

Real Time Gross Settlement System (Membership) Regulations, 2007
Central Bank of Bahrain

The Real Time Gross Settlement System (Membership) Regulations, 2007 :

Whereas it is necessary and expedient to frame regulations for the membership of the Real Time Gross Settlement (RTGS) System and its operations and management for facilitating on-line real time settlement of inter-bank Payments, either on gross basis or through Multilateral Net Settlement Batches (MNSB), received from the members and for matters connected therewith or incidental thereto. The RTGS System is introduced by the Central Bank of Bahrain for the entire Kingdom.

Chapter I
Short Title and Commencement

1. These Regulations may be abbreviated to "RTGS System (Membership) Regulations, 2007."
2. These Regulations shall come into force on such date, as may be notified by the Central Bank of Bahrain (hereinafter also referred to as the 'Bank') and shall be binding on all the members of the RTGS System.

Chapter II
Management of the RTGS System

Supervision of the RTGS System :

3. The RTGS system will be operated under the supervision of the Director, Banking Services Directorate, Central Bank of Bahrain, Kingdom of Bahrain or any other authority, nominated by the Bank for the purpose, from time to time. The RTGS system will be a multi-currency capable system [i.e. the RTGS payment transactions (other than MNSBs) will be denominated either in Bahraini Dinar or in US Dollar or in any other currency, as decided by the Bank]. The MNSBs will be in Bahraini Dinar only. The RTGS system will commence operations with the settlement of the payment transactions in Bahraini Dinar. The settlement of the RTGS transactions, denominated in US Dollar or in any other currency, will commence in due course, but entirely at the discretion of the Bank.

Standing Committee :

4. (i) The Bank shall constitute a Standing Committee for the management of the RTGS system.
(ii) The Standing Committee shall consist of the following members, namely :-
 - a) a President
 - b) two representatives each from:
 - 1) Directorate of Banking Services, Central Bank of Bahrain, Kingdom of Bahrain
 - 2) Directorate of Information Technology, Central Bank of Bahrain, Kingdom of Bahrain
 - c) a senior official from each "retail bank" as a Member
 - d) a senior official from each Clearing House/Agency as a Member
- (iii) The President shall be the Director, Director of Banking Services, Central Bank of Bahrain, Kingdom of Bahrain or such other authority from the Bank, as may be nominated by the Bank, from time to time.
- (iv) The President shall provide Secretarial assistance to the Standing Committee.

Tenure of members :

5. (i) Each member of the Standing Committee shall have a tenure of 1 year and shall be substituted by another senior official of the "retail bank"/Clearing House/Clearing Agency each year.
(ii) The tenure of the representatives of the Bank shall be, as may be decided by the Bank, from time to time.

Meeting of the Standing Committee:

6. The Standing Committee shall meet at least once every quarter.
- (i) The Standing Committee shall take decisions by majority of the members present in a meeting or by circulating among the members, the agenda items and the proposed resolutions, as may be deemed fit and proper by the President of the Standing Committee.
 - (ii) The President of the Standing Committee shall convene and preside over the meetings of the Standing Committee and arrange to furnish a copy of the decisions taken by the Standing Committee to all members of the RTGS System.
 - (iii) The quorum for any meeting shall comprise the President, one of the representatives each from the Directorate of Banking Services and the Directorate of Information Technology of the Bank, a member each from one-fourth of the total number of "retail banks" as Direct RTGS members and one member from the Clearing House/Clearing Agency for conducting the business of the Standing Committee.
 - (iv) In the absence of the required quorum, the meeting shall stand adjourned and the President shall have the power to re-convene the meeting at any time later either on the same day or any other subsequent day.
 - (v) Each member present shall have one vote.
 - (vi) The President, and in the absence of the President, the representative of the Bank, elected to preside over the meeting, shall have a casting vote in case of a tie.

Functions of the Standing Committee :

7. The functions of the Standing Committee shall include the examination, clarification and finalisation of decisions on issues relating to :
- (i) Such issues, as it may deem fit and proper for the smooth, satisfactory and proper functioning of the RTGS System.
 - (ii) Suggestions made by the members of the RTGS System, received at least seven days before the meeting or if otherwise permitted by the Chair.
 - (iii) Such other matter/s, as may be referred to it by the Bank.

(Note : There may be only one Standing Committee taking care of the management of the operations of both the RTGS & the SSS systems.)

