

— LEAFLET —

BORICA

PAYMENT SYSTEM

DESCRIPTION › LEGAL FRAMEWORK › ROLE OF BORICA

BORICA is a payment system with settlement finality, processing card-based payment operations in BGN.

The payment system is supervised by the Bulgarian National Bank.

BORICA AD provides and manages a guarantee mechanism for settlement of payment system participants' payments.

The system performs net settlement of interbank payments related to cards in the Real-time Gross Settlement System RINGS, according to an approved schedule by the BNB.

Its system operator is BORICA AD, registered in the BNB Register of licensed payment system operators in this country, pursuant to Article 139 of the Law on Payment Services and Payment Systems.

BORICA AD develops the system operation rules, and announces the terms and conditions of participation in and access to it, in compliance with the provisions of the Law on Payment Services and Payment Systems.

The system is open 24 hours a day, 7 days a week for acceptance of settlement transaction files from banks and other licensed payment service providers operating on the territory of the country.

BORICA AD owns the payment system and is responsible for its management, control, maintenance and development.



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 IN THE SYSTEM MAY BE

- a. the Bulgarian National Bank (BNB)
- b. banks licensed by the BNB to carry out banking activities;
- c. third-country bank branches licensed by the BNB pursuant to article 17 of the Law on Credit Institutions;
- d. bank branches from an EU member state, carrying out activities in the Republic of Bulgaria pursuant to articles 20 and 21 of the Law on Credit Institutions.

Participants in the system may be:

- a. have a business identifier code (BIC) provided by SWIFT;
- b. have a settlement account opened by the BNB in the RINGS Payment Module;
- c. have signed an agreement with BORICA for participation in the payment system (or a Framework Agreement including participation in the BORICA payment system);
- d. be technology-ready for issuing payment cards, accepting payments with them and/or supporting ATM and POS terminals that can also be used with payment instruments issued by other licensed institutions issuing and authorizing card payments in this country;
- e. have successfully passed the certification tests of BORICA AD ascertaining technical, technological and information readiness for inclusion in the system.

2

PSPS WITH RIGHTS OF ACCESS IN THE SYSTEM MAY BE

- a. persons (banks and bank branches) under item 1;
- b. payment institutions and electronic money institutions licensed by the BNB to provide payment services using card-based payment instruments;
- c. credit institutions/banks licensed in EU member states or EEA states to provide payment services using card-based payment instruments, carrying out activities in the Republic of Bulgaria with a notification for free provision of services under the principle of single EU passport recognition;
- d. payment institutions, electronic money institutions or other payment service providers from an EU member state or an EEA state, licensed to provide payment services using card-based payment instruments, carrying out activities in the Republic of Bulgaria directly, through a branch or an agent.

(1) PSPs with rights of access are included through a participant in BORICA, with whom the applicant has a payment account for settlement of card-based payment operations.

(2) PSPs with rights of access to the system

- a. have signed an agreement with BORICA AD for participation in the payment system;
- b. enter into a tripartite agreement with BORICA AD and a participant for processing of payments within the country with card-based payment instruments issued by the applicant, and/or servicing operations with cards, issued by other licensed payment service providers, effected from ATM and POS terminals of the PSPs with rights of access ;
- c. conduct certification tests to ascertain technical, technological and information readiness for inclusion in the system.

ADDITIONAL REQUIREMENTS/CONDITIONS TO PARTICIPANTS

1



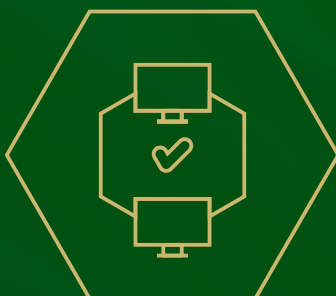
They should meet the functional and technical requirements for participation in the payment system.

2



They should meet BORICA's requirements for information security and information protection.

