



NACS2 System Admission Policy for Non-Banks

Centrale Bank van Curaçao en Sint Maarten

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GENERAL

The NACS2 system admission policy follows the PFMI principles¹ as stipulated by CPMI² and IOSCO³. These principles require that a financial market infrastructure (FMI) should have objective, risk-based and publicly disclosed criteria for participation so as to permit fair and open access to the payment system. According to recently released NACS2 Operating Rules, the following Non-Banks⁴ are allowed to have direct access to NACS2:

1. Treasury departments and tax receivers of the Government of Curaçao and Sint Maarten;
2. Local institutions providing payment clearing or settlement services subject to supervision and/or oversight by the CBCS;
3. Other Government agencies or entities not regulated by the CBCS or other supervisory authorities.

In this document the requirements for direct access to the Inter-Bank payment system NACS2 for Non-Banks are defined. The technical requirements are defined in the published NACS2 Operating Rules - Technical Specifications.

NACS2 PARTICIPANT TYPES

The NACS2 Operator defines the following two types of Participants:

- Full Participant
A Full Participant is permitted to undertake all types of financial transactions with other Participants in the NACS2 System. These financial transactions are the LVP and the ACH payment types made available to these Participants for settlement in the NACS2 System.
- Restricted Participant
A Restricted Participants is permitted to undertake only credit transactions with other Participants in the NACS2 System. Debit transactions are restricted in the NACS2 System for these Participants.

Non-Banks in category 3, Other Government agencies or entities not regulated, will be granted Restricted Participants access, because of their institutional nature and because these institutions are not regulated by the CBCS or other supervisory authorities. All

¹ Principles of Financial Market Infrastructure (PFMI)

² Committee on Payments And Markets Infrastructures (CPMI)

³ International Organization of Securities Commissions (IOSCO)

⁴ Except financial institutions such as credit unions and development banks which are categorized as 'other licensed local credit institutions' according to the NACS2 Operating Rules.

other Non-Banks are granted Full Participant access. The non-regulated entities may apply for a Full Participant access when they are subject to regulation and have the stipulated license.

ADMISSION REQUIREMENTS TO THE NACS2 SYSTEM

Applicable to all Non-Banks (Category 1 – 3):

Before having access to the NACS2 System, the potential Participant must go through the admission procedure which encompasses the following activities:

1. Open current accounts (ANG and/or USD) with the CBCS in order to effectuate the clearing and settlement of the transactions;
2. Transfer a minimum of NAF 100,000 (or its USD equivalent) on each current account;
3. Request at SWIFT for a SWIFT BIC or SWIFT Routing number;
4. Provide any information as requested by the NACS2 Operator in context with its daily operations;
5. Have the Participants users well trained on the NACS2 operating rules and operations;
6. Undergo an implementation test phase whereby the Participant is required to process test transactions;
7. Allow the NACS2 Operator to conduct readiness examinations;
8. Sign the Funds Transfer and Clearing Agreement with the NACS2 Operator.

OPERATING REQUIREMENTS

The Non-Bank is subject to the following operating requirements:

1. The Participant should adhere to the NACS2 Operating Rules;
2. The NACS2 Operator will conduct onsite examinations from time to time to determine compliance with the rules and the technical specifications;
3. The Participant must have an organization in place in order to effectuate the necessary segregation of duties and must have the necessary policies and procedures in place to guarantee the correctness, completeness and integrity of the (processing of the) transactions via the NACS2 system;
4. For straight through processing (STP) of transaction files, the Participant must develop an interface between its back-office 'banking' system and the NACS2 Gateway;
5. The Participant must accept placement of a VPN box (firewall) at its premises for access to the NACS2 system;
6. The Participant must participate in training provided by the NACS2 Operator on the rules and operations;

7. The Participant needs to pay entry, participation, transaction and/or other fees that as stipulated by the NACS2 Operator;
8. The Participant must have proper AML/KYC procedures in place.

CAPITAL REQUIREMENTS

Additional requirements are applicable only to Non-Banks in category 2 and 3:

1. The Participant should have an initial issued and paid-up capital of at least NAF 100,000, but may be higher subject to the business plan;
2. Subsequently, the Participant should maintain a minimum total equity of 10% of the amount of customer deposits in custody;
3. The Participant has to provide collateral to the NACS2 Operator subject to its approval. The amount of collateral will be initially determined based on the business plan and subsequently based on operation levels.