

ANNEX

ICS (Image Clearing System)

APPLICATION

This Annex to the RTGS Account Mandate Terms and Conditions (the “**Terms and Conditions**”) applies where the Account Holder is a Settlement Participant in the ICS or in such other circumstances as the Bank may determine.

1 DEFINITIONS & INTERPRETATION

In this Annex, except where the context otherwise requires:

- 1.1 terms defined in the Terms and Conditions or any other Annex have the same meaning; and
- 1.2 the following expressions shall have the following meanings:

"ICS"	has the meaning specified in the ICS Glossary;
"ICS Glossary"	means that part of the ICS Manual entitled the “ICS Glossary”, as issued by the ICS Operator from time to time;
"ICS Interbank Settlement Agreement"	has the meaning specified in the ICS Glossary;
"ICS Manual"	means the document entitled the "ICS Manual". as issued by the ICS Operator from time to time;
"ICS Operator"	has the meaning specified in the ICS Glossary;
"ICS Operator Email Instruction"	means an email instruction given or appearing to have been given by 2 authorised signatories of the ICS Operator;
"ICS Operator Random Number"	means a number on the ICS Operator Random Numbers’ List;
"ICS Operator Random Numbers’ List"	means a random numbers’ list, supplied by the Bank to the ICS Operator for the purpose of authenticating ICS Operator Email Instructions;
"ICS Participant Agreement"	has the meaning specified in the ICS Glossary;
"ICS RCA"	has the meaning specified in the ICS Glossary;

"ICS RCA Arrangements" has the meaning specified in the ICS Glossary;

"ICS Service Description" has the meaning specified in the ICS Glossary;

"ICS Settlement Notification" has the meaning specified in the ICS Glossary;

"Liquidity Cap Amount" has the meaning specified in the ICS Glossary;

"Participant ID" has the meaning specified in the ICS Glossary;

"Settlement Participant" means an institution which is admitted by the ICS Operator to participation in the ICS under participant category "settlement participant" and to whom are provided or otherwise made available those services, functions and facilities that in accordance with the ICS Service Description are provided or otherwise made available to an ICS participant admitted under participant category "settlement participant"; and

"SSP Link" has the meaning specified in the ICS Glossary.

- 1.3 Where a definition is incorporated in this Annex by reference to the ICS Glossary, the definition is deemed to be as stated therein on 10 July 2017 and, for the avoidance of doubt, any subsequent amendments or variations in respect of the relevant definitions in the ICS Glossary are to be discounted for the purposes of this Annex save where the Bank has expressly agreed to such amendments or variations in writing with the ICS Operator.

2 **OPENING AND OPERATION OF ACCOUNTS**

The Bank is requested to open in the name of the Account Holder an ICS RCA for each of the Account Holder's Participant IDs as notified by the Account Holder to the Bank. Each such ICS RCA is an Account for the purposes of the Terms and Conditions.

3 **ACCOUNT HOLDER'S AUTHORITY TO THE BANK**

- 3.1 Subject to the Terms and Conditions, and in addition to the authorities granted and requests made to the Bank in the Terms and Conditions, the Account Holder authorises and requests the Bank to perform all those functions which are described in the ICS Service Description as being performable by the Bank (as a settlement service provider) in relation to or as otherwise affecting the Account Holder as a Settlement Participant. Without prejudice to the generality of the foregoing, and subject to the Terms and Conditions, and in addition to the authorisations granted and requests made to the Bank in the Terms and Conditions, the

Account Holder authorises and requests the Bank to act upon ICS Settlement Notifications and other instructions received through the SSP Link, including:

- 3.1.1 instructions which may be received via authenticated SWIFT message from the ICS Operator or other means agreed with the Account Holder or the ICS Operator, to transfer funds to or from the Accounts for the purpose of settling payment messages that have entered the ICS; or
- 3.1.2 in a contingency situation and provided the Bank has agreed to permit the ICS Operator to give instructions via email, to act upon ICS Operator Email Instructions which are received by the Bank from the ICS Operator, including, but not limited to, ICS Operator Email Instructions to transfer funds from the Accounts.

3.2 In a contingency situation and with the Bank's permission, unless otherwise notified by the Bank to the ICS Operator, the instructions given pursuant to paragraph 3.1.2 above shall be valid only if sent in an ICS Operator Email Instruction, provided such ICS Operator Email Instruction:

- (a) is in a form approved by the ICS Operator and the Bank;
- (b) bears an ICS Operator Random Number which is the next unused ICS Operator Random Number on the ICS Operator Random Numbers' List; and
- (c) is received via encrypted email.

3.3 The Bank and the Account Holder each agrees that the ICS Operator may submit instructions in respect of the ICS RCA(s) in accordance with the provisions of the ICS Service Description.

3.4 The Account Holder hereby authorises the Bank to act upon instructions received from the ICS Operator in respect of the ICS RCA(s) and to transfer such amounts from the ICS RCA(s) as are contemplated by the ICS Interbank Settlement Agreement.