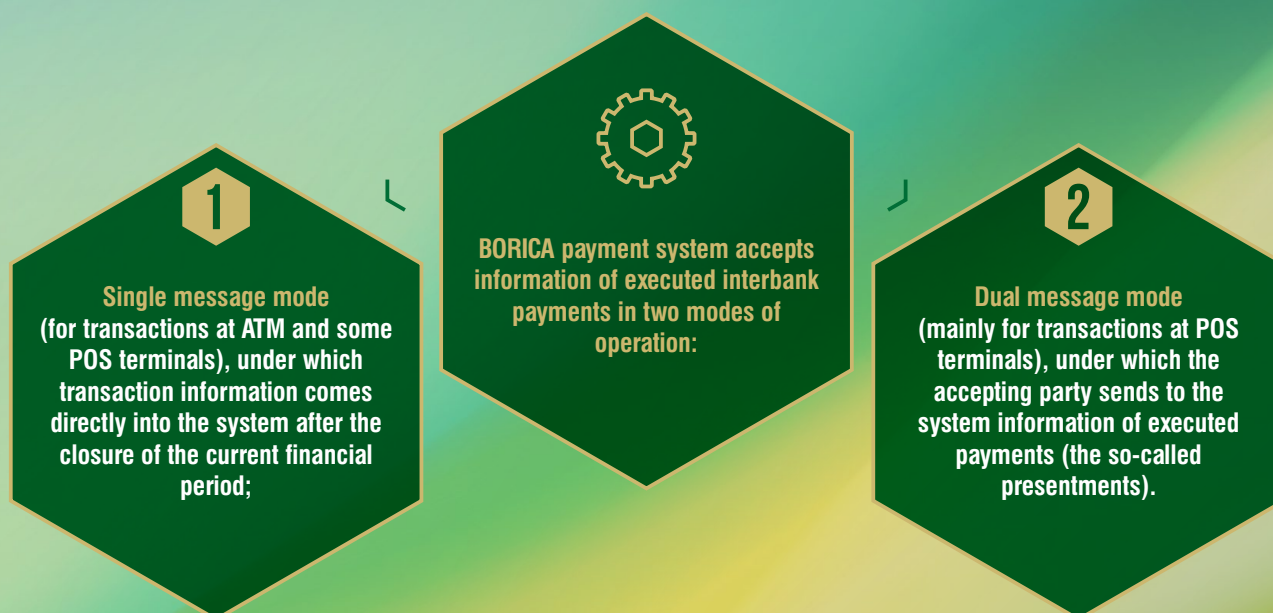
3



Direct online interface connection should be established between the participant's authorization system and BORICA's authorization system.

As an operator of a payment system processing card-based payment operations, BORICA provides to all participants equitable access and uniform quality, security and efficiency of the clearing and settlement services.

CORE FUNCTIONS OF THE SYSTEM



BORICA PAYMENT SYSTEM

systematizes and processes information of interbank payments under card-based payment operations in BGN;

settles the results of the multilateral netting of system participants' liabilities to one another;

intermediates in the settlement in RINGS of payment operations in BGN within the country in relation to cards, by collecting and processing information of all payments with such cards between participants and submits a request for settlement in RINGS;

also charges and includes in the settlement request interbank fee liabilities under executed card-based payment operations. Fees are charged according to the requirements of domestic and international card schemes.

✓ Payment system services are targeted at licensed payment service providers carrying out activities related to issuing of payment instruments and servicing of payment operations at ATM and POS terminals, operating within the country via BORICA.

THE SWITCH SERVICE



✓ BORICA AD provides switching of card payments between different payment service providers within the country. The service comprises establishing and supporting host-to-host online interface connections with banks and other licensed payment service providers with separate authorization centres.

SETTLEMENT



The settlement agent of BORICA is the BNB.

BORICA performs net settlement of card-based payments accepted from system participants in the **RINGS real time gross settlement system**.

Settlement requests are prepared as a result of multilateral netting of participants' liabilities to one another.

