

THE PAYMENT ASSOCIATION OF LESOTHO

ELECTRONIC FUNDS TRANSFER CREDIT AND DEBIT CLEARING RULES

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Change Control

VERSION	DATE	DESCRIPTION
1.0	November 2011	Industry accepted version.

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2.0 INTRODUCTION

The Payment Association of Lesotho (PAL), in meeting the objectives as articulated in its Articles of Association and the Automated Clearing House Rules, has developed a set of clearing rules that incorporates principles developed and adopted in the Payment Clearing House (PCH) Agreements.

The Payment Clearing House Agreements that created the Payment Clearing House (EFT) requires that rules regarding processes and standards be adopted by the Participants in the PCH. The rules govern the operational processes and standards to be complied with for the effective interbank clearing of EFT payment instructions.

Although the rules belong to and are applicable only to this PCH, they are held by the PAL as custodian and are subject to the change control process of the PAL.

When standards and procedures to be complied with have been defined by a person other than the PCH, such as the PAL or the Payment System Operator (PSO), reference shall be made to the original source documentation in order to avoid possible ambiguity, potential conflict and unnecessary duplication.

2.1 Related documents

The following additional documents are relevant to this document as they all form part of a set of documents and agreements according to which the functioning of the National Payment System and more specifically EFT payment stream is governed. Involved parties include the CBL, the PAL, PSO and all NPS Participants:

- Central Bank of Lesotho Act (2000),
- National Payments Systems Bill
- Financial Institutions Act (1999);
- LSW Participation Agreement;
- Rule book of LSW;
- LACH Rules;
- EFT PCH Agreement;
- Service Level Agreement;
- Bank User Manual;

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- EFT Service Application and Standards Manual.

2.2 Abbreviations

The following abbreviations are used in this document:

EFT : Electronic Funds Transfer

NPS : National Payment System

PCH PG : Payment Clearing House Participant Group

PSO : PCH System Operator

LACH: Lesotho Automated Clearing House

LSW : Lesotho Wire, the Real Time Gross Settlement system

CBL: Central Bank of Lesotho (as a regulator)

SDV: Same-Day Value

STP: Straight Through Processing

The words and phrases in these rules shall bear the same meaning as the corresponding words and phrases used in the PCH Agreement, unless indicated otherwise.

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SECTION 3: DEFINITIONS

The following terms shall have the meanings assigned to them and cognate expressions shall have corresponding meanings, namely:-

“**Abbreviated Name**” means a field within the user reference field reflecting the Participant’s User name or the sponsored user’s trading name, and not exceeding 10 characters.

“**Action Date**” means the date on which the payment becomes effective; *i.e.* the date on which the banks pass the entry to the account/s of their customer/s which should be on the day of receipt from the PSO, *i.e.* to provide Same Day Value.

“**Aggregate value limit**” means the maximum aggregate value of transactions processed by a user in any agreed period and is restricted to a limit which is fixed by negotiation between the user and his/her bank;

“**Amended Action Date**” means where the specified Action Date is not a valid EFT service business day, or where the File was not delivered in time to meet the Effective Action Date for the service, the specified Action Date will be amended by the operator system to the first valid date for the service following the specified date;

“**Bank account**” means an account held at one of the participating banks which can be debited or credited as a result of an EFT Payment Instruction.

“**Bank**” means a bank registered in terms of the Financial Institutions Act 1999;

“**Bank User Manual**” means the rules and procedures published by the respective participating banks to the users, to enable the users to use the EFT payment stream.

“**Business days**” means Mondays to Saturdays excluding Public Holidays and Sundays.

“**Calendar days**” means a period counting all days – Sundays to Saturdays, including Public Holidays;

“**Client confidentiality**” is the principle that an institution or individual should not reveal information about their account holders to a third party

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without the consent of the account holder or a clear legal reason as dictated by any applicable law/s.

