

COMMONWEALTH OF DOMINICA

ARRANGEMENT OF SECTIONS

SECTION

PART I PRELIMINARY

1. Short title and commencement.
2. Interpretation

PART II AUTHORITY OF THE CENTRAL BANK

3. Establishment of payment system and Central Bank's exclusive authority

PART III THE PAYMENT SYSTEM

4. Characteristics of the payment system
5. The large value electronic funds transfer system
6. Cheque clearing system
7. Settlement for systems not operated by the Central Bank.
8. Participation in systems not operated by the Central Bank.
9. Technical assistance to operators of funds transfer systems.
10. Netting arrangements

PART IV DESIGNATION OF FUNDS TRANSFER SYSTEM AND SETTLEMENT SYSTEM

11. Designation of funds transfer system and settlement system.
12. Central Bank to establish standards for designated systems.

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13. Variation and revocation of standards.
 14. Cessation of standards
 15. Establishment of access regime.
 16. Commencement and cessation of access regime.
 17. Variation of access regime.
 18. Commencement of variation.
 19. Revocation of access regime.
 20. Effective date of revocation.

PART V
INSOLVENCY OR BANKRUPTCY OF SYSTEM
PARTICIPANT OR AN OPERATOR

21. Bankruptcy and insolvency of an operator or system participant.
22. Utilisation of deposits in event of bankruptcy or insolvency.

PART VI
EXAMINATION, AUDIT AND INFORMATION

23. Validity of electronic data.
24. Retention of records.
25. Central Bank examination of books of an operator.
26. Disclosure and access to books and records
27. System participant and operator to provide information
28. Annual audit, report and publication of financial statements

PART VII
COMPLIANCE, ARBITRATION AND
REGULATION

29. Management's duty to comply with the law.
30. Settlement of disputes by arbitration.
31. Directives by Central Bank.
32. Regulations.
33. Authority to make rules
34. Prudential Guidelines.

**PART VIII
MISCELLANEOUS**

- 35. Offences and penalties
- 36. Act to bind the State.

SCHEDULE

COMMONWEALTH OF DOMINICA**ACT NO. 4 OF 2009***I assent**N. J. O. Liverpool*
*President*23rd March, 2009

**AN ACT TO ADVANCE OPERATION AND
REGULATION OF THE PAYMENT SYSTEM
GENERALLY AND PARTICULARLY TO
CODIFY PROCEDURES GOVERNING THE
PAYMENT SYSTEM AND TO PROVIDE FOR
RELATED MATTERS.**

(Gazetted 2nd April, 2009.)

BE IT ENACTED by the Parliament of the Commonwealth of
Dominica as follows:

PART I
PRELIMINARY

1. (1) This Act may be cited as the-

PAYMENT SYSTEM ACT, 2009.

Short title and
Commencement.

(2) This Act shall come into force on a date to be fixed by the Minister by Order published in the *Gazette*.

Interpretation.

2. (1) In this Act-

“access” in relation to a funds transfer system or settlement system, means the entitlement or eligibility of a person to become a participant in the system, as a user of the system, on a commercial basis on terms that are fair and reasonable;

“access regime” in relation to a designated funds transfer system, means an access regime that has been established by the Central Bank under section 15;

Act No. 18 of 2008 .

“Authority” means the Financial Services Unit established under section 3 of the Financial Services Unit Act;

“banking business” means the business of receiving funds through -

(i) the acceptance of monetary deposits which are repayable on demand or after notice or any similar operation;

(ii) the sale or placement of bonds, certificates, notes or other securities and the use of such funds, either in whole or in part, for loans or investment; and includes-

any other activity recognised by the Central Bank as banking practice and which a financial institution may additionally be authorised to do;

“Central Bank” means the Eastern Caribbean Central Bank established by the Eastern Caribbean Central Bank Agreement 1983;

“central counterparty” means an entity that is the buyer to every seller and the seller to every buyer in a net settlement system;

“clearing” means the process of transmitting, reconciling or confirming payment orders or security transfer instructions prior to settlement and includes the netting of instructions and the establishment of final positions for settlement;

“clearing house” means-

- (a) an arrangement between two or more system participants governing the clearing or netting of payment instructions between those system participants; and
- (b) a central location or central processing mechanism through which financial institutions agree to exchange payment instructions or other financial obligations;

“collateral” means an asset or third-party commitment that is provided by the collateral provider to the collateral taker and accepted by the collateral taker to secure an obligation of the collateral provider;

“Currency Union” refers collectively to the territories of Anguilla, Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher and Nevis, Saint Lucia and Saint Vincent and the Grenadines which use the Eastern Caribbean currency as their official currency;

