



# **PARTICIPATION RULES FOR PAYMENTS AND SECURITIES SERVICES**

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**Version 4.1**

## **Proprietary Rights**

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**Document Details**

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<b>Effective Date</b>	: 20 September 2018

**Revision History**

<b>Version No.</b>	<b>Date of Update</b>	<b>Summary of Change</b>	<b>Updated By</b>
1.0	17 Feb 2011	Approved version	PayNet
1.1	06 May 2011	<p><b>Clause 4.0</b> Inclusion of “Governing Law” provision to statute laws that govern these Rules</p> <p><b>Clause 6.0</b> Incorporation of statement on PayNet’s pricing policy</p> <p><b>Clause 11.2.2.</b> Addition of “FAST contact persons” into “RENTAS and eSPICK contact persons”</p> <p><b>Clause 16.2</b> Added “Islamic Banking Act 1983” and “Development Financial Institutions Act 2002”</p> <p><b>Clause 18.2</b> Added “PayNet and Participants”</p> <p><b>Clause 19.2</b> Removed “in consultation with BNM”</p> <p><b>Appendix II, Item E, Part 2:</b> Updated the scope of testing for greater clarity</p> <p><b>Appendix II, Part F, Part 2 :</b> Updated the scope of testing for greater clarity</p> <p><b>Appendix III, Glossary of Terms</b> Replaced “Authorised Depository Institutions (ADIs)” with “SSDS Participants”</p> <p><b>Re-wording of clauses*:</b> 7.1, 7.2, 7.4, 7.6, 7.7, 7.8</p> <p><i>* The above clauses have been re-worded for greater clarity, but essentially still retains the same meaning and context with the way it was worded in Version 1.0</i></p> <p><b>Numbering of clauses:</b> Due to insertion of Clause 4.0 – Governing Law, all other clauses beginning from Clause 4.0 in Version 1.0 has been re-numbered (+1)</p>	PayNet

Version No.	Date of Update	Summary of Change	Updated By
1.2	10 Feb 2012	<p><b>Clause 1.2</b></p> <ul style="list-style-type: none"> <li>• Renamed Operational Procedures for MYR Settlement in RENTAS</li> <li>• Inclusion of Operational Procedures for Foreign Currency Settlement in RENTAS</li> </ul> <p><b>Clause 2.2</b></p> <p>List the Rules and Operational Procedures that are no longer applicable after the effective date of the revised Rules and Operational Procedures</p> <p><b>Section 5.0</b></p> <p>Expansion in the coverage of voluntary and involuntary termination of membership</p> <p><b>Clause 6.1</b></p> <p>Inclusion of PayNet’s pricing policy</p> <p><b>Clause 7.3</b></p> <p>Rewording of the clause to provide clarity that PayNet may adjust the Participants’ Accounts</p> <p><b>Clause 7.5 and 7.6</b></p> <p>Rewording of the clauses to provide clarity on PayNet’s right to defer or extend the service hours in abnormal situations and emergencies and its right to operate on a non-Business day</p> <p><b>Clause 7.7</b></p> <p>Adherence to SIRIM’s Malaysian Standard Time</p> <p><b>Clause 7.12</b></p> <p>Rewording of the clause to provide greater clarity on PayNet’s responsibility to ensure adequate disaster recovery arrangements</p> <p><b>Clauses 8.1 and 8.2</b></p> <p>Expansion of Settlement Accounts to MYR Settlement Accounts and/or Foreign Currency Settlement Accounts</p> <p><b>Clause 10.7.3</b></p> <p>Inserted the word “successfully” to provide greater clarity on the requirement for Participants to operate live from their recovery site</p> <p><b>Clause 10.8</b></p> <p>Inclusion of Communication Process to state that Participants have a responsibility to keep their stakeholders informed about disruptions and delays</p>	PayNet

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		<p><b>Clause 12.0</b> Removed the provision on PayNet's Business Continuity Management</p> <p><b>Clauses 12.1 to 12.3</b> To elaborate on Participation in Foreign Currency Settlement services</p> <p><b>Clauses 12.4</b> Inclusion of Guideline I of the Foreign Currency Settlement in RENTAS</p> <p><b>Clause 12.11</b> To specify the contingency measures in the event of failed settlement after the PvP cut-off time</p> <p><b>Clause 13.1</b> Replaced PayNet with BNM as the issuer of Cheque Design Standards and Specifications</p> <p><b>Appendix II, Item E, Part 2:</b></p> <ul style="list-style-type: none"> <li>• Improved form to require Participants to disclose the location of RENTAS iLINK terminal since iLINK has been upgraded from an information system to a transactional system</li> <li>• Inclusion of statement of compliance with MTD and RTO</li> </ul> <p><b>Appendix III, Fees and Charges</b></p> <ul style="list-style-type: none"> <li>• Incorporation of fees and charges for all Payments and Securities Services provided by PayNet. The schedules of fees previously were provided in the respective Operational Procedures for eSPICK, RENTAS and Securities services.</li> <li>• Inclusion of new fees and charges that take effect from 3 Jan 2012</li> </ul> <p><b>Appendix IV</b> New appendix listing supported currencies in RENTAS' multi-currency settlement service</p>	
1.3	30 March 2012	<p><b>Clause 1.2.6</b> Inclusion of the Operational Procedures for Cross-Border Securities Custody Services in RENTAS</p> <p><b>Clauses 5.26.4 and 5.26.5</b> Incorporation of additional clauses to describe the process in handling payment of redemption proceed to insolvent SSDS participants</p> <p><b>Clause 10.7.3</b> Incorporated additional statement requiring the participants to spread the BCP and DR exercise evenly throughout the year</p>	PayNet

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		<p><b>Clause 11.2.4</b> Inclusion of Statement of Compliance with Part V of the Participation and Operation Rules for Payments and Securities Services</p> <p><b>Clause 12.4</b> Inclusion of Guideline III of the Operational Procedures for Securities Services</p> <p><b>Clause 14.2 and 14.3</b></p> <ul style="list-style-type: none"> <li>• Rewording of the Clauses to provide better clarity on the roles of Facility Agent</li> <li>• Combined Clause 14.3 with Clause 14.2</li> </ul> <p><b>Clause 14.5</b> Replaced the word “higher” with “lower”</p> <p><b>Appendix II, Item E,</b> Inclusion of Statement of Compliance with Part V of the Participation and Operation Rules for Payments and Securities Services</p> <p><b>Appendix III, Fees and Charges</b></p> <ul style="list-style-type: none"> <li>• Deletion of charges for CNY due to deficit position during eSPICK settlement</li> <li>• Inclusion of fees and charges for Cross-Border Securities Custody Services in RENTAS</li> <li>• Incorporation of statement that PayNet will bill resident participants of Onshore Foreign Currency Settlement Services in MYR, while foreign participants could be billed either in MYR or in the settlement currency.</li> </ul> <p><b>Appendix V, Glossary Terms</b> Inclusion of additional terminology following the introduction of the Cross- Border Securities Custody Services in RENTAS</p>	
1.4	07 May 2012	<p><b>PREAMBLE</b> Rewording of these Rules are issued ‘as required under’ Section 14 instead of ‘pursuant to’ Section 14.</p> <p><b>Clause 5.6</b> Added new clause under Involuntary Termination.</p> <p><b>Clause 5.20</b> Incorporate a clause that PayNet will notify all participants via broadcast message regarding insolvency of a participant.</p> <p><b>Clause 5.21</b> Added a statement that PayNet will reject all new transaction from suspended Participants.</p>	PayNet

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		<p><b>Clause 7.1</b> Added new clause that PayNet to provide an efficient payment system.</p> <p><b>Clause 8.15</b> Added new clause that participant to notify PayNet any development that may affect participant's ability to fulfil participation requirements.</p> <p><b>Clause 8.18</b> Added new clause requiring participant to furnish information pertaining to their RENTAS operation if requested by PayNet.</p> <p><b>Appendix III – Fees and Charges</b> Added new fees and charges for CSCS:</p> <ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Singapore</li> </ul>	
1.5	05 Dec 2012	<p><b>Clause 6.2</b> Added new clause that PayNet will be subjected to the same penalty charges imposed to the participants for non-compliance.</p> <p><b>Appendix I – Practices and Liabilities under eSPICK (Item 9.0)</b> Added new clause as to address issue pertaining to the discrepancy between amount in words and figures.</p>	PayNet
1.6	06 Sep 2013	<p><b>PREAMBLE</b> Replace references to the Payment Systems Act (PSA), with references to the relevant section of the new Financial Services Act (FSA).</p> <p><b>Clause 1.2.1, 3.2, 7.11</b> Replace references to the PSA, with references to the FSA.</p> <p><b>Clause 5.18, 5.24, 5.32, 5.33</b> Added immediate to the existing clause to reflect the FSA requirement on insolvency requirement.</p> <p><b>F. RENTAS BCP/DRP Exercise Report</b></p> <ul style="list-style-type: none"> <li>• Replaced BNM e-mail address with PayNet's Compliance e-mail address in the instructions.</li> <li>• Added the requirement to provide information on production, recovery/DR for the Scope of Exercise.</li> <li>• Deletion of question number 2. Of the Exercise Report.</li> </ul> <p><b>Clause 8.19</b> Added new clause to address the independent review of participant's compliance to BNM and/or PayNet requirements by participant's internal audit and/or compliance unit.</p>	PayNet

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		<p><b>Clause 8.20</b> Added new clause on the annual submission of the compliance report by the participants.</p> <p><b>Part VII-General</b> <b>Clause 17.5</b> Generalized reference to the Dispute Resolution Guidelines to avoid referencing a specific version of the Guidelines.</p> <p><b>Appendix III-B.7.0.b</b> Addition to the existing clause to provide clarity that fee is applicable for Commercial paper or Combination of Commercial Paper/Medium Term Note.</p> <p><b>Appendix III-D. Fees and Charges (Note c.)</b> Added new clause to inform participants on the basis and the sources of exchange rates used for computation of fees and charges.</p> <p><b>Appendix III-19.0</b> Added new clause on penalty charges for delayed settlement of all retail clearing positions.</p> <p><b>Appendix III</b> Informing RENTAS participants that all CNY transaction fees and charges are waived until 31 December 2013.</p>	
1.7	06 Dec 2013	<p><b>Clause 8.20</b> Make a reference to the new Guidelines on Assessment of Compliance to Rules and Procedures for Payments and Securities Services and remove clause 8.20.1 and 8.20.2 to avoid duplicating requirements specified in the new Guidelines.</p> <p><b>Appendix II (F (Part 2:1) &amp; G (Part 2:1))</b> Added new item in the RENTAS and eSPICK BCM/BCP Exercise Report for participants to state the scenario number of the BCM/BCP exercise undertaken.</p> <p><b>Appendix III</b> <b>Table A – Item 19.0</b> For clarity and consistency, the penalty charges for e-Debit, MEPS Cash, Shared ATM Clearing, Interbank GIRO, Financial Processing Exchange Clearing and Direct Debit is moved to Item 18.0 where similar penalties for eSPICK is specified.</p> <p><b>Table A – Note</b> State that CNY transaction fees and charges are currently waived.</p>	PayNet

