

APPROVED by  
Resolution No 03-164 of the  
Board of the Bank of Lithuania  
of 29 October 2015  
(As amended by Resolution  
No 03-13 of the Board of the  
Bank of Lithuania  
of 30 January 2020)

## OPERATING RULES OF THE PAYMENT SYSTEM CENTROLINK OF THE BANK OF LITHUANIA

### CHAPTER I GENERAL PROVISIONS

1. The Operating Rules of the payment system CENTROLINK of the Bank of Lithuania (hereinafter – Rules) define the purpose of the payment system CENTROLINK, which complies with the SEPA requirements (hereinafter– System), the procedure for admission and removal of System participants, the rights and obligations of the System operator and participants, the procedure for processing and netting of payment orders, the end-of-day procedure of service provision, the credit, liquidity and operational risk management measures, the fees for services and the continuity of operations.

2. The following constitute integral parts of these Rules:

2.1. Operating schedule of the Bank of Lithuania payment system CENTROLINK (Annex 1);

2.2. System service fees and the description of the procedure for payment for provided services (Annex 2);

2.3. Capacity opinion (Annex 3);

2.4. Country opinion (Annex 4);

2.5. Registration form of a System participant (Annex 5);

2.6. Description of the procedure for loss compensation (Annex 6);

2.7. Description of the procedure for calculating minimum financial collateral (Annex 7);

3. For the purposes of these Rules the following terms shall be used:

3.1. **Addressable BIC holder** (hereinafter – ABIC holder) – an entity which: (a) holds a Bank Identifier Code (BIC); (b) is not a direct or indirect participant; and (c) is a correspondent or customer of a direct participant, is able to submit payment orders to and receive payments from the System via the direct participant;

3.2. **Single Euro Payments Area (SEPA)** – an area where electronic payment services in euro are provided using the common payment form and rules;

3.3. **Business day** – any week day, other than Saturdays, Sundays and bank holidays specified in the Labour Code of the Republic of Lithuania;

3.4. **Financial collateral account** (hereinafter – FC account) – an account handled by the Bank of Lithuania in which funds are held as financial collateral under a security financial collateral arrangement. Financial collateral is designated to ensure the liabilities of a System participant related to the System, arising from SCT and SDD payment orders (FC account) and SCT *Inst* payment orders (FC *Inst* account). At the request of a System participant, more than one FC and/or FC *Inst* account can be opened in the System;

3.5. **FIFO method** – method of processing of payment orders when the earliest submitted payment order is processed first of all;

3.6. **FC account balance** – the funds of a System participant provided to the Bank of Lithuania as financial collateral reduced by the net liability or increased by the net claim of a direct participant;

3.7. **Bulk of payment orders of net positions** – interrelated payment orders during the clearing procedure of the System according to which the netting will be carried out;

3.8. **Netting** – conversion into one net claim or one net obligation of the claims and obligations resulting from payment orders which a System participant either issues to, or receives from, one or more other persons with the result that only one net obligation can be owed or one net claim can be demanded by the System participant;

3.9. **Credit transfer order (SCT payment order)** – a payment order meeting the requirements of the SEPA Credit Transfer Scheme prepared by the European Payments Council;

3.10. **Creditor** – a System participant whose net claim is increased or net obligation is reduced by netting an SCT payment order addressed to the System participant or an SDD payment order submitted by the System participant;

3.11. **Debtor** – a System participant whose net obligation is increased or net claim is reduced by netting an SCT payment order submitted by the System participant or an SDD payment order addressed to the System participant;

3.12. **PM account** – as defined in the Rules on opening and managing the Payments Module Account in the TARGET2-BANK OF LITHUANIA approved by Resolution No 136 of the Board of the Bank of Lithuania of 18 October 2007 adopting the rules on opening and managing the Payments Module Account in TARGET2-BANK OF LITHUANIA;

3.13. **Payment order** – an instruction of a System participant requesting to transfer funds to a creditor, or an instruction which results in the assumption or performance of a payment obligation in accordance with the procedure set out herein;

3.14. **Queue of payment orders** – payment orders of System participants arranged in the order of time of their submission to the System and waiting for payment;

3.15. **Payment handling instruction** – rejection, cancellation, refusal of a payment order of a debtor or creditor, or a negative response to cancellation;

3.16. **Payment system transaction** or transaction — actions of execution of payment orders carried out in accordance with the procedure described herein;

3.17. **SCT Inst payment order** – a payment order in line with the requirements of the SEPA Instant Credit Transfer Scheme prepared by the European Payments Council;

3.18. **Indirect participant** – a credit institution established in the European Economic Area (EEA), which has entered into an agreement with a direct participant to submit SCT payment orders and/or SDD payment orders and to receive payments from the System via the direct participant's accounts, and which has been registered in the System as a direct participant;

3.19. **Optimisation** – a procedure during which, using a special algorithm and without any intervention on the sequence of processing of payment orders generated according to the time of placing them in the queue of payment orders, the payment orders in the case of which the obligations calculated for a System participant during netting would not exceed the FC account balance and the processing of which results in netting in the System are selected from the queue of payment orders;

3.20. **Service provision day** – the day on which payment order execution services are provided in the System according to a certain SEPA scheme;

3.21. **R-message** – a payment handling instruction requesting to cancel or reject payment orders before they are processed on the settlement day or to initiate a return of debited funds after a direct debit transaction;

3.22. **RT1 system** – clearing system for payments in accordance with the requirements of the SEPA Instant Credit Transfer Scheme, meeting SEPA requirements, and managed by ABE Clearing S.A.S;

3.23. **STEP2** – a clearing system which complies with SEPA requirements and is managed by ABE Clearing S.A.S.;

3.24. **TARGET2** – a payment system providing a real-time gross settlement service for payments in euro;

3.25. **TARGET2-BANK OF LITHUANIA** – the Bank of Lithuania's component system of TARGET2;

3.26. **Clearing** – processing of payment orders submitted to the System and placed in a queue of payment orders when a bulk of payment orders of net positions is generated;

3.27. **Technical documentation of the System** – any documents drawn up by the System operator or institutions designated thereby and updated and amended according to the need,

establishing technical requirements related to the participation in the System and submission of payment orders to the System;

3.28. **Direct (System) participant** – an entity for which at least one FC account or FC *Inst* account is opened in the System and with which the Bank of Lithuania enters into the agreement of a participant of the Payment System CENTROLINK of the Bank of Lithuania (hereinafter – Agreement), or the Bank of Lithuania.

3.29. **Direct debit payment order (SDD)** – a payment order which complies with the requirements of the SEPA Core Direct Debit Scheme of the European Payments Council;

4. Other terms used in the Rules shall have the meanings assigned to them by the Rules on Opening and Managing the Payments Module Account in the TARGET2-BANK OF LITHUANIA, the Law of the Republic of Lithuania on Settlement Finality in Payment and Securities Settlement Systems, the Law of the Republic of Lithuania on Financial Collateral Arrangements, the Law of the Republic of Lithuania on Payments, the Law of the Republic of Lithuania on Financial Institutions and the Law of the Republic of Lithuania on the Implementation of Economic and Other International sanctions.

## **CHAPTER II PURPOSE OF THE SYSTEM**

5. The System is designated for processing and executing payment orders between System participants and other System participants, who comply with SEPA requirements, following the Republic of Lithuania Law on Settlement Finality.

6. The System shall be managed by the Bank of Lithuania, it is also the System operator.

7. The System has an interface with the following systems, ensuring execution of payment orders:

7.1 TARGET2, which performs final settlement between direct participants;

7.2. STEP2 through which SCT and SDD payment orders are exchanged with other payment service providers registered in the SEPA payments area.

7.3. RT1 through which SCT Inst payment orders are exchanged with other payment service providers registered in the SEPA payments area.

8. In order to implement the purposes of the System, the System operator shall also have the right to connect to other clearing systems that comply with SEPA requirements.

## **CHAPTER III PROCEDURE FOR THE ADMISSION OF SYSTEM PARTICIPANTS**

### **SECTION ONE DIRECT PARTICIPANTS**

9. The System participants may be:

9.1. credit institutions licensed by the Bank of Lithuania;

9.2. central securities depositories.

9.3. credit institutions established in other countries of the EEA and subject to oversight by competent authorities within the meaning of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

9.4. the Bank of Lithuania.

10. The Bank of Lithuania may also, at its discretion, admit the following entities as direct participants:

10.1. treasury departments of central or regional governments of a European Union Member State;

10.2. public sector<sup>1</sup> bodies of a European Union Member State authorised to handle accounts of customers;

10.3. organisations providing clearing or settlement services and subject to oversight by competent authorities of the EEA;

10.4. credit institutions or any of the entities listed in subparagraphs 10.1 to 10.43 herein, in both cases where these are established in a country with which the European Community has entered into a monetary agreement allowing access by any of such entities to payment systems in the European Union, subject to the conditions set out in the monetary agreement and provided that the relevant legal regime applying in the country is equivalent to the relevant European Union legislation.

11. In order to become the direct participants, the entities listed in paragraphs 9 and 10 of the Rules, excluding the Bank of Lithuania, shall file with the System operator a request to participate in the System of the format provided for in Annex 5 to the Rules, an application to participate in STEP2 and must fulfil the following technical and legal requirements:

11.1. have the identification code (BIC) according to the ISO 9362:2014 standard ‘Banking. Banking telecommunication messages. Business identifier code (BIC)’;

11.2. identify the numbers of their own and their customers’ accounts according to the ISO 13616-1:2007 standard ‘Financial services. International bank account number (IBAN) – Part 1: Structure of the IBAN’;

11.3. participate in TARGET2 and issue a mandate to the Bank of Lithuania to debit its PM account or to ensure that the mandate to debit the PM account is given by another TARGET2 participant. The requirement of this subparagraph shall not apply to credit unions that are not members of the Lithuanian Central Credit Union;

11.4. authorise the Bank of Lithuania to represent it in STEP2 and/or RT1 system;

11.5. join the SEPA Credit Transfer Scheme Adherence Agreement and/or the SEPA Core Direct Debit Scheme Adherence Agreement and/or the SEPA Instant Credit Transfer Scheme Adherence Agreement by registering with the European Payments Council;

11.6. issue to authorised persons the digital signature certificates created in the electronic certification system of the Bank of Lithuania;

11.7. have in place prepared hardware and system software, carry out testing procedures proving their readiness for operation according to the requirements of the technical documentation of the System operator;

11.8. have sufficient technological System resources and systems and procedures for management of the operational risk;

11.9. provide a Capacity Opinion specified in Annex 3 herein (if not provided yet) and if an entity is established outside the EEA – provide a Country Opinion specified in Annex 4 herein. The Country Opinion shall not be required if the Bank of Lithuania has a valid legal opinion with respect to that country at that time;

11.10. inform their clients that personal data provided in payment orders and payment handling instructions will be processed in the System.

11.11. members of the management body must be of good repute and possess the qualifications and experience necessary to properly perform their duties. When assessing the reputation of members of the management body the provisions of Article 34(12) and (13) of the Law of the Republic of Lithuania shall apply *mutatis mutandis*.

## **SECTION TWO INDIRECT PARTICIPANTS**

12. The entities listed in paragraphs 9 and 10 herein, with a contractual relationship with the direct participant, which enables them to pass payment orders to the System may be indirect participants.

13. Indirect participants shall be subject to the requirements of paragraphs 11.1, 11.2, 11.4,

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<sup>1</sup> “Public sector” is defined in Article 3 of Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

11.5 and 11.10 herein.

14. An indirect participant shall have no legal relationships with the Bank of Lithuania as the System operator – all relationships shall be regulated by the indirect participant's agreement concluded with the direct participant. Direct participants must ensure that the indirect participant registered by them complies with the requirements of paragraph 13 herein.

15. A direct participant, in order to register its indirect participant, shall submit to the System operator a completed registration form provided of Annex 5 herein and the indirect participant's request to participate in STEP2.