“designated” in relation to a funds transfer system or a settlement system means a system which is classified as being systemically important and meeting prescribed standards established by the Central Bank in accordance with this Act;

“document” includes information recorded in any form and, in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form;

“electronic funds transfer” means funds transfer by electronic means, and includes the use of computer-telecommunications systems;

“financial institution” includes any person doing banking business and all offices and branches of a financial institution in Dominica shall be deemed to be one financial institution;

“funds transfer system” means a formal arrangement, based on private contract or statute law among participants, with common rules and standardised arrangements for the transmission and settlement of money obligations arising among the participants;

“large value electronic funds transfer system” means the large value electronic funds transfer system established under section 4(1)(a) through which large-value and high priority funds transfers are made between participants in the system for their own account or on behalf of their customers;

“Minister” means the Minister responsible for Finance;

Act No. of

“money services business operator” means a person holding a licence under the Money Services Business Act to conduct money services business;

“netting” means the determination of net payment obligations between two or more settling participants within a payment clearing house or the determination of the net settlement obligations between two or more settling participants within the payment system;

“operator” means a person authorised or appointed to operate a funds transfer system or settlement system;

“payment” means the payor’s transfer of a monetary claim to a party acceptable to the payee and includes clearing and settlement;

“payment obligation” means an indebtedness that is owed by one settling participant to another as a result of the clearing of one or more payment instruction;

“payment system” means-

- (a) a network of competing and complementary services that facilitate transactions involving the exchange of payment in return for goods, services, real and financial assets and includes the instruments, rules, institutions, technical processes and procedures that facilitate the circulation of money and the transfer of value to discharge payment obligations; and
- (b) several funds transfer systems and settlement systems that ensure the circulation of money;

“retail funds transfer system” means the retail funds transfer system established under section 4(1) (b) which handles a large volume of payments of relatively low value in forms such as cheques, credit transfer, direct debits by various means including through Automated Teller Machines and electronic funds transfer systems;

“settlement” means the act of discharging obligations in respect of funds or securities transfers by two or more parties;

“settlement obligation” means an indebtedness by one settling participant to another as a result of one or more settlement instructions;

“settlement rules” means the rules which determine how payment obligations are calculated, netted or settled and includes rules prescribing corrective, punitive or other action in the event that a settling participant is unable or is likely to become unable to meet its obligations to the clearing house, central counter-party or other settling participants;

“settlement system” means a system used to facilitate the settlement of transfers of funds or financial instruments;

“settling participant” means a participant who can settle transactions on his own account and for other participants;

“systemically important” means of fundamental importance to the-

- (a) proper functioning of the Currency Union’s financial system;
- (b) maintenance of the Currency Union’s economic stability;

“system participant” means a party who participates in a funds transfer system or settlement system which is operated, designated or regulated by the Central Bank.

PART II AUTHORITY TO THE CENTRAL BANK

Establishment of Payment System and Central Bank’s exclusive authority.

3. (1) The Central Bank shall establish a payment system in Dominica.

(2) The payment system established under sub-section (1) shall be the sole payment system operating in Dominica.

Act No. of .

(3) The Central Bank shall, subject to the Money Services Act, have exclusive authority for the operation, and supervision and administration of the payment system established under sub-section (1) and may issue guidelines and issue directives to govern its operation and regulation.

PART III THE PAYMENT SYSTEM

Characteristics of the Payment System.

4. (1) The payment system established under sub-section (1) of section 3, shall consist of -

- (a) the large value electronic funds transfer system;
and
- (b) the retail funds transfer system.

(2) The large value electronic funds transfer system consists of -

-
- (a) the interbank funds transfer system operated and administered by the Eastern Caribbean Central Bank; and
- (b) the securities settlement system.
- (3) The retail funds transfer system consists of -
- (a) the cheque clearing system operated and administered by the Eastern Caribbean Central Bank;
- (b) the debit transfer system;
- (c) the credit transfer system; and
- (d) any other funds transfer system designated by the Central Bank.
- (4) The retail funds transfer system handles the following types of transactions-
- (a) business to business;
- (b) business to person;
- (c) person to person;
- (d) person to business.
- (5) Only the Central Bank and financial institutions which satisfy the eligibility criteria and which comply with other requirements laid down in the rules of a funds transfer system may be members of that funds transfer system.

5. (1) The large value electronic funds transfer system shall be the sole system for large value payments and settlement.

The large value electronic funds transfer system.