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		<p><b><u>Table C – eSPICK</u></b> Footnote: to inform on an increase of charge per item for inward clearing items effective 1 May 2014.</p>	
1.8	06 June 2014	<p><b>Appendix III</b> B. Fees and Charges: FAST 10. Added the fees for smart cards issued to IILM and IILM’s Principal Dealers to facilitate their access to FAST.</p> <p>Added new footnotes to cover FAST Billing for IILM and IILM’s Principal Dealers</p> <p>To reflect new fee arising from the increased of the inward clearing fees from RM0.02 to RM0.11, with effect from 1 April 2014.</p>	PayNet
1.9	30 Dec 2014	<p><b>Part 1 Introduction</b> To complete list of documents that are read in conjunction with these rules.</p> <p><b>Clause 14.3</b> For clarity and consistency on parties eligible to assume FA role.</p> <p><b>Appendix I – Practices and Liabilities under eSPICK</b> Added new clause as instructed by BNM to strengthen consumer protection</p> <p><b><u>Appendix III: A) Fees and Charges: RENTAS (MYR and Foreign Currency Settlement) (Clauses 13.0, 15.0, 18.0 and 19.0)</u></b> To provide clarity that penalties collected are placed in a Development Fund.</p> <p><b><u>Appendix III: A) Fees and Charges: RENTAS (MYR and Foreign Currency Settlement) (Clause 20.0)</u></b> Inserted note to waive one-time depository fee for Foreign Currency new issuance.</p> <p><b><u>Appendix III: B) Fees and Charges: FAST (Clauses 4.0 and 8.0)</u></b> To provide clarity that penalties collected are placed in a Development Fund.</p> <p><b><u>Appendix III: B) Fees and Charges: FAST (Clause 10.0)</u></b> Inserted sub-item d for clarity purposes.</p> <p><b>Appendix III: C) Fees and Charges for eSPICK (Clauses : 7.0 (a), ©, (f) and (g))</b> To provide clarity that penalties collected are placed in a Development Fund.</p>	PayNet



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		<p><b>Appendix III:</b></p> <p><b>C) Fees and Charges for eSPICK</b></p> <p>Added new clause to reflect new fee arising from BNM's ePIF Framework per BNM's letter dated 8 August 2014. The effective date is 2 Jan 2015.</p> <p><b>Appendix III:</b></p> <p><b>C) Fees and Charges for eSPICK</b></p> <p>Addition to the existing clause to ensure that participant comply to the requirements to submit non clearing item for storage/archival purposes to avoid under-counting cheque volume under the ePIF framework</p> <p><b>Appendix V: Glossary of Terms</b></p> <p>To add terminology on the following new terms introduced:</p> <ul style="list-style-type: none"> <li>• ACOFF</li> <li>• ADF</li> <li>• Ceiling Rate</li> <li>• e-payment and Market Infrastructure Development Fund</li> <li>• e-payment Incentive Fund Framework</li> <li>• Floor Rate</li> <li>• Liquidity Optimization Settlement Facility</li> </ul>	
2.0	14 March 2015	<p><b>Clause 22.0</b></p> <p>New clause on Goods and Services Tax (GST).</p>	PayNet
2.1	16 April 2015	<p><b>Preamble</b></p> <p>Removal of "Release Date" to avoid confusion with "Effective Date".</p> <p><b>Appendix III (A)</b></p> <p>Restructuring of table.</p> <p><b>Appendix III (A) – Item 20.0</b></p> <p>Incorporate new SWIFT Messaging Fees and on adoption of Reverse Billing.</p> <p><b>Appendix III (C)</b></p> <p>Increase of storage/archival fees for eSPICK on the outward and inward clearing fees from RM0.01 to RM0.05 effective 1 July 2015</p> <p>To impose the Storage/Archival fees for eSPICK for Non Clearing Item (NCI) of RM0.10 effective 1 July 2015</p> <p>To defer the penalty of RM100.00 per item for failure to submit NCI for storage/archival purposes from 1 July 2015 to 31 Dec 2015.</p> <p><b>Appendix V: Glossary of Terms</b></p> <p>To add terminology on the following new terms introduced:</p> <ul style="list-style-type: none"> <li>• SWIFT</li> </ul>	PayNet

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3.0	09 Aug 2016	<ul style="list-style-type: none"> <li>• SWIFTNet</li> <li>• SWIFT Access</li> <li>• RENTAS Bank Gateway</li> </ul> <p><b>Clause 5.5</b></p> <ul style="list-style-type: none"> <li>• Added PIDM for issuing directives in regards to Involuntary Termination</li> </ul> <p><b>Clause 8.6</b></p> <ul style="list-style-type: none"> <li>• Requirement to RBG Participants to obtain written approval prior to any modification, changes or addition to their terminal</li> </ul> <p><b>Clause 8.7</b></p> <ul style="list-style-type: none"> <li>• Requirement to SWIFT Access Participants to only notify PayNet of any changes or modification to their terminal as they are under direct SWIFT supervision</li> </ul> <p><b>Clause 8.13 &amp; 8.14</b></p> <ul style="list-style-type: none"> <li>• Rewording of clause - to avoid dispute or non-compliance of settlement cut-off due to timing inconsistency between Participant Terminals and RENTAS Host</li> </ul> <p><b>Clause 12.3</b></p> <ul style="list-style-type: none"> <li>• Emphasize that the annual membership is billed per Participant and not by currency they subscribed to.</li> </ul> <p><b>Appendix II – E. RENTAS BCP/DRP Exercise Report</b></p> <ul style="list-style-type: none"> <li>• Updated access and connection to RENTAS</li> </ul> <p><b>Appendix II – F. eSPICK BCP/DRP Exercise Report</b></p> <ul style="list-style-type: none"> <li>• Updated access to eSPICK Host</li> </ul> <p><b>Appendix III – Fees and Charges</b></p> <ul style="list-style-type: none"> <li>• Updated fees and charges for RENTAS (item 1.0 Annual Membership Fees, item 10.0 Transaction fee for ICF and item 17.0 Penalty for delay of retail settlement delay)</li> <li>• Removed column of CNY fees and inserted a statement for foreign participants, they may choose to be billed on foreign amount which is MYR equivalent, converted based on prevailing exchange rate.</li> <li>• Update fees and charges for FAST (item 1.0 Annual Membership Fee, item 2.0 a per bid submitted, item 3.0 Every request for amendment of Facility /Debt Securities information)</li> </ul> <p><b>Appendix IV – Supported Currencies for FCY Settlement Service in RENTAS</b></p> <ul style="list-style-type: none"> <li>• To include new USD settlement via OSI in RENTAS</li> </ul>	PayNet

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		<p><b>Appendix V – Glossary of Terms</b></p> <ul style="list-style-type: none"> <li>• Add terminology on the following new terms introduced in RENTAS:               <ol style="list-style-type: none"> <li>1) Clearing Houses’ Transactions</li> <li>2) Corporate Bonds and Sukuk (CBS) – as instructed by BNM and replaced current term “Private Debt Securities” (PDS)</li> <li>3) Gridlock Resolution</li> </ol> </li> <li>• Amended definition of existing terms for clarity purpose:               <ol style="list-style-type: none"> <li>1) Debt Securities</li> <li>2) Medium Term Notes</li> <li>3) Participant Terminal</li> <li>4) RENTAS</li> <li>5) RENTAS Host</li> <li>6) Standing Instruction (SI)</li> <li>7) SWIFT Access</li> </ol> </li> </ul>	
3.1	05 Apr 2017	<p><b>Clause 9.0</b></p> <ul style="list-style-type: none"> <li>• Amended clauses 9.1- 9-4 to make reference to and harmonise with the <i>Guidelines on Business Continuity Management for Participants of PayNet’s Services (“BCM Guidelines”)</i>.</li> </ul> <p><b>Clause 10.1</b></p> <ul style="list-style-type: none"> <li>• Removed clauses 10.1.1 – 10.1.5 on ‘Risk Assessment and Business Impact Analysis’ as it is covered in the <i>BCM Guidelines</i>.</li> </ul> <p><b>Clause 10.2</b></p> <ul style="list-style-type: none"> <li>• Removed clauses 10.2.1 – 10.2.4 on ‘Recovery Strategy’ as it is covered in the <i>BCM Guidelines</i>.</li> </ul> <p><b>Clause 10.3</b></p> <ul style="list-style-type: none"> <li>• Rearranged clause 10.3 – ‘Maximum Tolerable Downtime and Recovery Time Objective to clause 10.1</li> <li>• Amended clause 10.3.1 (now 10.1.1) to make reference to the <i>BCM Guidelines</i>.</li> </ul> <p><b>Clause 10.4</b></p> <ul style="list-style-type: none"> <li>• Removed clauses 10.4.1 – 10.4.3 on ‘Formulation of Plan’ as it is covered in the <i>BCM Guidelines</i>.</li> </ul> <p><b>Clause 10.5</b></p> <ul style="list-style-type: none"> <li>• Removed clauses 10.5.1 – 10.5.5 on ‘Alternate and Recovery/DR site’ as it is covered in the <i>BCM Guidelines</i>.</li> </ul> <p><b>Clause 10.6</b></p> <ul style="list-style-type: none"> <li>• Rearranged clause 10.6 on ‘Critical Business Information Records’ to clause 10.2</li> <li>• Added new clause 10.2.2 to make reference to the <i>BCM</i></li> </ul>	PayNet

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		<i>Guidelines.</i>	
		<b>Clause 10.7</b>	
		<ul style="list-style-type: none"> <li>Rearranged clause 10.7 on 'DRP and BCP Exercises' to clause 10.3.</li> <li>Amended clause 10.7.3 (now 10.3.3) to make reference to the <i>BCM Guidelines</i>.</li> <li>Removed clause 10.7.4 and 10.7.5 as it is covered in the <i>BCM Guidelines</i>.</li> </ul>	
		<b>Clause 10.8</b>	
		<ul style="list-style-type: none"> <li>Rearranged clause 10.8 on 'Communication Process' to clause 10.4.</li> <li>Amended clause 10.8.3 (now 10.4.4) to make reference to the <i>BCM Guidelines</i>.</li> </ul>	
		<b>Clause 10.9</b>	
		<ul style="list-style-type: none"> <li>Removed clauses 10.9.1 – 10.9.5 on 'Maintenance of Plan' as it is covered in the <i>BCM Guidelines</i>.</li> </ul>	
		<b>Clause 11</b>	
		<ul style="list-style-type: none"> <li>Amended clause 11.1 to make reference to the <i>BCM Guidelines</i>.</li> <li>Removed clauses 11.2 – 11.3 as it is covered in the <i>BCM Guidelines</i>.</li> </ul>	
		<b>Clause 14.6</b>	
		<ul style="list-style-type: none"> <li>Addition to the existing clause to highlight PayNet's right to reject requests from Facility Agents for change of critical information.</li> </ul>	
		<b>Appendix II</b>	
		<ul style="list-style-type: none"> <li>Removed Appendix II as the templates are provided in the <i>BCM Guidelines</i>.</li> </ul>	
		<b>Appendix II – Fees and Charges</b>	
		<ul style="list-style-type: none"> <li>Removed penalty in item no.15 in A. Fees and Charges: RENTAS (MYR and Foreign Currency Settlement) as it is covered in the <i>BCM Guidelines</i>.</li> <li>Removed penalty in item no.7f in C. Fees and Charges: eSPICK as it is covered in the <i>BCM Guidelines</i>.</li> <li>Amended penalty in item no.3 in C. Fees and Charges: eSPICK to comply with the 'Enhancements to the e-Payment Incentive Fund Framework' circular issued by BNM to bank CEOs on 4 November 2016.</li> <li>Updated penalty/fee in item no.4 &amp; no.8 in B. Fees and Charges: FAST which shall be charged on stock basis.</li> </ul>	
		<b>Appendix IV – Glossary</b>	
		<ul style="list-style-type: none"> <li>Amended the following definitions upon implementation of the</li> </ul>	