16. Settlements under payment orders submitted by an indirect participant shall be carried out in the account of a direct participant. The indirect participant may submit payment orders to (and receive them from) the System through the direct participant, i.e. payment orders of the indirect participant shall be submitted and accepted by the direct participant. An SCT payment order submitted by the indirect participant shall only be executed when the collateral available on the FC account of the direct participant servicing the indirect participant is sufficient to settle its resulting net position. Where the indirect participant submits an SDD payment order, the net position of the direct participant servicing the indirect participant shall be increased.

### **SECTION THREE ABIC HOLDERS**

17. The right to register ABIC holders in the System shall only be enjoyed by those System participants who have the PM account in TARGET2-BANK OF LITHUANIA.

18. A legal entity that is not registered in the System as a direct or indirect participant and who has concluded a respective agreement with a direct participant and fulfils the requirements of subparagraphs 11.1, 11.2, 11.4–11.8 and 11.10 herein may become an ABIC holder. Legal entity that may not be direct or indirect participants in the System may also become ABIC holders.

19. A direct participant, in order to register an ABIC holder, shall submit to the System operator a completed registration form of Annex 5 herein and the ABIC holder's request to participate in STEP2.

20. An ABIC holder shall have no legal relationships with the Bank of Lithuania as the System operator. All relationships shall be regulated by the ABIC holder's agreement with a direct participant.

21. A direct participant shall be responsible for the management of funds of the ABIC holder. In performing this function, the direct participant can use the functionality of the System when, having transferred to a separate FC or FC Inst account the funds of its customer, who acts as the ABIC holder, the direct participant secures by separate collaterals the fulfilment of its obligations related to the execution of payments of each such customer. In that case, the SCT payment order submitted by the ABIC holder shall be executed when the collateral on the separate FC account of the direct participant servicing the ABIC holder which is designated to secure the latter's payments is sufficient to settle the resulting net position of such ABIC holder. The SCT Inst payment order submitted by an ABIC holder shall be executed when the separate FC account of the direct participant servicing the ABIC holder which is designated to secure the latter's payments is sufficient to settle the resulting net position of the ABIC holder.

### **SECTION FOUR ADOPTION OF A DECISION ON THE PARTICIPATION IN THE SYSTEM**

22. The Bank of Lithuania shall adopt a decision on the participation in the System no later than within 15 business days of submission of all necessary documents and clarifications or explanations which must be submitted by the person for participation in the System at the request of the Bank of Lithuania.

23. Having adopted a decision to reject the request for participation in the System, the Bank

of Lithuania must notify the person of the decision and give its reasons no later than within 5 business days of the adoption of the decision.

24. Having adopted a decision to grant the request for participation in the System, the Bank of Lithuania shall notify the person who submitted the request of the provided possibility to pass the tests proving its competence to act in compliance with requirements of the technical documentation of the Bank of Lithuania.

25. When the test results are positive, the Bank of Lithuania shall enter into the Agreement with the person.

26. Where a System participant applies for the registration of an indirect participant and/or ABIC holder, the Bank of Lithuania shall agree with the System participant who has signed the Agreement about the date from which the indirect participant or ABIC holder will be registered in the System. The Bank of Lithuania shall adopt a decision on the registration of the indirect participant and/or ABIC holder in the System no later than within 15 business days of submission of all necessary documents. The Bank of Lithuania shall have the right to refuse to register the indirect participant or ABIC holder if they do not fulfil at least one of the requirements specified in the Rules or if any other event related to the indirect participant or ABIC holder occurs, which, in the assessment of the Bank of Lithuania, would threaten the overall stability, soundness and safety of the System or such threat is posed by activities of the respective indirect participant or ABIC holder.

#### **CHAPTER IV SUSPENSION OF PARTICIPATION IN THE SYSTEM AND TERMINATION OF THE AGREEMENT CONCLUDED WITH A SYSTEM PARTICIPANT**

27. The participation in the System shall be of unlimited duration, except where it is suspended or the Agreement is terminated in accordance with the procedure laid down in the Rules.

28. A participant shall have the right to terminate the Agreement notifying the Bank of Lithuania in writing no later than 30 days in advance, unless it agrees on a shorter notice period with the Bank of Lithuania.

29. In order to deregister from the System an indirect participant or ABIC holder who acts through the participant, the latter must submit to the Bank of Lithuania a free-format notice specifying the date from which the respective person should be removed from the System.

30. The Bank of Lithuania shall have the right, without prior notice and at its discretion, to suspend participation of a System participant in the System or to unilaterally terminate the Agreement signed between the System participant and the Bank of Lithuania in the following cases:

30.1. opening of bankruptcy or insolvency proceedings in respect of the System participant under the law of another country, suspension of operations, restriction or withdrawal of the right to engage in the provision of payment services;

30.2. non-performance or inadequate performance by the System participant of the obligations specified in the Rules, Agreement and other legal acts regulating operations of the System;

30.3. non-compliance by the System participant with at least one of the requirements of paragraph 11 of the Rules;

30.4. suspension of the System participant's participation in TARGET2 or imposing limits on the PM account from which funds are transferred to the FC account;

30.5. any other System participant-related event, which, in the assessment of the Bank of Lithuania, would threaten the overall stability, soundness and safety of the System, or such threat is posed by activities of the System participant;

30.6. the System participant is subject to international sanctions;

30.7. the Bank of Lithuania adopts a decision to terminate operations of the System;

30.8. System participant's supervisory institution takes a decision on enforcement measures for the System participant as regards inadequate management of operational risk or inadequate prevention of money laundering and terrorist financing.

31. A System participant must immediately notify the Bank of Lithuania when it becomes

aware of any of the events specified in paragraph 30 of the Rules.

32. The Bank of Lithuania shall have the right to terminate, without prior notice, the Agreement concluded by a System participant and the Bank of Lithuania where the System participant's participation in the System is suspended for more than 30 days and over this period the reasons for the suspension of the System participant's participation in the System are not eliminated.

33. The Bank of Lithuania shall have the right to terminate the Agreement concluded with a System participant by giving three months' notice of the termination, unless it agrees on a different notice period with the System participant.

34. Further to the suspension of participation of any System participant in the System or to the termination of the Agreement, the information thereon shall be provided in the System. All System participants, including the System participant whose participation in the System is suspended or terminated, shall be considered to be duly notified of the suspension or termination of the System participant's participation from the moment that the Bank of Lithuania provides such information in the System.

35. The Bank of Lithuania, having suspended or terminated a System participant's participation in the System, shall immediately notify the respective System participant whose participation in the System has been suspended or terminated of the reasons for the suspension or termination.

36. From the moment that information on the suspension or termination of a System participant's participation in the System is provided to the System, no payment orders shall be accepted from the System participant, including indirect participants and ABIC holders who act through such System participant and no payments shall be made to those entities. Payment orders entered into the System before the moment of suspension or termination shall be valid and shall be executed.

37. On termination of participation of a System participant in the System, the Bank of Lithuania shall close the FC and/or FC Inst accounts which secure the performance of obligations of the System participant, including the FC and/or FC Inst accounts which secure the fulfilment of obligations of ABIC holders who act through such System participant when:

37.1. all payment orders entered into the System are settled or rejected;

37.2. the rights to pledge and netting are exercised as specified in paragraph 60 of the Rules.

37.3. the funds remaining on the FC and/or FC Inst account after execution of transactions referred to in subparagraphs 37.1 and 37.2 of the Rules, are returned to the PM account of the System participant whose participation in the System is terminated, unless the System participant specifies otherwise in writing.

38. The Bank of Lithuania may limit, at its discretion, an ABIC holder's possibility to submit payment orders and to receive payments or to remove any ABIC holder from the System by unilateral decision in the following cases:

38.1. termination of participation in the System of the direct participant, through which the ABIC holder has acted;

38.2. the ABIC holder is in breach of the requirements laid down in the Rules, Agreement and other legal acts regulating operations of the System;

38.3. the ABIC holder fails to fulfil at least one of the requirements specified in paragraph 18 of the Rules;

38.4. any other event related to the ABIC holder, which, in the assessment of the Bank of Lithuania, would threaten the overall stability, soundness and safety of the System or such threat is posed by activities of the ABIC holder;

38.5. A System participant through whom a respective ABIC holder operates, notifies the Bank of Lithuania of the ABIC holder's removal from the System.

39. The Bank of Lithuania, having limited an ABIC holder's possibility to submit payment orders and to receive payments, or having removed an ABIC holder from the System, shall provide the information to the effect in the System and shall notify the respective System participant through which the removed ABIC holder had acted of the reasons for such limitation or removal.

40. The System participant, through whom the ABIC holder removed from the System had acted, must immediately notify the ABIC holder removed from the System.

41. From the moment that the information on removal of an ABIC holder from the System is announced in the System, payment orders shall not be accepted from, and payments shall be made to, such ABIC holder. Payment orders entered into the System before the moment of removal of an ABIC holder from the System shall be valid and shall be executed.

42. Notwithstanding the right of the Bank of Lithuania enshrined in paragraph 38 of the Rules, the responsibility for the obligations and operations of an ABIC holder shall rest upon the System participant through which the respective ABIC holder acts.

## **CHAPTER V RIGHTS AND OBLIGATIONS OF BANK OF LITHUANIA AS OF THE SYSTEM OPERATOR**

43. The Bank of Lithuania shall provide the entities referred to in paragraphs 9 and 10 of the Rules that are willing to participate in the System with the following technical documentation: requirements and recommendations for information systems, hardware and system software of connection stations, descriptions of information exchange flows and message structures.

44. The Bank of Lithuania shall notify System participants in advance of changes planned in the System and indicate the time-limit for them to prepare for the implementation of the changes.

45. The Bank of Lithuania shall establish and guarantee the linkages with other systems of the SEPA in order to enable the reach for payments of System participants across the SEPA.

46. The Bank of Lithuania shall have the right to:

46.1. ask System participants to provide information on the compliance with provisions of the Agreement and System Rules;

46.2. provide copies of agreements concluded by a direct participant with indirect participants and ABIC holders;

46.3. screen data in the payment orders and, if necessary, stop the execution of the payment orders;

46.4. ask system participants to provide additional payment order data.

47. The Bank of Lithuania shall ensure a sustainable functioning of the System, inform System participants on malfunctions of the System and consult them on problems of execution of their payment orders.

48. The Bank of Lithuania shall create and support directories of the System. Directories shall be updated once a month or upon introduction of changes and distributed by messages and in accordance with the procedure specified in the technical documentation. The following directories shall be processed in the System:

48.1. the list of System participants;

48.2. the directory of System participants who receive SCT/SDD/SCT Inst payment orders.

49. The Bank of Lithuania shall have the right to provide to another payment system of the SEPA the information on the reachability of direct and indirect System participants and ABIC holders.

50. The Bank of Lithuania may establish the minimum amount of financial collateral for a direct participant for the purposes of management of risks and implementation of statutory restrictions on the disposition of funds. The procedure for the calculation of the minimum amount of financial collateral is described in Annex 9 of the Rules.

51. The matters concerning payment orders of an indirect participant or ABIC holder and payment orders received by them shall be handled by the Bank of Lithuania only with the direct participant.

52. The Bank of Lithuania may, at its discretion, commission third parties to perform some or all of its obligations in accordance with requirements of the Rules. In that case the obligation and liability of the Bank of Lithuania shall be limited to the due selection and commissioning of any such third parties.



## **CHAPTER VI RIGHTS AND OBLIGATIONS OF SYSTEM PARTICIPANTS**

53. A System participant shall have the following rights:

53.1. to submit to the System its own, its indirect participants' and ABIC holders' SCT payment orders, where it participates in the SEPA Credit Transfer Scheme; SDD payment orders, where it participates in the SEPA Core Direct Debit Scheme; and SCT Inst payment orders, where it participates in the SEPA Instant Credit Transfer Scheme;

53.2. after each clearing procedure, to receive the information on the netting of its SCT and SDD payment orders submitted to the System before the beginning of such a procedure and on the netting of payment orders submitted to the System by other System participants, in which the System participant is indicated as a creditor, and the expected inflows;

53.3. to be supplied with real-time information of payment orders submitted by other System participants in which the System participant or its indirect participant, or an ABIC holder are indicated as creditors;

53.4. to monitor in real time the balance of its FC and/or FC Inst account and the information on the total amount of the expected inflows;

53.5. acting as a debtor, to immediately obtain information according to SDD payment orders submitted to the System and to submit to the System R-Messages for rejection of such payment orders;

53.6. to obtain the information on payment orders submitted to the System by a direct participant which have been rejected because the direct participant's FC and/or FC Inst account balance was insufficient to settle the resulting net obligation of the direct participant;

53.7. in accordance with the procedure set out in Annex 2 herein to obtain from the Bank of Lithuania the information on the fee calculated for the processing and netting of payment orders in the System and having found any mistake in the calculation of the amount of the fee – to request its correction.