(2) Subject to subsection (3), the operational design of the large value electronic funds transfer system shall facilitate the expeditious transmission of instructions to permit each payment to be made between parties to transactions-

(a) from and to accounts held at the Central Bank for that purpose; or

(b) from incoming transfers.

(3) The Central Bank may establish and administer a net settlement system in respect of a funds transfer system operated by it.

(4) The Central Bank shall be the central counter-party of a net settlement system established pursuant to sub-section (3).

Cheque clearing system.

6. The cheque clearing system referred to in section 4(3) (a) is the sole cheque clearing system in Dominica for cheques drawn on financial institutions carrying on business in the Currency Union.

Settlement for systems not operated by the Central Bank.

7. (1) The Central Bank may provide settlement facilities in respect of -

(a) a funds transfer system designated under this Act;

(b) any part of a retail funds transfer system established or operated by another person.

(2) In giving effect to sub-section (1) the Central Bank shall consider whether the system -

(a) is or is likely to be a systemically important system having regard to the function, volume or value of that system; or

(b) involves or might involve material risks which the Central Bank can abate or help to manage.

(3) The Central Bank may -

(a) provide payments facilities to effect the settlement of securities transactions including transactions

of the securities system operated by the Eastern Caribbean Central Securities Depository Limited establish under section 45 of the Securities Act 2001 by-

Act No. 21 of 2001.

- (i) direct participation; or
- (ii) participation of the Eastern Caribbean Central Securities Depository Limited through the real time gross settlement or otherwise; and
- (b) make rules and enter into agreements respecting the systems and processes referred to in paragraph (a).

8. (1) The Central Bank may directly participate in any-

Participation in system not operated by the Central Bank.

- (a) net settlement system, securities settlement system or any part of a retail funds transfer system established and operated by another person.;
- (b) non-Currency Union payment system on terms and conditions it considers necessary or desirable to accomplish its purposes.

9. The Central Bank may on terms and conditions it considers appropriate provide technical, financial or any other assistance to another person for the establishment or operation of a funds transfer system, including but not limited to a small value electronic funds transfer system.

Technical assistance to operators of funds transfer systems.

10. (1) The discharge of settlement obligations between system participants is effected by means of entries processed through the settlement system in accordance with procedures described in the Schedule or any rules issued by the Central Bank.

Netting arrangements.

Schedule.

(2) The obligation of a settling participant or central counterparty to make payment to and the corresponding right of a participant or central counterparty to receive payment from

another settling participant or central counterparty shall be netted and a net settlement or close-out amount determined, entered and cleared in accordance with settlement rules.

(3) A settlement that is effected by means of an entry to the credit of an account maintained by the central counterparty is final and irrevocable and may not be reversed or set aside.

(4) An entry to or payment out of the account of a settlement system participant to settle a payment or settlement obligation in a settlement system is final and irrevocable and shall not be reversed or set aside.

(5) The Minister may at any time amend or replace the Schedule by Order published in the *Gazette*.

FUNDS

DESIGNATION OF FUNDS TRANSFER SYSTEM OR SETTLEMENT SYSTEM

Designation of funds transfer system or settlement system.

11. (1) The Central Bank may designate a funds transfer system or settlement systems-

(a) where it considers that designation of the system is in the public interest;

(b) on receipt -

(i) from the Authority of a copy of a licence issued to a money services business operator accompanied by a recommendation for designation of that money services operator pursuant to section 6(4) of the Money Services Act;

(ii) of information which establishes that a money services business operator who is licensed under the provisions of the Money Services Act is managing a systemically important funds transfer system or settlement system;

Act No. of

Act No. of

(c) where -

(i) systemic disruption in the financial system could result if the operator or a participant of the system goes into insolvency or bankruptcy; and

(ii) any other matter specified in the regulations warrants designation of the funds transfer system;

and may impose any restrictions or conditions on the operation of the system which it considers prudent.

(2) The Central Bank shall inform the system operator of its decision to designate the funds transfer system or settlement system and shall publish notification of its decision in the *Gazette* and any other media.

(3) The Central Bank may in respect of any designation made under subsection (1)-

(a) impose restrictions or conditions to which the designation is subject;

(b) amend or revoke any condition to which the designation is subject; or

(c) make the designation subject to a new condition or new conditions.

(4) For the purposes of this Act -

(a) no variation of the conditions to which a designation is subject or revocation of designation shall have retroactive effect;

(b) a variation or revocation shall not affect -

-
- (i) the validity or enforceability of the rules of the designated system;
 - (ii) any payment to or out of the account of a system participant or netting; or
 - (iii) any settlement that took place prior to the date that the variation or revocation comes into force.