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		<p>new BCM Guidelines:</p> <ol style="list-style-type: none"> <li>1) Alternate Site</li> <li>2) Business Continuity</li> <li>3) Business Continuity Management</li> <li>4) Business Impact Analysis</li> <li>5) Critical Business Information Record</li> <li>6) Disaster Recovery Plan (DRP)</li> <li>7) Recovery Site</li> <li>8) Recovery Time Objective (RTO)</li> </ol>	
3.2	01/01/2018	<p><b>All Relevant Clause Throughout the Document</b></p> <p>Replaced PayNet with PayNet in entire document</p> <p><b>Clause 1.2</b></p> <p>To add Guidelines on Business Continuity Management for Participants of PayNet’s Services as an additional document to be read in conjunction with this OP.</p> <p><b>Clause 23</b></p> <ul style="list-style-type: none"> <li>• Inserted a new clause on Issuance of Emergency Directive by PayNet.</li> </ul> <p><b>Appendix II – Fee and Charges</b></p> <ul style="list-style-type: none"> <li>• Introduced Onsite Consultation Fees for RENTAS and FAST services.</li> <li>• Revised eSPICK Annual Membership Fees.</li> </ul>	PayNet
3.3	06/03/2018	<p><b>Part III – Duties and Responsibilities of PayNet</b></p> <ul style="list-style-type: none"> <li>• <b>Clause 7.6</b> – Removed statement “PayNet shall not be liable for any claim, loss, damage or expense, including loss of business, loss of profit or consequential loss or damage of any kind arising directly or indirectly from PayNet’s actions”.</li> </ul> <p><b>Part V – Warranties and Liabilities</b></p> <p>Introduced a new section to cover the warranties and liabilities of PayNet in the Payments and Securities Services.</p>	PayNet
4.0	08/05/2018	<p>The Participation Rules for Payments and Securities Services has been harmonized in accordance with PayNet’s Participation Rules framework. This is to ensure a common approach and standardisation of general terms and clauses across all of PayNet’s Large Value Payment and Retail Payment Services.</p> <p>The revisions listed below are to be read together with the previous Participation and Operation Rules for Payments and Securities Services V3.3.</p> <p>Amended ‘Rules’ to ‘Participation Rules’ throughout the document.</p>	PayNet

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		<p><b>Part I Introduction</b></p> <ul style="list-style-type: none"> <li>• Renamed header of Clause 1.0 ‘Purpose’ to ‘Scope and Application’</li> <li>• Removed Clause 2.0 ‘Effective Date’ as it is already covered in ‘Document Details’.</li> <li>• Renamed and renumbered Clause 3.0 ‘Contract’ to Clause 2.0 ‘Effect of the Participation Rules’</li> <li>• Renamed and renumbered Clause 4.0 ‘Governing Law’ to Clause 3.0 ‘Governing Law and Regulatory Requirements’ <ul style="list-style-type: none"> <li>- Added new clause 3.2</li> </ul> </li> </ul> <p><b>Part II Membership</b></p> <ul style="list-style-type: none"> <li>• Renamed and renumbered Clause 5.0 ‘Membership’ to Clause 4.0 ‘Participation’ <ul style="list-style-type: none"> <li>- Added new clause 4.4</li> </ul> </li> <li>• Rearranged and renumbered Clause 6.0 ‘Fees and Charges’ to Clause 5.0 <ul style="list-style-type: none"> <li>- Added new clauses 5.1.1 to 5.1.3, 5.2, 5.3, 5.4 and 5.7</li> </ul> </li> <li>• Added Clause 6.0 – ‘Suspension’ (New)</li> <li>• Renamed and renumbered Clause 5.0 (i) ‘Termination of Participation in the Payment and Securities Services’ to Clause 7.0 ‘Termination’ <ul style="list-style-type: none"> <li>- Removed old clause 5.4</li> </ul> </li> <li>• Removed clause 5.0 (ii) Involuntary Termination and replaced with Clause 7.1 ‘By PayNet’ <ul style="list-style-type: none"> <li>- Removed old clause 5.5</li> </ul> </li> <li>• Removed clause 5.0 (iii) Voluntary Termination and replaced with clause 7.2 ‘By Participant’ <ul style="list-style-type: none"> <li>- Added new clause 7.7</li> </ul> </li> <li>• Renamed and renumbered Clause 5.0 (iv) Insolvency or Failure of Participant’ to Clause 8.0 ‘Insolvency Event of a Participant’ <ul style="list-style-type: none"> <li>- Added new clause 8.1.1, 8.1.1.2, 8.1.1.6, 8.1.1.7, 8.1.1.8, 8.1.1.9 and 8.2 and rearranged subsequent clauses</li> <li>- Removed old clauses 5.19 to 5.21</li> </ul> </li> </ul> <p><b>Part III Duties and Responsibilities of PayNet</b></p> <ul style="list-style-type: none"> <li>• Renamed Part III ‘Duties and Responsibilities of PayNet’ to ‘Duties and Responsibilities’</li> <li>• Renamed and renumbered Clause 7.0 ‘PayNet as Operator’ to Clause 9.0 ‘PayNet’ <ul style="list-style-type: none"> <li>- Added new clause 9.2, 9.5 and 9.12</li> </ul> </li> </ul> <p><b>Part IV Duties and Responsibilities of Participants</b></p> <ul style="list-style-type: none"> <li>• Removed old ‘Part IV’ and merged with Part III ‘Duties and Responsibilities’</li> <li>• Renamed and renumbered Clause 8.0 ‘General Requirements’ to Clause 10.0 ‘Participants’</li> </ul>	

Version No.	Date of Update	Summary of Change	Updated By
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- Added new clause 10.1 and clause 10.22
- Removed old clause 8

#### **Part V Warranties and Liabilities**

- Renumbered old Part V 'Warranties and Liabilities' to Part IV

#### **Part VI Risk Management - Business Continuity Management**

- Renumbered old Part VI 'Risk Management - Business Continuity Management' to Part V

#### **Part VII Specific Requirements**

- Removed old Part VII 'Specific Requirements' as these clauses will be placed in the respective Operational Procedures
- Replaced old Part VII with new Part VI Dispute Management
  - Moved old clause 17.0 Dispute Resolution under Part VIII 'General' to new Part VI 'Dispute Management'
  - Removed old clause 17.6

#### **Part VII Fraud and Security (New)**

- Added new clause 19.0 on Fraud and Security

#### **Part VIII General**

- Renumbered old Part VIII 'General' to Part IX 'General'
- Renamed old Part VIII to 'Administrative Matters'

#### **Part VIII Administrative Matters (New)**

- Added new clause 20.2, 20.5, 20.6, 22.1.1 and 22.1.1
- Removed old clause 23.3

#### **Part IX General**

- Moved and renumbered old Clause 18.0 'Confidentiality' from Part VIII 'General' to new Part IX as Clause 25.0
- Removed old clause 19.0 and placed in the Operational Procedures for RENTAS MYR and RENTAS FC
- Added new clause 26.0 'Personal Data Protection'
- Added new clause 27.0 'Severability and Limitation of Action'
- Added new clause 28.0 'Assignment, Transfer and Subcontracting'
- Added new clause 29.0 'Successors Bound'
- Added new clause 30.0 'Document Retention Period'
- Added new clause 31.0 'Notices'
- Added new clause 32.0 'Intellectual Property'
- Added new clause 33.0 'Non-Waiver'
- Added new clause 34.0 'Time'
- Added new clause 35.0 'Tax'

Version No.	Date of Update	Summary of Change	Updated By
		<p><b>Old Appendix I – Practices and Liabilities under eSPICK</b></p> <ul style="list-style-type: none"> <li>Removed old Appendix I and placed in the Operational Procedures for eSPICK</li> </ul> <p><b>Old Appendix II - Fees and Charges</b></p> <ul style="list-style-type: none"> <li>Removed old Appendix II and placed in the respective Operational Procedures</li> </ul> <p><b>Old Appendix III – Supported Currencies for the Foreign Currency Settlement Service in RENTAS</b></p> <ul style="list-style-type: none"> <li>Removed old Appendix III and placed in the Operational Procedures for RENTAS FC</li> </ul> <p><b>Appendix IV– Glossary of Terms</b></p> <ul style="list-style-type: none"> <li>Definitions not used in this Participation Rules have been removed and inserted into the respective Operational Procedures, where applicable.</li> </ul>	
4.1	14/08/2018	<p><b>Clause 36.0 – Goods and Services Tax (“GST”)</b></p> <ul style="list-style-type: none"> <li>Removal of clause 36.0 following from the abolishment of GST effective 1 September 2018</li> </ul>	PayNet



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## PREAMBLE

These PARTICIPATION RULES FOR PAYMENTS AND SECURITIES SERVICES (“these Participation Rules”) are applicable to Participants using the Sistem Penjelasan Informasi Cek Kebangsaan secara Elektronik (eSPICK), the Real Time Electronic Transfer of Funds and Securities System (RENTAS), and the Fully Automated System for Issuing/ Tendering (FAST) services provided by Payments Networks Malaysia Sdn Bhd (PayNet).

PayNet owns and operates the eSPICK, the national image-based cheque clearing system. In addition, PayNet, on behalf of BNM, operates the RENTAS and FAST systems. PayNet operates RENTAS and FAST on BNM’s behalf as an outsource service provider by virtue of a Service Level Agreement between PayNet and BNM.

Both RENTAS and eSPICK have been declared as designated payment systems pursuant to Section 30 of the Financial Services Act 2013 (FSA) and Section 39 of the Islamic Financial Services Act 2013 (IFSA). RENTAS is designated as it is a systemically important system, while eSPICK is designated to protect public interest.

BNM’s legal authority to establish systems for funds settlement, debt securities settlement, securities depository as well as securities tendering is derived from Section 44 of the Central Banking Act (CBA) 2009, while BNM’s legal authority to establish a cheque clearing house is derived from Section 46 of the CBA.

Except for eSPICK, any reference in these Participation Rules to PayNet shall therefore be solely in reference to PayNet acting as an agent to BNM.

These Participation Rules are issued by PayNet as required under Section 35 of the FSA and Section 45 of the IFSA.