53.8. a debtor shall have the right to submit a payment cancellation request to the System within 15 service provision days of the payment execution. Such a request shall be addressed in the same manner as the original payment order.

54. A System participant must:

54.1. pay the fixed fee for services provided by the System in accordance with the procedure set out in Annex 2 herein;

54.2. no later than within 3 business days, notify the Bank of Lithuania of the changes of its requisites – the name, code, shareholders, managing body, head office and licence or any other document issued by the supervisory authority proving the System participant's right to provide payment or investment services, also about decisions on investment service provision taken by law enforcement, judicial or supervisory authorities, excluding the Bank of Lithuania, with regard to ABIC holder, shareholders or managing body;

54.3. ensure that the financial collateral on its FC and/or FC Inst accounts is sufficient to settle the System related obligations of the System participant, including financial obligations of indirect participants and ABIC holders acting through the System participant;

54.4. take care in advance that the sufficient financial collateral is available on its FC and/or Inst accounts on those days when TARGET2 does not operate and transfers from the PM accounts are not possible;

54.5. notify the Bank of Lithuania of its decision to receive SDD payment orders. If the System participant has not notified the Bank of Lithuania of its decision to receive SDD payment orders, it shall be deemed that the System participant has chosen not to receive them;

54.6. accept payment orders addressed to the System participant during the service provision hours, while payment orders addressed to an indirect participant and ABIC holder must be passed by the direct participant as soon as they are received from the System; acceptance of SCT and SDD payment orders is subject to the derogation of the SEPA regulations concerning public holidays, when the participant may accept the payment orders received on a day of such public holidays on the next business day;

54.7. submit direct debit orders only to those entities that have chosen to receive such payment orders and have been entered by the Bank of Lithuania in the directory of creditors of direct debits. If the System participant submits a direct debit order to an entity that has not chosen to receive them, such an order shall be rejected;

54.8. monitor relevant information on its payment orders submitted to the System and their processing results, information of payment orders submitted to the System and addressed to a direct participant, monitor and manage its FC and/or the FC Inst account balance and, if necessary, to provide its FC account with liquidity transfers from the PM account and its FC Inst account – from the FC account;

54.9. ensure the security of the information submitted to, and received from, the System;

54.10. ensure the functioning of the organisational, hardware and software means of the linkage with the System.

54.11. appoint an administrator of the connection to the System software (hereinafter – connection station of the participant) authorised to manage the parameters and user rights of the software;

54.12. return, no later than on the next service provision day of receiving an SCT payment order, those SCT payment orders which cannot be accepted or executed by a direct participant by crediting the account of the respective creditor with funds or those SCT payment orders in which not all information necessary for their execution is provided;

54.13. respond to a SCT payment cancellation request no later than within 15 service provision days by refunding the amount or submitting to the System a resolution of investigation message with the specified reason for the refusal of the refund;

54.14. at the request of the Bank of Lithuania provide additional payment order data;

54.15. during the validity of the agreement meet the requirements set out in the System's rules applied to the System participants.

55. A direct participant shall comply with and shall ensure that its indirect participants and/or ABIC holders comply with the requirements of the SEPA Credit Transfer and/or SEPA Core Direct Debit Scheme.

56. A System participant agrees that the Bank of Lithuania may publish the names and BIC codes of direct and indirect participants and ABIC holders. The direct participant shall ensure that an explicit consent of the indirect participant or ABIC holder has been obtained regarding the publication of such data.

## **CHAPTER VII OPENING OF FC, FC INST ACCOUNTS AND THE PROCEDURE FOR THE DISPOSAL OF FUNDS**

57. When a System participant signs an agreement with the Bank of Lithuania, a FC account shall be opened. For a System participant participating in the SEPA Instant Credit Transfer Scheme, a FC Inst account shall be opened.

58. The purpose of the financial collateral held on the System participant's FC and/or FC Inst account is to secure financial obligations of that System participant as well as of indirect participants and ABIC holders acting through the System participant, arising under the Agreement and the Rules.

59. The Agreement may provide that funds held on the FC and/or the FC Inst account shall be included in the System participant's required reserves, if the System participant is bound by reserve requirements established by legal acts of the European Central Bank. In that case, the holding on the FC and/or the FC Inst account of the funds that are included in the System participant's required reserves shall be remunerated in the same way as the maintenance of required reserves. The holding on the FC and/or the FC Inst account of funds that are not included in required reserves shall be remunerated at the rate specified in paragraph 69 herein, payable in accordance with the procedure set out herein.

60. The financial collateral held on the FC and/or the FC Inst account shall be considered to be the financial collateral transferred under a security financial collateral arrangement concluded in accordance with provisions of the Law of the Republic of Lithuania on Financial Collateral

Arrangements. The Bank of Lithuania shall have the right to settle from the financial collateral held on the FC and/or the FC Inst account any existing or future obligations of the System participant the obligations of which are secured by the financial collateral held on the FC and/or the FC Inst account and of the indirect participants and/or ABIC holders which act through the System participant arising out of payment orders submitted by them, the Rules and provisions of the Agreement. The Bank of Lithuania shall have the right referred to this paragraph even if its claims are only contingent or conditional or not yet due. On the occurrence of the events referred to paragraph 30 of the Rules, notwithstanding the commencement of any insolvency proceedings in respect of a System participant and notwithstanding any assignment, judicial or other attachment or other disposition of the System participant's rights, all obligations of the System participant shall be automatically and immediately accelerated, without prior notice and without the need for any prior approval of any authority, so as to be immediately due. Mutual obligations of the System participant and the Bank of Lithuania shall be set off against each other, and the party owing the higher amount shall pay to the other party the difference.

61. The net position of a System participant for which a FC and a FC Inst account has been opened shall be calculated separately for each of these accounts. At the System participant's request, more than one FC and/or FC Inst account, linked to a different BIC, may be opened for the System participant. In that case, the System participant's net position shall be calculated separately for each FC and/or FC Inst account. Obligations of the System participant arising from the respective payment order shall be secured by the financial collateral held on the FC and/or the FC Inst account, linked to the debtor's BIC indicated in the payment order. Where the financial collateral held on such FC and/or FC Inst account is insufficient, payment orders submitted by the System participant may be rejected.

62. The amount of pledged funds held on the FC and/or the FC Inst account may change, however, it must always be no less than the financial obligations of System participants, arising from payment orders submitted in the System according to a respective scheme, the Rules and the provisions of the Agreement.

63. If the Bank of Lithuania-set minimum amount of financial collateral is established for the System participant, this amount cannot be used to cover all of the System participant's financial liabilities, only those that arise from direct debit payment return and fund refund R instructions.

64. System participants for whom FC accounts have been opened shall instruct the Bank of Lithuania to transfer, at the beginning of each service provision day, financial collaterals to the FC accounts from the specified PM accounts and shall guarantee, by transferring the funds during a day, that the financial collateral is sufficient to settle the resulting net obligation of the direct participant, including indirect participants and ABIC holders which act through the direct participant. A System participant, which is not a participant in TARGET2, may provide additional financial collateral or withdraw a part of the financial collateral by way of transfers from other providers of payment services participating in the System and/or in TARGET2-BANK OF LITHUANIA. Any amounts paid into the FC and/or FC Inst account shall, by the mere fact of having been paid in, be irrevocably pledged, without any limitation whatsoever, as collateral security under a security financial collateral arrangement for the full performance of the secured obligations.

65. On the basis of direct participants' orders to debit funds from their PM accounts to their FC accounts, at the beginning of each service provision day, the Bank of Lithuania shall transfer the funds on instruction of System participants. In the case of unjustified crediting or debiting of the FC account, the Bank of Lithuania, having detected such an error and notified the System participant thereof, shall correct the error.

66. A System participant must continuously monitor whether the financial collateral held on its FC and/or FC Inst accounts and on the FC and/or FC Inst accounts of indirect participants and ABIC holders, acting through the System participant, securing the fulfilment of obligations of such entities arising from payment orders submitted by them, the Rules and provisions of the Agreement and, where appropriate, to supplement the FC and/or the FC Inst account by transferring an additional portion of the financial collateral.

67. Where the financial collateral held on the FC account securing the fulfilment of obligations of a System participant is insufficient for the execution of payment orders submitted by the System participant, provisions of paragraphs 89, 90, 110 and 115 of the Rules shall apply.

68. Where, after completion of the end-of-day clearing specified in paragraph 135 herein, a net obligation of a System participant occurs or any other financial obligations thereof arise on the basis of the Rules or Agreement, they shall be covered without prior notice with a respective amount from the financial collateral held on the FC account securing financial obligations of the System participant. Where the financial collateral held on the FC account is insufficient to settle financial obligations of the System participant, provisions of paragraph 135 of the Rules shall apply.

69. System participants shall be reimbursed for the financial collateral held on their FC and/or FC Inst accounts by applying a zero interest rate or the interest rate equal to the interest rate on the deposit facility whichever is smaller, except where they are used for holding required reserves.

70. FC and/or FC Inst accounts shall be closed in accordance with the procedure laid down in paragraph 37 herein. Where more than one FC and/or FC Inst account has been opened for a System participant, the respective FC and/or FC Inst account may be closed at the System participant's request, indicating in it the account to which the balance of the FC and/or the FC Inst account being closed should be transferred.

## **CHAPTER VIII PROCEDURE OF PROCESSING AND NETTING OF PAYMENT ORDERS**

### **SECTION ONE GENERAL PRINCIPLES OF OPERATION OF THE SYSTEM**

71. The System shall be used to exchange information with other SEPA payment systems according to arrangements concluded between the Bank of Lithuania and a respective System operator.

72. The payment orders, payment handling and technical instructions and messages, described in the System's technical documentation, shall be processed in the System:

73. SCT payment orders and SDD payment orders shall be executed on those days when the system TARGET2 is operated during the fixed hours specified in the schedule of the Bank of Lithuania payment system CENTROlink (hereinafter – Operating Schedule of the System) (Annex 1 herein).

74. SCT Inst payment orders shall be executed 24/7 on all calendar days of the year.

75. System participants shall submit payment orders to the System and receive their processing results from the System by electronically signed electronic messages.

76. Real-time checks of payment orders shall be carried out according to the criteria established for checks in technical documentation, and the entity that has submitted payment orders shall be notified of the rejected orders specifying the reason for the rejection of such message or order.

77. A System participant can use the Lithuanian characters in the content of a payment order only where it is specified in the directory that the creditor accepts the Lithuanian characters or where the System participant has concluded a bilateral arrangement with the creditor. In all other cases the Lithuanian characters and script in foreign languages must be transliterated in the Latin script. The System shall not check the need to transliterate the Lithuanian and foreign language scripts and shall send the details of a payment order without any alterations.

78. SCT payment orders and SDD payment orders which are checked and recognised to be correct shall be placed in the queue of payment orders waiting for processing according to the time of their submission to the System.

79. Accepted SCT payment orders shall be executed in real time, while SDD payment orders – at the time specified in the Operating Schedule of the System. In the case of payment orders addressed to other SEPA creditors, accepted payment orders shall be executed and sent to STEP2 at the time specified in the Operating Schedule of the System.

80. SCT payment orders submitted and SDD payment orders received by a System participant constitute the obligations of a direct participant that is such System participant or that manages the System participant's funds, while SCT payment orders received and SDD payment orders submitted by the System participant shall become claims of a respective direct participant. The ratio of total obligations to total claims of the direct participant shall be the net position of the participant, calculated by the System for each participant during the service provision day.