Chapter III **RTGS Membership**

8. (i) Central Bank of Bahrain, Kingdom of Bahrain and any other Clearing House/Clearing Agency, managed/licensed by the Central Bank of Bahrain, shall be a member of the RTGS system.
- (ii) Membership of the RTGS system shall be open to all the retail banks and to all the Clearing Houses/Clearing Agencies in the Kingdom of Bahrain and to any other bank/institution, within or outside the Kingdom of Bahrain, at the discretion of the Bank.

Procedure for Admission as an RTGS Member :

9. (i) An application for membership for the RTGS system shall be made in the prescribed form to the Director, Directorate of Banking Services, Central Bank of Bahrain, Kingdom of Bahrain or such other authority, as may be specified by the Bank in this regard from time to time. Provided, however, it shall not be necessary for the Central Bank of Bahrain and any Clearing House/Clearing Agency, managed by the Central Bank of Bahrain, to apply for RTGS membership.
- (ii) No institution shall be admitted as a member of the RTGS System unless it fulfills all the following criteria:-
- (a) It is a member of the SWIFT.
 - (b) It is member of the Securities Settlement System (SSS).

- (c) It maintains a Clearing Account/Account with the Directorate of Banking Services, Central Bank of Bahrain, Kingdom of Bahrain.
- (d) It is a "retail bank" with a place of business situated in the Kingdom of Bahrain. Provided that the Bank may admit any Clearing House/Clearing Agency (other than the Clearing House/Clearing Agency managed by the Bank), which has made an application for membership of the RTGS system, even if it does not fulfill any or all of the above criteria.
- (iv) Notwithstanding anything contained in Clause (ii), the Bank may, for reasons to be recorded in writing, admit any bank or institution, within or outside Bahrain, as a member, even if it does not fulfill any or all of the above criteria.
- (v) An Application for membership, received from an institution, shall be considered by the Bank and be decided upon within a period of 30 days from the date of the receipt of the application.

Categories of Members :

10. (i) The members, admitted to the RTGS system, shall be of one of the following types, namely :

Type A – Direct RTGS Member - The Bank and All "retail banks".

Type B – Restricted RTGS Member – Clearing House/Clearing Agency (other than those managed by the Bank)

Type C – Any other bank or institution, within or outside the Kingdom of Bahrain, at the discretion of the Bank.

(ii) The Bank may add to, delete from or modify the above categories, at its sole discretion.

Entitlements of RTGS Members :

11. The rights of the RTGS members shall be as under :

- a) A Type 'A' member (Direct RTGS Member) shall be entitled to have a Settlement Account in the RTGS System, each in Bahraini Dinar, US Dollar and any other Currency (which may be introduced by the Central Bank of Bahrain in the Kingdom of Bahrain) in the RTGS System.
- b) A Type 'A' member will be eligible for Intra-day Credit from the Bank, subject to the terms and conditions, specified in these Regulations and/or the SSS (membership) Regulations, the RTGS and the SSS Operating Guidelines.
- c) A Type 'A' member will be eligible to put through funds transfer including customer-based funds transfer with another Type 'A' member.

Explanation: 'Customer' in this clause implies and includes either one or more than one bank customer under a customer-based RTGS transaction.

- d) A Type 'B' member will be a Clearing House/Clearing Agency and will be eligible to submit Multilateral Net Settlement Batches (MNSBs) only to the RTGS System for settlement.
- e) A Type 'C' member shall be entitled to such facilities as may be determined by the Bank.

Obligations of the RTGS Members:

12. An RTGS member shall :

- (a) install and operationalise all the SWIFT related hardware, software, networking, security and other products (applicable to all the Direct RTGS Members) and any other hardware, software, networking, security and other products (applicable to all the Restricted & other members, under the approval of the Bank), as required for participation in the RTGS System (all the above hardware, software, networking, security and other products together constituting the Payment System Gateway of the member) and the Disaster Recovery System for the Payment System Gateway ;
- (b) comply with these Regulations and RTGS (Membership) Business Operating Guidelines, 2007, as amended from time to time and also with such regulations, directives, circular, order, notices, instructions and press releases, as may be issued by the Bank in this behalf from time to time ;

- (c) maintain secrecy of information about the other members, received by it in the course of the use of the RTGS System;
- (d) not misuse any information or document, which it may receive in the course of its participation in the RTGS system ;
- (e) track continuously whether the payment transactions, submitted by it, have settled or not and if not settled, take necessary action for immediate settlement thereof ;
- (f) be bound in all respects for all the transactions made by it with the other members through the RTGS system ; and
- (g) furnish such information and documents, as may be called for by the Bank from time to time.