## **PART I INTRODUCTION**

### **1.0 Scope and Application**

- 1.1. These Participation Rules establishes a governance framework for Sistem Penjelasan Informasi Cek Kebangsaan secara Elektronik (eSPICK), the Real Time Electronic Transfer of Funds and Securities System (RENTAS), and the Fully Automated System for Issuing / Tendering (FAST). Through these three systems, PayNet provides Payments and Securities Services, encompassing:
  - 1.1.1. Clearing of cheques, banker's acceptances, bank drafts, money orders and other clearing instruments as well as storage and archival of all cleared instruments via eSPICK;
  - 1.1.2. Settlement for inter-bank fund transfers, clearing houses' transactions and securities trades and corporate actions via RENTAS; and
  - 1.1.3. Issuance of Debt Securities, tender of money market instruments and provision of a real-time repository of Debt Securities information via FAST.
- 1.2. These Participation Rules, where applicable shall be read in conjunction with:
  - 1.2.1. Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA);
  - 1.2.2. Development Financial Institution Act 2002 (DFIA);
  - 1.2.3. Operational Procedures for Securities Services;
  - 1.2.4. Operational Procedures for MYR Settlement in RENTAS;
  - 1.2.5. Operational Procedures for Foreign Currency Settlement in RENTAS;
  - 1.2.6. Operational Procedures for eSPICK;
  - 1.2.7. Operational Procedures for Cross-Border Securities Custody Services in RENTAS;
  - 1.2.8. Central Securities Depository and Paying Agency Rules (CSDPAR);
  - 1.2.9. Guidelines on Disputes Resolution between Participants of Payments and Securities Services issued by PayNet;
  - 1.2.10. Terms of reference for the e-Payment and Market Infrastructure Development Fund;
  - 1.2.11. Guidelines on Business Continuity Management for Participants of PayNet's Services
  - 1.2.12. Any other rules, procedures, guidelines, circular, standards, notices and directives issued by PayNet and/or BNM from time to time.

### **2.0 Effect of the Participation Rules**

- 2.1. These Participation Rules and the documents specified in Clause 1.2 constitute a valid, binding and enforceable contract between each and every Participant and PayNet.
- 2.2. Participants are required to comply with, fulfil and perform every obligation and duty imposed on them by or pursuant to these Participation Rules, the FSA, the IFSA, operational procedures, guidelines and circulars specified in Clause 1.2.

### **3.0 Governing Law and Regulatory Requirements**

- 3.1 These Participation Rules shall be governed by and construed in accordance with the laws of Malaysia.
- 3.2 Participants shall comply with all regulatory requirements imposed by BNM (or any other regulatory authorities) and any law with respect to the Payments and Securities Services, which a Participant has subscribed to.

## **PART II MEMBERSHIP**

### **4.0 Participation**

- 4.1. Prospective Participants (including existing Participants applying for participation in additional services) in the Payments and Securities Services provided by PayNet shall submit their application for participation (which is available in the respective Operational Procedures) in writing to PayNet. PayNet, in consultation with BNM, will determine the eligibility of applicants and will notify applicants in writing on the outcome of their application for membership.
- 4.2. PayNet may impose conditions on the membership of any Participant. The rights, privileges, liabilities and obligations of Participants shall be subjected to any such conditions imposed by PayNet.
- 4.3. PayNet may, at any time, add to, vary or withdraw any conditions on the membership of any Participant by giving thirty (30) calendar days' notice to the affected Participant.
- 4.4. PayNet shall inform all relevant Participants with regards to the on boarding of new Participants as soon as practically possible.

### **5.0 Fees and Charges**

- 5.1. PayNet shall impose fees and charges for services provided to Participants (including penalty charges). Generally, PayNet implements a cost plus pricing policy for its services except for services that are provided as part of infrastructure building for financial market development. Participants shall pay their membership fees and any other charges as specified by PayNet. Detailed fees and charges (including penalty charges) are stated in the respective Operational Procedures. In setting the fees and charges, PayNet takes into consideration the following:
  - 5.1.1 Direct and indirect costs associated with operating PayNet including each of the Payments and Securities Services such as but not limited to transaction processing, money settlement, infrastructure, administrative, and other types of associated costs.
  - 5.1.2 Fees and charges are applied fairly to all Participants of the Payments and Securities Services.
  - 5.1.3 Regular review of fees and charges imposed on each of the Payments and Securities Services.
- 5.2 PayNet shall issue billing advices and automatically debit the Participants' RENTAS account for any fees and charges (including penalty charges) due from the Participant on the day

specified in the relevant Operational Procedures (or in the case of any ad hoc charges with seven (7) calendar days' prior advice.

- 5.2.1 For the purpose stated above, the Participants hereby grant PayNet a right to debit fees and charges (including penalty charges) from their RENTAS account.
- 5.2.2 Participants shall ensure that they have sufficient funds in their RENTAS account to cover the fees and charges (including penalty charges).
- 5.2.3 PayNet reserves the right to charge interest on late payment of fees at the prevailing BNM's overnight policy rate (OPR) per annum for the number of days in default.
- 5.3 The Participant shall check their billing advices and inform PayNet of any discrepancy including erroneous billing within fourteen (14) calendar days from issuance of the billing advices.
- 5.4 The Participant shall not be entitled to any reduction in the fees or charges (including penalty charges) by reason of non-functioning of the Payments and Securities Services or any part thereof at any time.
- 5.5 PayNet may, from time to time, review the fees and charges for its services. PayNet shall provide at least seven (7) working days prior notice to Participants before any changes to fees and charges come into effect.
- 5.6 Participants whose membership has been discontinued under Clauses 7.0 to 8.0 shall settle all outstanding fees and charges to PayNet up to the date of termination.
- 5.7 Save and except as required by law, all payments to be made by the Participant to PayNet shall not be subject to any deduction whether for counter claim and/or set off against its customers or any other third party.

## **6.0 Suspension**

- 6.1 PayNet may (in consultation with BNM with regards to preserving the integrity, security, reliability, stability and/or reputation of the Payments and Securities Services) , suspend immediately or by giving notice, a Participant in the Payments and Securities Services either entirely or partially due to the following:
  - 6.1.1 an Insolvency Event occurs in respect to a Participant;
  - 6.1.2 a Participant is deemed insolvent under the laws of Malaysia or the laws of any applicable jurisdiction;
  - 6.1.3 the Participant is wound up, dissolved or ceases to exist;

- 6.1.4 an event has occurred that restricts, disrupts and/or adversely affects the Participant from fulfilling its obligations under these Participation Rules and/or Operational Procedures;
  - 6.1.5 the Participant fails to comply, or is incapable of complying, with the Participation Rules and/or Operational Procedures;
  - 6.1.6 the Participant fails to discharge its Settlement obligations or other obligations under the Participation Rules and/or Operational Procedures;
  - 6.1.7 the Participant no longer satisfies the applicable conditions for participation as set out in the Participation Rules or Operational Procedures;
  - 6.1.8 PayNet determines that suspension is necessary in order to preserve the integrity, security, reliability, stability and/or reputation of the Payments and Securities Services; or
  - 6.1.9 in accordance with a directive issued by PIDM and/or BNM.
- 6.2 With reference to Clause 6.1, where notice is provided prior to suspension PayNet shall:
- 6.2.1 notify the affected Participant of the intended suspension and give the affected Participant a reasonable time (thirty (30) calendar days or such other period as determined by PayNet at its sole discretion with regard to preserving the integrity, security, reliability, stability and/or reputation of the Payments and Securities Services), to address the event(s) and/or circumstance(s) that gave rise to the intended suspension;
  - 6.2.2 give due consideration to any reasons given by the Participant as to why they should not be suspended; and
  - 6.2.3 as soon as practicable after making its decision, notify the Participant of its decision.
- 6.3 **Effect of Suspension**
- 6.3.1 A Participant whose membership is suspended will be restricted from accessing some or all the Payments and Securities Services. Settlements up until suspension remain valid, final and irrevocable. All pending Settlements, such as queued outgoing transactions, forward dated transactions and unconfirmed securities transactions, at the point of suspension will be cancelled. All new transactions submitted by suspended Participant will be rejected by PayNet.
  - 6.3.2 PayNet will also cancel all pending clearing transactions processed by PayNet's retail payment systems which has been sent to RENTAS such as clearing positions in eSPICK, FPX, MyDebit, Interbank Giro (IBG), IBFT and ATM. Subsequently, a revised



clearing position which excludes the insolvent Participant's transactions or clearing items will be posted to RENTAS.

6.3.3 PayNet shall not be liable for any claim, loss, damage or expense of any kind arising directly or indirectly as a result of suspending a Participant's access to the Payments and Securities Services entirely or partially.

6.3.4 Suspension of membership shall not in any way prejudice the liabilities, duties and obligations of the Participants.

#### 6.4 Revocation of Suspension

6.4.1 A Participant's suspension shall be revoked when PayNet is satisfied that :

6.4.1.1 the Participant is solvent and capable of fulfilling its obligations under the Participation Rules and the respective Operational Procedures on an ongoing basis and has settled all outstanding obligations it incurred prior to or during the suspension;

6.4.1.2 the Participant has rectified any breach of the Participation Rules and the Operational Procedures associated with its suspension;

6.4.1.3 the Participant has addressed the event(s) and/or circumstance(s) that caused the suspension; and

6.4.1.4 the integrity, security, reliability, stability and reputation of the Payment and Securities Services is not adversely affected or at risk; and

6.4.1.5 the Participant and PayNet have mutually agreed on the date and time for revocation of suspension.

6.5 PayNet shall inform all relevant Participants regarding the suspension, or revocation of suspension, of a Participant as soon as practically possible.

6.6 In exercising its discretion under Clause 6, PayNet shall be guided by (a) the primary objective to preserve the overall integrity, security, reliability, stability and/or reputation of the Payments and Securities Services; and (b) the subordinate objective to minimise the impact on Participants that may be affected by suspension, by providing adequate notice prior to suspension (where possible) and adequate opportunity to rectify the circumstances that gave rise to an impending or actual suspension (where possible).

## **7.0 Termination**

### **7.1. By PayNet**

- 7.1.1 A Participant's membership in one or more of the Payments and Securities Services may be terminated immediately if the Participant is suspended pursuant to Clause 6.
- 7.1.2 PayNet will consult BNM prior to terminating any Participant and shall notify the affected Participant of the decision to terminate the Participant's membership.
- 7.1.3 PayNet shall not be liable for any claim, loss, damage or expense of any kind arising directly or indirectly as a result of terminating a Participant's access to Payment and Securities Services entirely or partially.
- 7.1.4 Termination of membership shall not in any way prejudice the liabilities, duties and obligations of the Participants.

### **7.2. By Participant**

- 7.2.1 Participants may voluntarily terminate their membership and access to the Payments and Securities Services entirely or partially by submitting a written request to PayNet at least sixty (60) calendar days before the termination.
  - 7.2.2 PayNet will respond to the request inform the Participant in writing within thirty (30) calendar days of receiving the request.
  - 7.2.3 PayNet may impose conditions and measures before agreeing to the voluntary termination to ensure an orderly exit of the Participant without impact to the Payments and Securities Services and other Participants.
  - 7.2.4 A Participant whose voluntary termination request has been accepted may continue to utilize PayNet's Payments and Securities Services until the effective date of the termination, subject to any conditions and measures imposed upon the Participant under Clause 7.2.3.
- 7.3 PayNet will inform all Participants regarding any Participant's voluntary termination in the Payments and Securities Services as soon as practically possible.
  - 7.4. The Participant is required to make alternate Settlement arrangements with their counterparties for all forward-dated transactions that would not be settled as at the Participant's membership termination date.
  - 7.5. The Participant is required to transfer out all balances in its Settlement Accounts, Statutory Reserve accounts, Foreign Currency Accounts and Securities Accounts, if applicable, at least one (1) day prior to effective date of the termination.