81. The payment orders submitted to the System and placed in the queue of payment orders waiting for processing shall be carried out:

81.1. instantly in real time if the balance of the System participant–debtor’s FC account is sufficient to settle the obligation arising from the payment order; or if the payment order is a SDD payment order already settled in STEP2;

81.2. by applying a real-time optimisation procedure to this or another funds’ transfer payment order, whichever is the first in the queue of payment orders to meet the condition of sufficient balance of the FC account of the direct participant–debtor to settle the net obligation arising from both such payment orders together;

81.3. periodically and at the end of the day, as part of the optimisation procedure applied to all payment orders in a queue, provided that financial collaterals held on the FC accounts of System participants–debtors are sufficient to carry out the netting of all payment orders together;

81.4. for the purpose of netting a payment order, net obligations or net claims of System participants shall be adjusted so that after netting each System participant has only one net claim or one net obligation with respect to other System participants. Further to these actions, the System participant, who had submitted the payment order, and the System Participant, to which the payment order is addressed, shall be notified to the effect by a message.

82. The moment of execution of a payment order, i.e. the moment of its netting when the net position of a System participant is adjusted shall be considered to be the moment of entry of the payment order into the System. Once the payment order enters the System it cannot be cancelled by the System participant, the Bank of Lithuania or a third party.

## **SECTION TWO PROCEDURE OF PROCESSING SCT PAYMENT ORDERS**

### *General principles of processing SCT payment orders*

83. SCT payment orders of credit transfers used in the SEPA credit transfer scheme shall consist of SCT payment orders and payment return instructions.

84. Unprocessed SCT payment orders can be cancelled using payment cancellation requests. Payment return instructions cannot be cancelled.

85. When a SCT payment order is processed and the net position of the System participant that has submitted the order changes, the payment cancellation order becomes a request of the debtor to return the funds. According to the request, the creditor shall return the funds by submitting the payment return instruction or refuses to return the funds specifying the reason for the refusal in the resolution of investigation message.

86. SCT payment orders and their management shall be processed in STEP2 in analogous manner. Where a SCT payment order or a payment return instruction of a System participant addressed to another SEPA creditor successfully processed by the System is rejected by STEP2, the System shall create a payment return instruction according to which the net position of the System participant who has submitted the original order is returned.

87. The creditor, which, due to technical reasons, is not able to credit the funds received by means of a SCT payment to the customer’s account (e.g. because it is already closed), can return those funds, within 3 service provision days, to the debtor. Later the funds can be returned only upon receipt of the customer’s return request which the latter can submit within 15 service provision days of the execution of the SCT payment. The System participant returning the funds shall have 15 service provision days to submit a SCT payment (payment return) order and can apply in it a fee deductible from the initial amount. The System or STEP2 shall not check the compliance of the System participant who has submitted the return instruction with the requirements specified in the SEPA Rules – this responsibility lies with the System participant.

### *Processing of SCT payment orders in the System*

88. On the System’s service provision day, at 20:45, SCT payment orders issued to the System participants are processed, where the settlement date is the System’s next service provision day (beginning of a new TARGET2 operating day). Only those payment orders are processed which have

sufficient funds in the FC account to cover the formed net liabilities. SCT payment orders for other SEPA recipients, with the specified start-of-TARGET2-operating-day settlement date, shall begin at 21:00, during clearing. Those orders, after execution of which financial collateral of the System participant who has submitted them is sufficient, shall be included in the clearing. Net positions calculated during the clearing shall be immediately paid in TARGET2. SCT payment orders processed during clearing of the System will be processed in STEP2 on the next day at 7:15. SCT payment orders outstanding due to a lack of funds remain in the payment order queue to await the daily processing phase.

89. On the System service provision day, SCT payment orders with that day's settlement date, addressed to System participants, shall be processed by the System in real time between 6:30 and 18:00. During such processing it shall be checked whether the financial collateral of the System participant which is the originator of the SCT payment, is sufficient to settle the resulting net position. If the financial collateral is sufficient, the net position of the debtor shall be reduced by the liability in the amount specified in the payment order, and the net position of the creditor shall be increased by the claim of the same amount. If the financial collateral is insufficient, processing of the SCT payment order shall not be finished, waiting until the net position of the debtor is settled with the financial collateral. If by 18:00 the financial collateral is insufficient or the participation of the debtor or creditor in the System is suspended, the processing of the payment order shall be terminated by rejecting the order and notifying of the rejection by a payment status report specifying in it the status and the reason for the SCT payment order.

90. On the System service provision day, SCT payment orders with that day's settlement date addressed to other creditors of the SEPA System shall be processed by the System at the time indicated in the Operating Schedule of the System. Processed orders shall be sent to STEP2. During such processing it shall be checked whether the financial collateral on the FC account(s) of the System participant, which is the originator of the credit transfer, is sufficient to settle the resulting net position. If the financial collateral is sufficient, the net position of the sending customer shall be reduced by the liability in the amount specified in the payment order. If the financial collateral is insufficient, the SCT payment order shall be postponed until the next time fixed for the processing. If, during the last processing of the service provision day, the financial collateral is insufficient, processing of the order shall be finished by rejecting the order and notifying of the rejection by submitting the SCT payment status report, specifying in it the status and reason for the rejection of the SCT payment order.

91. SCT payment orders accepted from STEP2 shall be processed in the System and sent to the System participant, increasing its net position.

92. System participants, as an option, can order in the System a report of sent and received payment transactions, which would be generated for System participants by the System, performing the end of service provision day procedure.

#### ***Processing of SCT payment handling instructions in the System***

93. SCT payment handling instructions shall include a payment cancellation request and a resolution investigation message.

94. A SCT payment can be cancelled within 15 service provision days of execution of the SCT payment for reasons specified in the EPC125-05 SEPA Credit Transfer Scheme Rulebook.

95. Where the SCT payment cancellation request is received by the System before execution of the SCT payment the cancellation of which is requested (the credit transfer is not yet executed because of the lack of funds on the FC account of the System participant or because it is waiting for the fixed time of its execution before its submission to STEP2), the System shall remove such SCT payment order from the queue of payment orders without executing it. Where the SCT payment order was already executed in the System, the System shall send the SCT payment cancellation request to the receiver of the SCT payment order. In both cases the System shall notify of the change in the status of the SCT payment order the System participant who has initiated the SCT payment.

96. A System participant can receive a SCT payment cancellation request from another System participant or sent from STEP2, which shall be answered by the System participant either by submitting the payment return instruction or a message of resolution of investigation, by which the System sends a cancellation request to the System participant who has submitted the payment or to

another creditor of the SEPA to STEP2. If these orders are rejected by STEP2, the System shall notify the System participant who has submitted them by generating a respective payment status report.

97. Payment return instructions submitted to the System, the creditor of which are entities reachable via STEP2, in the first instance shall be executed in the System and then sent to STEP2. If a payment return instruction is rejected by STEP2, the System shall return the funds to the System participant who has submitted payment return instruction.

98. Payment return instructions sent from STEP2 shall be executed in the System and sent to the creditor which has submitted the original SCT payment order. After execution of each, a payment status report shall be sent to the debtor.

### **SECTION THREE PROCEDURE OF PROCESSING SDD PAYMENT ORDERS**

#### ***General principles of direct debit***

99. A System participant which participates in the SEPA Direct Debit Scheme may have two different statuses: Debtor only (DEB) or Creditor and Debtor (CAD).

100. A customer of the debtor shall issue a mandate (authorisation) to a customer of the creditor and the latter shall acquire the right of one-off or periodic collection of funds from the debtor. The System shall not check whether the customer of the debtor has appropriately authorised the customer of the creditor to collect the funds according to SDD payment orders.

101. Debit types available in the System:

101.1. first debit – the first one of periodic direct debit transactions;

101.2. recurrent debit – one of periodic direct debit transactions which is carried out regularly or irregularly;

101.3. last debit – the last one of periodic direct debit transactions which means the end of mandate;

101.4. one-off debit – a single non-recurrent direct debit transaction.

102. All these types of debit shall be initiated by a creditor by submitting to the System a SDD payment order. The first, recurrent and last debit order must contain the same information on the mandate and creditor.

#### ***Execution of a SDD payment order***

103. A SDD payment shall be submitted in advance, but not earlier than 14 calendar days in advance and no later than by 11:30 with one service provision day remaining until the settlement date.

104. A SDD payment order submitted by a System participant shall be checked in the System and, if no errors are found, shall be accepted, registered and prepared for sending to the creditor of the order. SDD payment orders shall be sent to creditors at the time fixed in the Operating Schedule of the System.

105. SDD payment orders addressed to System participants received from STEP2 shall be passed to creditors according to the same periodicity after receipt of messages generated by STEP2 System at the time fixed in the Operating Schedule of the System.

106. A SDD payment order which is not rejected before its execution shall be executed in the System on the fixed settlement day, and both System participants (the System participant submitting the SDD payment order and the System participant to whom the SDD payment order is addressed) shall receive a payment status report with the specified status of the order.

107. A SDD payment order submitted by a System participant addressed to another System participant shall be executed at the time fixed in the Operating Schedule of the System if the debtor has provided sufficient financial collateral.

108. In the System a SDD payment order, the debtor of which is a System participant and a creditor is an entity reachable via STEP2, shall be executed in the first instance by increasing the net position of the System participant to which the SDD payment order is addressed by the liability in the amount indicated in the order. Then the order shall be executed in STEP2. Where financial collateral of that person is insufficient to settle the resulting net position, the processing of the order shall be terminated and the Bank of Lithuania shall submit to STEP2 a direct debit rejection message

specifying in it the reason for the rejection. After STEP2 processes the rejection message, a payment status report addressed to the System participant is received from there with the specified status of the SDD payment order and the reason for the rejection.

109. Where a debtor cannot be reached via STEP2, such SDD payment order in the first instance shall be executed in STEP2. When funds from STEP2 reach the PM account of the Bank of Lithuania in TARGET2, the SDD payment order shall be executed by increasing the net position of the System participant that has submitted the SDD payment order by the claim equal to the amount specified in the order.

110. Where financial collateral of the System participant the net position of which must be increased by the liability is insufficient to settle the resulting net position, the System shall attempt to process the order until 11:30. Where the financial collateral is still insufficient, the processing shall be terminated and a SDD payment order rejection message, with the specified initial order status and the reason for the rejection, shall be sent to the System participant which has submitted the SDD payment order.

### ***Processing of direct debit R-Messages in the System***

111. Requests for cancellation and Reject/Refusal requests, which are R-Messages of payment orders, may be submitted prior to the beginning of processing of a SDD payment order. R-Messages shall be subject to the following requirements:

111.1. a direct debit cancellation order must be submitted to the System by the System participant who has submitted that SDD payment order. A cancellation R-Message of the customer and R-Message received from STEP2 System shall be passed by the System to its creditor – the provider of payment services who has received the SDD payment order, thereby informing the latter that the SDD payment order will not be executed;

111.2. a direct debit rejection R-Message may be submitted by the System or STEP2 for technical reasons (incorrect generation of an order, unreachable creditor of an order, etc.). For technical reasons (incorrect IBAN, debtor's identification, etc.) or at the customer's request, an order may be rejected by the debtor. The reject received from the debtor and from STEP2 shall be passed by the System to its recipient – the provider of payment services which has submitted the SDD payment order.

112. After execution of a direct debit transaction, the reversal, return and refund R-Messages may be submitted in the System, which shall be direct debit payment orders when:

112.1. a creditor, which is the originator of such first direct debit transaction, refuses to accept the received funds and wants to return them to the debtor, may submit to the System, within 5 service provision days of the date specified in the SDD payment order, a Reversal R-Message;

112.2. a debtor, who cannot debit funds from the customer's account, shall have the right, within 5 working days of the executed direct debit, to initiate a reverse direct debit transaction using the payment return R-Message;

112.3. where a debtor's customer wants to recover the funds debited from his account (such a right shall apply for 8 weeks without any reservations), his payment service provider shall have to initiate, within 2 service provision days of receipt of the SDD payment order, a reverse direct debit transaction which is designated for the recovery of funds, using the payment recovery R-Message;

112.4. when a debtor's customer wants to recover the funds debited from its account claiming that it has not issued a mandate to the creditor or that the mandate has expired (it may submit such a request within 13 rights), a payment service provider shall have 30 calendar days and 4 service provision days to initiate a reverse direct debit transaction for recovery of funds using the payment recovery R-Message; however, prior to initiating this transaction it must carry out the procedures provided for the rules of the respective scheme of the European Payments Council.