“Customer” shall refer to any legal person to whom the user is paying monies, or collecting monies from;

“Credit transaction” “(including credit when used as a noun)” means an instruction from the user to a bank, presented in the form of an electronic record, to pay money to a customer; *e.g.* salaries, pensions, creditors, dividends, etc;

“Debit order/debit entry/debit transaction” (“including debit when used as a noun”) means a mandated payment instruction from the user to a bank, presented in the form of an electronic record, to collect money from a customer; *e.g.* insurance premiums, unit trust investments, hire purchase payments, rentals, etc;

“Disputed item” refers to an item which the customer declares in writing that:

1. He/she did not authorise the drawing in question; or
2. The drawing is in contravention of his/her authority, or
3. He/she has instructed the user to cancel the authority.

“Effective Action Date” means the user specified Action Date;

“File” means a defined formatted batch of EFT transactions, which is a self-balancing entity submitted electronically to the PSO for processing into the EFT system.

“Fraudulent transactions” means any alleged fraudulent transaction intended to defraud or deceive the Participants, user or account holders.

“Homeback” means an EFT debit or credit instruction rejected at the PSO and returned (“homed back”) to the nominated account.

“Homing account” means the customer’s account at a bank into which credits will be paid or from which debits will be drawn;

“Homing Bank” means the bank which must act on a transaction; *i.e.* the bank which holds a homing account;

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“Item” same as transaction;

“Item limit” means the maximum monetary value of a transaction that may be submitted by a user agreed between the participant and the user;

“Member” means a participating bank;

“Nominated account” means a current account in the user’s name held by the Sponsoring Bank for the specific (but not necessarily exclusive) purpose of posting entries connected with the EFT service;

“Participant” means a bank (including a party hereto) which is a member of the PAL having entered into one or more bilateral clearing agreements upon the same terms and conditions contained herein with another member or members of the PAL in terms of which such member participates in the PCH;

“Payment instrument” means every instrument that provides a method of exchanging value for money, i.e. notes and coins, paper and electronic payment (debit and credit) instructions;

“PCH Agreement” means the Payment Clearing House Agreement for the clearing of EFT Debit Payment Instructions and the Payment Clearing House Agreement for the clearing of EFT Credit Payment Instructions which has been signed by Participants and lodged with the PAL, whichever is applicable;

“PSO EFT Service Manual” means the PSO manual describing the rules and standards that need to be adhered to by participants in the EFT service as properly amended from time to time or any other document that intends to fulfill the purpose of the PSO EFT Service Manual.

“PSO Service Agreement” means the agreement between the Participant and the PSO which sets out the terms and conditions under which payment clearing processing services are provided by the PSO to the Participant;

“Processing date” means the date on which the PSO processes a user’s data set;

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“Public Holidays” means non-business days as declared in the Kingdom of Lesotho. Such days are not valid Action Dates;

“Reversal” means a recall requested for a transaction that has already been posted to the homing account.

“Same Day Value” (SDV) means the sub-service of the EFT Service where data have to be delivered to the PSO for processing on the business day, which is the action date. The PSO is required to process transactions and submit to the homing bank on the same day. Further, the homing bank shall post the entries to the account of the customer(s) on the same action date;

“Service Level Standards Manual” means the PSO Service Level Standards Manual dated and as amended from time to time or any other document that intends to fulfill the purpose of the Service Level Standards Manual;

“Specified Action Date” means the date specified by the user on the transaction record of the user’s data set (must be a valid calendar date);

“Sponsoring Bank” means the participant bank with which the user entered into a user agreement;

“STP (Straight Through Processing)” means a process through which the Participants are able to transfer funds from computer to computer without any human intervention;

“Sub-service” means the type of EFT service which allows delivery of data sets to the PSO by a user with approval from its bankers; viz SDV, One-Day and Two-Day. Only SDV will be used in Lesotho.

“The Code of Banking Practice (The Code)” is a best practice mechanism addressing the relationship between banks and their customers;

“Transaction/transaction record” means a debit or credit payment record;

“Transmission” means sending, moving and receiving electronic data between destinations;

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“User” means a client or corporate clients of a participating bank that submits transactions through the participant bank to the PSO for processing. “User” can also refer to a user profile set up by the participant itself in order to use the EFT Service.