Settlement requests are submitted by BORICA to RINGS within the RINGS system day.

Settlement requests are executed in **RINGS** if there are sufficient funds available in the settlement accounts of system participants.

The operations accepted by BORICA, included in a settlement request, are final after its execution in RINGS.

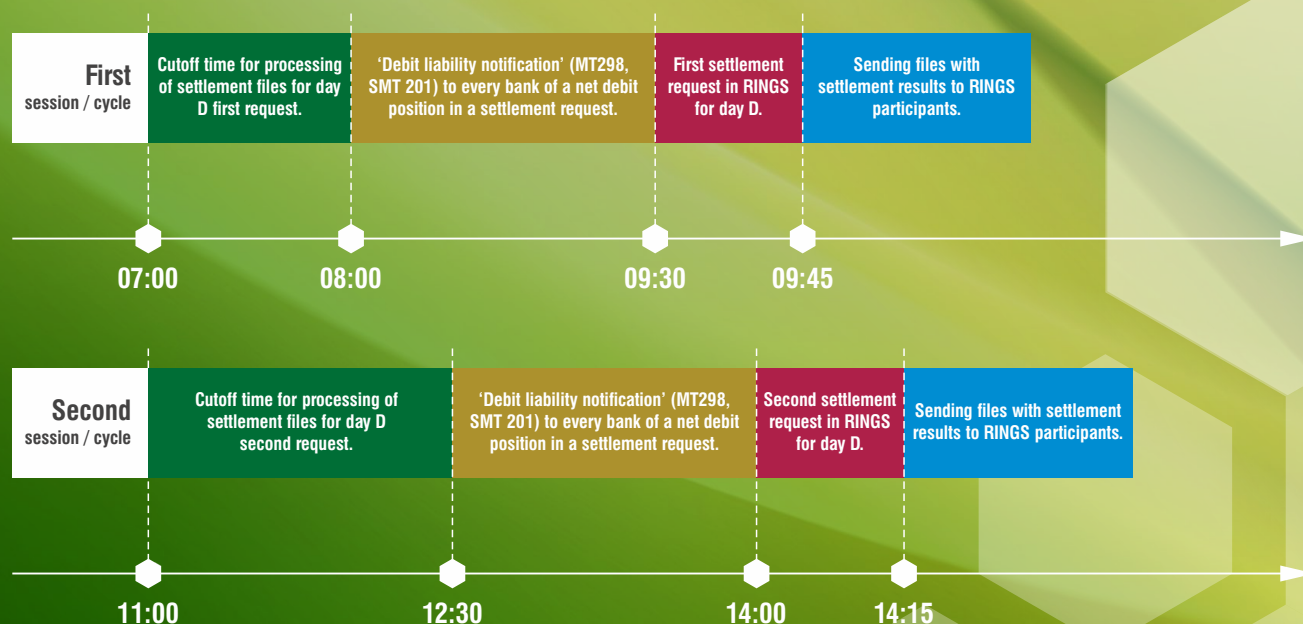
There are two system **settlement cycles** within the **system day**, according to the system schedule.

Upon successful settlement, **BORICA** sends detailed information of the operations included in the settlement to the participants and PSPs with rights of access.

The system also sends a message of the settlement results of disputed payments, whose procedure was finalized via the disputed payment system of BORICA AD.

SYSTEM OPERATION SCHEDULE

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



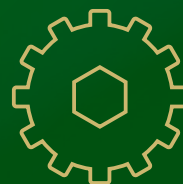
PRICES AND PRICING POLICY > PRINCIPLES



The services offered by BORICA are provided under a **contract signed with each participant** and against payment as per the current Tariff of Rates of BORICA AD for payment service providers.



Participants **pay one-off and monthly fees**, as well as fees for the quantity of transactions for the month, processed via the system.



The prices of provided services in the payment system are set by the **Board of Directors of BORICA AD.**