(5) The Central Bank may vary or revoke a designation made under subsection (1) by giving written notice to the designated system operator.

(6) The Central Bank -

- (a) shall publish in the *Gazette* a notice of its decision to vary or revoke a designation made under subsection (1);
- (b) may publish notice of its decision in any other appropriate media;

Central Bank to establish standards for designated systems.

12. (1) The Central Bank may establish standards to be complied with by the operator or participants in a designated funds transfer system or designated settlement system if the Central Bank is satisfied that it is in the public interest to do so.

(2) Standards established under sub-section (1) shall -

- (a) be published in the *Gazette* and any other media;
- (b) come into force-
 - (i) subject to sub-paragraph (ii), on the day on which the standards are published in accordance with paragraph (a); or
 - (ii) may be varied as provided in section 13.

13. (1) The Central Bank may vary or revoke the standards or any part thereof if the Central Bank considers it is appropriate to do so, having regard to -

- (a) whether the variation or revocation would be in the public interest;
- (b) the interests of the current participants in the system;
- (c) the interests of people who, in the future, may desire access to the system; and
- (d) any other matters the Central Bank considers relevant.

(2) The Central Bank -

- (a) shall publish in the *Gazette*: details of its decision to vary or revoke the standards and particulars of the variation or revocation; and
- (b) may publish notice of its decision in any other media.

(3) Failure by the Central Bank to comply with subsection (2) does not invalidate the variation or revocation.

14. Standards in respect of a designated funds transfer system or designated settlement system cease to be in force on-

Cessation of standards.

- (a) the prescribed expiry date, if any, of such standards;
- (b) revocation of the standards by the Central Bank;
- (c) voluntary cessation of operations of the designated funds transfer system or designated settlement system;
- (d) dissolution of the designated funds transfer system or designated settlement system;
- (e) revocation or suspension of designation of the funds transfer system or settlement system.

Establishment of
access
regime.

15. (1) The Central Bank may establish an access regime for the participants of a designated funds transfer system or designated settlement system.

(2) The access regime must be one that the Central Bank considers appropriate, having regard to-

- (a) the public interest;
- (b) the interests of the current participants in the system;
- (c) the interests of persons who, in the future, may want desire access to the system; and
- (d) any other matters the Central Bank considers relevant.

(3) The Central Bank shall publish in the *Gazette*-

- (a) details of its decision to establish an access regime; and
- (b) the particulars of the access regime.

(4) Failure to comply with subsection (3) does not invalidate the access regime.

Commencement and
cessation of access
regime.

16. (1) An access regime -

- (a) comes into force:
 - (i) subject to sub-paragraph (ii) on the day on which the particulars are published in accordance with section 15; or
 - (ii) the date specified in the particulars establishing the access regime;

(b) may be varied as provided in section 17.

(2) An access regime established in respect of a designated funds transfer system or designated settlement system ceases to be in force on-

-
- (a) the prescribed expiry date;
 - (b) revocation of the access regime;
 - (c) voluntary cessation of operation of the designated funds transfer system or designated settlement system;
 - (d) dissolution of the designated funds transfer system or designated settlement system; or
 - (e) revocation or suspension of designation of the funds transfer system or settlement system.

17. (1) The Central Bank may vary an access regime if the Central Bank considers it is appropriate to do so, having regard to-

Variation of access regime.

- (a) whether the variation would be in the public interest;
- (b) the interests of the current participants in the system;
- (c) the interests of people who, in the future, may desire access to the system; and
- (d) any other matters the Central Bank considers relevant.

(2) The Central Bank -

- (a) shall publish in the *Gazette* details of its decision to vary an access regime and particulars of the variation; and
- (b) may publish notice of its decision in any other media.

(3) Failure by the Central Bank to comply with subsection (2) does not invalidate the variation.

18. Variation of an access regime comes into force -

Commencement of variation.

- (a) subject to sub-paragraph (b), on the day on which the

decision to vary the access regime is published in accordance with section 17; or

(b) on the date specified in the decision to vary the access regime.

Revocation of access regime.

19. (1) A participant in a designated funds transfer system or designated settlement system may make an application to the Central Bank in the prescribed form for revocation of the access regime.

(2) The Central Bank may revoke an access regime in the public interest or for other compelling reasons.

Effective date of revocation.

20. Revocation of an access regime takes effect on the date specified in the decision to revoke the access regime.

PART V

INSOLVENCY AND BANKRUPTCY OF SYSTEM PARTICIPANT AND AN OPERATOR

Bankruptcy or insolvency of an operator or system participant.

