

— LEAFLET —

# BORICA

PAYMENT SYSTEM

# DESCRIPTION › LEGAL FRAMEWORK › ROLE OF BORICA

BORICA Payment System (BORICA PS) is a payment system with settlement finality which is pursuant to the provisions of Article 141(1) of the **Law on Payment Services and Payment Systems**, as well as Article 31(5) of Ordinance No. 3 of the **Bulgarian National Bank (BNB)**, processes euro-denominated card-related payment transactions. The Bulgarian National Bank supervises the payment system.

BORICA PS is an ancillary system within the **Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET)**, where the system performs net settlement of card-related interbank payments.

The payment system is supervised by the Bulgarian National Bank.

The system operator and owner of the payment system is BORICA AD, entered in BNB Register of licensed payment system operators in the country, pursuant to Article 139 of the **Law on Payment Services and Payment Systems**.

The system operates 24/7 accepting settlement transaction files from banks and other licensed payment service providers.

BORICA AD is responsible for the management, control, maintenance, and development of BORICA PS and also:

- establishes and manages a guarantee mechanism for the settlement of participants' payments within the payment system;
- develops the system's operating rules and publishes the terms and conditions for participation and access, in compliance with the requirements of the **Law on Payment Services and Payment Systems**.





# PARTICIPATION IN THE PAYMENT SYSTEM

Pursuant to the applicable legislation, to meet the criteria for participation in BORICA participants may be domestic payment service providers and payment service providers or branches of such from an EU member state or an EEA state.



## PARTICIPATION AND ACCESS CRITERIA

1

### PARTICIPANTS MAY INCLUDE

- a) the Bulgarian National Bank (BNB);
- b) a bank licensed to conduct banking activities in the territory of the Republic of Bulgaria;
- c) a branch of a bank from a third country licensed by the BNB pursuant to Article 17 of the Law on Credit Institutions;
- d) a branch of a bank from a EU Member State operating in the territory of the Republic of Bulgaria pursuant to Articles 20 and 21 of the Law on Credit Institutions;
- e) payment institutions and electronic money institutions licensed by the BNB;
- f) other payment service providers licensed in EU Member States.

Payment service providers with rights to access the BORICA PS may be the entities referred to in item 1, letters b–f.

### PARTICIPANTS AND PSPS WITH RIGHTS TO ACCESS THE SYSTEM MUST:

- a) hold a valid Business Identifier Code (BIC) provided by SWIFT;
- b) have submitted to the central bank through which they participate in TARGET, the relevant TARGET registration forms for inclusion in the settlement banks group, in accordance with ECB requirements. This applies to participants holding a TARGET account;
- c) have provided a certificate evidencing a concluded agreement between the settlement bank and the applicant for participation in BORICA. The settlement bank must have submitted to the central bank through which it participates in TARGET the relevant TARGET registration forms for inclusion in the settlement banks group, in accordance with ECB requirements. This applies to participants and PSPs with rights to access the system that do not hold a TARGET account;
- d) have concluded a tripartite agreement between the operator (BORICA AD) and the respective participant (settlement bank). This applies to PSPs with access rights;
- e) have concluded a Framework Agreement with BORICA AD for participation in the payment system;
- f) have the technical capability to issue payment cards, accept card payments and/or operate ATM and POS terminal devices that may also be used by payment instruments of other licensed institutions issuing and authorising card payments in the territory of the country;
- g) have successfully passed BORICA AD's certification tests verifying technical, technological, and information readiness for system participation.

## ADDITIONAL REQUIREMENTS/CONDITIONS TO PARTICIPANTS

1



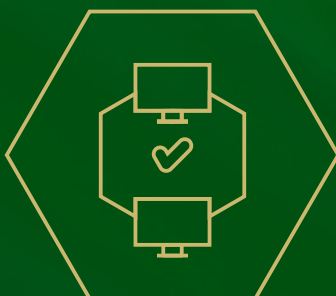
Comply with the functional and technical requirements for participation in the payment system.