- 7.6. The Participant shall provide PayNet with the necessary debit authorisation from the Participant's agent bank and account details of the Participant's agent bank in RENTAS, so that PayNet may debit the Participant's agent bank for fees still owing to PayNet after the termination date.
- 7.7. Any termination of a Participant in the Payments and Securities Services shall not extinguish any outstanding right or liability arising under the Participation Rules or the Operational Procedures prior to the time such termination takes effect.

## 8.0 Insolvency Event of a Participant

- 8.1 Participants are required to immediately notify PayNet in writing upon becoming aware of an Insolvency Event.

8.1.1 An "**Insolvency Event**" means the occurrence of any of the following events in respect to a Participant:

- 8.1.1.1 An application is made to the court either voluntarily or involuntarily for an order, or an order is made, that the Participants be wound up;
- 8.1.1.2 An application is made to a court for an order appointing a liquidator or provisional liquidator in respect of a Participant, or one of them is appointed, whether or not under an order;
- 8.1.1.3 The Participants enters into, or resolves to enter into, any scheme of arrangement with all or any of its creditors;
- 8.1.1.4 The Participant is, states that it is or deemed under statutory law, unable to pay its debts;
- 8.1.1.5 The Participants under statutory law is deemed unable to pay its debt and should be wound up;
- 8.1.1.6 The Participant resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so;
- 8.1.1.7 The 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 Participant;
- 8.1.1.8 BNM or an authorised body that assumes management and/or control of that Participant; or

- 8.1.1.9 Anything analogous or having a substantially similar effect to any of the events specified above under the law of any applicable jurisdiction.
- 8.1.2 Movement of funds and securities relating to the insolvent Participants' accounts shall be dealt with by PayNet in accordance to the rights and obligation as accorded under the laws of Malaysia.
- 8.2 Participants of the Payments and Securities Services are required to perform the following actions in the event of an Insolvency Event:
- 8.2.1 Insolvency of Participants Operating SSDS Account
- 8.2.1.1 SSDS Participants shall immediately notify PayNet, Facility Agents (FA), Securities holders, and trustees immediately when an insolvency event affecting the SSDS Participant occurs. In the event of insolvency, any request to transfer securities held with the insolvent SSDS Participant shall be executed in accordance to the laws of Malaysia.
- 8.2.1.2 Settlement of Allotment
- (a) After an insolvent SSDS Participant's membership is terminated, PayNet shall cancel all queued or pending Allotment transactions for:
- (i) The insolvent SSDS Participant; and
- (ii) All subscribers represented by the insolvent SSDS Participant.
- (b) After cancelling the affected Allotments transactions, PayNet will, allot the Securities to the FA instead of to the insolvent SSDS Participant. Similarly, PayNet will allot Securities for all subscribers affected by their SSDS Participant's insolvency to the FA.
- (c) The FA shall initiate re-Allotment to transfer the Securities to the affected subscribers once the subscribers have appointed other SSDS Participants to replace the insolvent SSDS Participant.
- (d) All Allotment transactions that have been settled prior to the Participant's insolvency are final and irrevocable. Any transfer of Securities holdings from the Securities Accounts of the insolvent SSDS Participant would have to be executed in accordance to the applicable insolvency laws of Malaysia.
- 8.2.1.3 Coupon / Interest / Dividend / Profit Payment
- (a) After an insolvent SSDS Participant's membership is terminated, PayNet shall cancel all pending Coupon payment transactions for:

- (i) The insolvent SSDS Participant; and
  - (ii) All Securities holders who deposited their Securities with the insolvent SSDS Participant.
- (b) If Coupon proceeds is payable to an insolvent SSDS Participant, the FA shall pay the proceeds to the insolvent SSDS Participant in accordance to the applicable insolvency laws of Malaysia.
- (c) If Coupon proceeds is payable to Securities holders who deposited their Securities with the insolvent SSDS Participant, the FA shall pay the proceeds due to the Securities holders outside RENTAS.
- (d) All Coupon / Interest / Dividend / Profit payment transactions that have been settled prior to the Participant's insolvency are final and irrevocable. Any transfer of funds from the Settlement Accounts of the insolvent SSDS Participant would have to be executed in accordance to the applicable insolvency laws of Malaysia.
- (d) The FA shall provide written notification to inform PayNet once the Coupon payment to the insolvent SSDS Participant and Securities holders have been carried out.

#### 8.2.1.4 Redemption

- (a) After an insolvent SSDS Participant's membership is terminated, PayNet shall cancel all pending or queued redemption transactions for:
- (i) The insolvent SSDS Participant; and
  - (ii) All Securities holders who deposited their Securities with the insolvent SSDS Participant.
- (b) Prior to any upcoming Securities redemption date or maturity date, the insolvent SSDS Participant, or its liquidators, shall instruct PayNet to re-activate the insolvent SSDS Participants' Securities Account to allow the redeemed stock to be debited from the insolvent Participants' Securities Account in accordance to the applicable insolvency laws of Malaysia.
- (c) Any transfer of Securities holdings from the Securities Accounts of the insolvent SSDS Participant would have to be executed in accordance to the applicable insolvency laws of Malaysia.

- (d) If Redemption proceeds is payable to an insolvent SSDS Participant, the FA shall pay the proceeds to the insolvent SSDS Participant in accordance to the applicable insolvency laws of Malaysia.
- (e) If Redemption proceeds is payable to Securities holders who deposited their Securities with the insolvent SSDS Participant, the FA shall pay the proceeds due to the Securities holders outside RENTAS.

#### 8.2.2 Insolvency of Facility Agent

- 8.2.2.1 FAs have an obligation to notify PayNet, SSDS Participants, Securities holders, and trustees immediately when an insolvency event occurs.
- 8.2.2.2 Issuers shall appoint a new FA to replace the insolvent FA and communicate the new appointment to PayNet.
- 8.2.2.3 To the extent provided under the applicable insolvency laws of Malaysia, the insolvent FA shall assign all responsibilities to the newly appointed FA.
- 8.2.2.4 The new FA shall instruct PayNet in writing to update the Securities information in FAST to reflect the change of FA.

#### 8.2.3 Insolvency of eSPICK Participants

- 8.2.3.1 If a Collecting bank is insolvent, PayNet will disallow the Collecting bank from submitting cheques to eSPICK. All cheques submitted to eSPICK but not cleared by the time the insolvency came into effect, or by the time the insolvency is made known to PayNet, will be removed from clearing. PayNet will perform cheque clearing without cheques from the insolvent Collecting bank. PayNet will immediately inform all Paying banks regarding the insolvency so that the Paying bank could process those cheques as cheques not submitted for clearing.
- 8.2.3.2 If a Paying bank is insolvent, PayNet will immediately instruct all Collecting banks to remove the insolvent Paying bank's cheques from clearing. All cheques that have been submitted to eSPICK will be removed from clearing during the end-day batch processing. PayNet will immediately inform all Collecting banks regarding the insolvency so that the Collecting bank could treat those cheques as cheques not submitted for clearing.

## PART III DUTIES AND RESPONSIBILITIES

### 9.0 PayNet

- 9.1. PayNet shall endeavor to provide a safe, secure, reliable and efficient interbank payment system, securities settlement system and securities depository that contributes towards ensuring the integrity and stability of the Malaysian financial system.
- 9.2. PayNet shall comply with the Participation Rules, Operational Procedures, guidelines, circulars, standards, codes, notices and directives issued by BNM that are applicable to the Payments and Securities Services and take appropriate action to ensure compliance as required.
- 9.3. PayNet shall regard all Messages executed through its Payments and Securities Services as legal, valid and enforceable. Participants shall bear the sole responsibility in rescinding or rejecting any invalid or unauthorised Messages before they transmit the said Messages to PayNet's Systems.
- 9.4. PayNet shall not be responsible to reject, rectify or modify any Messages received from the Participants should a Participant discover any errors in their Messages after the Messages have been transmitted to PayNet.
- 9.5. PayNet shall be entitled to reject any Messages, files, batches or transaction entries submitted by the Participants if the foregoing did not follow the specification provided by PayNet.
- 9.6. Upon the instruction of a Participant, PayNet reserves the right to rectify any incorrect entry in a Participant's MYR and/or Foreign Currency Funds and Securities Settlement Account. Such amendments may be backdated to the time at which the correct entry should have been made. When such rectifications are made, PayNet shall inform the affected Participants accordingly.
- 9.7. PayNet shall be entitled to execute or act upon Messages or other instructions given or purportedly given by Participants. Such executions or actions shall be considered as a discharge of PayNet's duties as the operator of the Payments and Securities Services.
- 9.8. In the event of abnormal situations beyond PayNet's control, including, but not limited to Force Majeure, sudden increases in the volume of Messages, infrastructure or systems failure, failure of any Participant to Settle its obligations, or other emergencies, PayNet reserves the right to adjust the Business hours and / or to defer or suspend the Payments and Securities Services entirely or partially or take any other action deemed by PayNet (at its sole judgment) to preserve the stability and integrity of the Payments and Securities Services.

- 9.9. PayNet has the right to determine the operating days and hours (including public holidays) of the Payments and Securities Services. PayNet shall inform the Participants of any change to the operating day and hours of the Payments and Securities Services accordingly. PayNet.
- 9.10. PayNet shall ensure the Host System's time is synchronized with SIRIM's Malaysian Standard Time.
- 9.11. PayNet and BNM shall be indemnified for any liability, claim, loss, damage or expense of any kind or nature arising directly or indirectly, as a result of the actions or omissions of any Participants and / or any failure of the Participants to comply with these Rules, the Operational Procedures or any other rules, guidelines, circulars, standards, notices, directives or regulations issued by PayNet or BNM
- 9.12. PayNet shall facilitate Clearing and Settlement for the Participants as required under the respective Operational Procedures.
- 9.13. PayNet has the right to require Participants to make modifications to any function, or to introduce additional functions, in the Participant's Terminals as it deems necessary for the orderly functioning and/or secure operations of the Payments and Securities Services.
- 9.14. PayNet may release information relating to its Participants in accordance with the relevant sections of the FSA, IFSA, DFIA or other applicable laws.
- 9.15. PayNet shall ensure that personnel assigned to operate its Participant's Terminals are competent and well versed with all aspects of the operations of PayNet's systems and services.
- 9.16. PayNet shall endeavor to provide adequate disaster recovery measures to deliver the Payments and Securities Services. PayNet shall determine the scope and operations of the disaster recovery measures. PayNet shall inform the Participants in advance regarding the disaster recovery measures.