21. (1) A system participant or an operator shall notify the Central Bank if it goes into bankruptcy or insolvency and shall give the notice as soon as practicable after such proceedings are instituted.

(2) A system participant or an operator who contravenes subsection (1) commits an offence.

(3) In the proceedings for an offence under this section it is a defence for a person charged to prove to the satisfaction of the Court that the person took all reasonable steps to comply with subsection (1).

Utilisation of deposits in event of bankruptcy or insolvency.
Chap. 9:90.
Act No. 21 of 1994.
Act No. 16 of 2005.

22. (1) Notwithstanding anything to the contrary in the Bankruptcy Act, the Companies Act or sections 50, 51 or 55 of the Banking Act any asset of a settling participant which is provided prior to the issue of any bankruptcy, winding-up or receivership order against that settling participant to-

-
- (a) the Central Bank;
 - (b) an operator; or
 - (c) a central counterparty

as security in respect of its payment or settlement obligations, may be utilised by the Central Bank, the settlement system operator or the central counterparty to the extent required for the discharge of such settlement obligations of the settlement system participant.

(2) Notwithstanding anything in the Bankruptcy Act or the Companies Act or sections 50, 51 and 55 the Banking Act if a settling participant goes into bankruptcy, receivership or is wound up:

Chap. 9:90
Act No. 21 of 1994
Act No. 16 of 2005.

- (a) any provision contained in a netting agreement to which that system participant is a party;
- (b) any provision contained in the rules of the settlement system or in clearing, netting and settlement agreements to which that settling system participant is a party; or
- (c) any rules and practices applicable to the settling system participant;

is binding upon the liquidator, receiver or administrator in respect of any payment or settlement obligation which -

- (i) has been determined through netting prior to the issue of the bankruptcy, winding-up or receivership order; and
- (ii) is to be discharged on or after the date of the winding-up, receivership or bankruptcy, or the discharge of which was overdue on the date of the winding-up, receivership or bankruptcy order.

(3) A settling participant against which a bankruptcy, winding-up or receivership application has been lodged is prohibited from clearing or participating in any settlement system other than for the purposes of discharging payment obligations.

Chap. 9:90.

(4) Notwithstanding section 9 of the Bankruptcy Act, the rights and remedies of a participant, clearing house or central counter-party or the Central Bank to realise any collateral granted to it as security for a payment or the performance of an obligation incurred in a net settlement system may not be the subject of any stay provision or Court order.

(5) A settling participant who participates in any settlement system in violation of the provisions of sub-section (3) commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars.

PART VI EXAMINATION, AUDIT AND INFORMATION

Validity of electronic data.

23. (1) Information stored, disseminated or used by system participants and operators shall not be denied legal effect solely on the ground that -

- (a) it is in the form of an electronic record; or
- (b) it is not contained in the electronic record purporting to give it legal force and validity, but is referred to in another electronic record.

Cap. 64.

(2) Information recorded in electronic format may be produced in evidence in accordance with procedures established in the Evidence Act or any other applicable law.

Retention of records.

24. (1) The Central Bank and system participants shall retain every record obtained by them during the course of operation and administration of a funds transfer system or settlement system for

a period of at least five years from the date of creation of that record.

(2) The retention of records under subsection (1) may be effected by electronic means.

25. (1) The Central Bank shall examine or cause an examination to be made of each designated funds transfer system and designated settlement system from time to time or whenever in its judgment such examination is necessary or expedient in order to determine that such funds transfer system or settlement system is in a sound financial condition and that the requirements of this Act have been complied with in the conduct of its business.

Central Bank
examination of books
and records.

(2) The operator of a designated funds transfer system or designated settlement system shall produce for the inspection of any examiner appointed by the Central Bank at such time as the examiner specifies all books, minutes, accounts, cash, instruments, securities, documents and vouchers relating to its business as requested by the examiner for the purpose of this Act.

(3) If any books, minutes, accounts, cash, instruments, securities, documents and vouchers are not provided or information is not supplied in accordance with subsection (1), the defaulting operator commits an offence and shall be liable on summary conviction to a fine not exceeding fifty thousand dollars and in the case of a continuing offence to a further penalty of one thousand dollars for each day on which the offence is continued after conviction thereof.

(4) Where an operator of a designated funds transfer system or designated settlement system knowingly supplies information or produces any item pursuant to subsection (2) which is false in any material particular, the operator commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars.

(5) The Central Bank may assess a designated funds transfer system or designated settlement system for the reasonable expenses of conducting an examination under this section.

