

ANNEX
FPS SETTLEMENT

APPLICATION

This Annex to the RTGS Account Mandate Terms and Conditions (the “**Terms and Conditions**”) applies where the Account Holder is a DCS Participant in the Faster Payments Scheme.

1 DEFINITIONS

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:

“Bank DCS Participant”	has the meaning given to it in the FPS Rules;
“Bank DCS (SCA) Participant”	has the meaning given to it in the FPS Rules;
"FA Agreement"	means the FPS Accounts Agreement dated 1 February 2019 between the FPS System Operator, the DCS Participants and the Bank as settlement service provider and security trustee, as amended from time to time;
"Deed of Charge"	means the Deed of Charge dated 1 February 2019 between DCS Participants of the FPS System (other than DCS (RF) Participants) (as chargors) and the Bank (as security trustee) (as amended or replaced from time to time);
“DCS Participant”	has the meaning given to it in the FPS Rules;
“DCS (OF) Participant”	has the meaning given to it in the FPS Rules;
“DCS (RF) Participant”	has the meaning given to it in the FPS Rules;
"Default Event"	has the meaning given to it in the FPS Rules;
"Exclusion Event"	has the meaning given to it in the FPS Rules;
"Faster Payments Scheme"	means the Faster Payments Scheme managed by the FPS System Operator;

“FPS Completion Funds Account”	Has the meaning given to the term “Completion Funds Account” in the FPS Rules;
"FPS Documents"	means the FA Agreement, the Deed of Charge, the FPS Rules and the Settlement Trust Deed;
"FPS Email Instruction"	means an email instruction given or appearing to have been given by 2 authorised signatories of the FPS System Operator;
"FPS Minimum Balance"	has the meaning given to the term “Minimum Balance” in the FA Agreement;
"FPS Random Number"	means a number on the FPS Random Numbers’ List;
"FPS Random Numbers’ List"	means a random numbers’ list, supplied by the Bank to the FPS System Operator for the purpose of authenticating FPS Email Instructions;
"FPS Reserves Collateralisation Account"	has the meaning given to the term “Reserves Collateralisation Account” in the Deed of Charge;
"FPS Rules"	means the Rules for DCS Participants of the Faster Payments Scheme;
“FPS Settlement Collateralisation Account”	has the meaning given to the term “Settlement Collateralisation Account” in the Deed of Charge;
“FPS Settlement Cycle”	has the meaning given to the term “Settlement Cycle” in the FPS Rules;
"FPS System"	means the FPS payment clearing system managed by the FPS System Operator;
"FPS System Operator"	means Faster Payments Scheme Limited (or Pay.UK Limited as a permitted successor) as operator of the FPS System;
“Payment Request”	has the meaning given to it in the FPS Rules;
“Settlement Trust Deed”	has the meaning given to it in the FPS Rules;
“STB Entitlement”	has the meaning given to it in the FPS Rules; and

"Suspension Event" has the meaning given to it in the FPS Rules.

- 1.3 Clauses 3.1(i), 3.1(j), 5.1(j), 5.1(k), 6.1(l), 9.8 and 10.6 of the Terms and Conditions shall be amended so that any references to “a CF Settlement Account” are replaced by “a CF Settlement Account or a FPS Completion Funds Account”.

2 OPENING AND OPERATION OF ACCOUNTS

- 2.1 In respect of an Account Holder which is a Bank DCS Participant (other than a Bank DCS (SCA) Participant), the Bank is requested to open in the name of the Account Holder a FPS Reserves Collateralisation Account.
- 2.2 In respect of an Account Holder which is a DCS (OF) Participant or a Bank DCS (SCA) Participant, the Bank is requested to open in the name of the Account Holder a FPS Settlement Collateralisation Account.
- 2.3 In respect of an Account Holder which is a DCS (RF) Participant, the Bank is requested to open in the name of the Account Holder a FPS Completion Funds Account. Where the Account Holder holds more than one FPS Completion Funds Account, the provisions of these Terms and Conditions relating to FPS Completion Funds Accounts shall for the avoidance of doubt apply separately to each FPS Completion Fund Account.
- 2.4 The FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) 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:
- 3.1.1 to act upon instructions which may be received via authenticated SWIFT message from the FPS System Operator or other means agreed with the Account Holder or the FPS System Operator to transfer funds to or from the Accounts for the purpose of settling the FPS System; or
- 3.1.2 in a contingency situation and provided the Bank has agreed to permit the FPS System Operator to give instructions via email, to act upon FPS Email Instructions which are received by the Bank from the FPS System Operator, including, but not limited to, FPS 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 FPS System Operator, the instructions given pursuant to paragraph 3.1.2 above shall be valid only if sent in a FPS Email Instruction, provided such FPS Email Instruction:
- (a) is in a form approved by the FPS System Operator and the Bank;
 - (b) bears a FPS Random Number which is the next unused FPS Random Number on the FPS Random Numbers' List; and
 - (c) is received via encrypted email.