113. R-Messages accepted to the System after the check, by 11:30, shall be processed within the nearest time fixed for the processing – at 11:30. After 11:30, submitted R-Messages are rejected.

114. Where an R-Message is submitted by one System participant to another and the latter's financial collateral is insufficient to increase the position of liabilities, the System shall attempt to execute such R-Message until 11:30 and where financial collateral is insufficient – shall reject the R-



Message.

115. An R-Message executed in STEP2 cannot be rejected, therefore, where the funds of financial collateral are insufficient, the funds may be mandatorily debited from the PM account of the direct TARGET2 participant who represents the System participant. Where more than one FC account is opened for the System participant and in one of such accounts financial collateral is insufficient to settle the obligations of the System participant, the missing funds, in the first instance, shall be debited from another FC account opened for the System participant and linked to the System participant's BIC. Where there are still not enough funds to settle the obligations of the System participant, the missing funds shall be debited from the PM account of the direct TARGET2 participant which represents the System participant.

#### **SECTION FOUR PROCEDURE OF PROCESSING OF SCT *INST* PAYMENT ORDERS**

##### ***General principles of processing SCT Inst payment orders***

116. SCT Inst services shall be available 24/7 on all calendar days of the year.

117. The maximum amount for a SCT Inst payment order has been set forth in the document EPC023-16. Maximum Amount for Instructions under the SCT Inst Scheme Rulebook of the European Payments Council.

118. SCT Inst payment orders shall be executed in real time following the principle of FIFO method. All SCT Inst payment orders shall have the same priority and have no execution priority with respect to others.

119. SCT Inst payment orders shall be executed within 20 seconds or rejected for technical or other reasons.

##### ***Processing of SCT INST payment orders in the System***

120. Upon receipt and check of a SCT Inst payment order, the System shall immediately reserve the required amount on the debtor's account, as a guarantee of payment of the SCT Inst payment order, and shall pass the SCT Inst transaction to the creditor.

121. Upon receipt and check of confirmation from the creditor, the System shall execute the SCT Inst payment order, i.e. the debtor's net position shall be reduced by the amount of liability specified in the payment order, whereas the net position of the creditor shall be increased by the claim in the same amount.

122. The time of execution of a SCT Inst payment order shall be calculated from the moment a System participant-debtor ascertains compliance with compulsory attributes and sets the time mark in the SCT Inst payment order. Time mark shall mean the beginning of execution of a SCT Inst payment order from which the time of 20 seconds shall be calculated.

123. Within 20 seconds at the latest of specifying a time mark and immediately sending a SCT Inst payment order, the debtor shall receive a message of crediting the funds to the creditor's customer (a positive confirmation message) or rejection of the SCT Inst payment order (a negative confirmation message with a respective code of reason).

124. A debtor may initiate an additional investigation procedure where no confirmation message is received after the time limit.

125. A creditor is bound to immediately process an investigation message and respond to it as soon as possible. Each message received shall be immediately verified and processed without delay and, where the resolution of investigation is positive, shall be passed to the debtor.

126. To ensure verification of all processed, sent and received SCT Inst payment orders, the System shall, at designated time intervals, transfer the list of payment service provider's operations to System participants.

127. A debtor may cancel a SCT Inst payment order. Prior to starting the cancellation procedure, the debtor shall check if one of the following situations arises during the processing of a DCT Inst payment order:

- duplicate sending;
- technical problems which resulted in incorrect processing of a SCT *Inst* payment order;
- generation of a SCT *Inst* transaction as a result of fraud.

128. A creditor shall submit a response to a debtor regarding the funds of a SCT Inst payment order within 15 service provision days of the receipt of cancellation of the SCT Inst payment order. Exchange of messages related to cancellation processes shall be executed immediately in real-time regime.

***Liquidity transfers for execution of SCT Inst payment orders***

129. SCT Inst payment orders shall only be executed when there are sufficient funds on the System participant's designated FC Inst account. System participants shall manage liquidity of the FC Inst account by transferring funds from/to the FC account. All amounts credited to the FC Inst account, by the mere fact of having been credited, shall be irrevocably and without limitation pledged as collateral security under a security financial collateral arrangement, securing that liabilities will be fully discharged.

130. The service provision day is divided into liquidity management cycles. A System participant may, in a special directory, set the maximum, basic and minimum liquidity value for each liquidity management cycle. On different week days from Monday to Friday, different liquidity values can be set. A system participant can also check if its liquidity will be managed automatically by selected liquidity values.

131. When a System participant's liquidity position exceeds the limits (lower or upper) set for the participant, the System shall send a special information message. This message shall be sent at designated time intervals. After the designated time, if the System participant's liquidity positions still exceed the limits set, a new message shall be sent.

132. To transfer liquidity between its FC account and its FC Inst account, a System participant shall use a liquidity transfer request message. A participant shall be prohibited from executing liquidity management manually between its FC and FC Inst accounts from 18:25 to 8:00.

133. If automated funds management has been chosen, when the funds on a System participant's FC Inst account reach the lowest designated limit, the FC Inst account shall be automatically supplemented from the FC account up to the basic amount designated by the participant; if the funds exceed the upper limit, the excess liquidity will be returned into the System participant's FC account. The participant shall be notified by a message thereof.

**CHAPTER IX**

**END-OF-SERVICE PROVISION DAY PROCEDURE OF THE SYSTEM AND FINAL SETTLEMENT**

134. The acceptance of SCT and SDD payment orders shall be cut off at the time specified in the Operating Schedule of the System. The end-of-service provision day procedure of the System consisting of the last clearing, settlement in TARGET2 and generation of a report on the results of the day shall be carried out.

135. By applying a multilateral optimisation procedure during the last clearing attempt shall be made to pay as many as possible SCT payment orders which remain unsettled due to lack of funds, and payment orders which remain unsettled due to insufficient balance of the FC account shall be removed from the queue of payment orders notifying to the effect the System participants who have submitted such payment orders.

136. After the end-of-service provision day clearing, the net liability or the net claim of each System participant shall be settled in TARGET2-BANK OF LITHUANIA. Where a System participant is not a direct participant of TARGET2-BANK OF LITHUANIA, after the daily clearing the net liability of the System participant shall be settled from the collateral available on the FC account of the System participant, or the collateral held on a respective FC account shall be increased by the amount of the net claim.

137. The end-of-service provision day summary report shall be submitted at the time fixed in the Operating Schedule of the System, and the System shall send to each holder of the FC account the list of his transactions. This document shall specify all credit or direct debit transactions which affect the net position of the System participant and the payment orders accepted by the System but not executed (rejected at the end of the service provision day) which could have affected the net position of

the System participant.

138. System participants shall receive the standard end-of-service provision day summary reports which reflect liquidity provision and withdrawal transactions on the FC account.

139. Direct participants of TARGET2 shall receive from TARGET2-BANK OF LITHUANIA System the System transactions which are reflected in the end-of-service provision day summary reports.

## **CHAPTER X CREDIT, LIQUIDITY AND OPERATIONAL RISK MANAGEMENT MEASURES**

140. Credit risk shall be managed in the System by the following measures:

140.1. a payment order shall be netted only when it is established that the balance of the FC account is sufficient to settle the obligation of a System participant arising out of the payment order;

140.2. a System participant-creditor shall be notified of the performed netting of a payment order only when net positions of the debtor and the creditor are adjusted;

140.3. a payment order shall be included in a bulk of payment orders of net positions generated during clearing only if it is established that the balance of the FC account of debtors is sufficient for netting of that bulk of payment orders of net positions ;

140.4. a System participant can monitor in real time the relevant information on his payment orders submitted to the System and on their processing results, the information on the netting of payment orders submitted by other System participants and addressed to the System participant.

141. Liquidity risk shall be managed in the System by the following measures:

141.1. provision of additional financial collateral – a System participant can do that by transferring funds to the FC account from the PM accounts;

141.2. final settlement of the netting results – this shall be carried out in TARGET2 which is provided with liquidity risk management measures;

141.3. management of a queue of payment orders – a System participant may cancel a payment order submitted by him and not yet entered into the System in order to change the processing conditions of such payment order;

141.4. possibility to reject a SCT payment order by a System participant;

141.5. procedures of optimisation of processing payment orders – these procedures facilitate a quicker netting of queued payment orders.

142. In order to manage the operational risk of the system, the Bank of Lithuania shall set the System security requirements, provide and implement respective security measures, assess the security status of the System and identify the residual risk.

143. System information shall be recorded in a backup system in real time. In the case of malfunctioning of the System, the backup system shall start operating no later than after two hours and perform the functions of the System. The backup system shall be used until operations of the System are restored. The processes of switching to and from the backup shall be automated enabling to avoid the loss of payment orders from the System or from the queue of payment orders.

## **CHAPTER XI BUSINESS CONTINUITY OF THE SYSTEM**

144. Where a System participant is not able to continue working through its connection station, the System operator shall provide a possibility to use a backup connection station located at the Bank of Lithuania.

145. Where technical obstacles prevent a System participant from fulfilling its obligations referred to subparagraph 54.6 of the Rules, the Bank of Lithuania may provide the information relevant to the System participant by other means of communication (phone, fax). The use of fax shall be conditional upon receiving a letter signed by an authorised person of the System participant specifying the person (or several persons) appointed to receive the System participant's information and his

contact details.

## **CHAPTER XII**

### **LIABILITY FOR THE NON-PERFORMANCE OF OBLIGATIONS**

146. If, as a result of the System's technical failure, the System participant experiences direct losses, the participant may, in accordance to the procedure provided in Annex 6, apply to the Bank of Lithuania regarding compensation of direct losses.

147. The Bank of Lithuania, in the capacity of the System operator, shall be liable only for the direct losses of System participants inflicted by wilful misconduct or negligence of employees of the Bank of Lithuania, which could have been reasonably foreseen by employees of the Bank of Lithuania.

148. The Bank of Lithuania shall in no event be liable for:

148.1. indirect losses of System participants;

148.2. losses of System participants that result from liability arising for a System participant for the non-execution or inadequate execution of payment orders of System participants in the System;

148.3. losses incurred by a System participant through its own fault;

148.4. losses incurred by a System participant provided for in the agreement concluded between the System participant and its indirect participant or ABIC holder;

148.5. any losses that result from any malfunction or failure in the technical infrastructure of the System, if such malfunction or failure arises in spite of the Bank of Lithuania having adopted those measures that are reasonably necessary to protect such infrastructure against malfunction or failure, and to resolve the consequences of such malfunction or failure;

148.6. the information incorrectly submitted by and/or to a System participant the System participant and/or other System participants disregarded the requirements established in the technical documentation of the System in submitting payment orders to the System and/or changed the conditions of execution of payment orders, or for other errors made by the System participant and/or other System participants.

149. The Bank of Lithuania shall not guarantee the linkage of the DPS software provided to a System participant with the System participant's hardware and software, the continuous and safe operation of the software and or computer network of the electronic document exchange system due to activities of third parties or of the System participant itself (e.g. operational system patches, interruptions of communications due to the communications provider's fault, etc.) even if all requirements established for the System Participant in the technical documentation are complied with. However, in the case of malfunction of the software provided to a System participant by the Bank of Lithuania, the Bank of Lithuania undertakes to consult the System participant or to replace the faulty software.

150. A System participant shall be liable for any losses that result from its own activities or from activities of indirect participants or ABIC holders operating through the System participant in the System, or from the non-performance of obligations according to payment orders submitted by them, the Rules or the Agreement.

151. The Bank of Lithuania and a System participant shall be exempted from liability for the non-performance of obligations, if they prove that the obligations are not performed due to force majeure circumstances (including, but not limited to, the cases of malfunction of hardware, telecommunications and communications services, natural disasters, epidemics of diseases, strikes and labour disputes). A System participant must forthwith notify the Bank of Lithuania of the occurrence of such circumstances and shall take all necessary measures to resolve them. The Bank of Lithuania shall notify System participants of the occurrence of force majeure circumstances as soon as possible, but without undue delay, and shall take all necessary measures to resolve them.