“User’s bank” same as bank that hosts the user’s account;

“Vet” means to subject or thorough examination or evaluation. In the context of the EFT Service, it means to subject all data submitted via the PSO to thorough evaluation in relation to the agreed technical standards or CDV rules as published in the Service, Application and Standards Manual, and as amended from time to time;

“Unpaid ratios” is the total monthly unpaids as a percentage of total monthly input.

SECTION 4: RULES

4.0 General Rules Applicable to Members of the PAL

4.0.1 A member must be a clearing bank and accepted member under the Lesotho Wire rules and PAL to transact with the payment instruments governed by the rules herein.

4.1 Compliance Rules

4.1.1 Participation in the Clearing Process

4.1.1.1 Each Participant shall conform to all the entry and participation criteria laid down for membership of the PAL as articulated in the ACH rules initially upon commencement of clearing and continually from thereon.

4.1.1.2 Each Participant shall have signed the PCH Agreement, the LSW Participant Agreement and any other appropriate agreement specified by the PCH PG as well as any subsequent amendments to such agreements.

4.1.1.3 Each Participant shall be in compliance with the technical and specification standards published by the authorised PSO for this PCH.

4.1.1.4 Prior to commencing clearing activities in the payment stream, a prospective Participant shall be in possession of a written certification from the authorised PSO that it has met all the relevant technical operating standards, and has successfully tested its operational capabilities in respect of payment instructions in this PCH.

4.1.1.5 Each Participant shall meet the operational and other standards set by the CBL (as payment system overseer/regulator) for the purpose of operating its settlement account.

4.1.1.6 A prospective Participant shall have obtained a letter from each existing Participant in this PCH confirming its preparedness to clear with the prospective Participant.

4.1.1.7 A Participant that is sponsoring clearing services shall assume all the obligations in the clearing process on behalf of the sponsored clearer under an agreement, which has been approved by the PAL, with the sponsored clearer.

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4.1.1.8 Each Participant will annually confirm to the PAL through its PCH PG representative that it continues to comply with the criteria contained in this Section.

4.1.2 Dispute Resolution

4.1.2.1 Any dispute between parties arising out of or in connection with these rules or their implementation or any matter arising out of or in connection with their amendment, interpretation or application, shall follow the procedures as articulated in the LACH Rules

4.1.3 Payment Instructions which are eligible or not eligible for clearing

4.1.3.1 Transaction sub-service types shall only be cleared if they comply with the sub-service categories agreed with the authorised PSO and defined in the Service Level Agreement, Bank User Manual and Service, Application and Standards manual. The Same Day Value Service is the only one currently used in Lesotho.

4.1.3.2 Payment Instructions not eligible for clearing are described below:

4.1.3.2.1 Payment instructions that do not comply with all the requirements or standards described in these rules, are not eligible to be cleared.

4.1.3.2.2 Section 4.1.9 defines conditions under which returned or unpaid items are not eligible for clearing subsequent to the failure to complete a transaction.

4.1.4 Processing of payments before and upon initiation of payment for clearing

4.1.4.1 Form of Authority

4.1.4.1.1 A user must obtain an authority that conforms to the requirements as specified in the Bank User Manual from a customer before transactions for that customer may be processed through the EFT service.

4.1.4.1.2 At the discretion of the participating bank, its users may use voice-recorded authorities/mandates which shall be confirmed in writing within 5 days. Voice recorded mandate authorities are deemed to be a signed authority during the period prior to written confirmation.

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- 4.1.4.1.3 A user may not, without the written consent of the customer, cede or assign any of its rights in terms of a written or recorded debit order or credit order held by the user, to any third party.
- 4.1.4.1.4 Users must retain a mandate, whether in writing or recording, for ten years after payments have ceased or from the date of the last transaction processed in terms of the mandate.
- 4.1.4.1.5 Upon request from the users, the participants are required to produce at their own cost, an auditor's certificate confirming the existence of the relevant mandates.