2



Meet BORICA AD's information security and data protection requirements.

3

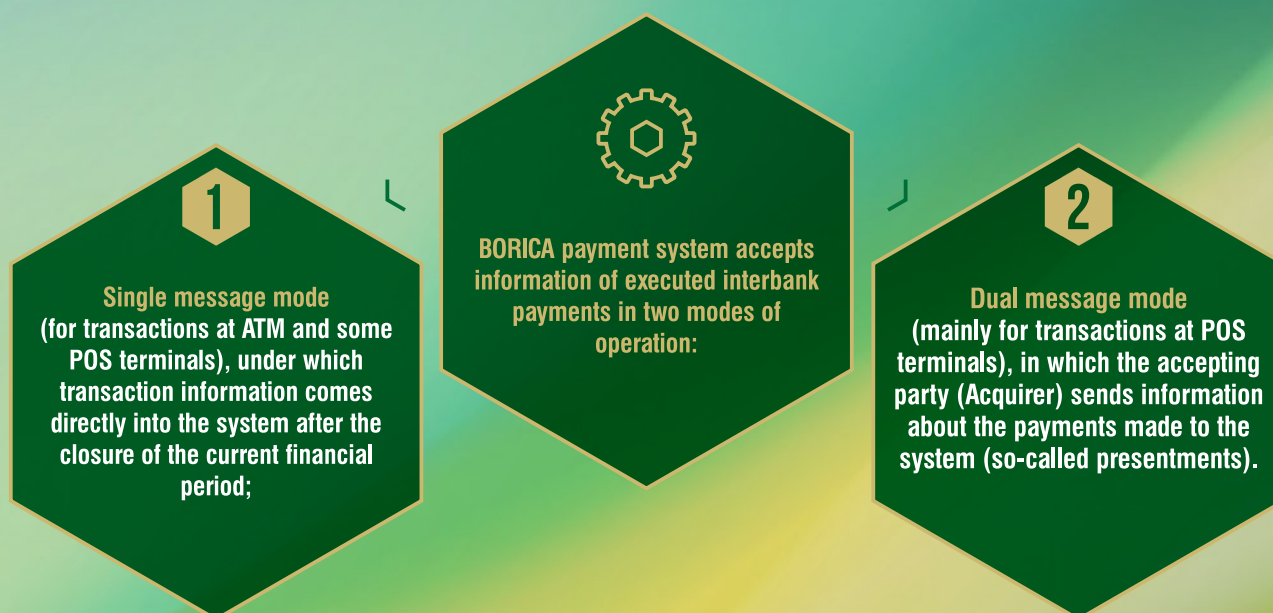


Establish a direct online interface connection between the participant's authorisation system (if any) and the authorisation system of BORICA AD, in order to ensure switching of card payments between the different payment service providers in the country.

As a payment system operator processing card-related payment transactions, BORICA AD ensures equal access and equal quality, security, and efficiency of clearing and settlement services for all participants.



# CORE FUNCTIONS OF THE SYSTEM



## BORICA PAYMENT SYSTEM

Collects, structures, and processes information on interbank card-related payment transactions in euro;

Performs settlement of interbank transfer orders under Procedure “B” (simultaneous multilateral settlement) using a TARGET settlement cycle, based on the mutual obligations between participants calculated by the system;

Calculates and includes in the settlement request the obligations related to interbank (interchange) fees for card-related payment transactions, in accordance with the requirements of local and international card schemes.

✓ The services of the payment system are oriented towards licensed payment service providers carrying out activities related to the issuance of payment instruments and the servicing of payment transactions at ATM and POS terminal devices.

# SETTLEMENT



The settlement agent of BORICA PS is the Bulgarian National Bank.