152. The Bank of Lithuania and System participants must take all reasonable and practicable measures to reduce losses arising under provisions of Chapter XII of the Rules.

## **CHAPTER XIII PROCESSING OF PERSONAL DATA**

153. The Bank of Lithuania shall be the manager of personal data specified in the System and shall process personal data on the basis of Article 6(1)(e) of the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data).

154. Personal data shall consist of:

154.1 the payer's name and surname, identification number, account number, payee's name and surname, identification number, account number, payment amount, payment purpose and other information provided in payment orders and payment handling instructions.

154.2. name and surname, phone and email provided by a representative of the System participant or a company intending to become a participant;

154.3 names and surnames, positions, dates of birth of shareholders and members of management body, data on penalties related to the provision of financial services imposed on shareholders and members of management body by criminal, judicial authorities, or supervisory institutions provided by the System participant or a company intending to become a participant. These data can be received from publicly accessible sources as well.

155. Data management purposes:

155.1. to ensure the execution and control of payment orders (processed data indicated in subparagraphs 154.1 and 154.2);

155.2. to assess the compliance with requirements regarding implementation of measures of money laundering and terrorist financing prevention applied to activities of entities referred to in Article 4 of the Republic of Lithuania Law on the Prevention of Money Laundering (processed data indicated in subparagraphs 154.1 and 154.3);

155.3 to assess the reputation of the System participant or a company intending to become a participant (processed data indicated in subparagraph 154.3).

156. The Bank of Lithuania shall not involve other sub-processors for processing personal data. If, in the future, the Bank of Lithuania decides to involve other sub-processors for processing of personal data specified in the Rules, the System participants shall be informed about all planned changes in advance.

157. In processing personal data, the Bank of Lithuania shall:

157.1. process them in line with conformity with the Bank of Lithuania General Rules for Processing of Personal Data and other legal acts of the European Union and Republic of Lithuania;

157.2. ensure that persons authorized to process personal data have committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality;

157.3. taking into account the nature of the processing, assist the System participants by appropriate technical and organizational measures for the fulfilment of the obligation of the System participants to respond to requests for exercising the data subject's rights;

157.4. make available to the System participant all necessary information relating to the technical and organizational measures for data security insofar as this does not breach the information that constitutes the secret of the Bank of Lithuania or of other sensitive information that constitutes the confidential information of the European Central Bank or of the European System of Central Banks.

158. The System data shall be protected from destruction, unauthorized alteration, use or disclosure by the following administrative, technical, software and other measures established in the System:

158.1. access to the System is subject to double authentication and only with digital signature certificates;

158.2. the System operators can perform only those actions that are allowed by the rights assigned to them;

158.3. all actions carried out in the System are registered;

158.4. the log-in to the System is possible from a closed network or using a secure communication channel, in the case of log-in via the internet, the participant's device is identified, the participant is authenticated and the network flow is encrypted and filtered;

158.5. other measures provided for in the List of Security Measures of the Payment System *CENTROlink* approved on 5 December 2017 by the Director of the IT Department of the Organisation Service and the Director of the Operations and Payments Department of the Banking Service (No V 2017/(26.58.E-2602)-14-7).

159. Personal data storage terms:

159.1. personal data indicated in subparagraph 154.1 shall be stored in the System for 10 years from the date of their receipt. On expiry of the data storage period, the data shall not be restored and shall be automatically destroyed.

159.2. personal data indicated in subparagraphs 154.2 and 154.3 shall be stored throughout the System participant's participation in the system and for 10 years after removing the participant from the system. On expiry of the data storage period, the data shall not be restored and shall be manually destroyed.

160. The Bank of Lithuania shall transfer personal data to third countries only in the cases established by legal acts of the European Union and the Republic of Lithuania. In order to ensure that the System participants' payments reach all SEPA, the Bank of Lithuania may transfer payment orders containing personal data to STEP2 or to any other clearing system that meets the requirements of SEPA.

161. Having become aware of personal data security breach, the Bank of Lithuania shall without undue delay and at the latest within one working day notify the System participant, as the data controller, of the date and time of the data security breach, its circumstances, the number of personal data the security of which was breached, the measures taken to eliminate the breach or to reduce its consequences.

162. The System participants performing their obligations as the data controllers shall inform their clients that the personal data provided in payment orders and payment handing instructions will be processed in the System.

## **CHAPTER XIV FINAL PROVISIONS**

163. It shall be understood that System participants are aware of all their obligations related to legal acts regulating the protection of personal data, the prevention of money laundering and terrorist financing and the implementation of international sanctions and fulfil all such obligations.

164. In order to protect from settlement, operational, businesses and reputational risks and to ensure the financial and operational stability of the System, the Bank of Lithuania shall have the right to carry out the monitoring and control of payment orders.

165. The System and its functionality cannot be used by the System participant for marketing purposes or to transfer messages unrelated to the payment. The System participant is responsible for all consequences of such use. The Bank of Lithuania decides whether the System is used properly and has the right to limit the System participant's ability to issue payment orders and receive payments or, unilaterally, terminate the Agreement without prior notice.

166. The Bank of Lithuania shall acquaint System participants with draft amendments and supplements to the Rules and shall set at least 30 days' time limit for submitting proposals and observations. The term shorter than 30 days may be set in the following cases:

166.1. the basis for the amendment or supplement to the Rules is a newly adopted, amended or supplemented law of the Republic of Lithuania or decision of a court or a public legal entity;

166.2. amendments to the Rules are necessary in order to eliminate the threat faced by the System or due to other important reasons.

167. The Bank of Lithuania may unilaterally amend these Rules informing System participants on the amendments before the time limit specified in paragraph 136 of the Rules.

168. In the case of conflict between provisions of the Rules and the Agreement, provisions of

the Rules shall prevail, unless the Parties to the Agreement expressly agree to apply a respective provision of the Agreement even if the Rules provide otherwise. In the case of conflict between the Rules and technical documentation, provisions of the Rules shall prevail unless agreed otherwise by the Bank of Lithuania and a System participant.

169. The rights and obligations of System participants arising in relation to the participation in the System shall be governed by the law of the Republic of Lithuania.

170. In the event of the failure to settle the disputes arising between the Bank of Lithuania and a System participant in relation to the operations of the System and the Rules by negotiations, the disputes shall be adjudicated before courts of the Republic of Lithuania in accordance with the procedure laid down by laws of the Republic of Lithuania.

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## OPERATING SCHEDULE OF THE PAYMENT SYSTEM CENTROlink OF THE BANK OF LITHUANIA

### I. SCT *Inst* payment order execution service

1. SCT *Inst* payment orders shall be executed 24/7 on all calendar days of the year.
2. The SCT *Inst* payment order execution service provision day shall start at 1:00 (i.e. 00:00 CET time).
3. The balance of funds on a FC *Inst* account for the calculation of required reserves, where the System participant is subject to the required reserves requirement laid down in European Central Bank legislation, and for the calculation of interest, where the System participant is not subject to the required reserves requirement, shall be recorded at 19:05 on those days when TARGET2 is in operation.

### II. SCT and SDD payment order execution services

4. SCT and SDD payment orders shall be executed on business days of TARGET2, even if at that time in Lithuania they are non-business days, because payment orders can be passed from STEP2 on each day. A System participant can accept such payment orders from the System on also the next business day, as laid down in the SEPA Rules reservation on national bank holidays.
5. The operating time and phases of the System shall be aligned with the time of TARGET2-BANK OF LITHUANIA (taking account of the time zone difference).

#### Phases of a business day of the System

<i>Phase number</i>	<i>Time (hours)</i>	<i>Description</i>	
1	20:45–21:00	Start of the System's SCT D+1 service provision day: acceptance and check of SCT and SDD payment orders (starts 15 minutes later on the Eurosystem's last business day of a reserve maintenance period)	
1A	21:00–21:20	Phase of SCT night-time transactions	
1B	21:20–22:00	Sending to STEP2 of SCT and SDD of payment orders addressed to STEP2 and processing of their check results	
1C	22:00–6:00	Technical maintenance phase of the System	
2	6:00–6:30	The System's preparation for service provision daytime operations	
3	3.1	6:30–16:45	Phase I of service provision daytime operations
	3.2	11:30–15:30	SDD fixed-time payment phase
	3.3	16:45–18:00	Phase II of service provision daytime operations
4	4.1	18:00–18:15	Execution of the end-of-service provision day procedure
	4.2	18:15–18:45	Settlement in TARGET2-BANK OF LITHUANIA
	4.3	18:20–19:00	Generation and submission of reports on service provision daily results
5	19:45–20:30	Submission of TARGET2-BANK OF LITHUANIA and service provision day-end daily results (statements)	

\* – as a business may start later due to delayed start of TARGET2-BANK OF LITHUANIA business day, the start of other phases may also be delayed.

6. The Bank of Lithuania, on agreement with System participants, may change the opening hours of the System.
7. SCT and SDD payment orders submitted by System participants shall be accepted during the service provision start-of-day phase (1) of preparation of night-time operations until 21:00.
8. During the start-of-service provision day phase of night-time operations (1A), at 21:00, the execution of credit transfer orders with settlement on the next day when TARGET2 is open shall begin. Only those payment orders for the settlement of the net obligation generated by which



the funds on the FC account are sufficient are executed. Payment orders which remain unsettled due to insufficient funds are left in the queue waiting for the phase of service provision daytime operations.

9. During the start-of-service provision day phase of processing of night-time operations (1B), the information of payment orders executed during the night-time settlement phase of the System is prepared and sent to STEP2, the information accepted in STEP2 is processed, and SCT payment orders for the refund of payment orders rejected by STEP2 are initiated and executed.

10. During the service provision technical service phase (1C), the service provision daily result archiving work, the System's daily technical maintenance is performed. During this phase, the System's participants may submit payment orders to the System, which can be checked during the 3.1 phase.

11. During the System preparation for day-time operations phase (2), SCT and SDD operations are not carried out. System operators check the results of the technical maintenance phase of the System and initiate the necessary processes. At 6:30, the System starts checking payment orders.

12. During the day-time operations phase I (3.1), SCT payment orders with the settlement date addressed to System participants are processed and executed in real time and for other creditors of the SEPA – processed at 6:45, 8:50, 9:30, 12:00, 14:30, 16:30, and 16:45. Payment orders which remain unsettled due to insufficient funds are left in the queue until the end-of-service provision day phase. SDD payment orders, where the next settlement day is indicated, and R-Messages, which are payment orders with that day's settlement day, submitted by System participants, are accepted until 11:30. Later-processing date direct debit collection orders accepted by the system are processed at 8:40, 9:40, 10:20, 11:15, 11:40, 12:40, 13:40, 14:40, 17:40, 18:40 and 19:40.

13. During the SDD fixed-time payment phase (3.2), all payment orders of which the settlement date is a current day of TARGET2 are executed. The execution of SDD payment orders in the System takes place in stages: payment orders between System participants and payment orders of System participants addressed to other creditors of the SEPA and payment orders addressed to System participants received from STEP2 are processed at 11:30. SDD payment orders, for which the financial collateral is insufficient, are rejected. Payment orders for System participants, received from the STEP2 system, are processed at 11:30–15:30.

14. During the service provision daytime operations II phase (3.4), only those SCT payment orders which are intended for settlements between System participants are processed and executed. Payment orders which remain unsettled due to insufficient funds are left in the queue until the end-of-service provision day phase.

15. During the final clearing phase (4.1), payment orders waiting in the queue of payment orders are executed. Payment orders which remain unsettled due to insufficient funds or other reasons are rejected.

16. During the settlement in TARGET2 phase (4.2), funds of financial collateral are returned to the PM accounts of the collateral providers. The net position accumulated during the service provision day-time settlement phase is settled in TARGET2.

17. During the phase of generation and submission of reports on daily results (statements) (4.3), reports (statements) of service provision daily results are generated and submitted.