## 10.0 Participants

- 10.1. Participants shall comply with the Participation Rules, Operational Procedures, guidelines, circulars, standards, codes, notices and directives issued by BNM and/or PayNet that are applicable to the Payment and Securities Services and take appropriate action to ensure compliance as required.
- 10.2. Participants shall operate and maintain their MYR Settlement Accounts, Foreign Currency Settlement Accounts and / or Securities Accounts in accordance with these Participation Rules and comply with the Operational Procedures and any other regulations, which may be issued by PayNet from time to time.
- 10.3. Participants shall maintain sufficient balances in their MYR Settlement Accounts, Foreign Currency Settlement Accounts and/or Securities Accounts to meet their Payment and Settlement obligations in a timely manner.
- 10.4. Participants, at their own expense shall install, maintain and operate any Participant Terminals required to participate in the Payments and Securities Services.
- 10.5. Participants shall notify PayNet in writing of any change in the location of their live processing site or back-up site. Participants are also required to update any address or contact information changes in RENTAS iLINK.
- 10.6. Participants shall ensure that personnel assigned to operate their Participant Terminals are competent and well-versed with all aspects of the operations of those systems.
- 10.7. RBG Participants to obtain written approval from PayNet before any modification, changes or addition is made to their terminals.
- 10.8. SWIFT Access Participants to notify PayNet before any modification, changes or addition is made to their terminals
- 10.9. Participants shall ensure that all administrative messages generated by the respective Host Systems are attended to promptly.
- 10.10. Participants shall continually ensure that the Participant Terminals have adequate capacity to process their Messages.
- 10.11. Participants shall endeavor to operate their Participant Terminals without disruption during the Business hours of the Payments and Securities Services.
- 10.12. Participants shall participate in testing of the Payments and Securities Services, including PayNet's systems and/or Participant Terminals, as and when requested by PayNet by giving prior notification to the Participants.

- 10.13. Participants shall through stringent internal controls, protect and safeguard their Participant Terminals, security tokens and communication lines from any unauthorised access and/or use.
- 10.14. Participants shall transmit their Messages as early as possible and manage their outbound transaction queues effectively and efficiently to facilitate prompt clearing and Settlement.
- 10.15. Participants shall synchronize their Participant Terminals' time with SIRIM's Malaysian Standard Time (MST) to ensure consistency between the Participant Terminals and RENTAS Host time. This time synchronization can be done using Network Time Protocol (NTP) service. Participants are required to perform time check and synchronization on the last Business day of each quarter to ensure that Participant Terminals' system time is in sync with MST. In the event that there is a timing inconsistency between the two systems, the RENTAS Host time shall prevail.
- 10.16. Participants shall notify PayNet as soon as they become aware of any development that may affect the Participant's ability to fulfill its obligations as required in these Participation Rules and/or the relevant Operational Procedures.
- 10.17. Participants shall notify PayNet promptly of any of their own breaches or non-compliance to the Participation Rules, Operational Procedures, guidelines, circulars, standards, notices, codes and directives issued by PayNet and/or BNM that are applicable to the Payments and Securities Services.
- 10.18. Participants shall assume full responsibility for all liabilities, claims, losses and expenses incurred as a result of their failure to comply with these Participation Rules and the respective Operational Procedures.
- 10.19. Participants shall provide information pertaining to the subscribed Payments and Securities Services as may be required by PayNet from time to time.
- 10.20. Participants' Internal Audit and/or Compliance unit shall undertake comprehensive and continuous independent reviews of the Participant's compliance to the Participation Rules, Operational Procedures, and other guidelines, circulars, standards, codes, notices and directives issued by BNM and/or PayNet that are applicable to the Payments and Securities Services
- 10.21. Participant's internal audit and/or compliance unit shall comply with PayNet's ***Guidelines on Assessment of Compliance to Rules, Procedures and Manuals for Payments and Securities Services***.
- 10.22. Participants shall promptly submit incident reports to PayNet when the Participants have service disruptions, breaches of service levels, service delays, and other issues that impair or degrade the provision of the Payments and Securities Services, when requested by PayNet.

## **PART IV Warranties and Liabilities**

### **11.0 Warranties by Participant**

- 11.1 At all times each Participant represents and warrants to each other Participant and PayNet that it has the power to fulfil its obligations under these Participation Rules and Operational Procedures.
- 11.2 A Participant performs its obligations under these Participation Rules and Operational Procedures in good faith.
- 11.3 Except as contained in these Participation Rules and Operational Procedures, the Participant has not relied on any representation made by any other Participant or PayNet to induce it to become a Participant or otherwise act in accordance with these Participation Rules and/or the Operational Procedures.

### **12.0 Exclusion of Liability**

- 12.1 To the extent permitted by law, PayNet shall not be liable for any loss to any persons or damage to persons or property, where such loss or damage is indirect or consequential (including economic loss, loss of profits, loss of data, loss of potential savings or loss of business opportunity), howsoever arising out of PayNet's obligations or performance under these Participation Rules, the Operational Procedures or any other rules, procedures, guidelines, circulars, standards, codes, notices, directives or regulations issued by PayNet and/or BNM.
- 12.2 To the extent permitted by law, PayNet shall not be liable for any loss to any persons or damage to persons or property, where such loss or damage is direct, howsoever arising out of PayNet's obligations or performance under these Participation Rules, the Operational Procedures or any other rules, procedures, guidelines, circulars, standards, codes, notices, directives or regulations issued by PayNet and/or BNM, except where such loss or damage is due to the wilful default or gross negligence of PayNet.

### **13.0 Limitation of Liability**

- 13.1 Subject to Clause 12.2, if any liability is incurred by PayNet in relation to these Participation Rules or Operational Procedures or any other rules, procedures, guidelines, circulars, standards, codes, notices, directives or regulations issued by PayNet and/or BNM that are applicable to the Payments and Securities Services, to the extent permitted by Law, the aggregate amount of that liability in respect of all claims made by any Participants in respect of, or arising out of, any one event will not exceed the highest aggregate amount of fees and charges (excluding penalty charges and admission fees) paid to PayNet by any one Participant, in respect to the Large Value Payments and Securities Services which gave rise to the liability, during the twelve (12) months preceding the month in which the liability is incurred.

13.2 For the purposes of Clause 13.1.

13.2.1 All inter-related events which give rise to a liability upon PayNet shall be treated as one event.

13.2.2 In the event of any two (2) or more Participants suffering losses which gives rise to a liability that exceeds the total aggregate limit specified in Clause 13.1, the liability of PayNet to each of those Participants shall be proportionally applied against the total aggregate limit specified in Clause 13.1, where the proportion shall be calculated as the total loss suffered by each of those Participants respectively to the total loss suffered in aggregate.

13.3 Any claims made by a Participant against PayNet in relation to these Participation Rules and/or Operational Procedures shall be made within twelve (12) months of the occurrence of the event which it is alleged gives rise to the claims against PayNet.

## PART V RISK MANAGEMENT - BUSINESS CONTINUITY MANAGEMENT

### 14.0 General Requirements

- 14.1. Participants shall adopt sound and effective Business Continuity Management to ensure their resilience and preparedness for any unplanned business disruptions.
- 14.2. Participants shall ensure Business Continuity of RENTAS, FAST AND eSPICK in accordance with the requirements set out in the ***Guidelines on Business Continuity Management for Participants of PayNet's Services.***
- 14.3. Participants shall, at their own expenses, assess, formulate, develop and test their own Business Continuity Plan ("BCP") and Disaster Recovery Plan ("DRP"), install and maintain their emergency back-up Participants Terminals, establish Alternate sites, and ensure the effectiveness of their business resumption and recovery measures.
- 14.4. Participants who outsource their operations to third party Service Providers shall ensure that their Service Providers comply with all applicable requirements in these Participation Rules, the Operational Procedures for RENTAS, eSPICK and FAST and the ***Guidelines on Business Continuity Management for Participants of PayNet's Services.***

## 15.0 Business Continuity Management (BCM)

### 15.1. Maximum Tolerable Downtime and Recovery Time Objective

15.1.1. The minimum requirement for RENTAS, eSPICK and FAST's Maximum Tolerable Downtime (MTD) and Recovery Time Objective is provided in the ***Guidelines on Business Continuity Management for Participants of PayNet's Services***. The MTD and RTO are applicable to both PayNet and all Participants.

15.1.2. Participants shall incorporate the MTD and RTO requirements in contractual arrangements with their key Service Providers, suppliers and counterparties, where applicable.

### 15.2. Critical Business Information Records

15.2.1. Participants shall ensure that up-to-date back-up copies of critical business information, data, software and related hard copy documentation are available at their Alternate sites for the recovery of their RENTAS, eSPICK and FAST operations.

15.2.2. In addition, all critical business information, data, software and related hard copy documentation in relation to RENTAS, eSPICK and FAST shall be managed in accordance with the ***Guidelines on Business Continuity Management for Participants of PayNet's Services***.

### 15.3. DRP and BCP Exercises

15.3.1. PayNet and Participants shall regularly test their BCP and DRP for RENTAS, eSPICK and FAST to ensure the feasibility and effectiveness of the recovery strategies and procedures, staff preparedness, back-up system readiness and availability of recovery resources.

15.3.2. PayNet and Participants shall test all plans with pre-determined goals, scenario and criteria, using realistic simulations and transaction volumes.

15.3.3. In addition, all BCP and DRP exercises in relation to RENTAS, eSPICK and FAST shall be in accordance with the ***Guidelines on Business Continuity Management for Participants of PayNet's Services***.

### 15.4. Communication Process

15.4.1. In the event of disruptions to the Payments and Securities Services or delays in Settlement, PayNet shall inform all affected Participants and provide updates on the resolution progress.

15.4.2. PayNet may activate its Alternate site or recovery site in the event the Primary Site becomes inoperable. Any such activation will be communicated to Participants on a timely basis.

15.4.3. Participants are required to inform PayNet immediately regarding any circumstances that impair their ability to operate on a business-as-usual basis.

15.4.4. In addition, all communication in relation to Business Continuity Management for RENTAS, eSPICK and FAST shall be in accordance with the ***Guidelines on Business Continuity Management for Participants of PayNet's Services.***

## **16.0 Submission of Documents to PayNet**

16.1. Participants are required to submit the BCP and DRP Exercise Report (using the template specified in **Appendix II** of the ***Guidelines for Business Continuity Management for Participants of PayNet's Services***) and other relevant information in accordance with the ***Guidelines on Business Continuity Management for Participants of PayNet's Services.***

## **PART VI DISPUTE MANAGEMENT**

### **17.0 Dispute between PayNet and Participants**

- 17.1. PayNet and Participants shall, in good faith, attempt to settle all disputes or conflicts arising in connection with the Participants' use of the Payments and Securities Services amicably and by mutual agreement.
- 17.2. Failing amicable resolution of a dispute between PayNet and Participants, such dispute may be referred for arbitration at the Kuala Lumpur Regional Centre for Arbitration or to the courts, in accordance to the laws in Malaysia.
- 17.3. The arbitration award, which may include an award for specific performance, injunctive relief or other equitable relief, shall be final and binding on the parties and judgment upon the award entered in arbitration may be entered in any court of competent jurisdiction.

### **18.0 Dispute between Participants**

- 18.1. The Participants shall, in good faith, attempt to settle all disputes or conflicts in connection with the Participants' use of the Payments and Securities Services amicably and by mutual agreement.
- 18.2. Disputes between Participants in respect to the Participation Rules and Operational Procedures, which cannot be resolved amicably, shall be managed in accordance with the ***Guidelines on Dispute Resolution between Participants of PayNet's Services***.