4.1.4.2 Disputed Authority

- 4.1.4.2.1 The customer has the right to dispute the transaction/s.
- 4.1.4.2.2 When a homing bank receives a complaint from a customer about an allegedly unauthorised payment instruction to the customer's homing account the Homing Bank shall act as follows:
 1. When the complaint is lodged within 40 days after Action Date, unless the homing bank's customer has proof of authority, it must reverse the debit within three days to the user's nominated account.
 2. When the complaint is lodged later than 40 calendar days after Action Date the dispute must be handled as follows;
 - a) Homing/acquiring bank's EFT liaison officer formally communicate with the issuing bank's EFT liaison officer with details of the dispute.
 - b) Issuing bank has 30 days to investigate the dispute. If it can demonstrate that the homing bank's client does not have a case (for example, its client produces the mandate), then the EFT liaison officer must formally communicate and inform the homing bank's EFT liaison officer. The homing bank then informs its client that the disputed item will not be reversed.

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c) If the issuing bank agrees that the homing bank's client does have a case, it must reverse the original transaction by sending an unpaid to the PSO within three days.

d) If the issuing bank has still done nothing 30 days after it received the formal communication advising it of the dispute, it must reverse the original transaction by sending an unpaid to the PSO on the 31st day. If it does not the homing bank must report the matter to the PAL's Operations Manager and the issuing bank shall be liable to PAL sanctions as per the PCH Agreement.

4.1.4.2.3 Any returned unpaid payment instructions must be accompanied by the information originally supplied by the collecting Participant as well as the reason code for the rejection as described in Sections 4.2 of these rules regarding information and Section 4.1.9 regarding return reasons. The only exception to this rule is that of items redirected, if there is a signed mandate from payer, to a payer's new branch and subsequently unpaid at that branch will reflect the sort code and account number allocated to the account at the new branch.

4.1.4.3 Client Confidentiality

4.1.4.3.1 Client confidentiality must be adhered to at all times. No Participant may divulge any client confidential information to a third party. The Participant must obtain the authority of the account holder or have a clear legal reason as dictated by any applicable laws before divulging, disclosing or publishing any of its account holders' information. Customers' personal information is required to be kept private and confidential, even when the customer is no longer a client of the participant.

Participants will under the following conditions disclose account holder information to the requesting Participant:

1. Tracing of payments: The Participant must provide the User's contact details

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2. Reversal requests: The Participant must provide the account holder's contact details
3. Disputed Debit Orders: The bank must provide the User's contact details.

The information provided is done under the following guiding principles

1. Compulsion by law or court order
2. In the interest of the Participant to disclose
3. Expressed or implied consent of the customer

4.1.5 Time frames for the clearing process, including times set to start and end Clearing

- 4.1.5.1 The minimum time period within which a given set of payment instructions must be submitted to the authorised PSO prior to the first Action Date in the set is determined by the EFT service used, for Lesotho the EFT service will be SDV.
- 4.1.5.2 These services should be utilized if all payment instructions are destined for computerised homing bank branches.
- 4.1.5.3 SDV service requires that payment instructions must be submitted on the required Action Date and all instructions in a set must be for the same Action Date.

At the homing bank's branches entries must be posted to bank accounts of beneficiaries on the Action Date. In order to achieve same day action the PSO must provide output data for collection by homing banks on the evening of the Action Date.

Mondays through Saturdays are business days for acceptance of sets of payment instructions for the SDV service.

4.1.6 Time frames for the process of clearing at the authorised PSO

- 4.1.6.1 The Participant must ensure that payment instructions in proper format are received by the PSO not later than the

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time and date agreed for submission in the Service Level Agreement.

4.1.6.2 Any extension of submission deadlines may only be requested by a Participant within the terms and conditions stipulated in the Service Level Agreement.

4.1.6.3 Participants must deliver input and collect output during the periods stipulated in the PCH Agreement and comply with any amendment of submission deadlines when properly notified in terms of the Service Level Agreement.

4.1.6.4 The current delivery, collection and cut off times enforced by the authorised PSO are detailed in the Service Application and Standards Manual or the Bank User Manual.