Disclosure and access to books and records.

26. (1) An operator of a designated funds transfer system or designated settlement system shall produce for the inspection of any examiner appointed by the Central Bank at such time as the examiner specifies all books, minutes, accounts, cash, instruments, securities, documents and vouchers relating to its business and the business of its affiliates as requested by the examiner for the purpose of this Act.

(2) If any books, minutes, accounts, cash, instruments, securities, documents and vouchers are not provided or information is not supplied in accordance with subsection (1), the defaulting operator commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars and in the case of a continuing offence to a further penalty of one thousand dollars for each day on which the offence is continued after conviction thereof.

(3) An operator who knowingly supplies information or produces an item pursuant to subsection (2) which is false in any material particular, commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars.

System participant and operator to provide information.

27. (1) A system participant and an operator shall provide any information requested by the Central Bank relating to the volumes or values of payment and settlement instructions or payment and settlement obligations.

(2) Any information obtained by the Central Bank in response to a request made under sub-section (1) is confidential and shall not be disclosed to any third party by the Central Bank, its servants or agents except-

(a) with the written consent of the system participant or operator;

-
- (b) in the course of performance of his duties within the scope of his employment;
 - (c) when lawfully required to make disclosure by any Court of competent jurisdiction in Dominica;
 - (d) under the provisions of any law of Dominica; or
 - (e) as considered necessary by the Central Bank to protect the integrity, effectiveness or security of the payment system.

(3) A person who contravenes the provisions of subsection (1) or (2) commits an offence.

28. (1) An operator of a designated funds transfer system or designated settlement system operator shall appoint annually an auditor satisfactory to the Central Bank whose duties -

Annual audit, report and publication of financial statements.

- (a) shall be to examine the books and records and to make a report on the annual financial statements and financial position, and in every such report the auditor shall state whether in the auditor's opinion the balance sheet and profit and loss account give a true and fair view of the state of affairs of the funds transfer system or settlement system and of its results for the period then ended; and
- (b) include all or any of the following duties as may from time to time be imposed on the auditor by the operator of the designated funds transfer system or designated settlement system at the request of the Central Bank -
 - (i) to submit such additional information in relation to the audit of the funds transfer system or settlement system as the Central Bank considers necessary;
 - (ii) to carry out any other examination or establish any procedure in any particular case;

-
- (iii) to submit a report on any of the matters referred to in sub-paragraphs (i) and (ii);
 - (iv) to submit a report on the financial and accounting systems and risk management controls of the funds transfer system or settlement system;
 - (v) to certify whether suitable measures to counter money laundering and to combat the financing of terrorism have been adopted by the funds transfer system or settlement system and are being implemented in accordance with the Act.

(2) The operator shall remunerate the auditor in respect of the discharge by the auditor of all or any of the duties set out in sub-section (1).

(3) Where in the course of the performance of an auditor's duties, an auditor is satisfied that:

- (a) there has been a serious breach of or non-compliance with the provisions of this Act or any, regulations, notice, order, guidelines or directions issued under the Act;
- (b) there is evidence that a criminal offence involving fraud or other dishonesty may have been committed; the auditor shall immediately report,

the matter to the system operator and the Central Bank.

(4) The Central Bank may request copies of reports submitted to the system operator by both its internal and external auditors.

(5) An auditor shall simultaneously with his report to an investigative, regulatory or other institution on a funds transfer system or settlement system, report to the Central Bank any matter it is required to report to such institution.

(6) An operator who fails to secure compliance with a request under subsection (1) (b) commits an offence and is liable on summary conviction to fine not exceeding fifty thousand dollars for each such failure.

(7) If an operator fails to appoint an auditor who is satisfactory to the Central Bank, the Central Bank may appoint an auditor for such funds transfer system or settlement system and the remuneration of the auditor so appointed shall be determined by the Central Bank and paid by the system operator.

(8) The Central Bank may appoint an auditor to conduct an independent audit of a funds transfer system or settlement system, in accordance with the instructions of the Central Bank, and to report the findings or results thereof to the Central Bank.

(9) An auditor appointed under subsection (1) or (8) is not liable for breach of any duty solely by reason of compliance with the provisions of subsections (1), (3) or (5), of this section or any other request for information by the Central Bank.

(10) For the purposes of this Act -

(a) no person having an interest in any funds transfer system or settlement system otherwise than as a depositor and no director, manager, secretary, employee or agent of a funds transfer system or settlement system shall be eligible for appointment as auditor for such funds transfer system or settlement system.