## **PART VII FRAUD AND SECURITY**

### **19.0 Fraud and Security**

- 19.1 Participants shall implement all prudent safeguards and controls necessary to prevent, detect and mitigate fraud, as well as to protect their customers, services, transactions, other Participants, other Participants' customers and the Payments and Securities Services from fraud.
- 19.2 Participants shall ensure that any fraud and security incidents are reported to PayNet immediately upon discovery. This is to facilitate early response and mitigation of such risks to the Payments and Securities Services.
- 19.3 In the interest of safeguarding the integrity of the Payments and Securities Services Participants grant PayNet the absolute authority to direct Participants to take any measure that PayNet deems necessary to detect, mitigate, resolve and prevent fraudulent acts, actual and suspected. Participants receiving such a directive shall promptly comply with the directive.

## **PART VIII ADMINISTRATIVE MATTERS**

### **20.0 Enforcement of these Participation Rules and Operational Procedures**

- 20.1. PayNet has the right to enforce these Participation Rules and the Operational Procedures including imposition of penalty charges on Participants for non-compliance. PayNet has the right to determine the actual quantum of the penalty charges depending on the severity of the non-compliance.
- 20.2. The list of non-compliance offenses and the corresponding penalties are provided in the relevant Operational Procedures
- 20.3. All penalty charges collected shall be placed in the **e-Payment & Market Infrastructure Development Fund** managed by PayNet.
- 20.4. PayNet shall be subject to the same penalty charges imposed on Participants if such non-compliance is contributed by PayNet.
- 20.5. Participants grant PayNet the right to access all information necessary to assess, verify and monitor the Participants' compliance to the Participation Rules and Operational Procedures. Participants shall, within a timeframe specified by PayNet, furnish all information, documents and data requested by PayNet for the purposes of assessing Participants' compliance
- 20.6. Participants, where applicable shall ensure that consent is obtained from information owners in accordance with all applicable laws prior to information disclosure under Clause 20.5. Where possible, such consent should be obtained upfront prior to the information owners' use of the Payments and Securities Services. Participants shall ensure that their statutory obligation to obtain consent is pro-actively addressed and does not hinder the Participants' ability to comply with Clause 20.5

### **21.0 Issuance of Notices, Guidelines, Circulars or Instructions**

- 21.1. PayNet may, from time to time, issue guidelines, instructions, circulars, standards, codes, notices and directives to all Participants, or any group of Participants, in relation to the Payments and Securities Services.
- 21.2. The Participants shall comply with these guidelines, instructions, circulars, standards, notices, codes and directives issued by PayNet and/or BNM, which shall be read as part of these Participation Rules and Operational Procedures, where applicable.

### **22.0 Amendment of Participation Rules and Operational Procedures**

- 22.1. PayNet may vary the Participation Rules and/or Operational Procedures as and when required by PayNet or as directed by BNM. In the event such variation refers to a matter which results in significant impact (as determined by PayNet), such variation would require:

- 22.1.1 Consultation with the relevant Large Value Payments and Securities Services' Working Group, Rules Working Committee and/or, if necessary, BNM; and
  - 22.1.2 Endorsement or approval, whichever is applicable, by PayNet's Board Rules Committee or the Board of Directors, except where authority has been delegated to PayNet.
- 22.2. Subject to Clause 22.1, PayNet shall give Participants at least seven (7) working days' notice before any amendments to the Participation Rules and / or Operational Procedures comes into effect.

### **23.0 Prevailing Provision**

- 23.0. The Operational Procedures provide additional specific rules and/or requirements in addition to the provisions under the Participation Rules. In the event of conflicts or inconsistencies between the Participation Rules and Operational Procedures, the provisions prescribed under the Participation Rules shall prevail.

### **24.0 Issuance of Emergency Directive by PayNet**

- 24.1 Notwithstanding Clause 22, in the event of any urgent issue that threatens the integrity, security, reliability, stability and/or reputation of the Payments and Securities Services, PayNet shall have the absolute authority to issue emergency directives to Participants for immediate action.

## **PART IX GENERAL**

### **25.0 Confidentiality**

- 25.1 Participants shall, at all times, keep confidential all information obtained in the course of their participation in RENTAS, eSPICK and FAST.
- 25.2 Participants shall abide by the secrecy provisions of the FSA, IFSA and DFIA
- 25.3 Participants shall ensure that their employees or representatives comply with the confidentiality requirements at all times.
- 25.4 Participants' obligations as to confidentiality shall survive the expiration or termination of their membership.

### **26.0 Personal Data Protection**

- 26.1 Notwithstanding Clause 25, Participants further agree as follows:
- 26.1.1 Participants consent to the provision and use of information supplied to PayNet for the relevant Payments and Securities Services and in connection with the operation of any systems being used and/or processed by PayNet and/or PayNet's service providers solely for the purposes of the relevant Payments and Securities Services and otherwise in connection with the provision of services, the operation and management of related systems. The Participant further agrees to notify PayNet in writing of any update to any such information as soon as it is aware that the information so supplied has become out-dated or any other rights that may be exercised by customers or data subjects of the Participants under the Personal Data Protection Act 2010.
- 26.1.2 Personal information of an individual held by PayNet relating to the relevant Payments and Securities Services shall be processed and/or used in accordance with Personal Data Protection Act 2010. The Participant hereby warrants that consent from the data subjects has been obtained by the Participants for all personal data transferred to PayNet for the purpose of providing the services to the Participants.

### **27.0 Severability and Limitation of Action**

- 27.1 If any provision of the Participation Rules is held to be invalid, unlawful or unenforceable to any extent by any law, order or regulation, such invalidity shall not affect the enforceability of any other provision of the Participation Rules to the fullest extent permitted by law.
- 27.2 The Participants hereby undertake that any legal action taken against PayNet relating to one of the Payments and Securities Services shall not preclude PayNet from carrying out operations for the other Payments and Securities Services.

## **28.0 Assignment, Transfer and Subcontracting**

28.1 The rights and obligations of each Participant under the Participation Rules and the Operational Procedures are incapable of being assigned, changed or transferred unless specifically authorised in writing by PayNet or pursuant to a court order issued by the courts in Malaysia.

28.2 A Participant may engage a Service Provider to perform some of its rights and obligations under the Participation Rules and Operational Procedures but the Participant remains responsible for complying with the Participation Rules and Operational Procedures. The Participant is liable for the acts or omissions of the Service Provider and shall:

28.2.1 ensure that the Service Provider complies with the Participation Rules and Operational Procedures; and

28.2.2 take action against the Service Provider to procure compliance with the Participation Rules and Operational Procedures, if requested to do so by PayNet.

## **29.0 Successors Bound**

29.1 The Participation Rules and Operational Procedures shall be binding on the successors-in-title of PayNet and the successors-in-title of the Participant including the rights and liabilities which shall continue to be valid and binding for all intent and purposes whatsoever notwithstanding any change by amalgamation, reconstruction, expulsion or otherwise which may be made in the constitution of PayNet and/or the Participant.

## **30.0 Document Retention Period**

30.1 Participants and PayNet are required to retain documents, records and other information related to Payments and Securities Services as required under the Law.

## **31.0 Notices**

31.1 A notice, consent or other communication under the Participation Rules and/or Operational Procedures is only effective if it is:

31.1.1 in writing and signed by or on behalf of the person giving it;

31.1.2 addressed to the person to whom it is given; and

31.1.3 either:

31.1.3.1 sent by pre-paid mail or delivered to that person's address;

31.1.3.2 sent by fax to that person's fax number; or

31.1.3.3 sent by electronic mail to that person's electronic mail address.

31.2 A notice, consent or other communication under the Participation Rules and/or Operational Procedures is, in the absence of earlier receipt, regarded as given and received:

31.2.1 if it is delivered, on delivery at the address of the relevant person;

31.2.2 if it is sent by fax or electronic mail, at the time and on the day it was successfully sent;

31.2.3 if it is sent by mail, on the third (3<sup>rd</sup>) Business Day after the day of posting, or if to or from a place outside Malaysia, on the seventh (7<sup>th</sup>) Business Day after the day of posting; or

31.3 A notice, consent or other communication under the Participation Rules and/or Operational Procedures that is regarded as given and received under Clause 31.2 on a day that is not a Business Day or after 5.00 pm (local time in the place of receipt) on a Business Day, shall be regarded as being given and received at 9.00 am on the next Business Day.

## **32.0 Intellectual Property**

32.1 Each Participant acknowledges that the right, title and interest in and to all Intellectual Property Rights in the Participation Rules and Operational Procedures is and remains the property of PayNet, unless otherwise expressly stated.

32.2 From time to time, PayNet may make materials, including but not limited to software, available to Participants for use in connection with the Payments and Securities Services ("Licensed Materials"). In such instances, PayNet shall attribute ownership or copyright in the Licensed Materials on the face of the Licensed Materials or through notification by PayNet to the Participant.

32.3 Except as expressly set out in the Participation Rules or Operational Procedures, no right, title or interest in the Intellectual Property Rights of the Licensed Materials is created or vests in any Participant and nothing in these Participation Rules and Operational Procedures operates to assign or transfer any title in, or ownership of, any Intellectual Property Rights of the Licensed Materials to any person.

32.4 Each Participant agrees to immediately cease using and return to PayNet the Licensed Materials if the Participant ceases to be a Participant or on request from PayNet.

32.5 Participant shall not:

32.5.1 create or assert any lien, charge, mortgage, encumbrance or other right against the Licensed Materials; or

32.5.2 transfer, licence, assign or otherwise deal in the Licensed Material.

32.6 In the event there is any claim by a third party that PayNet or a Participant has breached the intellectual property rights of that third party in respect of licensed materials provided under the Payments and Securities Services. In such event, PayNet, at its sole discretion shall use its reasonable endeavours to:

32.6.1 procure for PayNet and/or each Participant (as the case may be), the right to continue using such licensed materials;

32.6.2 replace or modify the infringing item(s) to make their use non-infringing, providing that any such replacement or modification shall be at least functionally equivalent and that such replacement or modification shall be carried out as soon as reasonably practical so as to avoid or reduce so far as possible any interruption to the Payments and Securities Services; or

32.6.3 change and/or remove functionality from the affected Payments and Securities Services, or suspend or terminate the affected Payments and Securities Services

### **33.0 Non-Waiver**

33.1 No failure or delay on the part of any party hereto in exercising any power or right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any other right or power preclude any other or further exercise thereof or the exercise of any other rights or power herein.

### **34.0 Time**

34.1 Time whenever mentioned herein shall be of the essence of the Participation Rules and/or Operational Procedures, both as regards to the dates and periods specifically mentioned including any other dates and period specified by PayNet and/or BNM, as the case may be.

### **35.0 Tax**

35.1 Unless otherwise expressly stated, any consideration or amount payable under the Participation Rules and/or Operational Procedures, including any non-monetary consideration is exclusive of any applicable tax under any prevailing rate.

35.2 Each party is responsible for complying with and paying all taxes and duties assessed by government and equivalent authorities with jurisdiction over its activities, if applicable, the other party agrees that each party may include an additional amount to ensure any applicable taxes are borne by the appropriate party as specified under the law.