4.1.7 Settlement Instructions

4.1.7.1 The PSO must issue settlement notices to the CBL (LSW Operator/Settlement Agent as regulator) and the Participants within the terms and conditions of the PCH Agreement between the Participant and the authorised PSO.

4.1.8 Processing of payment instructions

4.1.8.1 There is an obligation on the Paying Participant to validate that all rules and standards for payment instructions processed have been complied with as described in these Clearing Rules and the Bank User Manual.

4.1.8.2 Transactions may be directed from one account to another within the Participant's banking domain if the Participant's client gives the Participant a written and signed mandate to do so. If no such mandate is in place then the transaction must be returned as an unpaid. Redirection between Participants is not possible, as the account no longer exists at the Participant. Such an item is regarded as an unpaid item.

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4.1.9 Processing of payment instructions that do not meet the accepted criteria

- 4.1.9.1 If, for any reason, a Participant is unable to complete an EFT transaction it will return details of the transaction together with the reasons for non-payment to the homing bank where the relevant nominated account is held.
- 4.1.9.2 When an item is returned unpaid the user must to get payment outside the system.
- 4.1.9.3 Any item returned/homed back as invalid because of system errors or technical errors may be resubmitted.
- 4.1.9.4 Unpaid items must be returned electronically within three business days.
- 4.1.9.5 Any transaction for an invalid Action Date shall be homed back by the PSO.
- 4.1.9.6 Participants, having agreed an Aggregate Value Limit for each of its users (internal users and sponsored users where applicable) Participant must inform the PSO of such Aggregate Value Limits. The PSO shall capture the Aggregate Value Limit data into each participant's master file profile and ensure that each participant's total payments usage does not exceed such defined limit during any period in which the limit operates in terms of 4.1.9.8. Any violation must be reported immediately to the Participant for resolution and data withheld from processing.
- 4.1.9.7 The Aggregate Value Limit cycle may be one of:
 - 4.1.9.7.1 a continuous cycle of seven days,
 - 4.1.9.7.2 a continuous cycle of seven days within a determined monthly value cap,
 - 4.1.9.7.3 a daily cycle, or
 - 4.1.9.7.4 a daily cycle within a determined monthly value cap.
- 4.1.9.8 Each Participant must fix an Item Limit equal to or less than the transaction limit in the PCH Agreement and inform the PSO of such Item Limit, which data shall be, captured into each participant master file profile. Every transaction submitted by the participant must be tested by the PSO against the Item Limit and excessive transactions must be returned unprocessed to the user's nominated bank account.

4.1.10 Reversals

- 4.1.10.1 When a Participant receives a reversal request from its customer, it must notify the homing bank of the reversal request and reasons thereof.
- 4.1.10.2 Where there is no dispute, the homing bank must thereupon action the reversal by submitting an unpaid transaction to the PSO within three days.
- 4.1.10.3 In the event of duplicate transactions there is no need to obtain permission from the account holder before actioning the reversals.
- 4.1.10.4 All reversal requests must be actioned immediately by the homing bank upon receipt and confirmation from the requesting bank. The only acceptable reasons for non-compliance with requests for reversals are “insufficient funds” and “no authority to debit”.
- 4.1.10.5 The sponsoring bank must provide an indemnity for all reversal requests.
- 4.1.10.6 No partial recovery of funds may be undertaken.
- 4.1.10.7 A user may not generate debit transactions to rectify incorrectly submitted credit transactions.
- 4.1.10.8 Reversals can be processed for both debits and credits.
- 4.1.10.9 No reversals will be actioned on a Sunday.
- 4.1.10.10 Turn-around times to complete a reversal request may not exceed five working days.
- 4.1.10.11 EFT Liaison Officers must obtain formal confirmation of the receipt of the reversal request from the homing bank and obtain a reference number where applicable.
- 4.1.10.12 EFT Liaison Officers are responsible for contacting the banks on behalf of their customers, i.e. sponsored users should not be advised to contact the beneficiary bank directly.

