment system participant, be it either a change of the settlement account or a change of the participant status (from direct to indirect participant or vice versa). A participant shall submit the intention to change the settlement account and the required documentation to the administrator in written form. Bankart shall inform the Committee about the request for change, which shall in turn discuss the issue and adopt a suitable decision, notifying thereof all payment system participants and the Bank of Slovenia.

3.5.2. Procedures in extraordinary circumstances

Procedures are in place for taking action and informing in extraordinary circumstances in the payment system. Failures in any segment of the ATM Settlement payment system infrastructure may lead to system down. Before actual actions are taken to ensure business continuity and the implementation of further procedures when system failure is identified, the failure has to be classified in the relevant problem class (C-A) depending on the consequences and further sub-classes or problem levels. The sub-classes define the failure level within a class. The implementation of further procedures depends on the class and level of the failure. In the event of failure, Bankart classifies it into a suitable class and assigns it a sub-class and the problem level. In case of extraordinary circumstances, Bankart can adopt other measures necessary – given the circumstances – to ensure uninterrupted functioning of the payment system, and shall inform the Bank of Slovenia and the payment system participants thereof.

In case of an identified problem, malfunctioning or potential failure on the part of Bankart as the administrator of the payment system, Bankart shall notify the payment system participants and the Bank of Slovenia at the contact addresses provided. When analysing and eliminating the causes of failure of any part of the system, Bankart can assess if further extraordinary procedures are necessary.

➢ **Re-submission of reports**

Problems with or failure of communication channels on the part of the participants may in some cases require re-submission of reports by Bankart to the participants' locations. If failure on the part of the participant causes data loss to that participant, they may request re-submission of reports after establishing their system. The participants of the payment system have to control the data duplicity for the data that are again prepared by Bankart for collection.

➢ **Extraordinary submission of reports**

In case of certain problems Bankart enables extraordinary submission of reports by means of optical media or through e-mail with PGP key. When preparing and submitting data, the participant has to follow Bankart's instructions.

Activation of the Loss-sharing scheme

If a direct participant fails to provide sufficient funds for settling their net liabilities in a certain period, the procedures for activating the Loss-sharing scheme are carried out.

4 Fees

Fees for the services provided by Bankart as the payment system administrator to the payment system participants are defined in the legal framework of the ATM Settlement payment system. The Bank of Slovenia charges the settlement agent fee in accordance with the Contract on provision of services by the settlement agent in the ATM Settlement payment system.

Bankart, as the payment system administrator, charges the payment system participants for the performance of payment system services according to the price list applicable at the time, which is a component part of the agreement on processing concluded between Bankart and an individual participant. The monthly charge for management of the ATM Settlement payment system, preparation of data and clearing of interbank liabilities and claims consists of two parts:

- fixed monthly lump sum of EUR 1,100.00,
- a fee for the cash withdrawal transaction made by own card at foreign ATMs in the BA network. The fee amounts to EUR 0.01 per transaction.

A detailed price list is available to new participants once they demonstrate the intent to join the ATM Settlement payment system.

By joining the payment system, direct participants accept the rights and obligations arising from the agreement concluded between the Bank of Slovenia and Bankart. According to the provisions of the Contract on provision of services by the settlement agent in the ATM Settlement payment system the Bank of Slovenia charges to Bankart the fees for settlement in the TARGET2-Slovenia payment system, where the Bank of Slovenia has the following costs:

- cost of changes: cost of investments related to provision of services by the settlement agent;
- current costs:
  - costs of maintaining technological support and labour costs for provision of services by the settlement agent;
  - imputed costs as defined in line with the Eurosystem methodology;
  - cost of fees (fee for implementation of transfers of monetary assets in carrying out procedures defined in the contract, fee for implementation of settlement, fee for activation of the Loss sharing scheme, and fee for approach of a participant to settlement or exit/exclusion of a participant from settlement).

The Bank of Slovenia shall inform Bankart about the planned change in the amount of costs referred to in the Contract on provision of services by the settlement agent in the ATM Settlement payment system within the agreed deadlines prior to the enforcement of the change about which the latter informs the relevant Committee or direct participants of the payment system. Bankart is obligated to coordinate changes of services and fees of the Bank of Slovenia with the Committee and notify all direct participants of the payment system. Bankart shall distribute the fees for settlement services, defined in the provisions of the Contract on provision of services by the settlement agent in the ATM Settlement payment system, among direct participants of the payment system, who are obligated to reimburse them according to the contractual relationship between Bankart and the respective participant.