18. During the end-of-day results submission phase of TARGET2-BANK OF LITHUANIA and service provision (5), the service provision daily results of the financial collateral management operations in TARGET2-BANK OF LITHUANIA and LITAS-PHA are included in the statements issued by these systems.

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## **SYSTEM SERVICE FEES AND DESCRIPTION OF THE PROCEDURE OF PAYMENT FOR THE PROVIDED SERVICES**

1. The following service fees shall be applied in the System:
  - 1.1. SCT and SCT Inst payment orders:
    - 1.2.1. for each SCT or SCT Inst payment order (up to the first million) submitted to and executed in the System – €0.03;
    - 1.1.2. for each SCT or SCT Inst payment order (exceeding the first million) submitted to and executed in the System – €0.01;
    - 1.1.3. for each SCT or SCT Inst payment order received from the System and executed – €0.01.
  - 1.2. SDD payment orders:
    - 1.2.1. for each SDD payment order (up to the first million) submitted to and executed in the System – €0.05;
    - 1.2.2. for each SDD payment order (exceeding the first million) submitted to and executed in the System – €0.03;
    - 1.2.3. for each SDD payment order received from the System and executed – €0.02.
2. In establishing the fee, payment orders shall be calculated starting with ‘one’ at the start of each calendar year. Payment orders shall be calculated for each direct participant with regard to all of its accounts. SCT and SCT Inst payment orders shall be calculated together, but separately from SDD payments.
3. Minimum monthly fee for the System participant received or submitted payment orders executed is €100.
4. Having received a request regarding the System participants’ payment orders, the Bank of Lithuania can initiate a revision, investigation of payment order and a request via SWIFT channel. The first 5 requests of the month regarding each participant of the System are executed free of charge, every subsequent request is charged a €20 administration fee.
5. By the ninth business day of each month, the Bank of Lithuania shall notify the System participant by email about the number of payment orders submitted by the System participant and executed over the previous month, the amount payable and the debit date, as well as send information on the amount payable for the holding of funds on the FC and/or FC Inst account, payment transfer investigations.
6. A System participant agrees that the Bank of Lithuania shall, on a monthly basis and by debit orders, debit from the System participant’s TARGET2-LIETUVOS BANKAS PM account the amounts payable to the Bank of Lithuania: the fee for the services provided in the System and by the Bank of Lithuania, interest, fines for violations of requirements specified in the legal acts of the ECB or the Bank of Lithuania, and other amounts payable in accordance with the procedure laid down in the legal acts of the Bank of Lithuania. Where the System participant is not a direct participant of TARGET2-LIETUVOS BANKAS, the amounts payable to the Bank of Lithuania shall be debited from the collateral on its FC account.
7. The System participant must cover any additional costs incurred by the Bank of Lithuania related to the participation of the System participant in the System, including but not limited to its registration in STEP2 or other clearing systems that meet SEPA requirements and its connection to the payment schemes.
8. If the System Participant disagrees with the calculated fee, the Bank of Lithuania, having received the System participant’s claim, shall investigate it by the end of the next business day and notify the System participant of the decision made. If the fee was calculated incorrectly, the Bank of Lithuania shall respectively adjust the amount payable for the next month or shall initiate an additional payment/debit of funds on the same month as agreed by the parties.
9. The System Participant, at the initiative of the Bank of Lithuania, can present payment orders for System testing. Test payment orders presented or received by the System participant are not

counted and no fee shall be charged. No fee is also charged for payment orders processed as a System error.

**GENERAL CONDITIONS OF LEGAL OPINIONS REGARDING THE PARTICIPATION  
IN THE PAYMENT SYSTEM CENTROlink OF THE BANK OF LITHUANIA –  
CAPACITY OPINION**

Bank of Lithuania  
Gedimino pr. 6 LT-  
01103 Vilnius Lithuania

**Participation in the Payment System CENTROlink of the Bank of Lithuania**  
[location], [date]

Dear....,

We have been asked to provide this Opinion as [in-house or external] legal advisers to [specify name of Participant or branch of Participant] in respect of legal acts of [jurisdiction in which the System participant is established (hereinafter – jurisdiction)] in connection with the participation of the System participant in the Payment System CENTROlink of the Bank of Lithuania (hereinafter – System).

This Opinion is confined to the legal acts of [jurisdiction] as they exist on the date of this Opinion. We have made no investigation of legal acts of any other jurisdiction as a basis for this Opinion, and do not express or imply any findings thereon. Each of the statements and opinions presented below in respect of the legal acts of [jurisdiction] applies with equal accuracy and validity, whether or not the System participant, in other countries in submitting payment orders and receiving payments, acts through its head office or one or more branches established in the country subject to the legal acts of the [jurisdiction] or in other countries.

**I. DOCUMENTS EXAMINED**

For the purposes of this Opinion, we have examined:

- 1) certified copies of the [specify relevant instruments of incorporation] of the System participant such as are in effect on the date hereof;
  - 2) [if applicable] an extract from the [specify relevant company register] and [if applicable] [register of credit institutions or analogous register];
  - 3) [to the extent applicable] a copy of the System participant's licence or other proof of the right to provide banking or investment services in [jurisdiction];
  - 4) [if applicable] a copy of a resolution adopted by the board of directors or the relevant governing body of the System participant on [insert date], evidencing System participant's agreement to adhere to the provisions of the System Documents (as defined below); and
  - 5) [specify all powers of attorney and other documents constituting or evidencing the requisite power of the person or persons signing the relevant System Documents (as defined below) on behalf of the System participant]).
- and all other documents relating to the System participant's incorporation, powers, and authorisations (hereinafter – System participant's Documents).

For the purposes of this Opinion, we have also examined:

- 1) the Operating Rules of the Payment System CENTROlink of the Bank of Lithuania approved on [insert date] (hereinafter – Rules);
- 2) [...].

[The Rules] and the [...] shall herein be referred to as the System Documents and collectively with the System participant's Documents – the Documents.

## **II. ASSUMPTIONS**

For the purposes of this Opinion, we have assumed in relation to the Documents that:

- 1) the System Documents which we have been provided with are originals or true copies thereof;
- 2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the law of the Republic of Lithuania, by which they are expressed to be governed, and the choice of the laws of the Republic of Lithuania to govern the System Documents is recognised by the laws of the Republic of Lithuania;
- 3) the System participant's Documents are within the capacity and legal, and have been duly authorised, adopted or executed and, where necessary, delivered by the relevant parties;
- 4) the System participant's Documents are legally binding on the parties to which they are addressed, and there has been no breach of any of their terms.

## **III. OPINIONS REGARDING THE SYSTEM PARTICIPANT**

A. The System Participant is a legal entity duly established and registered or otherwise duly incorporated under the law of [jurisdiction].

B. The System participant has all the requisite corporate powers to execute and perform the rights and obligations under the System Documents to which it is going to be a party.

C. The execution of rights and the performance of obligations by the System participant under the System Documents to which the System participant is going to be a party shall not in any way breach any provision of legal acts of [jurisdiction] applicable to the System participant or to the System participant's Documents.

D. No additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of any court or governmental, judicial or public bodies that are competent in [jurisdiction] are required by the System participant in connection with the adoption, validity or enforceability of any of the System Documents or the execution and performance of the rights and obligations thereunder.

E. The System participant has taken all necessary actions and other steps necessary under the law of [jurisdiction] to ensure that its obligations under the System Documents are legal, valid and binding.

This Opinion is stated as of its date and is addressed solely to the Bank of Lithuania and [the System Participant]. No other persons may rely on this Opinion, and its contents may not be disclosed without our prior written consent to persons other than its intended recipients and the legal advisers representing them, with the exception of the European Central Bank, the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Respectfully,

[signature]

**GENERAL CONDITIONS OF LEGAL OPINIONS REGARDING THE PARTICIPATION  
OF FOREIGN PARTICIPANTS IN THE PAYMENT SYSTEM CENTROlink OF THE  
BANK OF LITHUANIA – COUNTRY OPINION**

Bank of Lithuania  
Gedimino pr. 6 LT-  
01103 Vilnius Lithuania

**Participation in the Payment System CENTROlink of the Bank of Lithuania**  
[location], [date]

Dear .....,

We have been asked as [external] legal advisers to [specify name of the System participant or of the System participant's branch] (hereinafter – System participant) in respect of issues arising with respect to the legal acts of [jurisdiction in which the Participant is established (hereinafter – jurisdiction)] to provide this Opinion under the legal acts of [jurisdiction] in connection with the participation of System participant in the payment system CENTROlink of the Bank of Lithuania (hereinafter – System). References herein to the legal acts of [jurisdiction] include all applicable legal acts of [jurisdiction]. We express this opinion herein under the law of [jurisdiction], with respect to the System participant established outside the Republic of Lithuania regarding the legal acts of [jurisdiction] related to the rights and obligations arising from participation in the System, as specified in the System Documents defined below.

This Opinion is confined to the legal acts of [jurisdiction] as they exist on the date of this Opinion. We have made no investigation of legal acts of any other jurisdiction as a basis for this Opinion, and do not express or imply any findings thereon. We have assumed that there is nothing in legal acts of another jurisdiction that affects this Opinion.

## 1. DOCUMENTS EXAMINED

For the purposes of this Opinion, we have examined the documents listed below and such other documents as we have deemed necessary or appropriate:

- 1) the Operating Rules of the Payment System CENTROlink of the Bank of Lithuania approved on [insert date] (hereinafter – Rules);
- 2) any other documents governing the System and/or the relationships between the System participant and other participants in the System, and between other participants in the System and the Bank of Lithuania, etc.<sup>2</sup>

[The Rules] and the [...] shall herein be referred to as the System Documents.

## 2. ASSUMPTIONS

For the purposes of this Opinion we have assumed in relation to the System Documents that:

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<sup>2</sup> Other documents include, e.g. all additional arrangements on the guarantees of execution of the participants' transactions in the System.

- 1) the System Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties;
- 2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the law of the Republic of Lithuania, by which they are expressed to be governed, and the choice of the laws of the Republic of Lithuania to govern the System Documents is recognised by the laws of the Republic of Lithuania;
- 3) other participants in the System through which any payment orders are sent or payments are received, or through which any rights or obligations under the System Documents are executed or performed, are licensed to provide the funds' transfer services in all relevant jurisdictions; and
- 4) documents with which we have been provided as copies or examples correspond to originals.

### **3. OPINION**

Based upon and subject to the foregoing, and subject in each case to the points set out below, we are of the opinion that:

#### **3.1. Country-specific legal aspects [to the extent applicable]**

The following characteristics of the legal acts of [jurisdiction] are consistent with and in no way set aside the obligations of the System participant arising out of the System Documents: [list of country-specific legal aspects].

#### **3.2. General insolvency issues [events of default]**

##### **a) Types of insolvency proceedings**

The only types of insolvency proceedings (including composition or rehabilitation) – which, for the purpose of this Opinion, shall include all proceedings in respect of the System participant's assets or any branch it may have under the law of [jurisdiction] and to which the System participant may become subject under the law of [jurisdiction], are the following (hereinafter collectively referred to as insolvency proceedings): [list proceedings in the original language and in the English language].

In addition to Insolvency Proceedings, the System participant, any of its assets, or any branch it may have in accordance with the legal acts of [jurisdiction] may become subject, under the law of [jurisdiction] to [list any applicable moratorium, receivership, or any other proceedings as a result of which payments to and/or from the System participant may be suspended or limited, or similar proceedings in original language and English] (hereinafter collectively referred to as proceedings).

##### **b) Insolvency treaties**

[Jurisdiction] or certain political subdivisions within [jurisdiction], as specified, is/are a party to the following insolvency treaties: [specify, if applicable, which have or may have impact on this Opinion].

#### **3.3 Enforceability of provisions of the System Documents**

Subject to the points set out below, all provisions of the System Documents will be binding and enforceable in accordance with their terms under the legal acts of [jurisdiction], in particular in the event of the opening of Insolvency Proceedings or other Proceedings with respect to the Participant.