(b) any person appointed as auditor who, after an appointment, acquires any interest in a funds transfer system or settlement system otherwise than as a depositor, or becomes a director, manager, secretary, employee or agent of such funds transfer system or settlement system shall immediately cease to be such auditor.

**PART VII
COMPLIANCE, ARBITRATION AND
REGULATION**

Management's duty to
comply with the law.

29. (1) A director, manager, secretary or other officer concerned in the management of a system participant shall take all reasonable steps to secure compliance by the participant with the requirements of this Act.

(2) A director, manager, secretary or other officer concerned in the management of a system participant who contravenes subsection (1) commits an offence and is liable on summary conviction to a fine not exceeding fifty thousand dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment.

Settlement of disputes by
arbitration.

30. (1) Any dispute between system participants concerning any matter arising under this Act shall be submitted to arbitration by a tribunal of arbitrators appointed pursuant to sub-section (2) of this section.

(2) If the dispute is-

(a) between only two parties, each party shall be entitled to appoint one arbitrator, and the two parties shall together appoint a third arbitrator, who shall be the Chairman of the tribunal.

(b) between three or more parties, each party shall be entitled to appoint one arbitrator and all the parties shall together appoint an additional arbitrator, who shall be the Chairman of the tribunal.

(3) If within thirty days of receipt of the request for arbitration, any party has not appointed an arbitrator or if within thirty days of the appointment of the arbitrators the parties have not appointed the third arbitrator or, as the case may be, the

additional arbitrator, any party to the dispute may request such judicial authority as may be prescribed by the Minister, to make the required appointment.

(4) The procedure of the tribunal shall be fixed by the arbitrators, but the Chairman of the tribunal shall have full power to settle all questions of procedure in any case of disagreement.

(5) A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding on the parties.

(6) The Chairman of the tribunal shall be entitled to vote, and in the event of a tie, shall have a casting vote.

31. (1) The Central Bank may issue directives to any person regarding a designated funds transfer system or designated settlement system regarding the application of the provisions of this Act and may in such directive require any person -

Directives by Central Bank.

(a) to cease or refrain from engaging in any conduct or perform such acts as are necessary to remedy the situation;

(b) to perform such acts as are necessary to comply with the directive or to effect the changes; or

(c) to provide the Central Bank with such information and documents, relating to the matter as specified in the directive.

(2) In considering whether to issue a directive the Central Bank may have regard to any or all of the following matters-

(a) that reasonable grounds exist to believe that any person is engaging or is about to engage in any conduct with respect to the payment system, that results or is likely to result in systemic risk;

(b) that reasonable grounds exist to believe that any person is engaging or is about to engage in any conduct with respect to the payment system, that

is or will be contrary to the public interest relative to the integrity, effectiveness, efficiency or security of the payment system;

(c) the public interest;

(d) the integrity, effectiveness, efficiency or security of the payment system;

(e) national or Currency Union stability;

(f) any other matters that the Central Bank considers appropriate.

(3) Any person who neglects, refuses or fails to comply with a directive issued under subsection (1) commits an offence.

(4) Without prejudice to any other proceedings which may be instituted, the Central Bank may apply to the High Court for an order directing a system participant to comply with a directive issued under subsection (1).

(5) The Central Bank may impose restrictions against a system operator or system participant who acts in contravention of this Act or Regulations, rules or directives issued pursuant to this Act.

(6) In this section “systemic risk” refers to a scenario in which the failure of one or more settling participants to meet their payment obligations or their settlement obligations is likely to cause any or all of the other system participants to be unable to meet their respective payment or settlement obligations.

Regulations.

32. The Minister may, on the recommendation of the Central Bank, make Regulations for giving effect to the provisions of this Act, and without limiting the generality of the foregoing, may make Regulations respecting -

(a) reports or other information to be supplied by designated funds transfer systems or designated settlement systems and any other matter associated with their use;

-
- (b) records to be kept, returns and reports to be made to the Central Bank or the Minister by persons who are appointed auditors under the Act;
 - (c) form of reports and returns to be made by designated funds transfer systems or designated settlement systems and fixing the times when such reports and returns shall be made;
 - (d) forms necessary for the administration of this Act;
 - (e) penalties that may be imposed for violations of Orders or Regulations made under this Act but no such penalty shall exceed a fine of fifty thousand dollars or imprisonment term exceeding twelve months;
 - (f) minimum criteria for fit and proper persons;
 - (g) respecting any other matter required for the efficient administration of this Act.

33. (1) The Central Bank may make rules to give effect to the provisions of this Act. Authority to make rules.

