Guidelines for 3rd Party (Customer) Fund Transfers

(To be read with PSD Circular No. 2 /2011 dated 11/02/2011)

1. Introduction:

These guidelines provide a set of interbank rules, practices and standards for the execution of customer credit transfer payments in PKR within PRISM (Pakistan Real time Interbank Settlement Mechanism) System by PRISM Direct Participants.

2. Scope:

2.1. PRISM System is a payment system in which fund transfer instructions are settled in real time. PRISM System, furthermore, is a gross settlement system where transfers are settled individually, i.e. without netting. PRISM System, therefore, effects final settlement continuously rather than periodically and the settlements are immediate, final and irrevocable.

2.2. These guidelines provide the basis for customer credit transfer to be facilitated by Participants to their account holders using PRISM System. Customer Credit transfers will provide a straightforward payment instrument, with the necessary reliability and reach to support electronic payment system. Participants remain responsible for the products and services provided to their customers.

2.3. PRISM System will handle electronic processing of transactions including the payment itself and exception handling such as Returns. At the discretion of individual Participants, instructions and advices may be exchanged with Customers on a non-electronic basis. However, the interbank elements of the credit transfer scheme will be fully automated and electronic.

2.4. Participants have the discretion as to whether they offer their customers credit transfer through PRISM System.

3. Definitions of Participants

3.1. <u>The Originator:</u> is the Customer who initiates the credit transfer by providing the Originator Bank with an instruction. The Funds for such a credit transfer shall be made available by means of a debit from a specified payment account of the Originator with the originator bank.

3.2. <u>The Originator Bank:</u> is the PRISM Participant that receives the credit transfer Instruction from the Originator and acts on that payment instruction by making the payment to the Beneficiary Bank in favor of the Beneficiary's account according to the information provided in the instruction by the originator and in accordance with the PRISM Operating Rules, 2009.

3.3. <u>The Beneficiary Bank</u>: is the PRISM Participant that receives the credit transfer Instruction from the Originator Bank and, acting on that instruction, credits the account of the Beneficiary, according to the information provided in the instruction and in accordance with the provisions of PRISM Operating Rules 2009.

3.4. <u>The Beneficiary</u>: is the Customer identified in the credit transfer Instruction who receives the Funds by means of a credit to its account with the beneficiary bank.

3.5. Originator Banks and Beneficiary Banks are responsible for meeting their respective obligations under these guidelines. These responsibilities are irrespective of either the means or the parties by which Originator Banks or Beneficiary Banks choose to discharge those obligations and for which they remain responsible under the guidelines

4. <u>Guidelines for Customer Transfers Using PRISM</u>

4.1. Customer transfers can be sent through the PRISM System at any time from the start of the PRISM Business Day till two hours before the closure of PRISM System for interbank transactions.

4.2. PRISM Direct Participants offering customer transfers through PRISM System should publish the names of the branches and cut off timings at these branches for accepting customer transfers through PRISM System.

4.3. Customer Transfers shall be sent using MT 103 Message type only in PRISM System.

4.4. The remittance data supplied by the Originator in the credit transfer Instruction must be forwarded in full and without alteration by the Originator Bank to the Beneficiary Bank.

4.5. The Beneficiary Bank shall deliver received remittance data in full and without alteration to the Beneficiary.

4.6. Customer Payments shall be made for the full original amount without adjusting for charges, if any. Originator and Beneficiary shall be responsible for transaction charges to their respective banks.

4.7. Customer Transfers based on the "Cash over Counter" shall not be accepted /initiated by the PRISM Direct Participant. Customer Transfer, therefore, shall be initiated against customer accounts only held by the PRISM Direct Participant.

4.8. Credit under customer transfers, received by the PRISM Direct Participants in its PRISM Settlement Account, shall be ultimately credited to the account of the beneficiary customer at the concerned branch of the beneficiary bank on the same day in case of online beneficiary branches and at the latest on the next working day in case of offline beneficiary branches.

4.9. In case of any discrepancy in customer details, beneficiary bank shall return customer transfer payment through PRISM System to originating bank on the same day in case of online beneficiary branches and on next working day in case of offline beneficiary branches.

4.10.   All PRISM Direct Participants should note that the Customer Transfers facility through PRISM System shall not be construed as creating any contractual or other rights with or against SBP.

5. Obligations of the Originator Bank

In respect of each of its Originator, an Originator Bank shall:

5.1. Ensure that Terms and conditions exist which govern the provision and use of services relating to the Customer Transfers through PRISM;

5.2. Ensure that such Terms and conditions are consistent with the PRISM Operating Rules and other relevant laws.

5.3. Provide to the Beneficiary Bank the required payment information and the payment value in a manner to allow the Beneficiary Bank sufficient time to comply with its obligations under these guidelines;

5.4. Provide Originators and prospective Originators with adequate information to understand PRISM transfers, its service level, applicable charges to originator in relation to the service being performed and mutual rights and obligations;

5.5. Provide to Originators information on the Cut-off Time for the submission and execution of credit transfer Instructions through PRISM System;

5.6. Ensure the authenticity and validity of the Originator's instructions;

5.7. Validate each credit transfer Instruction, accept (subject to account status and the terms of its agreement with the Originator) each valid Credit Transfer Instruction, and reject each invalid Credit Transfer Instruction;

5.8. Provide an explanation to the Originator of the reason for rejecting any payment instruction in a manner and within a timeframe as may be agreed with the Originator;

5.9. Following acceptance of a credit transfer Instruction, debit the specified account of the Originator, route the credit transfer to the specified Beneficiary Bank for further credit to the account of the Beneficiary identified in the Credit Transfer Instruction;

5.10. Provide an explanation to the Originator and/or the Beneficiary Bank as to how a credit transfer Instruction has been processed and provide to the Originator all reasonably requested information in the event of a dispute;

5.11. Monitor and process exceptions (including all Rejects and Returns in relation to its Originators' accounts).

6. Obligation of Originator:

In order for the Originator Bank to oblige each of its Originators, in relation to any credit transfer Instruction which the Originator Bank accepts, an originator shall:

6.1. provide the Originator Bank with sufficient information to effect the credit transfer in compliance with the relevant rules and regulations;

6.2. Supply the required payment data accurately, completely and in appropriate manner as required by the Originator Bank;

7. Obligations of the Beneficiary Bank

In respect of each of its Beneficiaries, a Beneficiary Bank shall:

7.1. Ensure that Terms and Conditions exist that govern the provision and use of services relating to credit transfer in PRISM System;

7.2. Ensure that such Terms and conditions are consistent with the PRISM Operating Rules 2009 and other relevant laws;

7.3. Provide beneficiaries with adequate information on the respective rights and obligations of the Originator, Beneficiary, Originator Bank and Beneficiary Bank in relation to the Customer Transfers and information about the service level offered and any charges that apply to the customer transfer service being performed;

7.4. Receive the credit transfer from the Originator Bank and credit the account of the Beneficiary identified in the credit transfer Instruction, provided that applicable regulations in relation to money laundering and terrorist financing have been complied with;

7.5. Carry out a Return in case of invalid payment instruction together with a reason.

7.6. Credit the account of the Beneficiary with the full amount of the payment on the same day in case account is maintained at an online branch and at the latest on the next working day in case of offline branch.

7.7. In the event of a dispute, provide to the Originator Bank an explanation as to how a credit transfer Instruction has been processed and any further information reasonably requested;

7.8. Be entitled to delay its execution to perform a payment instruction in case of bona fide discrepancy between information provided in credit transfer instructions and beneficiary details held by it.

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