In particular, we are of the opinion that:

##### **a) Processing of payment orders**

The provisions on processing of payment orders of Chapter VIII of the Rules are valid and enforceable. In particular, all payment orders processed in accordance with provisions of this section will be valid, binding and enforceable under the legal acts of [jurisdiction]. The provision of the Rules which specifies the precise point in time at which payment orders submitted by the System participant to the System become enforceable and irrevocable (paragraph 82 of Rules) is valid, binding and enforceable under the legal acts of [jurisdiction].

##### **b) Authority of the Bank of Lithuania to perform its functions**

The opening of Insolvency Proceedings or other Proceedings in respect of the System participant shall not affect the authority and powers of the Bank of Lithuania arising out of the System Documents. [Specify [to the extent applicable] that the same opinion is also applicable in respect of any other entity which provides the System participants with services and necessarily required for participating in the System (e.g. network service provider)]

c) Remedies in the event of default

Where applicable to the System participant, the provisions contained in Chapters IV and VII of the Rules regarding accelerated performance of claims which have not yet matured, the netting of claims for using the System participant's funds, realisation of collateral, suspension and termination of participation, claims for default interest, and termination of agreements and transactions (paragraphs 60 and 30–41 of the Rules) are valid and enforceable under the legal acts of [jurisdiction].

d) Suspension and termination of participation

Where applicable to the System participant, the Chapter IV of the Rules in respect of suspension and termination of the System participant's participation in the System on the opening of Insolvency Proceedings or other Proceedings or due to the event of default, as defined in the System Documents, or if the Participant represents any kind of systemic risk or has serious operational problems are valid and enforceable under the legal acts of [jurisdiction].

e) Assignment of rights and obligations

The rights and obligations of the System participant cannot be assigned, altered or otherwise transferred by the System participant to third parties without the prior written consent of the Bank of Lithuania.

f) Choice of governing law and jurisdiction

The provisions of Chapter XIII of the Rules, in particular in respect of the governing law, the resolution of disputes and the choice of competent courts, are valid and enforceable under the legal acts of [jurisdiction].

### 3.4 Voidable preferences

We are of the opinion that no obligation arising out of the System Documents, the performance thereof, or compliance therewith prior to the opening of any Insolvency Proceedings or other Proceedings in respect of the System participant may be set aside in any such proceedings as a preference, voidable transaction or otherwise under the legal acts of [jurisdiction].

In particular, and without limitation to the foregoing, we express this opinion in respect of payment orders submitted by any participant to the System. In particular, we are of the opinion that the provisions of paragraph 82 of the Rules establishing the enforceability and irrevocability of payment orders will be valid and enforceable and that a payment order submitted by any System participant and processed pursuant to Chapter VIII of the Rules may not be set aside in any Insolvency Proceedings or other Proceedings as a preference, voidable transaction or otherwise under the legal acts of [jurisdiction].

### 3.5 Attachment

If a creditor of the System participant seeks an attachment order (including any freezing order, order for seizure or any other public or private law procedure that is intended to protect the public interest or the rights of the System participant's creditors) (hereinafter – Attachment) under the legal acts of [jurisdiction] from a court or governmental, judicial or public authority that is competent in [jurisdiction], we are of the opinion that [insert the analysis and assessment].

### 3.6 Collateral [if applicable]

a) Assignment of rights or assets for collateral and/or pledge purposes

Assignments for collateral purposes will be valid and enforceable under the legal acts of [jurisdiction]. Specifically, the creation and enforcement of pledge transactions under the conditions provided for such transactions in the Rules and in the Agreement of the participant in the Payment System CENTROlink of the Bank of Lithuania will be valid and enforceable under the legal acts of [jurisdiction].

b) Priority of the assignees' and pledgees' interests over interests of other claimants

In the event of Insolvency Proceedings or other Proceedings opened in respect of the System participant, the rights or assets assigned for collateral purposes, or pledged by the System participant in favour of Bank of Lithuania or other System participants will rank in priority of payment above the claims of all other creditors of the System participant and will not be subject to the claims of



priority creditors.

c) Enforcing title to security

Even in the event of Insolvency Proceedings or other Proceedings in respect of the Participant, other participants in the System and the Bank of Lithuania as [assignees or pledgees as applicable] will still be free to enforce and collect the System participant's rights or assets acting through the Bank of Lithuania in accordance with the Rules.

d) Form and registration requirements

There are no form requirements for the assignment for collateral purposes of, or the creation and enforcement of a pledge over the System participant's rights or assets and it is not necessary for the assignment for collateral purposes or pledge as applicable or any particulars of such assignment or pledge to be registered or filed with any competent court or governmental, judicial or public authority in [jurisdiction].

3.7 Branches [to the extent applicable]

a) Opinion applies to action through branches

Each of the statements and opinions presented above with regard to the System participant applies with equal accuracy and validity under the legal acts of [jurisdiction] in situations when the System participant acts through one or more branches located outside [jurisdiction].

b) Conformity with law

Neither execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of the System participant will in any respect breach the legal acts of [jurisdiction].


c) Required authorisations

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of the System participant will require any additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any competent court or governmental, judicial or public authority within [jurisdiction].

This Opinion is stated as of its date and is addressed solely to the Bank of Lithuania and [the System Participant]. No other persons may rely on this Opinion, and its contents may not be disclosed to persons other than its intended recipients and the legal advisers representing them without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks/ relevant regulatory authorities].

Respectfully,

[signature]

 <b>LIETUVOS BANKAS</b> EUROSISTEMA	<b>Registration form for the participant of the payment system CENTROlink</b>
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1. Activation date

2. Participant name and company code

3. SWIFT BIC

4.  the participant registered with the European Payments Council concerning compliance with SEPA SCT schemes  
*date*

**Selected functionality:**

1. SEPA SCT  Yes  No

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2. SEPA SDD Core  Yes  No  
 Debtor only

Creditor & Debtor

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3. SEPA SCT INST  Yes  No  
 Creditor only

Creditor & Debtor

4. Participant's system is adapted to receive payment orders with Lithuanian characters  Yes  No

**5. Participant contact data**

<i>1. Name and surname</i>
<i>Phone, email</i>
<i>2. Name and surname</i>
<i>Phone, email</i>

\_\_\_\_\_  
*(date)*

\_\_\_\_\_  
*(position)*

\_\_\_\_\_  
*(name and surname)*

\_\_\_\_\_  
*(signature)*

## **DESCRIPTION OF THE LOSSES COMPENSATION PROCEDURE**

### **SECTION I. GENERAL PROVISIONS**

1. The Description of the Losses Compensation Procedure establishes the procedure for compensating losses to System participants, the procedure for calculating the compensation amount and defines the other provisions relating to compensation, which are applicable in cases when the System Participant experiences losses due to the fault of the Bank of Lithuania.

2. The Bank of Lithuania can pay to System Participants compensations for System failures appearing due to the fault of the Bank of Lithuania if the System Participants complied with the procedure and deadlines set in this procedure description.

3. The compensation procedure is not applied when technical System failures appear as a result of external events, which the Bank of Lithuania cannot control, or as a result of acts or omissions by third parties.

4. In accepting compensation, the System Participant shall be liable to not submit to the Bank of Lithuania, court or any other dispute-settling institution claims regarding the same or related other CENTROlink failures. It is also considered that the System Participant was reimbursed for all direct and indirect losses experienced by them and/or representative persons.

5. The System Participant, having received compensation in line with this compensation procedure, shall be liable for other System Participant or third person requirements, which may arise as a result of the same payment order for which compensation was paid out.

### **SECTION II. SUBMISSION OF COMPENSATION PAYMENT REQUEST**

6. The System Participant has the right to submit a request for compensation payment if it experienced losses, due to System failures, in the case of any of the following events:

6.1. SCT payment order, submitted to the System by 12:00 and with sufficient balance held on the FC account, was executed and transferred to another SEPA payment system later than by 14:30;

6.2. SCT payment order, submitted to the System after 12:00 and with sufficient balance held on the FC account, was not executed on the service provision day;

6.3. SDD payment order, submitted at the time indicated in the Rules, with sufficient balance held on the FC account, was not executed on the service provision day.

7. The ABIC holder, regarding right to compensation pay-out, shall contact the System's Direct Participant, through which it operates.

8. A request for compensation pay-out shall be submitted no later than in 30 calendar days from the date of the CENTROlink failure indicated in the request.

### **SECTION III. PROCEDURE FOR SETTING COMPENSATION AMOUNT**

9. The Bank of Lithuania, having received a request to pay out a compensation and taking into account the entirety of the documents submitted by the System Participant, the fault of the Bank of Lithuania and other circumstances relevant to making a decision, over 60 calendar days from the date of receipt of a request makes the decision whether to pay out compensation or reject the request.

10. The Bank of Lithuania has the right to request the System Participant to submit additional data justifying the circumstances specified in the application for payment of compensation. Any additional information and evidence requested by the Bank of Lithuania shall be supplied within 14 calendar days of such request being made. Failure to submit or submission of data not in a timely

manner may result in the rejection of an application for payment of compensation.

11. Each case requesting payment of compensation, as indicated in the request, is assessed separately by the Bank of Lithuania. The following compensation amounts are defined:

11.1. for first non-executed payment order – €50;

11.2. for other payment orders after first non-executed payment order – €1;

12. The largest total compensation amount that can be paid out for one incident to one participant – €1,000.

13. The Bank of Lithuania, taking into account the principles of reasonableness, justice and proportionality, has the right to set the compensation amount.

#### **SECTION IV.**

#### **AGREEMENT WITH COMPENSATION AMOUNT AND ITS PAYOUT**

14. The Bank of Lithuania, having made a decision on the compensation amount, shall inform the System Participant which submitted a request for payment of compensation thereof, and shall offer a compensation amount. The compensation offer shall indicate the entire amount of the offered compensation.

15. The System Participant, no later than within 15 calendar days, shall answer the Bank of Lithuania compensation offer and indicate whether it agrees or disagrees with the submitted compensation offer.

16. If the System Participant replies that it does not agree with the compensation offer, or does not submit any answer, the Bank of Lithuania may make a decision to reject the compensation payment request.

17. If the System Participant replies that it agrees with the compensation offer, the Bank of Lithuania shall pay out the set compensation amount into the account indicated in the System Participant's compensation request.

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## **DESCRIPTION OF THE PROCEDURE FOR CALCULATION OF THE MINIMUM FINANCIAL COLLATERAL AMOUNT**

1. The Description of the Procedure for Calculation of the Minimum Financial Collateral Amount defines the procedure for calculating, changing and approving the minimum financial collateral amount.

2. The minimum financial collateral amount is applied to System Participants who chose to use SEPA Direct Debit services, as creditor and debtor. The minimum financial collateral amount can be set for any System Participant, implementing the restrictions on the availability of funds as provided in legal acts.

3. If the balance of the FC account on the participant's account does not exceed the minimum financial collateral amount, none of the Participant's payment orders are executed.

4. The provisions set forth in Articles 5–10 herein regarding the minimum financial collateral amount for ensuring the Bank of Lithuania's financial requirements arising from the payment return and refund R instructions received by the participant.

5. The System Participant, prior to beginning to use SEPA direct debit services in the System, shall submit to the Bank of Lithuania data of the volume and amount of SDD payment orders to be submitted over the year. The minimum financial collateral amount comprises 3 per cent of the value of SDD payments planned by the System Participant during the year, but the amount is no less than €1,000.

6. The Bank of Lithuania, at any time (including the start of use of SEPA direct debit services), taking into account the statistics of the System Participant-received payment return and refund R instructions and other risk factors, can set for the System Participant, at their own discretion, a different minimum financial collateral amount.

7. The Bank of Lithuania may, at any time, suspend or reject SDD payment orders sent by the System Participant, if the System Participant's or their client's activities pose an unacceptable risk to the Bank of Lithuania. In such a case, the Bank of Lithuania immediately informs the Participant and is not liable for any direct and indirect losses of the System Participant or its clients.

8. The System participant shall be informed about the established minimum financial collateral amount no later than 7 calendar days prior to the date of its entry into force.

9. Upon expiration of the Participant's Agreement on participation in the System, the balance of the FC account, not exceeding the minimum financial collateral amount, is returned only after the deadline, prior to which payment return and refund R instructions regarding the Participant's SDD payment orders.

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