4.1.11 Fraud

- 4.1.11.1 The Participant receiving a complaint of an alleged fraudulent transaction(s) must immediately report such incident to their Forensic department, PAL’s Operations Manager, as well as the corresponding bank that must follow their internal fraud procedures.
- 4.1.11.2 Upon receipt and when instructed by a court order (original or certified true copy) the Participant must immediately act upon

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such instruction and forward the court order to their forensic department.

4.1.11.3 When instructed by any other person than their forensic department, the instruction must be referred to each Participant's forensic / legal department who will issue any further instructions according to their rules.

4.1.11.4 Funds may only be released or refunded upon receipt and instruction of a court order and on specific instruction by each Participant's forensic department.

4.1.12 Processing of disputed items including fraudulent payment instructions that have entered the clearing environment and which are identified after payment

4.1.12.1 Disputed items must be returned to the collecting Participant. Such items are subject to the relevant parts of Section 4.1.4.2 of these rules.

4.1.12.2 An item may be declared a disputed item if one or more of the following reasons are valid:

1. The transaction is not mandated or authorised.
2. The transaction is in contravention of the mandate or authority.
3. The mandate or authority for the transaction has been cancelled.
4. The transaction has been previously stopped via a stop payment advice.

4.1.12.3 Disputed items must be returned electronically within 40 calendar days after Action Date to the user's nominated account.

4.1.13 Non-compliance to clearing rules

4.1.13.1 Non-compliance with any section of these clearing rules is to be deemed a breach of Sections 20 (breach of agreement) or Section 14.1 (compliance with clearing rules) or Section 5.2 (adherence to standards) of the PCH Agreement for the Clearing of EFT Debit and Credit Payment Instructions. Sanctions for non-compliance will be determined within the appropriate PCH Agreement.

4.1.13.2 Section 4.1.13.1 does not preclude any sanction (s) that may further exist within:

1. The LACH Rules.
2. The EFT PCH Agreement.

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3. The Service Level Agreement.
4. The Bank User Manual.
5. The LWS Participating Agreement;

and any other agreement which has been entered into as a pre or post condition of clearing in this PCH.

- 4.1.13.3 Non-compliance is both a barrier to entry into the PCH and good cause to prevent further continued participation in the PCH.
- 4.1.13.4 Suspended participant shall be obliged to honor all transactions and obligations for up to sixty days effective the date of suspension.

4.2 EFT Payment Clearing House: Standards, Specifications and Requirements necessary for the orderly and timeous clearing of EFT Payment Instruments

Participants in the EFT PCH must comply with the standards, specifications and requirements described below as a condition of initial and continued participation. The standards, specifications and requirements described below are adopted by Participants as a condition of initial and continued participation in the EFT PCH.

This applies to transactions submitted by the Participant.

Participants must ensure that agreed standards as enforced by the EFT PCH and PCH PG are complied with by any of its customers (sponsored users). Non-compliance is, in terms of these rules, defined as non-compliance by the Participant and not non-compliance by the customer.

Recourse will be sought from and sanctions applied to the Participant. Therefore, there is an obligation upon Participants to inform their sponsored users of all current standards, specifications and requirements.

4.2.1 General Payment Instruction Standards

- 4.2.1.1 Payment Instructions may only be submitted for clearing on dates agreed with the PSO.
- 4.2.1.2 To facilitate orderly clearing, excessive volumes should be submitted by Participants, where possible, in a manner that

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manages maximum and minimum volumes into minimum variances from the average submitted volume by the Participant.

- 4.2.1.3 Each Participant will provide each of its users with a nominated account.
- 4.2.1.4 Participants are responsible for the accuracy of branch and account numbers contained in payment instructions submitted by them. It is the responsibility of the Participant to inform its customers of the principles of STP where applicable.
- 4.2.1.5 Each Participant will generate, and retain, for at least thirty days after Action Date of the last transaction on a file/s, security copies of each set of instructions for back up purposes.
- 4.2.1.6 Each set of instructions submitted by a Participant must be self-balancing.
- 4.2.1.7 Transactions of different types may be submitted provided that they fall within the parameters agreed with the PSO.
- 4.2.1.8 Each Participant is responsible for any risk introduced to the PCH by itself or by any users that it sponsors.
- 4.2.1.9 In terms of the PCH Agreement the operator will establish standards and specifications for the submission of transaction data. Each Participant will comply with such specifications and standards.
- 4.2.1.10 Each Participant must enter into a user agreement, the minimum terms and conditions of which are contained in the Bank User Manual. A Participant may not submit transactions on behalf of a sponsored user or allow the submission of data by a sponsored user without a valid user agreement being in force and effect.