Liabilities of Members:

13. (i) An RTGS member shall continue to be solely liable and responsible for the contents of the messages/files, sent by it, even if it subsequently resigns or is suspended or its membership is terminated.

(ii) An RTGS member shall be directly and wholly liable in respect of all its customers, and with reference to all the transactions, executed in the RTGS system on behalf of such customers and the Bank shall in no way be responsible either for the source or usage of funds involved in the transactions.

Explanation: 'Customer' in this clause implies and includes a bank customer.

Suspension/Termination of Membership :

13. (i) The Bank may, in the following circumstances, take such steps, as it deems necessary.

- a) The member has failed to comply with or violated any of the provisions of these Regulations or the RTGS (Membership) Business Operating Guidelines, 2007, as amended from time to time and also with such regulations, directives, circular, order, notices, instructions and press releases, as may be issued by the Bank in this behalf from time to time including the resolutions, directives or decisions of the Bank or of any of its officials, duly authorised in this behalf or of the Standing Committee.
- b) The SWIFT membership of the member has been suspended or terminated.
- c) The SSS membership of the member has been suspended or terminated.
- d) The Clearing Account/Account of the member with the Directorate of Banking Services, Central Bank of Bahrain is closed.
- e) The member misuses the RTGS system.
- f) The member fails to participate in the RTGS system continuously for thirty RTGS Business Operations Days, without any reasonable cause and intimation thereof to the Bank.
- g) The member fails to reverse Intra Day Credit entirely before the RTGS End of Day on the day of availment in accordance with the RTGS Operating Guidelines.
- h) The member is amalgamated or merged with another member or agency.
- i) Steps have been initiated for winding up the business of the member.
- j) The Bank is of the opinion that the member is acting in a manner, detrimental to the interests of the RTGS system or prejudicial or subversive to its objectives and purposes and that it is necessary to take steps against the member.
- k) Any moratorium and/or notification, issued by a judicial authority, Government or Bank for freezing the Clearing Account/Account or for cancelling the license of the member.
- l) If a Type 'B' member ceases to be eligible for participation as a Clearing House/Clearing Agency, it shall cease to be an RTGS member.

(ii) The steps, referred to in sub-Regulation 13 (i), include issue of warning or censure to the member, restricting the use of the RTGS system by the member and suspension or termination of its membership;

Provided that, before restricting the use of the RTGS System by the member or suspending or terminating its membership, the Bank shall pass a reasoned decision in writing, after giving one week's

notice in writing to the member, indicating the grounds therefor and after providing an opportunity for the member to be heard;

Provided further that, if the Bank is of the opinion that immediate steps need to be taken, the Bank may take any action, referred to in sub-Regulation 13 (i) immediately, after recording the reasons therefor in writing and issue notice within a period of ten days thereafter and provide an opportunity for the member to be heard and pass a decision, cancelling or confirming the decision passed earlier.

- (iii) The Bank may, at any time, if it is satisfied, either on its own motion or on the representation of a member that the order of suspension or termination of its membership may be revoked, it may pass an order accordingly.
- (iv) The member, whose termination of membership has been revoked, shall be entitled to apply for membership afresh in accordance with these Regulations.
- (v) Any decision of the Bank in this regard under this Regulation shall be final.

Resignation by an RTGS member :

14. (i) An RTGS member may resign from its membership by giving one month's notice in writing to the President of the Standing Committee.

(ii) The Bank shall accept the resignation within the notice period, subject to such conditions, as it deems necessary to impose on the member and the member shall be bound to comply with the said conditions.

(iii) The resignation shall take effect on acceptance thereof by the Bank.

Chapter IV

General duties of the Central Bank of Bahrain and of the RTGS Members

15. The Bank shall endeavour to ensure proper operation, control, maintenance and security of the RTGS System; Provided that, the Bank shall not be responsible for the loss, if any, that may be caused to the members or their customers or any person, arising out of any action taken in good faith by the Bank's staff or malfunctioning or break down of the computer systems, computer network, telecommunication network or any other equipment (inclusive of all related hardware and software), used in the RTGS System or any *force majeure* conditions.