BORICA PS performs net settlement of card-related payments accepted by system participants within the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET), as follows:

Settlement requests are generated as a result of multilateral netting of participants' mutual obligations;

The submission of settlement requests from BORICA PS is carried out within the TARGET system day;

The settlement request is executed in TARGET if there are sufficient available funds on the settlement accounts of the participants in the system;

Transactions accepted by BORICA PS and included in a settlement request become final upon execution of the settlement in TARGET;

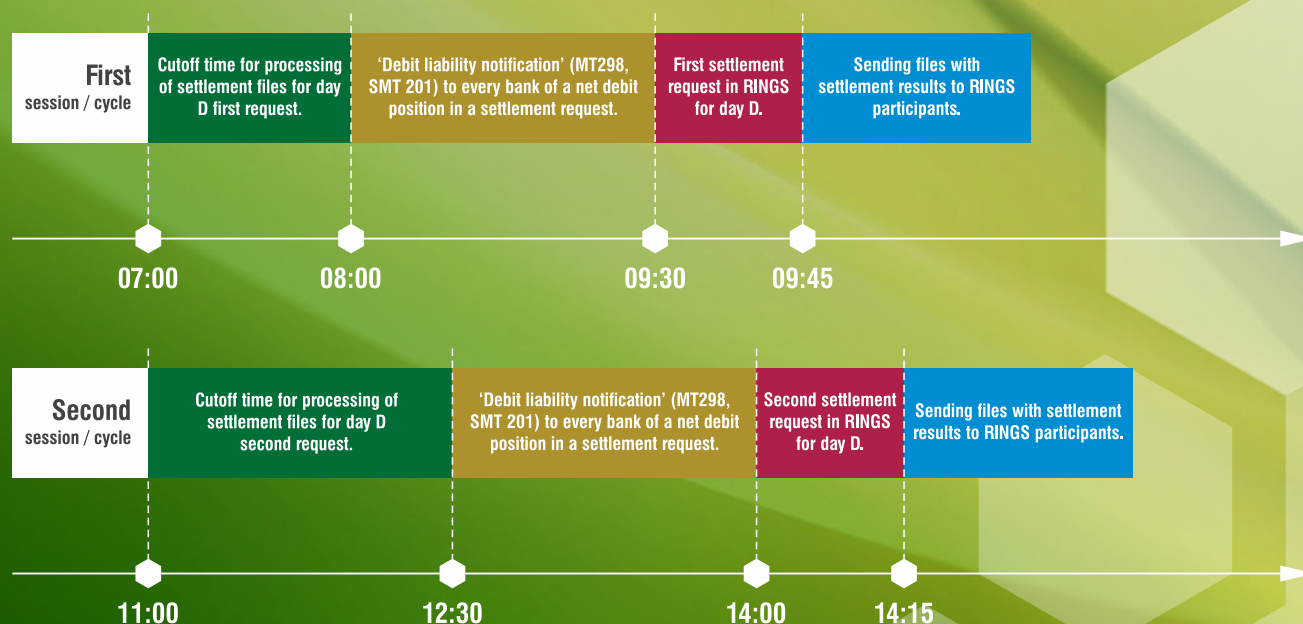
Within the system day, there are two system settlement cycles, according to the system schedule;

Upon successful settlement, BORICA sends to the participants and PSPs with rights to access the system a detailed report of the transactions included in the settlement;

The system also sends a message with the settlement results of disputed transactions whose procedure has been finalised through BORICA AD's dispute management system.

## SYSTEM OPERATION SCHEDULE

SCHEDULE OF OPERATION OF BORICA PAYMENT SYSTEM WITH RINGS REAL TIME GROSS SETTLEMENT SYSTEM



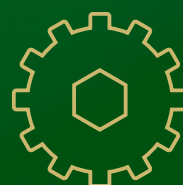
## PRICES AND PRICING POLICY > PRINCIPLES



The services provided by BORICA are offered on the basis of a concluded agreement with each participant and PSP with rights to access the system, against payment in accordance with the effective Tariff for Payment Service Providers of BORICA AD.



Participants and PSPs with rights to access the system pay one-off and monthly fees, as well as fees based on the volume of transactions processed through the system for the respective month.



The prices of the services offered through the payment system are determined by the Board of Directors of BORICA AD.