- 3.3 The Bank and the Account Holder each agrees that the FPS System Operator may submit instructions in respect of the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) in accordance with the provisions of the FPS Documents.
- 3.4 The Account Holder hereby authorises the Bank to act upon instructions received from the FPS System Operator in respect of the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) and to transfer such amounts from the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) as are contemplated by the FPS Documents.
- 3.5 The Account Holder must not submit any instructions which, if acted upon, would result in the balance of the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) falling below the FPS Minimum Balance. The Bank retains the right to refuse to act on any instruction received from the Account Holder in relation to the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be).
- 4 FPS EMAIL INSTRUCTIONS**
- 4.1 Where the Bank considers that there is any doubt regarding whether a FPS Email Instruction is genuine, the Bank may, in its discretion, refuse to give effect to that FPS Email Instruction. In the case of such refusal the Bank agrees to use its reasonable endeavours to notify the FPS System 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 FPS 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 FPS Email Instruction which is not a genuine instruction emanating from two authorised signatories of the FPS System 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

5.1 The following shall apply in place of clause 5.1(m) of the Terms and Conditions:

(m) where the Account Holder holds a OF Settlement Account (and where relevant a FPS Settlement Collateralisation Account), at all times to ensure that its OF Settlement Account (and where relevant its FPS Settlement Collateralisation Account) only contains own funds (and not any Relevant Funds), and to only use such OF Settlement Account in connection with its participation in the Systems.

5.2 An Account Holder which is a DCS (RF) Participant acknowledges and agrees that, *inter alia*, during and in respect of each FPS Settlement Cycle and subject at all times to the provisions of the Settlement Trust Deed:

(a) the Bank shall have no obligation to repay or otherwise transfer the credit balance (or any part of the credit balance) standing on the FPS Completion Funds Account to, or at the direction of, the Account Holder; and

(b) the Account Holder shall have no right to withdraw or transfer, or instruct the Bank to withdraw or transfer, such credit balance (or any part of such credit balance),

unless and until all Payment Requests that are accepted in that FPS Settlement Cycle in accordance with the FPS Rules are finally settled in the manner provided by FPS Rule 7.1.3, or unless such repayment, withdrawal or transfer is permitted in accordance with clause 4.3(e) (*Minimum Balance*) of FA Agreement.

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 an Exclusion Event, a Suspension Event or a Default Event has occurred under the FPS Rules and the Bank serves a Default Notice.

9 DISABLEMENT AND TERMINATION OF ACCOUNTS; SET-OFF

[No additional provisions]

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 a FPS Reserves Collateralisation Account, 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 a FPS Reserves Collateralisation Account, calculated in accordance with the RTGS Rules and the Sterling Monetary Framework Documentation.
- 10.3 The Bank shall pay interest to the Account Holder, at such rate as may be determined by the Bank, on any credit balance on a FPS Settlement Collateralisation Account or a FPS Completion Funds Account in accordance with the RTGS Rules. Such rate may be zero, or negative. If the rate is negative, interest shall be paid by the Account Holder to the Bank. The Account Holder shall pay interest to the Bank, at such rate as may be determined by the Bank, on any debit balance on a FPS Settlement Collateralisation Account or a FPS Completion Funds Account in accordance with the RTGS Rules.
- 10.4 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 FPS System Operator of account balances and actual and anticipated payments and receipts in the event of late settlement of the FPS System as a result of the Account Holder having insufficient funds on its Accounts. The Account Holder also hereby consents to the disclosure of any information relating to the FPS Reserves Collateralisation Account, the FPS Settlement Collateralisation Account or the FPS Completion Funds Account (as the case may be) to the FPS System 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]