16. Each member shall :

- a) operate its Payment System Gateway the Disaster Recovery System therefor ;
- b) control, maintain and ensure security of its Payment System Gateway and Disaster Recovery System therefor ;
- c) provide necessary business resumption and recovery measures to ensure the continuity of operations of its Payment System Gateway and the Disaster Recovery System therefor, as and when required ;
- d) maintain, operate and upgrade its Payment System Gateway to provide adequate capacity to handle its RTGS transactions and ensure maximum Systems availability to the satisfaction of the Bank during any RTGS Business Day ;
- e) bear all expenditures in respect of its Payment System Gateway and Disaster Recovery System therefor ;
- f) adhere to the security guidelines, issued by the Bank and/or SWIFT from time to time, pertaining to the operations and maintenance of its Payment System Gateway and Disaster Recovery System therefor; and
- g) take immediate action in accordance with the procedures laid down by the SWIFT in the event of any breach of security.

Miscellaneous

Implementation of the RTGS System over any other network :

17. In addition to the SWIFT Network for the implementation of the RTGS system, the Bank may decide to implement the RTGS system over any other network also and the members shall comply with all the requirements therefor, as notified/communicated by the Bank from time to time.

18. Inspection :

- (i) The Bank may, at any time, conduct or cause to be conducted an inspection of the premises of a member with a view to determining whether internal controls and procedures, relating to the security of and access to the Payment System Gateway and to the Disaster Recovery System for the Payments System Gateway, are adequate.
- (ii) The Bank and officials of the Bank or any other person, appointed by the Bank in this behalf for this purpose, shall be allowed full access into the premises, the Payment System Gateway and the Disaster Recovery System for the Payment System Gateway of the member and to all relevant documents and records, whether in paper or electronic form or otherwise, and the officials and employees of the member shall furnish such information truthfully and accurately and produce such documents and records promptly, as may be required by such officials or representatives of the Bank.
- (iii) Where, in an inspection referred to in sub-Regulation (18.1) above, any deficiency in the internal controls and procedures is found or the internal controls and procedures are or some aspects of the internal controls and procedures, are non-existent, the Bank may direct the member to take immediate steps to rectify the deficiency or establish appropriate or incorporate additional appropriate features into its internal controls and procedures and the member shall comply with the instructions accordingly and inform the Bank in writing of having done so within ten (10) days of the receipt of such direction.

19. A member shall not at any time assign, lease, license or dispose of to any other person, trust, company or corporation including its subsidiaries in whole or in part, the RTGS services, provided by the Bank or any benefit or advantage, derived therefrom.

Resolution of Disputes/Differences :

20. In the event of any difference or dispute, arising between a member and another member or between a member and the Bank, in connection with the RTGS System or incidental thereto, the decision of the Bank shall be final.

Power to amend the Regulations :

21. The Bank may make such amendments to these Regulations, as are deemed fit and proper, from time to time.

Power to frame RTGS Operating Guidelines :

22. (i) The Bank may issue Operating Guidelines from time to time for the functioning and operation of the RTGS System and in all matters in connection therewith and/or incidental thereto. Such operating guidelines may *inter alia*, include the following.

- (a) Norms, procedures and terms and conditions for :
 - (i) admission, continuation or cessation of members;
 - (ii) admission of payment transactions for settlement in the RTGS System;
 - (iii) the sanction of Intra-day Credit by the Bank ; and
 - (iv) the imposition of restrictions on some or all members.
- b) Procedure for imposition and enforcement of penalties and other consequences including suspension or termination of membership ;

- c) fixation of fees, transaction type/s and other charges, payable by the members to the Bank ;
- d) dissemination of information and announcements; and
- e) any other matter, as may be decided by the Bank.

(ii) The Bank may issue guidelines in connection with, inter alia, the following operational parameters from time to time :

- a) The RTGS calendar (i.e. the working and non-working days) ;
- b) The start and close timings of each RTGS Business Day, including the start and end of the business day phases ;
- c) The eligible transaction types for each participant type/membership type ;
- d) The number and timings of the operating sessions, including submission session and/or settlement session, and the transaction types, eligible for each operating/settlement session ;
- e) The quantum and mechanism of Intra-day Credit to be granted by the Bank to the members ;
- f) The transaction types, including the clearing types, which will be eligible for Intra-day Credit facility;
- g) The terms and conditions under which such Intra-day Credit facility will be granted including reversal/squaring off thereof by each member before the RTGS end of day.
- h) The norms in respect of the settlement of the Multilateral Net Settlement Batches (MNSB) including the length of the time window for settlement thereof .
- i) Other matters which may affect the settlement of the transactions in the RTGS system, keeping in view the larger interests of the public and the members.
- j) Such other matter/s, as may be decided by the Bank from time to time.