4.2.2 Standards Applicable to the receipt of Payment Instructions from customers

- 4.2.2.1 No Participant may submit transactions unless properly mandated and authorised to do so by its customer.
- 4.2.2.2 Any transaction made that is not properly mandated or authorised may be defined as a disputed item in terms of Section 4.1.8 and 4.1.9 of these rules.
- 4.2.2.3 The mandate or authority for an EFT payment instruction should be in the form of, and not contradictory to, the specimen instructions contained in the Bank User Manual.

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- 4.2.2.4 The mandate or authority must be retained by the user. The inability to produce a valid mandate or authority shall be deemed evidence that no valid mandate or authority existed or exists.
- 4.2.2.5 A mandate or authority may be withdrawn at any time by the customer either verbally or recorded by giving due notice as stipulated in the original mandate.
- 4.2.2.6 Any transactions received from the PSO must be applied to the account number specified in the transaction record.

4.2.3 Monitoring of compliance with standards, specifications and requirements

- 4.2.3.1 Each Participant is responsible for the monitoring of compliance with standards, specifications and requirements by its customers and every user which is sponsored by the Participant.
- 4.2.3.2 If non-compliance cannot be resolved bilaterally or at PCH PG level it should be reported to the PAL as a breach of clearing rules and therefore a material breach of the terms and conditions of the relevant PCH Agreement for further appropriate regulatory action by the PAL.

4.3 CIM900 – Maintenance of Bank Branch Table and Responsibility thereof

4.3.1 Closure of branches

- 4.3.1.1 A notification period of 3 months is required starting from the first working day of the month following the closure of the branch. The notification period includes the 30-days required for unpaids and reversals.
- 4.3.1.2 The “Deletion Request Date EFT” field needs to be populated for branches already deleted or to be deleted. When a branch is closed for EFT the branch will be deleted from the Bank Branch Table.
- 4.3.1.3 The Participants will nominate dedicated and alternate authorised bank EFT liaison persons.

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4.3.1.4 Banks are to ensure that the latest CIM900 file is implemented into their own business systems at least once a week. Participants shall ensure that their relevant internal systems comply with and use the latest CIM900.

4.3.1.5 Participants shall ensure that the latest CIM900 updates are available to their customer (sponsored user). Banks to manage their users.

4.4 Unpaid Ratios

The PSO must provide the PAL with a quarterly report detailing the unpaid statistics per Participant; and the Participants shall provide in detail a report on those sponsored users that process in excess of 400 transactions per month and that have unpaid ratios in excess of 10% (ten per cent) or as determined by the PAL in conjunction with the PCH PG.

The management of the unpaids is as follows:

4.4.1 Each participant of the EFT PCH analyses the debit unpaid ratios of all its sponsored users on a monthly basis against the set criteria as detailed below.

4.4.2 Upon analysis, each participant determines and implements the necessary action to positively manage the unpaid ratio of the sponsored user/s.

4.5 Criteria for the analysis of unpaid ratios

4.5.1 Each Participant shall perform an analysis on all customers on a monthly basis. This includes the unpaid ratios of customers that submit their payment instructions via a bank's internal bureau service (where applicable).

4.5.2 All unpaid ratios that exceed the set ratio of monthly throughput for each customer must be analysed per unpaid reason code.

4.6 Abbreviated Names

4.6.1 Participants shall guide (where applicable) the formulation of abbreviated names used by their sponsored users. These

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abbreviated names must reflect as close as possible the users' official trading name.

- 4.6.2 Where applicable, the abbreviated name field together with the narration is used by the beneficiary to identify the user originating the transaction.