## Glossary of Terms

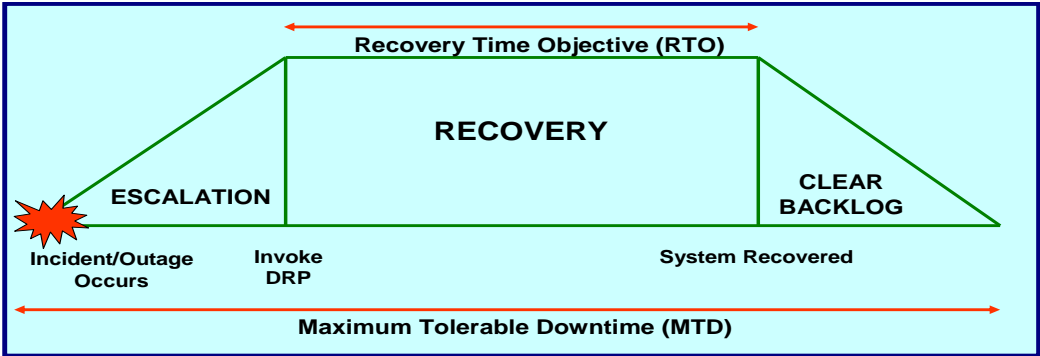
1. “Alternate site” means a site held in readiness to ensure Business Continuity. Participants may have more than one alternate site. In some cases, an alternate site may involve facilities that are used for normal day-to-day operations but which are able to accommodate additional business functions when a primary location becomes inoperable;
2. “BNM” means Bank Negara Malaysia established under the Central Bank of Malaysia Act 2009;
3. “Business Continuity” means the continued delivery of services and continued operational viability in response to a disruptive event;
4. “Business Continuity Management (BCM)” means a holistic management process that identifies risks, threats and vulnerabilities that could impact an organisation’s business operations and which ensures organisational resilience and Business Continuity;
5. “Business Continuity Plan (BCP)” refers to a comprehensive documented action plan that outlines the procedures, processes and systems necessary to resume or restore the business operations of a Participant in the event of a disruption;
6. “Business day”, unless otherwise specified in these Participation Rules, means any calendar day from Monday to Friday, except a public holiday in the federal territory of Kuala Lumpur;
7. “Business hours” means the duration of time, from the opening time to the closing time, when PayNet provides Payments and Securities Services, which may differ for each of the Payments and Securities Services;
8. “Cheque” means a written order from one party (the drawer) to another (the drawee, normally a bank) requiring the drawee to pay a specific sum on demand to the drawer or a third party specified by the drawer;
9. “Cheque clearing” means the process where a cheque is presented to and accepted by the drawee bank, the institution on which it is drawn;
10. “Clearing” means the process of exchanging and reconciling payment items that result in the establishment of final positions for Settlement;
11. “Clearing house” means the organisation that collects, sorts, classifies and distributes information on cheque clearing among its Participants;
12. “Clearing houses’ transactions” refers to cheque clearing positions and retail clearing positions such as Financial Process Exchange (FPX) clearing positions, Electronic Debit (MyDebit) clearing positions, Interbank GIRO (IBG) clearing positions, ATM clearing positions



- and other retail instruments introduced by PayNet or other clearing houses from time to time;
13. "Clearing items" refer to cheques, cashiers orders, demand draft, dividend warrant, interest warrant, pension warrant, vouchers, money and postal orders, unpaid clearing debit slips and batch tickets that comply with the eSPICK MICR Code Line requirements;
  14. "Collecting bank" means the banking institutions under the BAFIA and the IBA and prescribed institutions under the DFIA, who present cheque for payment under eSPICK;
  15. "Coupon" means the interest rate payable on securities issued, which may be on fixed or floating basis;
  16. "Critical Business Information Record" means information that is critical for the Participant's business operations that must be preserved and available for retrieval if needed;
  17. "Debt Securities" means short and long term Bonds, Sukuk and other Debt Financial Instruments;
  18. "DFI" means Development Financial Institutions that are governed under the Development Financial Institutions Act 2002;
  19. "DFIA" means the Development Financial Institutions Act 2002;
  20. "Disaster Recovery Plan (DRP)" means a comprehensive documented plan that details the procedures, processes and systems necessary to recover IT infrastructure and systems in response to a disruptive event;
  21. "Drawee" refers to the bank on whom a cheque is drawn i.e. the bank holding the account of the individual or company that wrote the cheque. The drawee is usually the Paying bank;
  22. "Drawer" refers to the party who issues a cheque;
  23. "eSPICK" means the "Sistem Penjelasan Informasi Cek Kebangsaan secara Elektronik", which is a system that provides clearing of cheques and other clearing instruments through cheque truncation and / or conversion;
  24. "e-Payment and Market Infrastructure Development Fund" means a fund consisting of penalty charges collected from Participants and PayNet, which was established and is managed by PayNet, and is dispersed for initiatives that are beneficial to Participants;
  25. "e-Payment Incentive Fund Framework" or ePIF is a framework established by BNM to drive improvements in the e-payment infrastructure and services;

26. "Facility Agent", or FA refers to licensed investment banks, commercial banks and Islamic banks and such other institutions as may be approved by the Regulatory Authorities to co-ordinate the issuance of securities through FAST. There can be multiple co-arrangers under a facility. For consistency, each facility in FAST can only be maintained by one (1) Facility Agent;
27. "FAST" means Fully Automated System for Issuing / Tendering. It is a centralised system for the origination of debt securities;
28. "Force Majeure" means any event beyond the reasonable control of the victim party. Without limitation, the following events shall be deemed to constitute Force Majeure: withdrawal of any license, permit or authorisation; government restrictions; embargoes; acts of war; terrorist attacks; civil disturbances; epidemics; natural disasters; strikes or labour disputes;
29. "Foreign Currency Settlement Account" means a cash account maintained by the Participant with OSIs for the purposes of foreign currency Settlement;
30. "FSA" means the Financial Services Act 2013;
31. "Host System" means the Central Host Computer System that provides the Payments and Securities Services which is located at production site and / or back-up site including any other back-up systems / sites;
32. "IFSA" means the Islamic Financial Services Act 2013;
33. "IFTS" in relation to RENTAS means Inter-bank Funds Transfer System. The IFTS effects and records the transfer of funds between RENTAS Participants;
34. "Licensed Financial Institutions" means commercial banks and investment banks licensed under section 212 (3) of the Financial Services Act 2013 (FSA) and Islamic banking licensed under Section 223 (3) of the Islamic Financial Services Act 2013 (IFSA);
35. "Liquidator" refers to the Director General of Insolvency, Deputy Director General of Insolvency, Senior Assistant Director of Insolvency, Assistant Director of Insolvency, Insolvency Officer and any other officer appointed under the Bankruptcy Act 1967 [Act 360]; acting as the liquidator of a corporation;
36. "Maximum Tolerable Downtime (MTD)" means the timeframe during which a recovery must become effective before an outage compromises the ability of a Participant to achieve its business objectives;
37. "Messages" means any payment advice, Settlement advices, instructions, notifications, data, transactions, and/or images that been transmitted through PayNet's systems;

- 38. "Participant" means any financial institution or entity who has applied and has been accepted by PayNet to participate in the Payments and Securities Services and subject to and in consideration of such acceptance the Participant shall observe and comply with the Participation Rules;
- 39. "Participant Terminals" refers to all software and hardware installed at the Participants' premises, or that of its outsourcing service provider, which is linked to the Host Systems for purpose of accessing Payments and Securities Services. For RENTAS, the Participant Terminals would encompass the hardware and software for the Participants' access channels to the Host System (namely RENTAS Bank Gateway, SWIFT Access and/or RENTAS iLINK);
- 40. "Paying bank" means the financial institutions licensed under the FSA or the IFSA, on whom the cheque is drawn;
- 41. "Payments and Securities Services" means the cheque clearing, payment, Settlement, securities issuance, depository, paying agency and corporate actions processing services offered by PayNet to Participants through the RENTAS, eSPICK and FAST systems;
- 42. "PayNet" means Payments Network Malaysia Sdn Bhd, a company incorporated under the Companies Act 1965;
- 43. "PayNet's Systems" refer to all systems and technology employed by PayNet for the purpose of facilitating the Payments and Securities Services;
- 44. "Queue" means an arrangement where Settlement transactions are held by the RENTAS System until sufficient balances are available in the paying Participant's account to fund the Settlement;
- 45. "Recovery site" means a recovery (back-up) site for IT infrastructure , systems and business processes to be recovered and operationally ready to support business functions after an outage;
- 46. "Recovery Time Objective (RTO)" refers to the timeframe required for IT infrastructure, systems and business processes to be recovered and operationally ready to support business functions after an outage; (See illustration below)



47. "Regulatory Authorities" refers to institutions such as BNM and the Securities Commission which are legally empowered to undertake regulatory oversight of some or all aspects of the Malaysian financial markets;
48. "RENTAS" refers to the Real-time Electronic Transfer of Funds and Securities System, is a multi-currency real time gross settlement system for inter-bank funds transfer, a securities settlement system and a scripless securities depository for all unlisted debt instruments;
49. "RENTAS Bank Gateway" or RBG refers to RENTAS' proprietary Participant access channel with Straight-through processing (STP) capabilities, that act as a Participant Terminal;
50. "RENTAS Host" means the RENTAS Central Host Computer System located at BNM, including any back-up systems;
51. "Securities" means debenture, stocks or bonds issues which represent the indebtedness of the issuer for the borrowed monies;
52. "Securities Account" means the scripless Securities Account held with BNM and maintained in the RENTAS system;
53. "Service Provider" means a person or company engaged by a Participant to provide services in connection with the Payments and Securities Services;
54. "Settlement" or "Settle" refers to the process of adjusting financial positions of Participants to reflect the amounts due to and from them as a result of the exchange of clearing items, payment transactions and securities transactions. It refers to the final and irrevocable discharge of an obligation of one Participant in favour of another Participant, in central bank money for MYR transactions, or in commercial bank money for foreign currency transactions;
55. "SIRIM Malaysia Standard Time" means the official Malaysian standard time provided by SIRIM Berhad, a wholly owned company of the Malaysian Government;
56. "SSDS" means Scripless Securities Depository System;
57. "Suspended" membership will result in the following:
  - a. The Participant can only receive incoming IFTS transactions. Outgoing IFTS transactions will be rejected;
  - b. All SSDS transactions and transfers initiated by or due to the member will also be rejected;
  - c. Incoming funds will not be used to clear Participants' queues;
  - d. Outgoing IFTS queued transactions and SSDS transactions pending due to insufficient securities will be cancelled at RENTAS Cut-off; and
  - e. Future-dated IFTS and SSDS transactions will be retained. Should the Participant's membership remains "suspended" when the future-dated transaction is due for

settlement, any incoming IFTS will be accepted for settlement, while any outgoing IFTS or SSDS transactions will be rejected;

58. "SWIFT" refers to Society for Worldwide Interbank Financial Telecommunication;
59. "SWIFT Access" refers to SWIFT Alliance Access (SAA) or other SWIFT-certified systems as approved by BNM that act as a Participant Terminal.