(2) Without limiting the generality of sub-section (1) the Central Bank may make rules respecting-

- (a) accounts at the Central Bank, including
 - (i) access, including access by virtual private network;
 - (ii) balances;
- (b) conditions for the interconnection to and participation in the payment system, large value electronic funds transfer system or other funds transfer systems or settlement systems operated, or designated by the Central Bank;

-
- (c) features of the cheque clearing system, settlement systems, and funds transfer systems;
 - (d) finality of payment and settlement, netting, loss allocation, apportionment;
 - (e) bank records and processes, and documents, including electronic documents and signatures;
 - (f) collateral in all its forms, nature, effectiveness and means of realisation;
 - (g) payment instruments such as cheques (including certified cheques) and electronic transfers, including arrangements respecting authenticity and integrity;
 - (h) security, reliability, identification, authentication and contingency arrangements;
 - (i) administration;
 - (j) expenses and fees;
 - (k) payment system planning;
 - (l) directives in respect of designated funds transfer systems or designated settlement systems;
 - (m) establishment of a framework for administration of truncated cheques or cheques held either at the institution of deposit or afterwards;
 - (n) alternative dispute resolution machinery;
 - (o) appointment of auditors; and,
 - (p) ancillary matters;

and the Rules shall be, published in the *Gazette*.

(3) The Central Bank may at any time amend or replace Rules made under this section and such amendment or replacement shall be published in the *Gazette*.

Prudential Guidelines.

34. The Central Bank may issue to operators and system participants prudential guidelines as may be necessary for administering this Act, and without limiting the generality of the foregoing, may issue guidelines respecting-

-
- (a) policies, practices and procedures for evaluating financial soundness of system operators and participants;
 - (b) policies, procedures and systems for identifying, monitoring and controlling country risk, institutional risk, market risk, liquidity risk, operational risk and such other risks as the Central Bank shall specify;
 - (c) liquidity requirements;
 - (d) corporate governance;
 - (e) auditors;
 - (f) disclosure; and
 - (g) anti-money laundering and combating the financing of terrorism matters.

PART VIII MISCELLANEOUS

35. A person who contravenes or fails to comply with any provision of this Act, where the provision does not expressly create an offence or does not provide for a penalty, commits an offence and is liable on summary conviction to a fine not exceeding one hundred thousand dollars.

Offences and penalties

36. This Act binds the State.

Act to bind the State.

(Section 10.)

SCHEDULE

Netting Arrangement Established by the Central Bank

- 1 Notwithstanding any other law -
 - (a) in a netting arrangement obligations may be terminated, termination values may be calculated and a net amount become payable and be paid in accordance with the netting arrangement;
 - (b) paragraph (a) applies notwithstanding:
 - (i) any disposal of rights that may be netted under the netting arrangement;
 - (ii) the creation of any encumbrance or other interest in relation to those rights; or
 - (iii) the operation of any encumbrance or any other interest in relation to those rights, in contravention of the netting arrangement;
- 2 For the purposes of any law the assets and liabilities of a party to the netting arrangement shall include any net obligation owed to a party under the netting arrangement and does not include obligations terminated under the netting arrangement.
- 3 Notwithstanding any other law, if a system participant goes into insolvency or bankruptcy -
 - (i) the party may do anything permitted or required by the netting arrangement in order to net obligations incurred before or on the day on which the bankruptcy or insolvency order is made; and

-
- (ii) subject to clause (4) the obligations that are or have been netted under the netting arrangement are to be disregarded in the bankruptcy or insolvency;
 - (iii) any net obligation owed by the party under the netting arrangement that has not been discharged is provable in the bankruptcy or insolvency;
 - (iv) any net obligation owed to the party under the netting arrangement that has not been discharged may be recovered by the receiver or administrator for the benefit of creditors; and
 - (v) the netting and any payment made by the party under the netting arrangement to discharge a net obligation is not to be voidable in the bankruptcy or insolvency.

4 The receiver or administrator may recover from the bankrupt or insolvent party for the benefit of creditors an amount equal to the amount of the obligation if:

- (i) a party to a netting arrangement becomes bankrupt or insolvent;
- (ii) an obligation owed by the bankrupt or insolvent party to another party to the netting arrangement has been netted under the netting arrangement; and
- (iii) a direct payment by the bankrupt or insolvent party owing the obligation to the other party would have been voidable in accordance with bankruptcy or insolvency proceedings if it had been

made to settle the obligation on the day
the netting occurred.

Passed in the House of Assembly this 2nd day of March, 2009.

DEIRDRE D. JULES (MRS.)
(Acting) *Clerk of the House of Assembly*

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