4.7 Minimum Requirements for the Quarterly Unpaid Report

4.7.1 Cover

- 4.7.1.1 Title must read Quarterly Unpaid Report for Bank X.
4.7.1.2 Date of submission.
4.7.1.3 This report shall be submitted by the PSO for each Participant.

4.7.2 Detailed Report

- 4.7.2.1 A comparative summary of the Participant's overall unpaid statistics and ratio for each month of the quarter under report.
- 4.7.2.2 A list of all users that have exceeded the set unpaid ratio during any two months of the quarter under report.
- 4.7.2.3 A detailed analysis on each user included in the list which must, as a minimum, include the following:
- User details – User code and name;
 - The industry/market sector within which it operates;
 - An analysis of the unpaid ratio per reason code for each month in the quarter;
 - The value of the total debit volume processed during each month and the total value of the unpaid payment instructions; and
 - Detailed plan of action to reduce the unpaid ratio.
This section of the report should be used to furnish reasons as to why a particular User could be permitted to have an unpaid ratio in excess of the set ratio.

4.8 Submission dates for quarterly unpaid returns

- 4.8.1 Quarterly reports must be submitted by not later than the 15th calendar day following the last calendar day of each quarter.

SECTION 5: COMPLIANCE

5.1 Compliance by Participants with Service Level Agreements

5.1.1 Section 13.3 of the PCH Agreement requires that each Participant is required to enter into an agreement (the PSO Agreement), which incorporates service levels to which Participants must comply. Each Participant, as an entry and continued participation requirement in the PCH, must comply with such Service Application and standards at all times.

5.1.2 Service Application and standards regarding quality of input to the operator, aggregate and item limits, timeous delivery of input, data delivery, mandates and user agreement conditions and collection conditions, must be complied with at all times as contained in the Service Level Agreement.

5.1.3 Any amendments to service levels notified to Participants through the PCH are subject to section 5.1.

5.2 Monitoring of Compliance with required Service Levels

5.2.1 Participants, on an ongoing basis, must monitor their own compliance with required service levels and report compliance levels to the PCH PG on a monthly basis or such other frequency as the PCH PG may decide on from time to time. The compliance report should also describe measures taken to eliminate non-compliance with service levels.

5.2.2 Any Participant that experiences problems due to non-compliance with service levels by any other Participant or the PSO may lodge a written description of such problems caused and reasons thereof with the PCH PG for investigation and possible action in terms of the appropriate contractual agreements between the Participants and/or the PSO. The lodging of a formal complaint should be viewed as a final resort after bilateral problem solving between Participants has not been successful.

5.3 Penalties for non-compliance with required service levels

- 5.3.1 Non-compliance by Participants with prescribed service levels is a breach of these rules and sanctions described in this Section shall be implemented.
- 5.3.2 Section 5.3.1 does not exclude any further sanctions contained in any service level agreement entered into by a Participant, provided that the service level agreement is a requirement for participation in this PCH.
- 5.3.3 Any sanctions and penalties imposed in terms of section 5.3 of these rules shall be complied with immediately by the relevant Participant. Non-performance is deemed a breach of clauses 20; 14.1; and 5.2 of the appropriate EFT PCH Agreement.

SECTION 6: CHANGES AND AMENDMENTS TO CLEARING RULES

6.1 Changes and Amendments to Clearing Rules

After approval of the EFT Clearing Rules by the PAL any subsequent changes and amendments to the clearing rules in order to be valid must fully satisfy the change control procedures specified by the PAL prevailing at the time of the change or amendment.

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7. Signatures

Participant	Job Title	Signature
Dr R Matlanyane Central Bank of Lesotho P.O. Box 1184 Maseru, 100 LESOTHO	Acting Governor	
Mr. M. Vumbukani Standard Lesotho Bank P.O. Box 1053 Maseru, 100 LESOTHO	Managing Director	
Mr. L. Murahwa Nedbank Lesotho Limited P.O Box 1001 Maseru, 100 LESOTHO	Managing Director	
Mr. T. Holtman First National Bank P.O Box 11902 Maseru, 100 LESOTHO	Chief Executive Officer	

DATED THE DAY OF 2011