3.5 The Account Holder must not submit any instructions which, if acted upon, would result in the balance of any of the ICS RCA(s) falling below the relevant Liquidity Cap Amount. The Bank retains the right to refuse to act on any instruction received from the Account Holder in relation to any of the ICS RCA(s).

4 **ICS OPERATOR EMAIL INSTRUCTIONS**

4.1 Where the Bank considers that there is any doubt regarding whether an ICS Operator Email Instruction is genuine, the Bank may, in its discretion, refuse to give effect to that ICS Operator Email Instruction. In the case of such refusal the Bank agrees to use its reasonable endeavours to notify the ICS Operator of such refusal and the reasons for it.

4.2 The Account Holder understands that email is not a secure method of communication and that messages so delivered may be intercepted, lost, destroyed, corrupted or delayed in transmission.

4.3 The Account Holder hereby agrees that:

4.3.1 neither the Bank nor any of its representatives or agents shall incur any liability or be responsible for any Loss suffered by the Account Holder as a result of the Bank giving effect, or failing to give effect, to any ICS Operator Email Instruction, except to the extent that any such Loss is shown to be attributable to wilful default or reckless disregard of the Bank's obligations on the part of the Bank or its representatives and agents; and

- 4.3.2 it shall on demand indemnify the Bank and keep the Bank indemnified against any Loss suffered or incurred by the Bank as a result of it acting upon any ICS Operator Email Instruction which is not a genuine instruction emanating from two authorised signatories of the ICS Operator, or which contains any error or is intercepted, lost, destroyed, corrupted, delayed or otherwise distorted or altered during the course of transmission, except to the extent that any such Loss is shown to be attributable to wilful default or reckless disregard of the Bank's obligations on the part of the Bank or its representatives and agents.

5 **ACCOUNT HOLDER UNDERTAKINGS**

[No additional provisions]

6 **POSITION OF THE BANK**

[No additional provisions]

7 **PAYMENTS AND DELIVERIES**

[No additional provisions]

8 **DEFAULT**

In addition to the Events of Default specified in clause 8 of the Terms and Conditions, it shall constitute an Event of Default if any of the events or circumstances described in clause 10.1 (Suspension and Termination of Participation) of the ICS Participant Agreement occurs or arise and the Bank serves a Default Notice.

9 **DISABLEMENT AND TERMINATION OF ACCOUNTS; SET-OFF**

The Bank reserves the right to suspend any ICS RCA of the Account Holder in circumstances where the Account Holder has not been admitted as a Settlement Participant by the ICS Operator.

10 **INTEREST**

- 10.1 The Bank shall pay to the Account Holder, at a rate equal to the rate applicable to its Reserves Account (or, if the Account Holder does not have a Reserves Account, the rate applicable to the Reserves Account of its Parent), interest on any credit balance on an ICS RCA, calculated in accordance with the RTGS Rules and the Sterling Monetary Framework Documentation. Such rate may be zero, or negative. If the rate is negative, interest shall be paid by the Account Holder to the Bank. If Bank Rate is negative the Bank may additionally decide to apply a rate other than Bank Rate to part of the balance, with Bank Rate being applied to the remainder, in accordance with the RTGS Rules and the Sterling Monetary Framework Documentation.
- 10.2 The Account Holder shall pay to the Bank, at a rate equal to the rate applicable to its Reserves Account (or, if the Account Holder does not have a Reserves Account, the rate applicable to the Reserves Account of its Parent), interest on any debit balance on an ICS RCA, calculated in accordance with the RTGS Rules and the Sterling Monetary Framework Documentation.
- 10.3 In the event that the interest rate applicable to any credit balance is negative, the Account Holder would be required to maintain a Minimum Balance to cover any interest that may become owed to the Bank. The size of this balance shall be at the Bank's discretion, and calculated in accordance with the Sterling Monetary Framework Operating Procedures.

11 DEFAULT INTEREST AND CHARGES

[No additional provisions]

12 SUMS DENOMINATED IN DIFFERENT CURRENCIES

[No additional provisions]

13 OTHER ARRANGEMENTS

[No additional provisions]

14 VARIATION AND WAIVER

[No additional provisions]

15 CONFIDENTIALITY

Notwithstanding clause 15 of the Terms and Conditions, the Account Holder hereby consents to the disclosure by the Bank to the ICS Operator of account balances and actual and anticipated payments and receipts. The Account Holder also hereby consents to the disclosure of any information relating to the ICS RCA(s) to the ICS Operator.

16 ASSIGNMENT AND OTHER DEALINGS

[No additional provisions]

17 SINGLE AGREEMENT; ENTIRE MANDATE

[No additional provisions]

18 NOTICES

[No additional provisions]

19 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

[No additional provisions]

20 GOVERNING LAW

[No additional provisions]

21 JURISDICTION

[No additional provisions]

22 AGENT FOR SERVICE OF PROCESS

[No additional provisions]